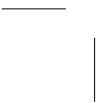
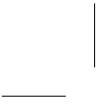


**STUDIES ON GROWTH WITH EQUITY**

**TUNISIA**

**A NEW SOCIAL CONTRACT FOR FAIR AND EQUITABLE GROWTH**



STUDIES ON GROWTH WITH EQUITY

**TUNISIA**

**A NEW SOCIAL CONTRACT FOR FAIR AND EQUITABLE GROWTH**

INTERNATIONAL LABOUR ORGANIZATION  
INTERNATIONAL INSTITUTE FOR LABOUR STUDIES

---

The International Institute for Labour Studies (IILS) was established in 1960 as an autonomous facility of the International Labour Organization (ILO) to further policy research, public debate and the sharing of knowledge on emerging labour and social issues of concern to the ILO and its constituents – labour, business and government.

---

Copyright © International Labour Organization (International Institute for Labour Studies) 2011.

Short excerpts from this publication may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Director, International Institute for Labour Studies, P.O. Box 6, CH-1211 Geneva 22, Switzerland.

---

ISBN 978-92-9251-000-8 (print)

ISBN 978-92-9251-001-5 (web pdf)

First published 2011

---

The responsibility for opinions expressed in this publication rests solely with its authors, and their publication does not constitute an endorsement by the International Institute for Labour Studies of the opinions expressed.

Copies can be ordered from: ILO Publications, International Labour Office,  
CH-1211 Geneva 22, Switzerland. For on-line orders, see [www.ilo.org/publns](http://www.ilo.org/publns)

Graphic design in Italy

Printed in Italy

MDP ILO Turin

MDP ILO Turin

---

---

## FOREWORD

The need for a new era of social justice is highlighted by the recent events in the Arab world, where the demands for change are at a crescendo. This creates an opportunity – an opportunity to refrain from ‘business as usual’ and foster more efficient economic growth, as highlighted in the Report of the Director-General to the 100<sup>th</sup> Session of International Labour Conference in June 2011 entitled “A New Era for Social Justice”.

Tunisia, the country at the forefront of the “Arab Spring”, is a stark example of the fragility of an economic system based on an inefficient growth model. In spite of the country’s strong growth and apparently stable macroeconomic environment, the benefits of growth were unevenly distributed. There was widespread inequality, high unemployment, rampant clientelism, and limited opportunities for decent work.

The events have opened a window of opportunity by creating space for a policy debate on building an inclusive model of development. This report aims to contribute to this debate. Similar to the message of the Director-General’s Report, it emphasizes the limits of economic growth without social justice, quality job creation, and inclusiveness of all components of society. It also underlines the need for a new growth model that promotes stronger job creation for young people, more transparency and accountability, and improved social dialogue. This is the challenge for the country in the future in order to build a socially sustainable society.

The study has been prepared as part of a series of country studies, under the aegis of the International Institute for Labour Studies, in accordance with a plan of action set out by the 304<sup>th</sup> Session of the Governing Body to strengthen the ILO’s knowledge base at the country level. This is in keeping with the ILO’s Declaration on Social Justice for a Fair Globalization, which outlines the processes for assisting Members in strengthening their research capacity and empirical knowledge, and understanding of how the strategic objectives of employment, social protection, social dialogue, and rights at work interact with each other and contribute to social progress, sustainable enterprises, sustainable development, and the eradication of poverty in the global economy.

---

---

The Report has been prepared by Marva Corley-Coulibaly, Sameer Khatiwada, Naren Prasad, and Pelin Sekerler Richiardi, of the International Institute for Labour Studies. The authors would like to acknowledge the strong support from the ILO's Regional Office for Africa in producing this report. The report has also benefitted greatly from substantial comments received by Dorothea Schmidt, Steven Tobin and Uma Rani, as well as the very capable research assistance of Eric Ballo, Jamie Boderck, and Chi Kyu Sim. The report has been coordinated by Marva Corley-Coulibaly under the supervision of Raymond Torres, the Director of the Institute.



Charles Dan  
ILO Regional Director  
for Africa



Raymond Torres  
Director, International Institute  
for Labour Studies, ILO

---

## TABLE OF CONTENTS

<b>Foreword</b>	v
<b>Table of contents</b>	vii
<b>List of abbreviations</b>	x
<b>Executive summary</b>	1
<b>Chapter 1: Economic and labour market overview</b>	11
Introduction: Tunisia at a crossroads	11
A. The economic situation in Tunisia	14
B. Labour market situation	22
C. Institutional crisis response	31
D. Concluding remarks	34
References	35
<b>Chapter 2: Job creation and private sector growth in Tunisia</b>	39
Introduction	39
A. Job creation and business environment	40
B. Constraints facing the private sector	50
C. Policy challenges	60
References	62
<b>Chapter 3: Social protection in Tunisia</b>	67
Introduction	67
A. Background and institutions	69
B. Social insurance schemes	71
C. Social assistance schemes	81
D. Challenges going forward	89
References	90
<b>Chapter 4: Policy challenges for more inclusive growth</b>	93
A. Improve mechanisms for social dialogue	94
B. Improving social protection: coverage and efficiency	101
C. Create jobs by reinvigorating the private sector	109
Annex A	117
References	119

---

## LIST OF FIGURES

Figure 1.1	Youth and overall unemployment rates (latest year available), (percentages)	12
Figure 1.2	GDP by structure, 2000 and 2010	15
Figure 1.3	Real GDP growth, selected MENA economies 2001-2011 (percentages)	16
Figure 1.4	Trade share of GDP in selected MENA economies, 2000-2008 (percentages)	18
Figure 1.5	Tunisia's growth in tourism entrants, quarterly 2009-2011 (percentages)	19
Figure 1.6	Worker remittances as a percentage of GDP, 2000-2009	20
Figure 1.7	Ratio of food imports to food consumption in selected African economies, 2010 (percentages)	20
Figure 1.8	Unemployment rates and composition of unemployed by educational attainment (percentages)	24
Figure 1.9	Labour force participation for different groups, 2010 (percentages)	26
Figure 1.10	Labour force participation rates, by age and gender, 2010 (percentages)	27
Figure 1.11	Tunisian emigrants as a percentage of domestic population in 2008 (in thousands)	28
Figure 1.12	Job creation by sector, 2008-2009	29
Figure 2.1	Tunisia appears to have a competitive business climate (world ranking in 2010)	41
Figure 2.2	Industry share of total job creation, annual average, 2004-07 (percentages)	44
Figure 2.3	Central Government wages	46
Figure 2.4	Investment as a per cent of GDP in the MENA region (percentage points change between 1990 and 2007)	49
Figure 2.5	Foreign direct investment, net inflows in 2007 (as a per cent of GDP)	49
Figure 2.6	Private sector constraints: unlocking the bottlenecks	50
Figure 2.7	Regional ranking of economic freedom – Tunisia performs poorly	51
Figure 2.8	Total stock market capitalization as a per cent of GDP, 2010	56
Figure 2.9	Taxes on businesses in Tunisia (percentages)	57
Figure 3.1	Social Protection in Tunisia	70
Figure 3.2	Estimate of legal coverage for old age and active contributors to a pension scheme as a percentage of the working age population in selected MENA countries	73
Figure 3.3	Contribution rates as percentage of salary	76
Figure 3.4	Social assistance expenditure and GDP per capita (thousands) in some emerging and developing countries, 2008	85
Figure 3.5	Unemployed who actually receive benefits worldwide, percentage, latest available year	88



