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The State of Global Youth Employment Report: Tunisia Case Study

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Young People...Enterprise...Employment...

The Report Team

The authors of this Report are Noura Kamel, Silatech's Policy Program Manager, and Thomas Chidiac, Research Analyst with the Policy Program. We thank Nicole Goldin and Nader Kabbani for valuable inputs, which they provided to the report. As part of the research conducted, we connected with various young people, experts and educators, business leaders and policymakers for their perspectives on various aspects related to youth employment in Tunisia. We would like express appreciation to the following Tunisian stakeholders:

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About Silatech

Silatech is a regional social initiative that works to connect Arab youth to jobs and expand economic opportunities. The organization promotes large-scale job creation, entrepreneurship, access to capital and markets, and the participation and engagement of young people in economic and social development. Since being founded in 2008, Silatech has financed over 120,000 youth-owned businesses, created or sustained over 200,000 jobs. Silatech currently has programs in 16 Arab countries, including Algeria, Egypt, Comoros, Iraq, Jordan, Lebanon, Oman, Morocco, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia and Yemen. For more information, please visit www.silatech.com.

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I. Introduction and Macroeconomic Context

Tunisia is in the midst of a precarious political and economic transition – one that has implications for the region as a whole. With most Arab Spring countries experiencing economic and political instability, including some that are undergoing open conflict, the outcome of the Tunisian experience has become particularly pertinent to the transitional prospects of the region as a whole. Tunisia is contending with the legacy of decades of economic mismanagement that has resulted in a distorted and restrained economic structure¹. Over the past four years, the country's leadership has focused primarily on political reforms, which have taken precedence over economic reforms that the Tunisian people are demanding. Like in most other Arab countries, youth continue to bear the brunt of these profound problems – the most urgent of which is the lack of sufficient decent economic opportunities for young people to realize their potential.

Youth employment and entrepreneurship trends in Tunisia are subject to the underlying macroeconomic context. Tunisia still faces political, social, and economic consequences of the overthrow of the Ben Ali regime in 2011. While the transition to a participatory democracy has involved a positive – albeit non-linear – trajectory, the economy has suffered from upheavals prompted by the global economic crisis, the country's political transition, and investment responses to the unstable security situation. As a consequence, Tunisia's GDP shrank from a healthy 2.6% in 2010 to -1.9% in 2011 (IMF WEO, April 2015). During the uprising, an estimated 120 foreign firms closed operation in Tunisia, resulting in the direct loss of 40,000 jobs². GDP growth bounced back to 3.7% in 2012 and stabilized at around 2.3 % in 2013-2014. It is projected to increase to a moderate 3% in 2015 and 3.8% in 2016. In terms of poverty trends, while the overall poverty rate declined to 15.5% in 2010 (down from 32.4% in 2000), it most likely increased after 2011 (Tunisia National Institute of Statistics, 2012)³.

Tunisia's macroeconomic future is impacted by three factors which are driving uncertainty. First, the political focus in Tunisia has been dominated by elections and the establishment of a new government. This new political paradigm creates opportunities for Tunisia to tackle market reforms that would significantly liberalize the economy and strengthen the regulatory regime – but the intentions and resolve of the government's economic program remain unclear. Second, the ongoing uncertainty of the economic growth and stability in the EU affects growth prospects for Tunisia as well, given that the EU is the primary destination for Tunisian exports⁴. Third, the continued threat of terrorist attacks may erode confidence in Tunisia's security for foreigners, thereby potentially deterring tourism and investment.

¹ For reports which examine the broader economic history and context of Tunisia in more detail, see The World Bank (2014), Subrahmanyam and Castel (2014), and IBRD (2015)

² The Economist, 2012

³ The Tunisian National Institute of Statistics (INS) undertook a comprehensive review of the status of poverty and economic inequality across the nation, in collaboration with the African Development Bank and the World Bank at the end of 2011. For the purposes of the study, the NIS deemed a household to be in poverty if annual per capita consumption falls below official poverty line of 1277 dinars in cities and 820 in rural areas.

⁴ Tunisian exports to the EU accounted for over 80% of total exports in 2012 (United Nations Statistical Division (COMTRADE database used in MIT Observatory of Economic Complexity, available at https://atlas.media.mit.edu/en/explore/tree_map/hs/export/tun/show/all/2012/)

The unrest has not deterred social investment and initiatives from major international organizations and donors. A few prominent examples include the Agence Française de Développement (AFD), which committed USD 2.2 billion when it first began programming in Tunisia 20 years ago, which amounts to USD 122 million per year, on average. Initiatives include social and professional integration, sustainable development, and job creation. Meanwhile, the Qatar Friendship Fund committed USD 100 million in 2013 to programs that promote an entrepreneurial culture and augment Tunisia's knowledge economy, to be disbursed over the ensuing three years. The German Development Agency (GIZ) has committed USD 78.2 million since March 2014 to other employment promotion schemes, as well as initiatives to protect national resources and improve local governance. The United Nations Development Program (UNDP) has committed USD 63.9 million for 2015-2019 towards the promotion of an inclusive, sustainable and resilient economic model, in addition to social protection and quality social services.⁵ Furthermore, Tunisia benefits from USD 4 billion worth of World Bank support, primarily in loans, to reforms to the banking sector, the business climate, Tunisian public sector administration, and infrastructural systems over the next four years.⁶

II. Key Labor Market Trends

Young Tunisians⁷, like their counterparts in most of the Middle East and North Africa region, struggle to find productive, formal-sector work that is well-suited to their education and aspirations. Unemployment in the country remains exceptionally high among youth, with some notable differences across gender, educational attainment, sector and region. Where available and appropriate, we provide comparisons between youth and adults.

Youth Unemployment by Gender

There are sizeable differences between youth and adult unemployment in Tunisia. In 2011, at the peak of the political transition, the overall unemployment rate in Tunisia stood at 18.3%. Overall unemployment rates fell since then, reaching 15.1% in 2014 and 15.0% in the first quarter of 2015.⁸ While disaggregated data have not been published since 2012, youth unemployment rates have fallen from a peak of 42.7% - the highest recorded rate in the Arab region at the time - to 37.6% in 2012. Noting that youth unemployment rates tend to be highly correlated with overall unemployment rates, we estimate that youth unemployment rates fell to around 33.5% by 2014.

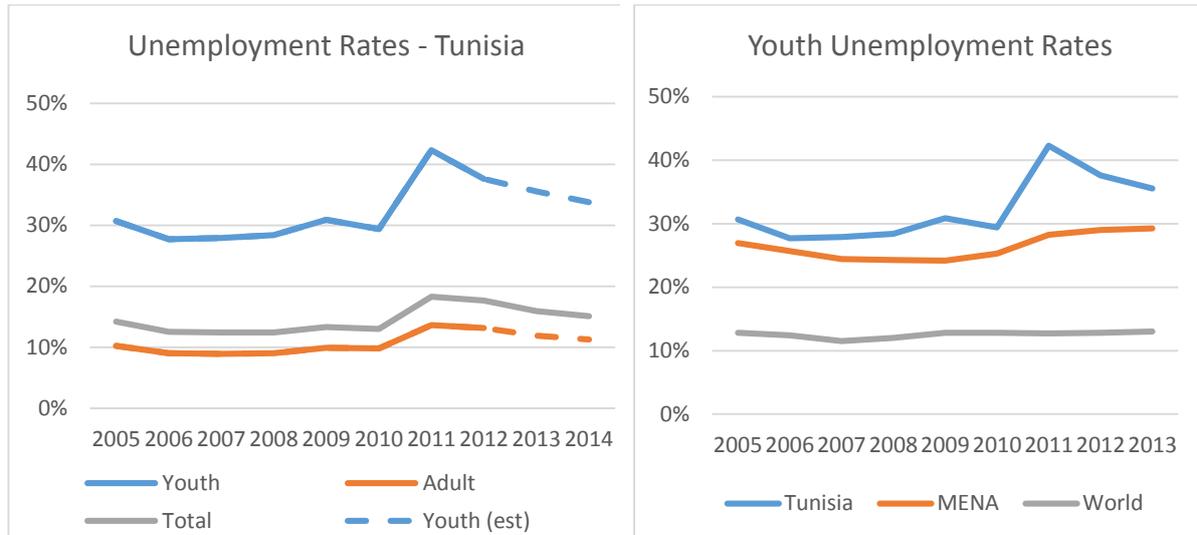
⁵ Agence Française de Développement (AFD), The United Nations Development Programme (UNDP), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

⁶ Agbenonwossia

⁷ Youth are defined as those aged 15-29 by the Tunisia State (according to a [youth policy study](#)), however some government sources traditionally focuses on the 15-25 bracket. In this study, we refer to youth as 15-24 years unless stated otherwise.