---

## LIST OF TABLES

Table 1.1	Policy Responses in MENA to higher food prices, 2008	21
Table 1.2	Skill level in employment-creating and shedding industries, 2004-2007	23
Table 1.3	Forecast summary in Tunisia	32
Table 2.1	Corporate governance in the Middle East and North Africa	54
Table 3.1	Contingencies covered in selected MENA countries	71
Table 3.2	Services covered by different schemes	72
Table 3.3	Social assistance programmes and funds	82
Table 3.4	Social transfers (social actions and public services)	84
Table 4A.1	Pension reforms in some countries and results	117

## LIST OF BOXES

Box 1.1	Impact of rising food prices	21
Box 2.1	Tunisia's Government policies to foster business competitiveness	42
Box 2.2	Public sector wages in the Middle East and North Africa (MENA)	46
Box 2.3	Private business investment in Morocco	47
Box 3.1	Health care reform in Tunisia	77
Box 3.2	Extending social protection coverage to informal workers: examples from emerging countries	80
Box 4.1	Better identification of the poor: The case of Cambodia	103
Box 4.2	Alternative financing methodologies for pension schemes	107
Box 4.3	Ensuring that viable enterprises are able to take advantage of new opportunities	109
Box 4.4	SME support in Viet Nam	112
Box 4.5	Industrial policy for the ICT sector in Tunisia	113

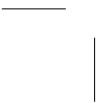
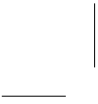
---

## LIST OF ABBREVIATIONS

ADB:	African Development Bank
ACTRAV:	ILO's Bureau for Workers Activities
AMAL:	("Hope") Programme to assist young and first time job seekers
AMC:	Asset Management Companies
AMDI:	Agence marocaine de développement des investissements (Moroccan Investment Development Agency)
AMG:	Assistance Médicale Gratuite (Free Medical Assistance)
ASMED:	Agency for Small and Medium Sized Agencies
BFPME:	Bank for Financing Small-and-Medium-sized Enterprises (BFPME)
BTS:	Banque Tunisienne de Solidarité
CBSP:	Community Based Social Protection
CEACR :	ILO Committee of Experts on the Application of Conventions and Recommendations
CNAM:	Caisse Nationale d'Assurance Maladie (National Health Insurance Fund)
CNRPS:	Caisse Nationale de Retraite et de Prévoyance Sociale (The National Pension and Social Providence Fund)
CNSS:	Caisse Nationale de Sécurité Sociale (National Social Security Fund)
COFIL:	Comité de Pilotage (Monitoring Committee of the Ministry of Industry)
GRESS:	Centre de Recherches et d'Etudes de Sécurité Sociale (Social Security Research and Study Centre)
ERSAP:	Economic Recovery and Structural Adjustment Programme
Euro-Med:	European-Mediterranean
EU:	European Union
FDI:	Foreign Direct Investment
FNS:	Fond National de Solidarité (National Solidarity Fund )
GDP:	Gross Domestic Production
ICT:	Information and Communication Technology
IDPoor:	Identification of Poor Households
IFAD:	International Food for Agricultural Development
IMF:	International Monetary Fund
INS:	Institute of National Statistics
ITCILO:	ILO International Training Centre

---

KTP:	Korea Tripartite Commission
LED:	<i>Loi sur les Entreprises en Difficulté</i> (Law on Enterprise in Difficulty)
LKS:	National Tripartite Council
MENA:	Middle East and North Africa
NPL:	Non-Performing Loans
OECD:	Organisation for Economic Co-operation and Development
PAC:	Competitiveness Support Programmes
PAS:	<i>Programme d'ajustement structurel</i>
PC:	<i>Pôles de Compétitivité</i> (Poles of Competitiveness)
PNAFN:	National Programme for Aid to Needy Families
PMN:	Programme de mise à niveau (Upgrading Program)
SAP:	Structural Adjustment Programme
SEWA:	Self Employed Women Association
SMBA:	Small and Medium Business Administration
SMEs:	Small- and Medium-sized Enterprises
SMIG:	Salaire Minimum Interprofessionnel Garanti (Guaranteed Minimum Wage)
SOEs:	State-Owned Enterprises
SOTUGAR:	Société tunisienne de garantie (Tunisian Guarantee Company)
UGTT:	<i>L'Union générale des travailleurs tunisiens</i> (labour union)
UTICA:	Union of Industry, Commerce and Artisan
VCSD:	Voivodship Commissions for Social Dialogue
WEF:	World Economic Forum
WFP:	World Food Programme
ZI:	<i>Zones industrielles</i> (Industrial Zones)



---

## EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS

*The Tunisian economy has long been praised for its strong “competitiveness”, which in fact masked inequitable growth eventually leading to the events of January 14<sup>th</sup>*

Tunisia has long been lauded as a star performer by the international community for its macroeconomic stability, economic competitiveness, and even the achievement of certain social goals. On the macroeconomic front, the country’s fiscal position was stable – the public debt ratio fell significantly over the past decade and stands at around 43 per cent of GDP, on par with other emerging economies such as Argentina and Turkey. In terms of competitiveness, Tunisia had been given the highest ranking in Africa, and globally it was purported to be even more competitive than some European countries such as the Czech Republic and Spain. The ‘doing business indicators’ 2010 also reported Tunisia as among the top ten most improved economies in terms of changes to business regulation. Finally, the country ranked highly on a number of social fronts such as girls’ educational attainment – one of the highest in the Middle East – and its broad-based social protection system. And yet, the events of January 14<sup>th</sup> revealed the structural weakness of these achievements: that economic growth was fundamentally inequitable. Opportunities to obtain good jobs, invest in dynamic sectors, and build a career have been unevenly distributed. Unemployment was high and rising, particularly among young people; regional development was unequal; and political clientelism, with the ruling Government having a commanding stake in key economic sectors, was widespread. Inequitable growth eventually led to an untenable social situation with spillover effects in other countries. Dubbed the ‘Arab Spring’, few had predicted such a rapid turn of events.

The purpose of this Report is, first, to provide an in-depth analysis of the contradictions that characterized inequitable growth. Second, the Report puts forward ideas for a new development model for Tunisia, based on equal economic and social opportunities, and therefore shared prosperity.

### *The global financial crisis had a limited impact on Tunisia...*

Tunisia emerged from the global financial crisis relatively unscathed, performing better than the Middle East and North African (MENA) regional average. Economic growth slowed from 4.5 per cent in 2008 to 3.1 per cent in 2009, and by 2010 a relatively strong recovery had already begun. The unemployment rate was only moderately affected, increasing from 12.4 per cent in 2008 to 13 per cent in 2010. There were heavy employment losses in the manufacturing sector during the crisis – some 38,000 jobs disappeared between 2008 and 2009 alone – as the textiles and clothing sector contracted considerably, together with other important industries such as machinery and electronic components, but these losses were largely offset by jobs created in the public works sector, and by the reduction in working time in the service sector.

The short-lived impact of the global crisis is partly due to external factors such as the country's limited financial exposure, the rebound in exports, and stable remittances.

- Like other developing economies with weakly integrated financial markets, the Tunisian economy was buffered from the full financial impact of the crisis. Financial institutions in the country hold only a very small proportion of foreign assets (only about 8 per cent in 2009) and the export sector is mainly financed through offshore facilities.
- Exports, the main transmission mechanism of the crisis in Tunisia, experienced a strong recovery in nominal terms in 2010, growing by 1.7 per cent after falling by 24.8 per cent in 2009. The recovery was mainly owing to the mechanical and electrical industries and textiles.
- Tourism represents 13 per cent of export revenue. Although the sector was initially sharply exposed to the crisis, the downturn was short-lived. The number of tourist entrants began to flatten out in the third quarter of 2009, after dropping to a nadir of 5 per cent during the third quarter of 2008. Tunisia's image as an economical tourist destination for the European market helped to solidify its competitive position in the market during the downturn.
- In terms of remittances, although the main destination countries were experiencing an economic slowdown, migrant remittances (which represent 5 per cent of GDP) remained stable throughout the crisis.

---

Additionally, Tunisia entered the crisis with a relatively sound macroeconomic position. Economic growth had averaged 5 per cent per annum since 1990 and the fiscal position was relatively solid, permitting the adoption of new and ongoing stimulus measures. The policy response consisted primarily of increasing and frontloading public investment projects, higher public sector wages and direct support to firms affected by the crisis (tax credits and guarantees, and a reduction in employer social security contributions for exporting firms). In total the country adopted some 43 revival measures by the end of 2008 (totalling 1.4 per cent of GDP) and there was still adequate fiscal space for additional policies.

*... but revealed deeply-rooted structural imbalances...*

Despite the quick recovery, the global financial crisis brought to the fore long-standing labour market concerns and inequality issues. Before the crisis, high emigration and the promise of public sector employment opportunities helped to quell labour market disparities by acting as a pressure valve on the growing labour force. However, as the downturn in Europe dragged on, employment opportunities in important destination countries, such as France, Germany, Italy, and Spain dissipated. This left a large number of unemployed, particularly university graduates, with even fewer employment opportunities.

Additionally, although there is broad social protection in Tunisia for the poor, there are few options for the unemployed to receive benefits while trying to gain a foothold in the labour market. Thus, the lack of adequate unemployment benefits and limited opportunities for entrepreneurship and self-employment left the unemployed in an untenable position, revealing the glaring inequities in the labour market.

*... including dismal job creation and deteriorating job quality...*

Between 2004 and 2007 (that is, even before the global crisis), there were 77,000 net new jobs created, the majority of which were low-skilled. This was far below the level needed to accommodate the labour force, which increased by nearly 190,000 and included many young university graduates entering the labour market for the first time.

Given the low-skill profile of the jobs created and their limited number, real wages have grown modestly. Between 2004 and 2007, real wages grew by a mere 2 per cent annually, which is less than the average annual productivity growth of close to 3 per cent during the same period.

Additionally, the modification of the labour code in 1996 eased hiring regulations and added to the decline in job quality by opening the door to large-scale usage of more flexible temporary contracts, with lower salaries and little or no social security. By 2001, 15 per cent of the labour force was under temporary contracts. More recent figures are available in the tourism and hotel sector where 58 per cent of employees had temporary contracts in 2008; while 68 per cent of the contracts in the textile industry were of a temporary nature, and 19 per cent were non standard. Only 13 per cent of contracts in the textile sector were defined as indefinite contracts.

### *... low labour force participation rates among women...*

Despite improved educational attainment among women, the gender employment gap has been persistent. In 2010 the participation rate among women was 24.8 per cent, compared to 69.5 for men, owing in part to the even more difficult labour market conditions for women which discourages them from actively seeking employment. The unemployment rate for women increased from 15.3 per cent in 2007 to 18.8 per cent in 2009, as a larger proportion of women in the low-skilled export sector (80 per cent of workers in textile and clothing are women) witnessed significant job losses during the crisis.

Moreover, the increasing number of temporary contracts offering low salaries without any job security has occurred in parallel with the increase in educational attainment of women in the labour force.

### *... high unemployment among graduates...*

As alluded to earlier, the problem of unemployment is particularly acute among young university graduates – as they are unable to find suitable employment matching their skills once they leave school. Unemployment is greatest among those with a higher education; for example, even as unemployment was declining among the non- and primary educated, it was rising for those with secondary and tertiary education. The unemployment rate for the college educated rose from 14 per cent in 2005 to close to 22 per cent in 2009, while during the same period it fell for those with no education.

The increase in unemployment among graduates is a shared issue throughout the oil-importing economies in the MENA region, as skilled job creation has lagged educational attainment. This is in contrast with developed economies where unemployment tends to decrease with increased schooling. In the United States and France, the unemployment rate among those with a tertiary



---

education is 5 and 8 per cent respectively, while unemployment among those with less than a high school diploma is 14.6 per cent in the United States and among those with no education is 31 per cent in France.