⁸ Tunisian National Institute of Statistics, 2015

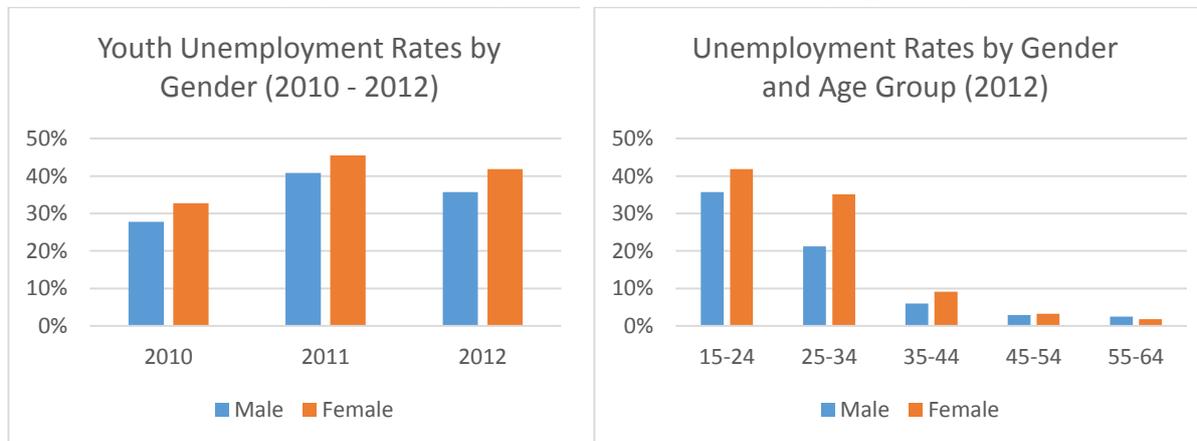
Figure 2.1: Total Unemployment and Youth Unemployment in Tunisia, 2005 to 2014



Sources: KILM (2005 - 2012); Tunisia National Institute of Statistics (2013 - 2014); Authors' calculations: disaggregated youth and adult unemployment rates (2013 - 2014) using average ratios from 2010-2012.

At around 33.5%, youth unemployment rates in Tunisia are higher than those of the Middle East and North Africa region as a whole, estimated at 29.3% in 2013 (Figure 2.1). Youth unemployment rates in MENA, in turn, are more than double the rate worldwide⁹. The youth unemployment rate in Tunisia has partially recovered from the economic turmoil of the revolutionary period, during which time youth unemployment for the most-educated spiked to 44%.¹⁰

Figure 2.2: Youth Unemployment Rates by Gender, Over Time and by Age Group



Sources: ILO LABORSTA (2015).

Unemployment rates for young women in Tunisia are only around 10-20 percent higher than for young men. This is a moderate difference in comparison with many other countries of the MENA region (where unemployment rates among young women can be more than double those among young men). Although young women experience unemployment at comparable rates to young men, this belies the difficulties young Tunisian women face in the job market, including discrimination and – in some regions of Tunisia – restrictive social mores which limit employment options. Indeed,

⁹ ILO Key Indicators of the Labor Market

¹⁰ Tunisian National Institute of Statistics, 2012

unemployment rates for women in the 25-34 age group are nearly double those of men (Figure 2.2). Wages of young women are, overall, one quarter lower than wages for young men.¹¹

Especially worrisome is the long duration of youth unemployment. According to a 2014 ILO school-to-work transition survey report, 37.7% of unemployed Tunisians aged 15 to 29 have been unemployed for over two years, while 20.1% of unemployed youth have been out of work for one to two years. Figures are comparable when disaggregated by gender.¹² While long-term unemployment spells are common for Arab youth, interventions geared towards enhancing information and understanding may help young Tunisians find jobs aligned with their skills and maintain realistic expectations for wages and workload.

Youth Unemployment and Educational Attainment

Examining youth unemployment by educational attainment reveals further structural difficulties. Table 2.2 disaggregates unemployment by age group, gender, and educational attainment. Across all education levels, we see that youth are 3-4 times more likely to be unemployed than adults. Using data from Haouas, Sayre, and Yagoubi (2012), we see that unemployment rates actually increase with educational attainment for both men and women. While we might expect to see high unemployment for highly-educated youth who are new entrants to the labor market, the ascending levels of unemployment by educational attainment for adults does suggest a significant correlation. Haouas et al. (2012) find evidence suggesting that this problem became even more severe in the aftermath of the 2011 uprising. In 2012, only 37% of recent university graduates were placed in jobs. At the same time, individuals with a secondary education or with a technical/professional training were more likely to find employment than specialized graduates.¹³

Table 2.1: Unemployment by Age Group, Gender, and Educational Attainment, 2010

		Illiterate	Primary	Secondary	Higher	All
Youth (15-24)	Men	19.2%	23.4%	28.8%	56.4%	28.4%
	Women	20.2%	24.6%	28.3%	64.5%	33.9%
	All	19.7%	23.7%	28.7%	61.4%	30%
Adult (25+)	Men	4.5%	6.3%	8.1%	13.8%	7.6%
	Women	6.4%	10.6%	12.6%	30.7%	16.1%
	All	5.2%	7%	9.1%	21.4%	9.8%

Source: Haouas, Sayre, and Yagoubi (2012)

In principle, those with higher education levels ought to possess varied and valued skills, and as such would be more competitive on the job market than the less-educated. As Haouas et al.

¹¹ The International Bank for Reconstruction and Development, 2014

¹² The International Labour Organization, 2014

¹³ Haouas, Sayre, and Yagoubi, 2012

(2012) discovered when in their analysis of the labor force survey, students who are employed are those whose specialty is in demand on the labor market, strongly suggesting that the choice of field of study is a more important determinant of success than the level of educational attainment. This is intuitive, as we would expect private, profit-maximizing firms to only employ those who would assist their bottom line. However, Tunisian youth, as in other Arab countries, go through an educational and training system that “encouraged developing credentials over developing skills.”¹⁴ Furthermore, in a recent school-to-work transition survey, the International Labour Organization (ILO) finds that returns to education tend to be substantially lower than in other countries with similar income levels, a fact attributed to the oversupply of highly educated workers competing for jobs in an overstuffed public sector and stagnant formal sector.¹⁵ Ahmed, Guillaume, and Furceri (2012) explain this distortion by pointing to the dominant role of the public sector as an employer throughout the Arab world, which in Tunisia amounts to 22% of all employment.¹⁶ The pursuit of a high-paying, high-benefit public sector job prioritizes educational credentials over actual skill accumulation and influences educational choices and diverts young people’s attention away from a more dynamic private sector. The enduring draw of a public sector job is influencing young people to pursue credentials valued by the public sector, at the expense of not building skills demanded by the private sector.

The quality of education is at the core of these issues and it is linked to inequalities. Tunisia experiences relatively high dropout rates, as more than 140,000 drop out of school annually – 80,000 of whom not even having completed their basic education.¹⁷ In 2009, the primary school completion rate for Tunisia was 90%, higher than the Arab world average of 84.6% but lower than the world average, 91.6%.¹⁸ As with unemployment, inequalities persist across regions. Over four out of five rural youth compared to one out of two urban youth do not complete secondary schooling. Across genders, girls fair a bit better than boys. 62% of university students are female and 36.2% of all young women complete a university education. Meanwhile, only 27.1% of young men have achieved that level of education.¹⁹ Those who do remain in school, however, may not be building the skills they need to succeed in the labor market. The 2011 TIMSS survey, a trans-national measure of mathematical learning, found that 75% of Tunisian 8th graders performed at a level deemed “low” or “beyond low” – boding poorly for Tunisia’s STEM disciplines.

A report on the status of Tunisian youth, spearheaded by the World Bank and supported by Silatech, a social initiative that works to create jobs and expand economic opportunities for young people throughout the Arab world, indicates a lack of practical skills training. **Instruction and extracurricular activities, which ought to help develop social, personal, and communication skills, are found to be significantly inadequate**, leaving young people unable to “reach their full potential and impart the values of work and citizenship.”²⁰ In conversation with the authors, Leila Ben Gacem, a self-described “micro-business entrepreneur” and Tunis-based hotelier, highlighted that “universities do not prepare graduates for autonomy.” Ms. Ben Gacem ascribed this shortcoming to

¹⁴ Haouas, Sayre, and Yagoubi, 2012

¹⁵ International Labour Organization, 2014

¹⁶ The World Bank, 2015c

¹⁷ Romdhane, 2010

¹⁸ The World Bank, 2015b

¹⁹ The International Bank for Reconstruction and Development, 2014

²⁰ The International Bank for Reconstruction and Development, 2014

“a lack of opportunities for soft skills development, such as student associations, sports, and summer jobs.”

Anecdotally, generational differences and political/cultural developments may play a role in the enduring youth unemployment, which may partially explain the higher unemployment rates for the better-educated. Karim Sehnaoui, CEO of Elham Holding, explained in an interview with the authors of this report that his business struggles to find the right talent – not for a lack of technical qualifications, but for “incompatible ethical and personal attributes.” Mr. Sehnaoui laments the years of political unrest and judicial uncertainty which, in his view, has led to a “widely present lack of motivation, work ethics and short term sight. People neither feel personally motivated nor legally bound. There is no inspiration nor pressure from political spheres to work harder in these times of crisis.” Adel Beznine, an education development professional and Education development professional and CEO at Boost Accelerator in Tunisia, echoed the sentiment, bemoaning a “lack of a self-reliance culture and attitude.” In the view of Ali Mnif, Silatech’s Country Manager in Tunisia, emphasized the importance of on-the-job training, as it builds skills which typically cannot be acquired through schooling alone. He went on to say that finding a job with fair working conditions is another common challenge faced by first-time job seekers.

Youth Employment by Sector and Region

Youth employment outcomes differ significantly by region and sector in Tunisia, with agricultural work more popular in rural areas and industry/manufacturing work more commonly found in urban centers. Most young Tunisians work in the service sector, with a heavy emphasis on jobs in tourism along the coastal areas. According to the World Bank, 21.9% of youth in rural areas are employed in the agriculture sector while 32.2% of youth in urban areas and 23.8% of youth in rural areas are employed in manufacturing.²¹ Manufacturing is strongest in urban areas, while agriculture predominates in rural areas, and tourism is the most common source of employment in coastal areas. However, youth employment in the public sector is weak everywhere. A mere 6.8% of youth in rural areas are public sector workers, while 12.4% of young people in urban areas work for the government. It is also noteworthy that 45% of all wage workers do not have a formal contract²².

Table 2.2: Youth and Adult Employment by Sector and Region, 2012

Sector	Youth (15-29)		Adult (30+)	
	Rural	Urban	Rural	Urban
Agriculture	21.9%	6.8%	32.2%	6.6%
Construction	17.8%	10.6%	22%	12%
Industry/Manufacturing	23.8%	32.2%	12.9%	17.3%
Services	29.7%	37.9%	22.4%	35.1%
Public Sector	6.8%	12.4%	10.5%	29%

Source: The World Bank²³

Note: This table includes working youth, excluding self-employed youth. The agricultural sector includes jobs in the food processing industry.

²¹ Ibid.

²² The World Bank, 2014

²³ The International Bank for Reconstruction and Development, 2014

Youth unemployment is especially prevalent in rural and inland sections of Tunisia. In a recent report, the World Bank called disparities between coastal, interior, and southern regions of Tunisia the “principal barrier to economic opportunities,” as almost every measure of economic distress is more pronounced in the inland and rural parts of the country. This can be especially seen across unemployment rates for young women. Only 8.3% of young women in the southern and 15.4% in the interior regions are working. In contrast 23.6% of young women in the coastal regions are working. In the urban/rural divide, less than one in five women in rural Tunisia (18.5%) are employed, while 39.8% of young female urbanites have a job.²⁴

Youth Employment and Job Quality

The quality of available jobs is an important issue in Tunisia, as it is in the rest of the region. Within Tunisia, workers experience a broad range of work types, from formal, open-ended jobs which provide benefits and a strong wage to short-term, informal engagements. A rigid bureaucracy administering labor regulations and half-completed reform efforts have contributed to a labor market that – especially for youth – can be exploitative and exclusive. As described in Haouas, Sayre, and Yagoubi (2012), reforms to the Labor Code in 1994 and 1996 were intended to introduce greater flexibility to the labor market by liberalizing hiring and firing procedures and indexing wages to productivity, thereby decentralizing wage negotiations. Critically, these reforms allowed for different forms of work, including fixed-term contracts (FTC) and part-time work.²⁵ Despite these reforms, dismissal procedures remained “among the most restrictive in the world,” with the labor code remaining overly-burdensome for small businesses (who are inhibited from responding to market conditions), and continued delays in the adjudication of dismissal request.²⁶ To get around this, Haouas et al. (2012) find evidence that companies are hiring workers on Fixed Term Contracts and then dismissing the workers just before the FTC would expire, which is when the firm would have obligations to the employee.²⁷

This type of insecure labor – where firing may be capricious, the potential for wage growth is extremely limited, and typically no benefits are offered – has become increasingly common throughout Tunisia over the two decades since these reforms.²⁸ Very few Tunisian youth can even access a secure job, and those who have formal job contracts are often confined to fixed-term arrangements. A World Bank report on youth inclusion in Tunisia finds that less than one in three young workers have a secure work contract and access to social protection. Again we see a regional divide in formal versus informal work. Informal labor predominates especially in rural areas (71.9% for youth). In contrast, 55.4% of youth in urban areas are employed informally.²⁹ This may be lower than informality in rural areas, but it is nevertheless worryingly high. High informal employment is common

²⁴ Ibid.

²⁵ Haouas, Sayre, and Yagoubi, 2012

²⁶ As explained by Haouas, Sayre, and Yagoubi (2012), to terminate a formal employee an employer must first notify a labor inspector who acts as a mediator between employer and employee. If no compromise or solution can be reached, the labor inspector then refers the dispute to the Termination Commission, which does have the power to authorize a dismissal. This process is lengthy for all businesses and very costly for small firms.

²⁷ According to a school-to-work transition survey conducted by the ILO, 21.3% of young Tunisians are in a state of vulnerable employment. By gender, this figure is 21.8% for young men and 20.2% for young women.

²⁸ Haouas, Sayre, and Yagoubi, 2012

²⁹ The International Bank for Reconstruction and Development

throughout MENA, as suggested by a recent ILO study on informal work which found that 51.2% of all employed Egyptians work in non-agricultural informal employment, while the comparable figure for the West Bank and Gaza is 58.5%.³⁰ Investments in on-the-job training, which would bridge the gap between skills accrued in schooling and skills required to advance in the workplace, are unattractive to employers of such fixed-term contract employees, whose newly-developed abilities will not remain beneficial to the firm after the contract concludes. Empirical analysis of the introduction of fixed-term contracts Spain adds credence to this theoretical understanding of lower skill accumulation for fixed-term contract workers. García-Pérez, Marinescu, and Castello (2014) find evidence that FTCs allow workers to start younger, but ultimately face more frequent unemployment, slower wage growth, and lower skill accumulation.³¹

Among employed young Tunisians, discontent with their current job is extremely high. According to the 2014 school-to-work survey, 46.8% of working youth indicated that they would like to leave their job and find a new one (49.8% for men, 39.9% for women)³². Of those who would like to change their job, fully 28.2% would like to find new work because their current job is temporary – suggesting the high prevalence of insecure employment. A further 22.6% cited low wages as their reason for wanting to find a job. More important than finding a higher salary, according to survey results, is improving working conditions. A share of 25.4% of employed youth who wish to change their jobs because they find their current working conditions inadequate. This may suggest a mismatch in youth and employer expectations in what constitutes a satisfactory working environment. Such deep-seated dissatisfaction among even employed young people indicates a societal problem, in which youth – either unemployed or in insecure employment – have too-small a stake in the development of their communities, or indeed have much opportunity to develop an identity as an independent adult. Societal unrest and broad youth disaffection is a natural consequence of Tunisia's youth employment challenge.

Inactive Youth

An alarming number of young Tunisians appear to be inactive³³. Unsurprisingly, there is a high correlation with dropping out of school and becoming one of the economically marginalized inactive youth. More than 80% of inactive youth in rural areas and 57% in urban areas are secondary school drop-outs.³⁴ Across regions, 2 out of 5 youth in rural areas are inactive, with the rate being 1 in 3 in urban areas. For men and women, we find that young rural women are the most at risk of being inactive – at 50.4%. The rate for young rural men is 33.4%. In urban areas, 32.4% and 20.3% of young women and men are inactive, respectively.³⁵ Disaggregated by region, we find that the inactivity rate is the highest for young women in the south (53.7%). This, according to the World Bank, is due to the “virtual absence of adequate employment opportunities that correspond with the norms and expectations of a more traditional society.” In the interior region, 45.4% are similarly inactive and for

³⁰ The International Labour Organization, 2013

³¹ García-Pérez, Marinescu, and Castello, 2014

³² The International Labour Organization, 2014

³³ Some sources use the term “NEETs”, meaning Not in Employment, Education, or Training to refer to inactive youth.