*... inequity in investment opportunities...*

The Government's opaqueness in terms of investment decisions impacted adversely on both the equity and efficiency of resource allocation – the Government controlled a large portion of the investment decisions, and almost all decisions related to “strategic sectors.” Consequently, private investment declined by 1.2 percentage points between 1990 and 2007 despite rising business profits and governmental policies to promote investment and support the private sector.

Additionally, the misallocation of resources created a dual economy of onshore and offshore enterprises, which also impacted on product market outcomes. As a result, private investment was, for the most part, confined to low-risk, technologically simple products. Thus, Tunisia produces goods that are mainly products at the lower end of the value chain.

*...and high emigration.*

Tunisia has been an important sender country since the second half of the 20<sup>th</sup> century, and Europe is the main destination for Tunisian emigrants. Other MENA countries are also important destinations, particularly for low-skilled workers. Among the chief factors governing the movement of workers is the lack of decent work opportunities in Tunisia, coupled with the demand for additional workers in the destination countries. In 2010, emigrants represented 10 per cent of Tunisia's population and sent back remittances totalling some 1.9 billion US\$.

Although, workers of all skill levels tend to migrate, the profile of workers has changed over the decades to represent more highly skilled workers. It is estimated that the number of qualified Tunisian workers in Europe doubled in the 1990s and this trend continues; for example, among male emigrants to France 18 per cent had tertiary education in 2007, while in 2008 this rate was 20.5 per cent. However, with the global crisis, several countries have reduced their quotas for foreign migrants (like Italy) or made the criteria for the admission more difficult (like France). With opportunities also drying up in Arab destinations such as Libya, the pressure on the labour market will grow even further.

### *Structural imbalances cannot be tackled solely by a broad-based social protection system*

Tunisia's social protection system is rather comprehensive: not only is a majority of the working population legally covered, but social assistance programmes are also available for those who cannot profit from the insurance system established for workers. During periods of job losses or crises the system also provides financial aid, health care, and family allowances to the unemployed through its social assistance programmes.

There remain several challenges: firstly, in terms of social protection for workers, the effective rate of coverage by an insurance scheme is much lower than the legal rate, which means that many citizens receive no benefits and there are important inequalities between schemes for different groups of workers. Secondly, social assistance programmes leave out a substantial portion of the poor. This is mainly due to entitlement criteria that are too vaguely defined, preventing many families from registering. Finally, demographic pressures are straining the financial viability of the country's pension scheme, which is already in deficit.

Furthermore, in spite of the country's high unemployment rates, unemployment insurance benefits do not exist. The state does provide unemployment aid, a form of social assistance, but this only covers a small proportion of unemployed people – for instance, the percentage of the unemployed receiving unemployment benefits was only 3 per cent in 2008, corresponding to only 13,000 people.

### *The challenge is to address the Achilles' heel of Tunisia's economy: a lack of good jobs*

Addressing the labour market challenges requires a stronger emphasis on promoting job creation in the private sector, improving the mechanisms for social dialogue, and improving the coverage and efficiency of social protection. Policy responses so far have not been adequate; the policy response to the global crisis was timid and did not attempt to address structural issues in the labour market. The interim Government's recently enacted 17 Point Action Plan has gone a step further by reactivating and implementing a number of measures to improve job creation, particularly for young people, but by definition these are mainly palliative short-term measures. Policies need to be further reaching, and more importantly, a national dialogue on the institutional response to inequities in the labour market needs to take place.

---

First and foremost better quality jobs are needed: jobs with rights, benefits, and wages that provide workers not only with a stepping stone out of poverty, but with an opportunity to considerably improve their standard of living. As the country moves forward, there is considerable scope for new policies and institutions to attain these goals.

*A way forward is possible, first by unlocking  
the investment potential...*

Economic control by a small group tends to have a direct impact in terms of innovation and productivity, but also affects public policies regarding property rights protection and capital markets. For the new Government to spur investment, it is important to loosen the government's grip on resource allocation.

Foreign Direct Investment (FDI) can and should also play a stronger role in the development process. It is well established that FDI not only has a positive effect on economic growth in the host country, but can also improve employment creation through spillover effects on productivity, and working conditions in domestically-owned firms. Yet when there are institutional barriers in the host country (such as corruption and prohibitive bureaucratic processes), the benefits of FDI tend to be lower.

There is a need for more transparency in governance and business practices, and social dialogue must play a crucial role in this regard. The recently announced stimulus measures aimed at improving investment are steps in the right direction, but more can be done to:

- *Improve transparency and oversight:* The Multi-Donor Governance Trust Fund, financed by Norway and Switzerland, has already implemented two projects aimed at improving transparency in Tunisia. The first project will develop a network of oversight at the regional level to support public parties and facilitate the exchange of experiences and good practices; while the second is designed to improve the performance of social services and the use of public funds, as well as increase citizens' role in matters of governance.
- *Strengthen the fight against corruption:* In other African countries such as Ghana, renewed efforts against corruption have been rewarded with fairer and more efficient investment opportunities.
- *Further encourage financial market development, which is especially beneficial for small firms:* As part of the 2010 reform package, the Government created

a specialized financial institution that provides financing to SMEs. It is important to ensure that the allocation of resources is governed by efficiency criteria and not the concerns of interest groups as happened in the past. Another challenge is for the Government to further incentivize the public listing of companies in the Tunisian stock market. This can be done using tax incentives to lure companies into listing publicly, a practice that has been done in some developing and emerging economies such as Cambodia, Thailand, and Viet Nam with impressive results.

- *Relaxing the restrictions on investment:* Private investment is still largely dependent on the express authorization of the public authorities, namely in the sectors that are deemed to be “sensitive.” Liberalizing investment in some of these sectors could lead to more dynamic investment activity, particularly in areas that would move Tunisia up the technological value chain.

*... second, encouraging stronger job creation through well-designed national level policy...*

The interim Government’s emergency plan targets young graduates through additional support, while preparing them for public sector employment; however, a more dynamic private sector is needed in order to provide the necessary jobs for Tunisia’s fast growing labour force. In this regard, short-term measures could be combined with longer-term industrial development strategies.

A coherent nationwide policy to strengthen the links between education, innovation and the economy is sorely lacking in Tunisia. Currently there are a plethora of small programmes to promote investment and entrepreneurship and there is ample room to unlock new areas of investment and growth, with the government as an enabler, rather than the maker of investment decisions.

There is also adequate fiscal space for the Government to engage in explicit promotion of high growth sectors. Investment needs to focus on identifying domestic sources of growth and designing policies to promote these sectors. Incentives like investment tax credits, accelerated depreciation allowances, and public-private partnerships could be used to promote investment in new growth sectors. For example, the Government of Morocco partnered with the private sector to develop sectoral strategies for new growth clusters comprising of several sectors of the economy. The Emergence Plan (2005) identified six industrial sectors with high growth potential (i.e., offshoring services, automo-

---

tive, aeronautics, electronics, foodstuffs, craft industry) and stressed the development of infrastructure and training facilities in these sectors.

*... third, improving the efficiency and solvency of social protection...*

In spite of its strengths, Tunisia's social protection system has several weaknesses that have reduced its efficiency and coverage. These are mainly related to the governance of social assistance schemes, which do not have an objective criterion for benefit allocation. Improved transparency and better targeting are therefore essential.

The system can also be made more attractive to workers in the informal sector. Some emerging countries such as Brazil succeeded in formalizing workers by supporting formal job creators such as municipalities and SMEs. Member-based organizations such as in India and Ghana might also be an option to provide comprehensive social protection to informal workers in the least-developed regions. Although financially supported by the State, such organizations may help reduce the pressure on welfare funds and are in some cases more efficient in reaching informal workers.

Demographic changes have placed pressure on the financial solvency of social protection schemes, notably the pension system which is already in deficit. The broadening of the contribution base, by facilitating the creation of formal jobs, is thus essential.

*... fourth, boosting job quality ...*

In addition to creating higher-skilled employment, job quality can be improved by modifying the current labour legislation. This creates the need to re-adapt the 1996 Labour Code in order to limit the abuse of such contracts and ensure decent work and greater opportunities for workers to defend their rights. Policies in this regard could focus on:

- *Promoting employment rights through robust social dialogue:* Given that previous labour market reforms have adversely impacted non-standard workers by increasing the widespread use of fixed-term contracts, future dialogue should work towards providing better employment protection for these workers, including seeking ways to promote a better transition from non-standard to standard work.

- *Improving minimum wages:* Minimum wages, which have been decreasing in real terms for the past 5 years, should be reviewed. Even though such a rise might be seen as an obstacle to competitiveness, it is necessary to maintain domestic demand especially in the current context of diminishing exports. In Brazil, despite the crisis, minimum wages were increased and such an intervention contributed to the maintaining of economic activity.
- *Extending social protection:* Social protection should be extended to populations who are not effectively covered. This can be done by easing administrative procedures and contributions for the most vulnerable workers. Informal workers should, however, not be the only focus, the protection of temporary workers should also be ensured.
- *Better support to the unemployed:* A more comprehensive unemployment benefits system should be implemented. More equitable distribution of economic gains may contribute to the financing of unemployment benefits via increasing contributions. Moreover, such a venture can be made cost-effective, as was done in the Republic of Korea, which implemented the new unemployment insurance in 1995 by using existing facilities and staff to administer and initiate it in its first year.

*...and finally, engaging in a new social dialogue.*

Such changes can only be effectively achieved through formulating and implementing common strategies with the participation of all partners. However, social dialogue was ineffective in Tunisia during the successive authoritarian regimes; with the change in Government, and as a way forward, there is a new opportunity for social dialogue in Tunisia to reflect on structural solutions to structural problems.

First, this will require a broadening of the membership base to better reflect the working-age population. One initial step in doing this would be for the Government to change the labour code to recognize unions from all enterprises, regardless of size. Second, there should be recognition of the newly-created trade unions and resources provided to them. Third, unions need to increase their organizational competence and become truly independent (without any political interference). This will require the Government to respect the collective arrangements previously implemented.

The use of social dialogue in other economies during democratic transitions times of crisis – such as Poland and Slovakia – shows how growth can be made both equitable and sustainable.

---

## **CHAPTER 1**

### **ECONOMIC AND LABOUR MARKET OVERVIEW**

#### **INTRODUCTION: TUNISIA AT A CROSSROADS**

Tunisia was by all accounts on a remarkably stable growth path when the global economic crisis erupted in 2008. In particular, economic growth had averaged 5 per cent per annum since the 1990s, and the country's economic and social position was by all accounts stable. The public debt ratio had fallen significantly over the past decade and stood at around 45 per cent of GDP in 2010. Furthermore, the country ranked highly on a number of social fronts, such as girls' educational attainment – one of the highest in the Middle East – or the country's broad-based social protection system.

Even the crisis itself had a short-lived economic and labour market impact, and was felt mainly through indirect effects on trade and tourism. Economic growth slowed from 4.5 per cent in 2008 to 3.1 per cent in 2009, but by 2010 a relatively strong recovery had already begun to take place. The unemployment rate increased moderately, from 12.4 per cent in 2008 to 13 per cent in 2010. However, in spite of the mild measurable effects, the crisis exposed structural inequities in the country's political, economic, and social landscape, which were no longer sustainable.

In spite of the economic and social strides made over the past half decade, the lack of good jobs remains the "Achilles heel" of the Tunisian economy – as opportunities to obtain satisfactory jobs, invest in dynamic sectors, and make a career – have been unevenly distributed in Tunisia. Private sector job creation remains concentrated in low-skilled employment, while private investment (both domestic and foreign) is relatively low and tightly controlled by the Government. In the past three decades, from 1984 to 2010, real GDP growth increased by about 200 per cent, but the unemployment rate declined by only 3.4 percentage points. Additionally, labour force participation remains weak among certain groups and job quality has deteriorated.

Most alarmingly, despite a relatively well-educated young population, youth unemployment rates in Tunisia (at around 30 per cent) are among the highest in the world – a longstanding issue in the region (Figure 1.1). In 2010, around 25 per cent of the youth labour force in the Middle East and North Africa (MENA) was unable to find a job. Not surprisingly, a number of reports had forewarned of the instability of having such large cohorts of unemployed young people in the labour force, and the imminent threat it posed for social cohesion.<sup>1</sup>

Figure 1.1 Youth and overall unemployment rates (latest year available), (percentages)



Source: Chabaane, 2010.

Thus, there was a lack of more and better employment opportunities even before the twin crises (the global financial crisis and the revolution of January 14<sup>th</sup> 2011), but the emigration of workers to more job-rich countries and the low labour force participation rates among vulnerable groups served as a pressure valve for the labour market. In this regard, the current political impasse presents a renewed opportunity to address some of these long-standing issues; however, as the initial institutional response has been directed towards the most pressing economic and social concerns, future responses should be more comprehensive in scope, and sustainable in terms of long-term focus.