³⁴ The International Bank for Reconstruction and Development, 2014

³⁵ Ibid.

young women on the coast, this figure is 31.3%.³⁶ Although reliable estimates of the economic cost of mass inactivity appear to be unavailable, Tunisia's high youth inactivity rates suggest the economy is performing at well below its potential. The costs of this human development failure to both the individual and to society, however, are unquantifiable.

III. Key Issues and Interventions

Tunisia's political revolution and successive interim governments have slowed down the youth agenda in Tunisia as the country grapples with the weightiest issues of political transition. The country does not yet have a national youth policy³⁷, however it has attempted to address youth employment issues using a variety of active employment policies over the past 40 years. These initiatives have ranged from promoting rural development and microenterprises in the craft sector as well as internship schemes during the 1970s and 1980s, to promoting intermediation in the job market in the 1990s. The main achievement from 2000 to 2005 was the creation of the National Employment Fund, which uses voluntary contributions from companies to support a litany of strategies to enable young people to find jobs and become self-employed. Since 2009, the government's labor market initiatives have included the following³⁸:

- a. A specific program for graduates of higher education who have experienced long-term unemployment;
- b. An increase of the allowances to 150 dinars (USD 75) paid to tertiary graduates who participate in employment programs;
- c. Restructuring active employment policies in six programs by simplifying the administrative procedures;
- d. A devolution of powers to the regions in designing and implementing employment programs to better fit local needs;
- e. An acceleration of investment programs in key sectors such as information technology, communications, health services, tourism, transportation services, and offshoring services;
- f. Increase the numbers of youth guided toward vocational and technical education.

Previous Active Labor Market Programs (ALMPs) by the Tunisian Government have not been evaluated publicly in terms of effectiveness and impact despite the fact that they constituted a significant share of GDP. For instance, the Government had allocated more than 250-270 million dinars a year (0.8% of GDP) to the "solidarity fund" from which many of ALMPs were funded. A publicly available evaluation plan does not exist for the recent initiatives.

Demand for young Tunisian workers remains low; inadequate job creation is by and large a result of low private sector investment that is driven by an uncondusive business environment. Based on the World Bank's Doing Business rankings³⁹, from 2014 to 2015, Tunisia's ranking sank from 69th in 2010 to 60th in 2015 out of 189 countries. While Tunisia remains comfortably above the MENA average of 106th place, two metrics are holding back Tunisia's ranking: the ease of starting a business

³⁶ Ibid.

³⁷ YouthPolicy.org

³⁸ Haouas Sayre, and Yagoubi, 2012

³⁹ These are derived from the rules and regulations affecting 10 metrics that capture aspects of starting and growing a business (World Bank *Doing Business*).

(100th place) and getting credit (116th place). Starting a business is a key metric because it evaluates the extent to which a would-be entrepreneur must overcome the costs and effort required to push through government bureaucracy and become a formal, operating business. Tunisia performs dismally on this front because starting a business, on average, requires 10 procedures, takes 11 days, and costs 4.2% of per capita income. Last year's increase in the cost of company registration made starting a business in Tunisia all the more difficult. Getting credit remains a significant obstacle to entrepreneurial activity in Tunisia, as it does all across MENA. Tunisia's 116th ranking in getting finance is actually just a bit above the MENA average of 133rd. This overall poor showing is largely due to the weakness of debtors legal rights (indexed by the World Bank between 0 and 12, giving Tunisia a 2). Although Tunisia fares decently well on the "depth of credit information index" by scoring a 5 out of a possible 8, youth struggle to be included due to a lack of collateral and the prevailing assumption amongst creditors that youth are not worth the risk.

The most pressing economic problem is the lack of competition in the Tunisian economy. Policies which are meant to protect well-connected, established industries have effectively closed off development in large sectors while newer firms suffer under the burden of regulation.⁴⁰ A recent World Bank report estimates that the lack of competition costs the economy over USD 2 billion per year, or nearly 5% of the wealth of the country. An increase in competition which would reduce current, monopolistic corporate profits by 5% is estimated to boost labor productivity by 5% on average, while raising GDP growth by 4.5% and creating 50,000 new jobs per year.⁴¹ Other protectionist measures ought to be gradually phased out to open Tunisia up to international competition.

Monetary and fiscal reforms will, in the medium and long term, help to boost economic competitiveness and job growth. One key issue for Tunisian policy makers is the overvaluation of the Tunisian dinar, which artificially increases the cost of Tunisian goods for export. This has the effect of making Tunisia's economy less open to international trade, discouraging foreign direct investment and inhibiting job creation in export-reliant businesses. Tunisia, which has abundant labor and a narrow domestic market, would reduce its structural unemployment by effectively capitalizing on its natural position as a trade gateway between Africa and Europe.⁴² Current public spending levels are unsustainable, as public debts are expected to hit 56% of GDP by 2017 and, in the absence of a fiscal consolidation program, could reach 63% of GDP by 2019.⁴³

The Tunisian government has made no major economic reforms to facilitate doing business since 2011. As discussed in section 1, the Tunisian government has focused on the political transition rather than economic reforms. Between 2010 and 2015, Tunisia has actually made it more difficult to start a business by increasing the cost of registration.⁴⁴ An examination of the June 2015 report of Al Bawsala, a non-governmental parliamentary observatory, reveals little progress by relevant committees. The Committee on Finance, Planning, and Development met several times to discuss a 2012 bill on public-private partnership contracts without reaching any decisions, while engaging in

⁴⁰ The World Bank, 2014

⁴¹ Ibid

⁴² Seneca, 2015

⁴³ The World Bank, 2015c

⁴⁴ World Bank, 2015a. For a detailed discussion of various doing business indicators in Tunisia, see the [Tunisia Doing Business Report](#)

non-reform activities (such as approving the acquisition of new airplanes by the Société Tunisienne de l'Air). Meanwhile, the Committee on Youth, Cultural Affairs, Education, and Scientific Research discussed bills relating to the establishment of a National Center for Cinema and amending the law governing the Arab and Mediterranean Music Center.⁴⁵ As Dalia Dassa Kay, the director of the Center for Middle East Public Policy and a senior political scientist at RAND noted, “without economic development and investment, it would be difficult to lock in Tunisia's political gains and build a sustainable democracy in the Arab world.”⁴⁶

However, this may be about to change. In a recent news report, the Minister of Development, Investment, and International Co-operation Yassine Brahim recently announced the development of a five-year development plan, to run from 2016 to 2020. While the specific contents are not yet known, the Minister stated that the goals are to promote economic growth by enacting structural reforms, boosting public investments, revitalizing good-governance strategies, and introducing a participatory approach “based on revalorized labor values.”⁴⁷ This plan is still being formulated, and may yet contain the kind of market-based reforms and a dedicated youth policy which would help alleviate youth unemployment. Engagement with and between policy makers may yet influence specific policy plans.

Entrepreneurial Aspirations and Activities

Despite the lack of necessary reforms to facilitate doing business, Tunisian youth have a positive attitude and perception of entrepreneurship. In 2012, 86.6% of young Tunisians viewed entrepreneurship as a good career choice. Successful entrepreneurs enjoy both the fruits of their ventures and the affirmation of the public, as a whopping 95.6% of Tunisian youths attributed a high status to them in 2012. However, media attention has declined since the beginning of the unrest in Tunisia, distracted as it was by political developments, implying that further and formalized attention has to be given to entrepreneurship for it to maximize its potential impact on economic and social development (GEM Survey Data, 2009, 2010, and 2012).

Both youth and adult entrepreneurial aspirations fell substantially between 2009 and 2010 and failed to rebound between 2010 and 2012. Figure 3.1 shows the stated entrepreneurial intentions of Tunisian youth and adults over time, tracking the fluctuations in the proportion of respondents who say they intend to start a business within the next three years. For Tunisian youth (ages 18 to 34), this number drops from 83% in 2009, down to 32% in 2010, and finally descending to 28% in 2012. Overall, youth entrepreneurial intentions remain above the overall figures throughout the period, but by a narrow margin and along the same downward trend.