<sup>1</sup> See for example, ILO: *World of Work Report 2010: From one crisis to the next*, 2010; and Ha, et al: *Youth employment in Crisis*, 2010.



---

*The country is at a crossroads politically, economically, and socially*

Key structural challenges remain in the labour market and in the social protection arena to ensure that whatever growth is acquired includes women, young people, returning emigrants, and workers in less-developed regions. This must include improved investment for employment creation across skill levels; better strategies for transition to work for university graduates – particularly women who face wide gender employment gaps; better access to credit – particularly for SMEs and disadvantaged groups; improved efficiency of social protection; and the reform of social security to ensure continuation of adequate coverage. To obtain these goals improved social dialogue among all actors is paramount.

The remainder of this chapter will address the current economic and labour market situation in Tunisia by focusing on the country's back-to-back crises. Section A of this chapter will present an economic overview of Tunisia along with the crisis' impacts, followed by a discussion in Section B of the labour market situation and how the global crisis has exposed long-standing structural issues. Section C will discuss the initial institutional response, and finally Section D will provide concluding remarks.

## A THE ECONOMIC SITUATION IN TUNISIA

### 1 OVERVIEW OF THE ECONOMIC STRUCTURE

Tunisia's initial period of central planning in the 1960's helped to lay the foundation for future development by providing a modern infrastructure, cultivating an industrial base (through import substitution policies to protect key infant industries), and by designing strong social policies.<sup>2</sup> Although there was also some initial suppression of the private sector, the adoption of export-oriented strategies in the 1970s (under the Bourguiba regime) shifted the focus to offshore private sector development in job-creating industries such as textiles and clothing. Because the country was largely dependent on oil revenues during the 1970s, it was therefore able to capitalize from the rapidly rising oil prices and use these as a means of financing its industrial development.

However, the collapse of energy prices in the 1980s, along with the recession in Europe, led the country to embark on its first IMF stabilization programme (under President Ben Ali). The IMF continued the export-oriented policies that were implemented by Bourguiba, but also began implementing textbook Bretton Woods stabilization policies such as privatization of state-owned enterprises, financial sector reforms, macroeconomic stabilization (reducing inflation, government spending, and current account deficit), and investment and price liberalization. Although a good many of these programmes were deemed successful by the World Bank and the international community, governance as an issue was largely ignored until the 1990s.<sup>3</sup> Additionally, Tunisia's government kept tight control and liberalized certain areas of the economy, such as finance, only gradually.

Thus, in the span of about 30 years, the country effectively transformed itself from a small agrarian economy, chiefly reliant on limited supplies of oil and natural gas, to its present day status as an economy with a rapidly diversifying manufacturing base. Indeed, Tunisia has the highest per capita income in North Africa at around US\$ 3,720, a level of income comparable to emerging economies such as China, Jordan, and Thailand.

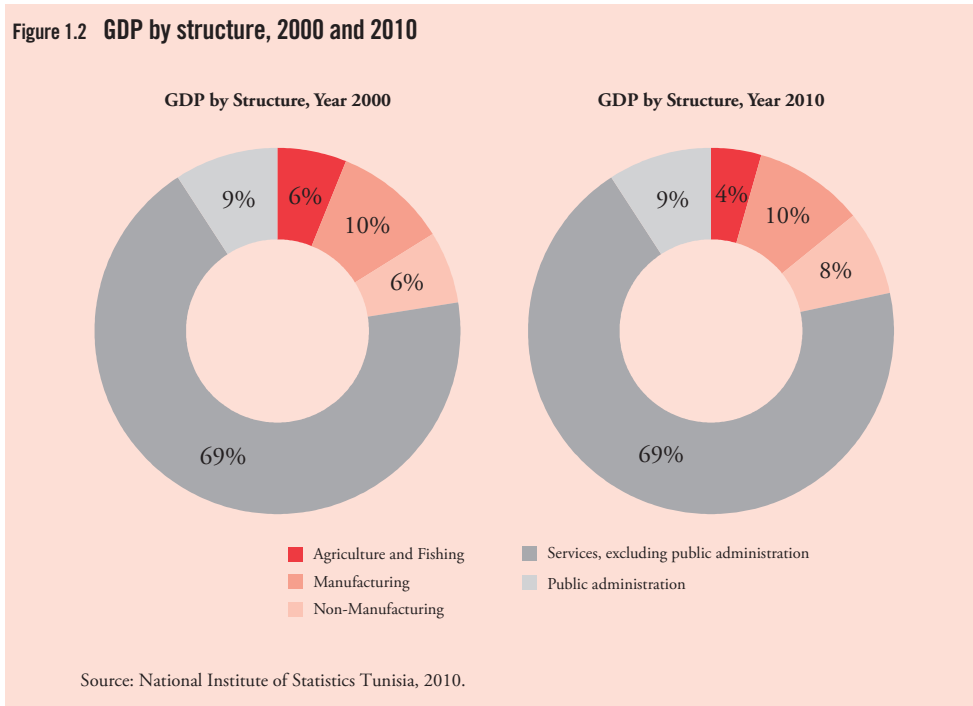
<sup>2</sup> M. Blin: "The political economy of IMF and World Bank interventions: Is Tunisia really a model student?" in J. Harrigan and H. El-Said (eds.): *Aid and Power in the Arab World*, (Palgrave Macmillan, 2009).

<sup>3</sup> See International Monetary Fund, Article IV, Tunisia, 2010b.

### *Manufacturing is the principal driver of growth*

The manufacturing sector is a key driver of growth in Tunisia (at 7.2 per cent in the 4<sup>th</sup> quarter of 2010 (year-over-year)) and represents the second largest component of GDP at around 10 per cent in 2010. It is driven primarily by important export industries such as textiles and clothing (6.4 per cent growth in 4<sup>th</sup> quarter 2010) and the rapidly growing mechanical and electrical industry (23.0 per cent growth in 4<sup>th</sup> quarter 2010). Together these two industries represent about 50 per cent of Tunisia's exports.

However, despite the importance of the manufacturing sector to economic growth, the largest portion of GDP – nearly 70 per cent – is created by the service sector (Figure 1.2). Furthermore, the size of the service sector in the total economy has remained unchanged in the last ten years. Services consist of a number of activities, including tourism-related industries such as hotels, restaurants, trade, and communications (of which telecommunications has been the key driver of growth and achieved 13 per cent growth in 4<sup>th</sup> quarter 2010). Public administration, which is another important component of GDP, has remained relatively stable over the past decade at about 9 per cent.

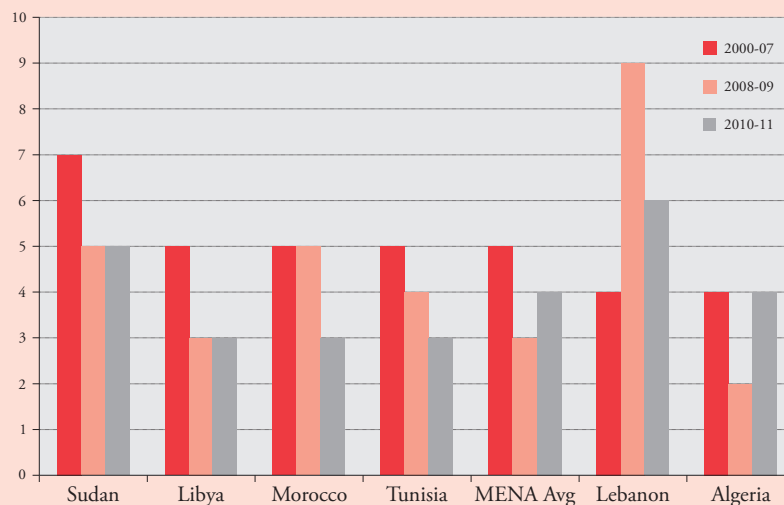


## 2 IMPACT OF THE GLOBAL FINANCIAL CRISIS

In general, the MENA region was one of the least affected in terms of GDP growth during the 2008 global financial crisis, owing mainly to its limited financial exposure and its trade composition. GDP in MENA fell by 2.9 percentage points between 2008 and 2009, when compared to sub-Saharan Africa and Latin America where it dropped by 4.1 and 6.0 percentage points, respectively; only South Asia, where growth accelerated by 2 per cent, fared better than the MENA region.

Though mild by international standards, in Tunisia the global crisis considerably slowed the growth momentum of the economy. Tunisia's GDP fell from 6.3 per cent in 2007 to 4.5 per cent in 2008, as exports declined considerably and manufacturing production waned. Relative to other economies in the region, Tunisia fared slightly better than the MENA average, as a number of oil-exporting economies (e.g. Algeria and Libya) were significantly impacted by the initial decline in oil export revenue (Figure 1.3). After bottoming out at 3.1 per cent in 2009, growth resumed its upward trend in early 2010.

Figure 1.3 Real GDP growth, selected MENA economies 2001–2011 (percentages)



Note: Rates are average compounded growth rates of real GDP.  
Source: World Bank development indicators and IMF WEO.

---

*Weak financial linkages buffered the economic fallout in Tunisia.*

Similar to other developing economies, Tunisia's weakly-integrated financial markets buffered it from the full effects of the global crisis. Financial institutions in the country hold only a very small proportion of foreign assets (about 8 per cent of total assets in 2009)<sup>4</sup> and the export sector is mainly financed through offshore facilities. The country has historically taken a gradual approach to the opening of its capital accounts, which seems to have been somewhat prescient in the current context.

*The main transmission mechanism was through economic linkages with the EU, in the form of weakened trade...*

The main transmission mechanism for the crisis' impact was the external sector, which suffered a collapse in demand from the European market. Growth in exports of goods and services decelerated from 8.5 per cent in 2007 to 3.5 per cent in 2008, and further to 1.6 per cent in 2009, increasing the country's current account deficit from 900 million to 1.2 billion US\$ in 2009. In general, exports declined across all sectors in 2009 compared to 2008; for example, machinery and electrical components fell by 3.7 per cent, while textiles and other manufacturing fell by around 8 per cent.

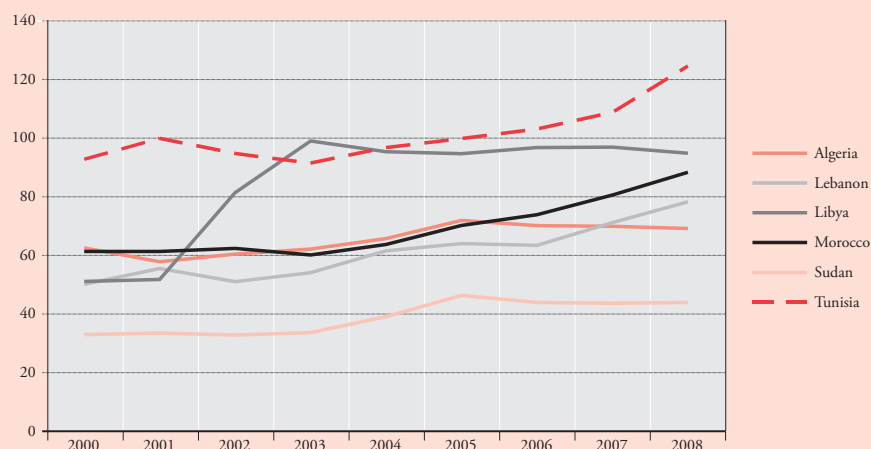
Tunisia has strong internal demand, but the country imports a considerable amount of goods that are not produced domestically, and local firms target foreign markets to improve their economies of scale. The country relies heavily on trade, and the trade share of GDP (124.6 per cent in 2008) is one the highest in the MENA region (Figure 1.4). The country depends on the EU for the vast majority of its exports, particularly since the implementation of the European-Mediterranean (Euro-Med) free trade agreement in 1998. The Euro-Med agreement harmonized the regulatory framework, reduced tariffs, removed quantitative restrictions and progressively increased economic linkages between the two markets – Europe comprised 74.2 per cent of Tunisia's exports in 2008 (of which France and Italy are the most important partners at 29 per cent and 21 per cent, respectively).<sup>5</sup> Tunisia has thus become increasingly sensitive to business cycles in the EU, and the IMF has estimated that the correlation between output gaps in Tunisia and its European trading partners

<sup>4</sup> IMF: op. cit.

<sup>5</sup> Government of Tunisia: *Balance of Payments*, 2008.

has doubled from 0.33 in the period 1985–1992 to 0.67 over the period 1993–2008.<sup>6</sup>

Figure 1.4 Trade share of GDP in selected MENA economies, 2000–2008 (percentages)



Source: World Bank, WDI.