Entrepreneurial activity slowed since 2009 as well. Following the uprising in Tunisia, rates of “Total Early-Stage Entrepreneurial Activity (TEA)”, a measure of start-up activity prevalence declined consistently (Figure 3.1). Youth rates of entrepreneurial activity declined similar to their adult counterparts. From 2009 to 2010 to 2012, youth TEA rates fell from 14% to 9% to 7% for men and

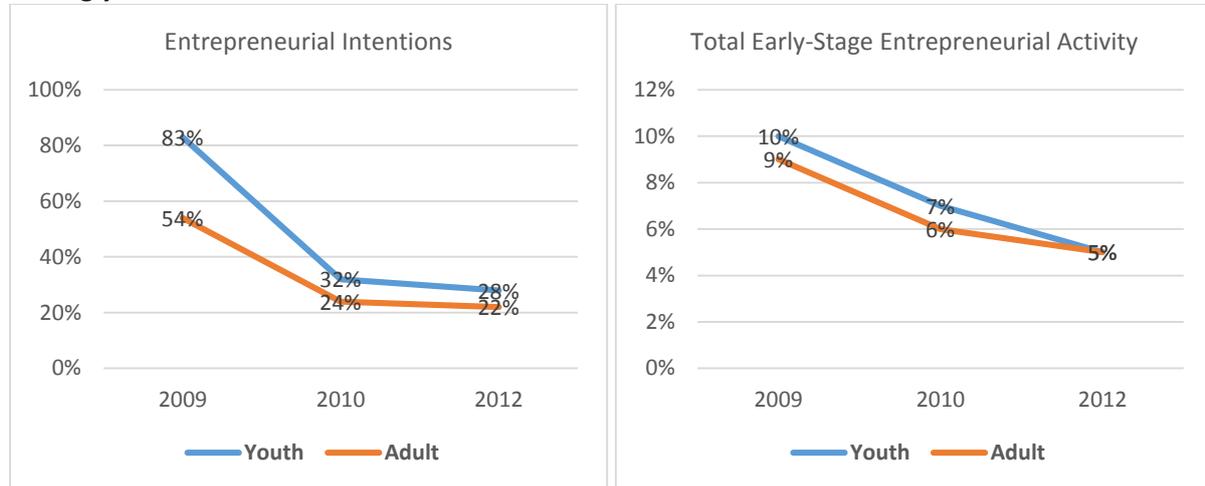
⁴⁵ Al Bawsala, 2015

⁴⁶ Kaye, 2015

⁴⁷ North Africa Post, 2015

from 5% to 4% to 2% for young women. During that same period, adult male TEA dropped from 13% to 8% to 7% and adult female TEA declined from 5% to 4% to 3% by 2012. These rates support the argument presented at the beginning of this report that the focus of the transition in Tunisia has been by and large political rather than focusing on economic reforms.

Figure 3.1: Entrepreneurial Intentions and Total Early-Stage Entrepreneurial Activity (TEA) in Tunisia among youth and adults, 2009-2012



Source: GEM Survey Data (2009, 2010, and 2012)

Addressing the downward trend, however, is a broad spectrum of local, regional, and international organizations which are active in supporting the entrepreneurship scene in Tunisia. These include INJAZ Al-Arab, which relies on the mentorship of Arab business leaders to help inspire a culture of entrepreneurialism and business innovation, and IntilAQ (formerly Start-Up Factory), whose mission is to support the creation and success of ICT start-up companies. This is achieved by enabling emerging entrepreneurs to gain access to mentors, training, professional assistance, shared space, funds, and other services that will help them on the fast track to success. Startup Weekend Tunis takes a less conventional approach, hosting 54-hour weekend events during which groups of developers, business managers, startup enthusiasts, marketing gurus, graphic artists, and others pitch ideas for new startup companies, form teams around those ideas, and work to develop a working prototype, demo, or presentation by Sunday evening.

A variety of interventions have been implemented to improve youth labor market outcomes in Tunisia, which are a result of inadequate labor demand, high labor supply, and insufficient job intermediation. The Tunisian government, civil society and international organizations have been active in promoting youth employment and entrepreneurship in recent years. We examine a few individual interventions and – to the extent possible – include an evaluation of their impact and the potential for scaling up and replication. Interventions are disaggregated by their effect on the labor market: increasing demand, improving supply, and improving intermediation.

Demand-Side Interventions

We now turn to discussing key interventions that aim to boost the demand for labor through making it easier for employers to hire young people or facilitating the establishment of new businesses that require workers, as such increasing employment opportunities for Tunisian youth. Demand-side interventions essentially change the rules governing hiring decisions, and can include efforts to reduce hiring frictions, lower the costs of hiring youth, and introduce new employers to the labor market. These types of interventions are especially important for Tunisia, where the supply of skilled labor is abundant but demand for such labor is lower (as evidenced by the aforementioned ascending unemployment rates by educational attainment).

We first examine an ALMP implemented by the Ministry of Professional Training and Employment – the SIVP employment subsidy program. This program should increase the demand for young workers by making them relatively less costly for firms to hire. We explore this intervention as a cautionary tale of a type of large, state-sponsored intervention with an intuitive appeal, but ultimately without large-scale impact. Then, we explore a range of microfinance and SME-financing institutions in Tunisia, which increase the demand for labor by providing access to finance to support the establishment of new, employee-seeking firms. We examine these types of interventions as they seem to hold promise for impact.

The SIVP Employment Subsidy Program

The Stage d’Initiation à la Vie Professionnelle (SIVP) Program in Tunisia is an employment subsidy program that aims at solving the issue of graduate unemployment, which stands at 61.4% for youth and 21.4% for adults. The program, which is under the Ministry of Professional Training and Employment, targets unemployed university graduates who are seeking a job for the first time. Reviewed in 2013 in the *IZA Journal of Labor Policy*, the SIVP program had a budget of 22 million Euros in 2010 and the program benefitted 45,000 graduates in 2011.⁴⁸ This program aimed to allow for more opportunities for graduates to enter the Tunisian labor market by giving an incentive to employers to hire first-time job applicants, who may be considered to be risky hires. By hiring graduates enrolled in the program, formally registered firms only have to pay for two thirds of the salary, while the subsidy covers the rest of the amount. The theory of change of the program is that by reducing the cost of labor, the program should increase the demand for labor; while young people hired would gain valuable work experience and build professional connections. The size of the subsidies varies depending on the size of the firm, the number of hired graduates, and the major of the graduate (certain majors are appointed larger subsidies as they are assumed to face more difficulties in finding a job). On average, the subsidies paid for each graduate were around 60 Euros per month and ranged from 50 to 125 Euros per month. The program functions on a first-come first-served basis.

Evidence shows that the program may have achieved weakly positive results. Those who benefited from the program, as compared to non-beneficiaries, were 8% less likely to be unemployed

⁴⁸ Broecke, 2013

and 29% more likely to find placements in the private sector, especially after leaving the program. The SIVP Program, however, did encounter serious shortcomings. For example, beneficiaries were 24% less likely to have permanent contracts and earned 9% less than employed non-beneficiaries. Furthermore, the program seems to have inefficiently targeted beneficiaries, as graduates who needed the program most, such as those who were unemployed for more than three months and those from areas such as the South-East and South-West, lacked participation. For instance, SIVP participation of graduates from the South-East was 14% less than the participation from Greater Tunis. Finally, the SIVP program may have created a deadweight loss as an estimated 75% of the firms that hired SIVP graduates would have hired new employees either way. Furthermore, evidence from a similar wage subsidy program in Jordan shares the SIVP Program's lack of clear success. The World Bank's Jordan NOW initiative (New Opportunities for Women) provided 600 young female community college graduates with wage vouchers worth USD 210 per month, valid for six months. While the treatment effect spiked while the wage subsidy was in effect, employment outcomes for participants returned to near-baseline levels almost immediately after the subsidies expired.⁴⁹

Ultimately, evaluating the effectiveness of the program is undercut by confounding factors.

One issue is that the treatment population is self-selecting, which makes it difficult to attribute positive results to the program rather than some particular aspect of the youth who volunteered for the program. Additionally, we cannot know how exactly many firms would have hired these young people even without the subsidy. Two major lessons from the SIVP program include the need for wide and deliberate outreach to minimize self-section and complementing the program with job matching services.

Promotion of Job Creation by MSMEs through Access to Finance to Youth

Young people and young entrepreneurs in Tunisia, as in other countries in the Middle East and North Africa (MENA) region face financial exclusion. This exclusion is well illustrated by data, which points that only 13% of young people in the MENA region had an account at a formal financial institution, as compared to 37% worldwide⁵⁰. Such limited access to finance is a major constraint for young people trying to establish Micro and Small and Medium Enterprises (MSMEs) in the region. Only 7.1 percent of MSMEs in MENA have access to loans or credit facilities, compared to 43.5% in OECD countries, 59.6% in Latin America, and 20% in Sub-Saharan Africa (20%)⁵¹.

Microfinance institutions (MFIs) have been providing a combination of financial and non-financial services to young aspiring microentrepreneurs in Tunisia. In recent decades, microfinance in Tunisia has been dominated by two main actors – the government-run Tunisian Solidarity Bank and ENDA Inter-Arabe. The Tunisian Solidarity Bank (BTS) was created in 1997 to strengthen micro-credit allocation in favor of marginalized populations who are typically excluded from traditional banking. Operating under the joint supervision of the Central Bank of Tunisia (BCT) and the Ministry of Finance, the BTS targeted populations of this intervention were the graduates of higher education who have the skills but lack the means to set up enterprises (with a credit line which can reach 20,000 dinars –

⁴⁹ Groh et al., 2015

⁵⁰ Demirgüç-Kunt and Klapper, 2012. Silatech, 2015 Coury, T. and Rashid, Q., 2015

⁵¹ Stein et al., 2010

just over USD 10,000). The second group were poor individuals who needed sums between 55 and 3000 dinars (USD 27-1500) to create small-scale products, including trades and crafts. A large organization, The BTS operates throughout Tunisia, with projects ranging the full gambit of economic sectors, including small retail businesses, various services, agricultural ventures, and crafts.

One of the prime microfinance institutions in Tunisia is ENDA Inter-Arabe, which was created in 1990 to provide micro-credit to populations who are typically excluded from traditional banking. Pin, Gallifa, and Susaeta (2008) report that, between 1995 and 2005, ENDA granted 82,000 loans to 28,000 micro-entrepreneurs at a cumulative value of TND 33 million, achieving a 99% repayment rate.⁵² ENDA became the first institution in Tunisia to practice and adopt internationally defined best-practices of microfinancing, garnering donations from the EU, the Spanish Cooperation, and even the Tunisian government – achieving financial self-sufficiency in 2003.⁵³ Between 1995 and 2013, ENDA claims to have disbursed 864 million TND to 400,000 total borrowers in 1.2 million loans. 40% of beneficiaries are under 35 years of age, with 37,000 individual loan recipients aged less than 25. Due to restrictions on operations that apply to the BTS but not to ENDA, including the very low interest rate cap, the BTS is larger but somewhat less innovative than ENDA, which claims to have a portfolio-at-risk rate of below 3% in 2013.⁵⁴

ENDA pairs its financial support with non-financial services, offering training in accounting and management, marketing assistance, networking opportunities and technical support. Independent analysis confirms ENDA's continued effectiveness. Pin, Gallifa, and Susaeta (2008) find that 91.4% of clients who have been involved with ENDA for between 12 and 18 months reinvest their profits into their company, with new clients making an average of TND 199 a month in profit, clients for between 12 and 18 months making TND 418, and clients for more than 18 months accruing an average of TND 777 in profits.⁵⁵ In a study for the British Journal of Economics, Ati and Hela (2011) find evidence that ENDA materially improved the standard of living for individual participants, while participants adopted better management practices and effectively invested profits in economic activity.⁵⁶

Since the 2011 law paving the way for greater openness and competition in microfinance, and the establishment of the Microfinance Authority (several new actors have joined the microfinance space in Tunisia whose impact is yet to be properly evaluated. These organizations include **Microcred Tunisie**, a subsidiary of the Microcred international group operating with the support of Planet Finance, Making Cents International, and Silatech, among others. Microcred Tunisie opened its first Tunisian office in December 2014 with the goal of reaching 13 governorates, 45,000 customers, and 220,000 beneficiaries within the next five years.⁵⁷ Microcred Tunisie recently launched a new loan product dedicated for young startup entrepreneurs called “Irada” in partnership with Silatech, the EU, AFD, IFAD, Making Cents International and Planet Finance. Irada (“will” in Arabic) is expected to finance around 450 youth-run startup businesses in Tunisia over 3 years⁵⁸.

⁵² Pin, Gallifa, and Susaeta, 2008

⁵³ Ati and Hela, 2011

⁵⁴ Bouzid, 2013

⁵⁵ Pin, Gallifa, and Susaeta, 2008

⁵⁶ Hamida, 2013

⁵⁷ Microcred Tunisie, 2014

⁵⁸ Silatech, 2015

Taysir Microfinance SA started in 2013, and recently launched its flagship project – Afkar Chebab – which intends to finance 1,016 youth start-ups over a four-year period. This youth-targeted project is supported by Silatech with financial and technical assistance, Afkar Chebab is expected to create at least 1,321 jobs. Taysir Microfinance SA is supported by the EU, the French Development Agency, and the Principality of Monaco and already operates four offices throughout the country.⁵⁹ Taysir’s flagship project **Advans Tunisie**, like ENDA, seeks to complement microfinance services with non-financial services. Since its inception in May 2015 Advans Tunisie boasts 1 million TND in ongoing credit with an average loan size of 4,000 TND.⁶⁰ **Tuninvest**, one of Tunisia’s leading SME-financing institutions, launched a \$22 USD SME investment Fund in 2013, Croissance Fund (FCPR Croissance), which supports early-stage SMEs. Beginning in mid-2015, the **Centre Financier aux Entrepreneurs**, which is one of the investments of Tuninvest Croissance, intends – over the next five years – to issue 14,000 loans reaching a total USD 40 million, contributing to the creation and maintenance of 76,000 jobs.⁶¹

Supply-Side Interventions

These interventions address the supply-side of youth employment, offering skill-building programs designed to help young people become more employable by existing firms and equipping youth with entrepreneurship skills to start their own businesses. Supply-side interventions are typically an attempt to close the skills gap, and filling existing vacancies by training job seekers for the required skill. In interviews with the authors, a number of stakeholders in the Tunisian ecosystem corroborated the issue of limited skills development among Tunisian youth. Ziad Oueslati, Ziad Oueslati, Managing Director and co-Founding Partner at AfricInvest Group, a Tunis-based investment and financial services company, spoke of this problem directly. Mr. Oueslati claimed that many job candidates have diplomas which “do not translate into the required skills,” lacking a broad array of necessary competencies. Bodo Lieberam, CEO of Microcred Tunisie, a microfinance institution, claims that his organization often observes “a gap between the education level of youth and their real skills.”

Entrepreneurship training initiatives are something of a special case, as they have the direct effect of increasing the supply of the self-employed and the indirect effect of equipping young people with business development skills, which are highly demanded by the private sector. Participants who do not go on to start their own business should possess new knowledge and skills that improve their employability (although quantifying this is difficult). Those who do start their own businesses (and fail) can draw upon lessons learned from their training and direct experience when applying for jobs. Those who establish their businesses successfully join the ranks of the self-employed as well as contributing to overall job creation. We first explore TACT, a public-private initiative, because it is an innovative model based on a public private partnership that combines specific technical and soft skill training demanded by a specific sector with links for direct placement in that sector. We then detail a university-based entrepreneurship and self-employment training initiative, as

⁵⁹ Taysir Microfinance, 2015

⁶⁰ Advans Tunisie, 2015

⁶¹ Business News, 2015

it may be an example of promising initiatives to promote self-employment promotion – provided future interventions incorporate the lessons learned.

TACT Academy: Training for Placement in the ICT Sector

The Tunisian Association for Communication and Technology (TACT) was established to advance the ICT sector in Tunisia and increase employment opportunities for young graduates. One of its core initiatives is the TACT Academy, which is designed to retrain unemployed IT graduates and connect them to IT jobs based in Tunisia. Program participants should, upon successful completion of the training and certification process through the Academy, transition to employment positions in one of the TACT-associated companies. The first TACT Academy pilot program included 200 unemployed university graduates with a background in ICT in 2011/2012. This is a public-private initiative, as TACT Academy relies on the databases of the National Employment Agency – among other sources – for potential candidates. Potential beneficiaries are selected based on their application files, psychological profiles, technical and linguistic tests, and an interview for final selection. Viable candidates include recent (but unemployed) graduates who have a degree in IT management or ICT fields.⁶² This particular demographic is estimated to number over 30,000 in Tunisia.⁶³

The training program prepares graduates over the course of a 10-month training program, which is broken down into a 24-week curriculum including ICT fundamentals, ICT environments, language training, and communication skills. This is followed by 16 weeks for on-the-job training, which focuses on training in finance, computer science, project management, and other assorted professional skills. By the end of the 10 months, each trainee is expected to take a series of certifications in coding languages and in spoken foreign languages. This is a supply-side intervention because it directly increases the supply of laborers with the exact skills already demanded in the labor market. Selected candidates can participate free-of-charge as their 3,000 Dinar tuition (around USD 1,500) is covered by government funds reserved precisely for this purpose.

While little information is as of yet available on the TACT Academy's outcomes, press reports indicate that the number of placed graduates increased to 600 after the first pilot year.⁶⁴ Current objectives are ambitious, as TACT Academy aims to train approximately 1,000 graduates per year for the next 5 years, introducing them to the IT professional world with permanent, well-paid jobs. The TACT Academy initiative is of special interest, as it constitutes a functioning public-private partnership (PPP) for labor market reintegration, assuring that the training program is completely aligned with private sector demand. Incentives are aligned among the contributing partners, as TACT-associated companies benefit directly from the successful execution of the Academy's objectives. The risks, then, are borne fully by the providing organization, as government financing of tuition is dependent on the successful placement of a trainee. The TACT group companies gain a skilled candidate while the government pays for the successfully trained participant.

⁶² TACT Academy website and The World Bank, 2014

⁶³ Ibid.

⁶⁴ Tustex, 2011

Entrepreneurship Training and Self-Employment among University Graduates

In 2009, Tunisia initiated a nationwide entrepreneurship track into the applied undergraduate curriculum. The program functions as an entrepreneurship track in university curriculum that provides students with business training and personalized coaching. This track is taken in the final year of study where students, instead of submitting an undergraduate thesis, submit a business plan based on the training they underwent over the academic year. In the 2009-2010 academic year, 856 students were selected randomly from several universities in Tunisia to be included in an impact evaluation. The training consisted of business entrepreneurship courses, private sector coaching, and faculty supervision to finalize the business plan. Furthermore, after completing the track, the students are encouraged to submit their business plan to a national competition, initiated and supported by The Employment Development Policy Loan for Tunisia, that awards seed capital for the winners: TND 15,000 for the top five, TND 7,000 for the next twenty, and TND 3,000 for the last twenty-five. It is important to note that participation varied depending on university and region (as the degree of advertisements and employment situation differs), and that 41% of those selected in the 2009-2010 year dropped out largely due to lack of information regarding the procedures.⁶⁵

The outcomes of the program include a direct impact on self-employment for participants as well as an intermediary impact on skills associated with successful entrepreneurship. As for the main objective of the program, to increase self-employment among participants, the evidence shows a positive, but small, impact of 1-4% increase in self-employment. The impact of the program has also extended to other areas such as an increase in business skills: 77% of participants were able to produce a finalized business plan and experienced an increase in opportunities to interact and network with entrepreneurs, shaping their networking skills, and increasing participants' sense of opportunities and optimism (88% of applicants expected the program to help them join the labor market, 89% expected to have higher earnings as a result).

Further examination of the initiative, however, illuminates several drawbacks. Most importantly, the evidence showed no increase in the overall rate of employment among participants. This is due to the substitution effect resulting from the initiative where the increase in self-employment was matched by an off-setting decrease in traditional employment by the same magnitude. This finding can be attributed to the fact that the participants, by choosing to follow with the entrepreneurship track, were making a trade-off by learning business skills instead of skills acquired through the standard undergraduate thesis track. In addition, the track failed to tackle difficulties faced by graduates while trying to obtain financing for the produced business plans. Finally, a possible confounding factor to the results is that the follow-up surveys were fielded shortly after the 2011 revolution. The massive political and economic disruptions experienced during the evaluation period are highly likely to have affected the outcome of the study.

That being said, we can glean four key lessons for similar programs. First, the quality of the training as well as the interaction with entrepreneurs is paramount to success. This will ensure that the graduates are equipped with the necessary tools and networks for their start-ups to succeed.

⁶⁵ Premand, Brodmann, Almeida, Grun, and Barouni, 2012

Establishing a successful venture, as participants discovered, is a function of skills and of business networks. Second, similar programs ought to be structured in a way that lessen the aforementioned trade-off effect, wherein participants following the track pass on the opportunity to acquire the experience and skills gained through working on an undergraduate thesis that might be needed for wage-employment positions. Programmatic design should correct for this effect by ensuring participants have skills that, as a fallback, would plausibly enable them to find employment. Fourth, similar programs should be complemented by comprehensive financing options, not just prize money for competition winners.

Employment Intermediation

Finally, we explore initiatives which are essentially intermediation services – matching youth with jobs that are already available. This neither affects the supply nor the demand of labor, but rather addresses the information gap that exists between job seekers and employers. On the one hand, firms face difficulties in finding labor with the necessary skillsets for specific job openings; and on the other, young job seekers struggle in accessing jobs that fit their skills and aspirations. For first-time job seekers, this “lack of clear channels” to labor market information and job vacancies was highlighted as a concern by Nizar Jouini, an advisor to the Economic Counsel of the Prime Minister in an interview with the authors.

Employment intermediation initiatives can close the information gap between employers and job seekers by helping firms confirm the skills of applicants. Even when a firm is connected with a qualified individual, that firm must still have a reliable method of certifying that the applicant is indeed qualified. Initiatives that provide information where it is typically incomplete can help reduce the duration of unemployment and company recruiting costs. We first explore the government’s job matching program, AMAL, which provides a cautionary tale of how inadequate programmatic design can severely undermine an otherwise-sound employment promotion tactic. We then examine promising, non-governmental employment intermediation services to shed light on a growing field

ANETI’s AMAL Job Matching Program

The AMAL program, which translates into “hope” in Arabic, was launched in 2011 by the post-revolutionary interim government to provide unemployed university graduates with a year’s worth of unemployment services such as career coaching, training in hard and soft skills, on-the-job training, job search assistance, and a monthly stipend of 200 dinars. After launch, AMAL quickly became the largest program of the National Employment Agency (ANETI). By the end of 2011, the program had 155,000 beneficiaries – all financed by the National Employment Fund. According to a 2012 youth survey, more than 37% of young urban graduates had participated in AMAL, but rural participation remained very low due to poor programmatic outreach and a lack of awareness of governmental programs in the interior regions⁶⁶. The evidence notes that due to such demographic discrepancies, the AMAL program was largely regressive and primarily supported better-off youth who were more aware of the existence of government programs, and – having discovered AMAL – could exploit its flaws. Awareness of the AMAL program among poorer youth was significantly less.

⁶⁶ World Economic Forum, 2012

Although the initiative was originally conceived as a way to keep young graduates economically afloat as they find work that was matched their education (with programmatic guidance from AMAL), evidence suggests that the program actually reduced incentives to look for jobs and acceptance rates of job offers⁶⁷. Basic regression analysis suggests that AMAL made employment less likely for participants – employment rates for beneficiaries are substantially lower than the average employment rate among Tunisian youth. Design flaws and participatory conditions that were difficult to enforce led many to simply accept the cash transfer – equivalent to 80% of the minimum wage – without necessarily taking full advantage of the services on offer. In practice, 120,000 participants only received the stipend, while a mere 20,000 actually participated in AMALs services. Furthermore, the programmatic design of AMAL relied too heavily on ANETI’s capacity to deliver the promised coaching and private-sector internships. At the same time, the initiative lacked technical leadership and central and local levels, thwarting effective coordination between the implementing agency and partner organizations.

The AMAL program was plagued by problems of its own making, stemming not only from the aforementioned lack of resources and serious design flaws, but also – as reported by World Bank field surveys – from the overall suspicion that youth seem to maintain for such programs. Many regard them as “a kind of sinecure implemented for political reasons.” While the cash transfers of the AMAL program may have eased the immediate economic pain felt by young, unemployed university graduates in urban areas, the program failed to meaningfully tie incentives to programs that would actually place youth in jobs. Ultimately, AMAL was discontinued in 2013 due to the high cost of the subsidies and the general lack of accountability of participants. To avoid such a fate, similar programs should strategically align incentives with participation in vetted job-placement schemes. This can be partially achieved by making cash transfers conditional on verifiable efforts on behalf of participants.

Improving Access to Information through Online Job Portals

There is a lack of practical information for young people to support young Tunisians in their career decision making, however some recent initiatives have been addressing this gap. School to work transitions and career decision for youth could be facilitated through providing labor market information, including sectors with hiring needs, expected wages for various occupations and industries etc. Organizations in the private and non-profit sectors have set up job intermediation and matching services. It is to be noted that no evaluations exist of the impact of such services on job matching efficiency or whether they are mostly contributing to job substitution, however some examples appear to hold promise. These include job matching portals like Bayt.com, which provides a host of job matching services, labor market information and other resources to all job seekers, and youth-targeted employability portals such as Tounes Ta3mal.

Tounes Ta3mal, which was launched in October 2013, is the Tunisian iteration of the Ta3mal network of online employability portals active in countries throughout the Arab world. Established by Silatech and Microsoft, and collaborating with various local partners in Tunisia for tailored and localized content and services, Tounes Ta3mal helps to connect youth with employers, provide online

⁶⁷ Robalino, et al, 2013

career guidance services, and access to more than 600 e-learning courses. The portal's resources and services have been designed in order to add value to the services provided by youth-serving organizations. For instance, centers that provide youth with entrepreneurship training have given blended learning courses that integrate the e-learning content available on the platform.

IV. The Way Forward: Policy and Programmatic Priorities

Ultimately, there can be no substitute for undertaking youth-inclusive economic and institutional reforms to create an environment where young Tunisians can access opportunities and achieve their potential. Even the most successful interventions profiled here have barely begun to scratch the surface of Tunisia's youth employment challenge. Reform should run the gamut of a young person's development, starting with the earliest school years. In order to reverse the aforementioned correlation between educational attainment and increasing unemployment rates, schools could experiment with new learning modes for a well-rounded educational experience. This can include interactive learning styles, apprenticeships, and a variety of extracurricular activities, such as debate, common-interest clubs, or artistic pursuits. Such activities need not involve a large financial investment, but they do need to be interactive and collaborative to promote soft skills development. Building competencies and developing educational quality – not focusing on mere attainment – should be an urgent priority for education policymakers.

To complement the soft skills developed in a reformed schooling and extracurricular system, students should be exposed to a variety of opportunities to pursue practical work experience in secondary schools, technical/vocational institutes, and in universities. Exposure to the workplace will help students develop professional ethics and habits during formative years, enabling young people to transition into the workforce with greater ease. As business leaders interviewed for this chapter repeatedly noted, there is no substitute for the skills developed during hands-on work. Ensuring that this happens during schooling reduces the burden on private sector firms to train their workers, making it less costly to have a new hire. To properly incentivize youth, work/internship experience should be compulsory for university graduation. This is already practiced by a variety of top university programs throughout the world. For example, the University of Sydney mandates that engineering students have at least 12 weeks of work experience before granting a diploma.⁶⁸

Improving information flows between job seekers and employers is a vital component to solving the Tunisian youth employment crisis, both in the near-term and in the future. In this paper, we profiled job matching services which help job seekers find employers who are looking to hire workers with their skills and experience. Such interventions will continue to improve and, hopefully, begin to erode the reliance on connections for job placement. Future interventions can make far more advanced information platforms which would equip university students with knowledge about what kind of skills are in demand, where firms seem to be hiring, and how much they can expect to earn given a specific skills set. Such information would send market-based signals to students that would help them plan their program of study, while controlling expectations.

⁶⁸ This is in direct response to recommendations from Engineers Australia, a trade association. Read more at <http://sydney.edu.au/engineering/practical-experience/>

Another promising realm of interventions are training programs, such as the TACT Academy model. This is especially important because there are many youth who are already in the job market, but do not possess adequate, marketable skills. Retraining modules that both develop technical skills while imparting the soft skills necessary for workplace success ought to be formulated and implemented, preferably in public/private partnerships which tie skills accumulation to specific private sector demands. To be effective, skills training must respond to a well-established gap in the labor market and be sufficiently linked to private sector employers. Special attention should be paid to inactive youth and the long-term unemployed, whose skills may have atrophied or who may be out of work due to inadequate skills accumulation. Such programs may also decrease the propensity for discouragement among youth – a phenomenon not captured by the high unemployment rates but with significant social consequences.

Micro and SME financial and non-financial services appear to be promising and evaluations should be integrated to gauge success. Additionally, microenterprise and SME development is a critical driver of employment. Urdinola, Nucifora, and Robalino (2015) find that young firms consistently post the highest rates of net job creation. Promoting the entry of new firms into the market not only generates more employment opportunities in the short term, but likely creates more jobs than older firms in the medium term.⁶⁹ To be effective, microenterprise and SME support services – both financial and non-financial, should extend past the start-up phase and well into the early growth phase where most new firms falter. Future start-up support interventions would achieve the most impact by focusing their efforts in rural areas, in addition to urban centers. Already, 90% of new enterprises and jobs are created in the major coastal governorates of Tunisia, Bizerte, Nabeul, Sousse, Monastir, and Sfax while those areas only contain 60% of the Tunisian population.⁷⁰

To alleviate youth disaffection, a strategy to overcome the employment crisis must be fully comprehensive – boosting not only educational and economic opportunities, but also political agency. Take, for example, Australia, which is ranked 1st on the Youth Development Index of 2013 (Tunisia is ranked 80th out of 170 countries).⁷¹ Australia has an active, multi-year, research-driven youth policy which includes The Compact with Young Australians (2009), a commitment from the Australian Government, together with state and territory governments, regarding education and skill training for youth under 25. The government maintains the Office for Youth within the Department of Education, which develops and oversees the implementation of youth policy. According to youthpolicy.org, The Office for Youth also manages the Australian Youth Forum, which is a channel of communication between the government, young people, and youth-serving NGOs. Including youth in policymaking, as Australia has done, would help Tunisian policy makers boost the sense of agency amongst young people, while both responding to their demands and directly managing their expectations. Developing similar initiatives would not be an expensive exercise for Tunisia, and certainly could be undertaken by the current government. As explored earlier in this paper, Tunisia still retains significant donor interest from the international community. This can be harnessed to develop and implement impactful labor market interventions under the guidance of a youth-specific, cross-ministerial task force empowered to make policy decisions.

⁶⁹ Urdinola, Nucifora, and Robalino, 2015

⁷⁰ Brookings, 2014

⁷¹ Youth Development Index

Perhaps no intervention is as important to youth employment prospects as fundamental economic reforms that successfully boosts aggregate demand and expands the middle class. Without new jobs that youth could turn to, advances in training and education will have lower returns and will contribute to youth frustration. The pending development plan for 2016-2020 should not only outline a comprehensive youth plan, but should expand employment by implementing an aggressive program of market-liberalizing reform, as well as monetary and fiscal reforms.

V. Conclusion

Years of chronic economic mismanagement, political upheaval, ongoing macroeconomic uncertainty, and institutional failures to prepare young people for job success have all undermined Tunisian youth inclusion in the labor market, leading to historic levels of youth unemployment. While unemployment is mostly consistent across genders, Tunisia's rigid employment structures have resulted in massive discrepancies between youth and adult employment, with youth in rural and inland regions suffering the highest rates of unemployment and inactivity. An educational system which encourages the pursuit of credentials over actual, marketable skills is graduating young people with expectations poorly-aligned with the realities of full-time work, leading to especially high tertiary-educated unemployment and avowed discontent with the talent pool among Tunisian employers. Ultimately, many youth languish in very long term unemployment, or temporary jobs with poor wages, low skill accumulation, and no benefits. Recent data indicates that youth unemployment is higher and youth entrepreneurial activity is now lower than it was even before the revolution.

To address these deeply entrenched labor market failures, governmental and non-governmental agencies have attempted a broad range of interventions. Many interventions seek to increase the demand for labor, while others aim to improve the supply. Some interventions connect young jobseekers with employers, affecting neither labor supply nor demand but helping market participants find one another. Overall, we find that microfinancing services - especially when coupled with non-financial services, including business training are effective in helping youth start and grow businesses and to employ others in the process. Meanwhile, job training programs can be effective in placing young people into productive employment, provided the skills developed are matched with actual employer demand. Employment portals are slowly developing in Tunisia, but show great promise.

Young Tunisians would benefit the most from a youth-inclusive approach to reforms, which should include aligning incentives, fostering a robust entrepreneurship ecosystem and improving financial inclusion, and modernizing both the style and substance of the education system to better match labor market requirements. Now that some of the thorniest challenges of Tunisia's political transition appear to have been overcome, **the new government must turn to the much-needed reforms to create an environment where young Tunisians can achieve their potential and effectively participate in the development of their country.**

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