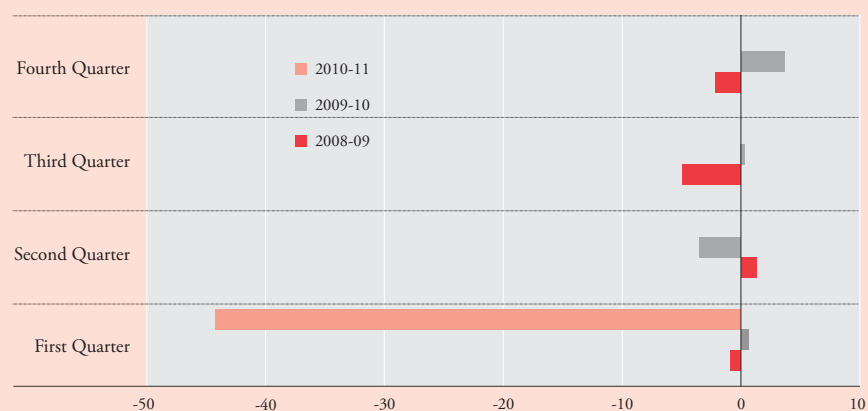
### *...and a fall in tourism receipts.*

Although economic diversification has made Tunisia less dependent on tourism it still remains a vital sector for economic growth and employment. The share of international tourism receipts in total exports, which accounted for almost 25 per cent at the turn of the century, stood at around 19 per cent in 2006. Yet the sector still represented 6 per cent of GDP in 2006 and employed more than one-third of the working population.<sup>7</sup> It also remains a vital source of foreign exchange; in 2009, tourism receipts amounted to US\$ 3.5 billion (current) and created 96,000 jobs, up from US\$ 3.9 billion in 2008 and 95,400 jobs in 2008. Although the number of tourists declined during the global financial crisis, there was a rebound in the second half of 2010 and the sector was on a stabilizing trend prior to a considerable fall of more than 40 per cent in the early months of 2011 (Figure 1.5).

<sup>6</sup> R. De Bouk, et. al. : *Spillovers from Europe and Morocco and Tunisia*, 2010.

<sup>7</sup> African Development Bank: *African Economic Outlook*, 2008.

Figure 1.5 Tunisia's growth in tourism entrants, quarterly 2009-2011 (percentages)



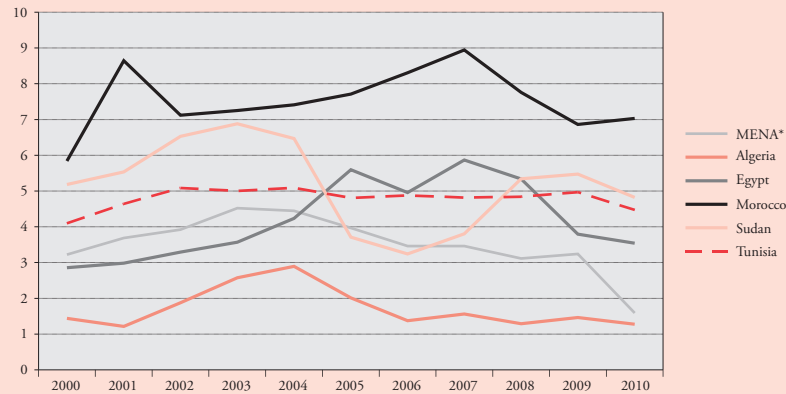
Source: National Institute of Statistics Tunisia, 2010.

*Surprisingly, worker remittances remained stable.*

Worker remittances are an important source of income in Tunisia, and at 5 per cent of GDP rank above FDI flows as a source of development financing (FDI represented about 3 per cent of GDP in 2009). Remittances are also the equivalent of 11 per cent of exports of goods and services, just slightly below that of tourism (which is 13 per cent). In spite of the crisis, remittances held up fairly well, not only in Tunisia, but in the MENA region in general (Figure 1.6). This is surprising, particularly in Tunisia, where 80 per cent of such remittances have their origins in France (1,271 million TND in 2009 (US\$ 941 million)),<sup>8</sup> which experienced a severe downturn during the global crisis. Studies however find that remittances are generally quite stable and exhibit less volatility than other sources of funding, such as private capital flows and FDI.<sup>9</sup>

<sup>8</sup> Central Bank of Tunisia: *The Tunisian economy in figures*, 2011.

<sup>9</sup> D. Ratha: "Worker's Remittances : An Important and Stable Source of External Development Finance", in *World Bank Global Development Finance: Striving for Stability in Development Finance. Volume 1: Analysis and Statistical Appendix*, 2003.

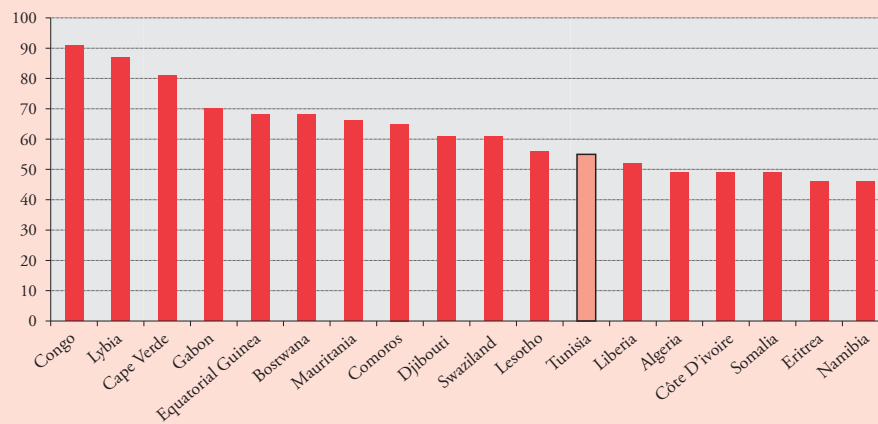
**Figure 1.6 Worker remittances as a percentage of GDP, 2000–2009**

\*MENA includes only developing MENA countries.

Source: World Bank, WDI estimation based on IMF balance of payments data, and World Bank and OECD GDP estimation.

### *Rising food import prices also posed a threat to the economy.*

Spiralling food commodity prices, which preceded the global crisis, also posed (and continue to pose) a considerable threat to the Tunisian economy, since 60 per cent of food consumption is represented by food imports. This situation is similar in many other developing economies, particularly in Africa, (Figure 1.7) where countries found themselves dealing with the inflationary effects of the 2008 food crisis when the global crisis occurred. This led many such economies to initially maintain a tight monetary stance prior to expansionary policy measures such as implementing food subsidies and increasing public sector wages (see Box 1.1).

**Figure 1.7 Ratio of food imports to food consumption in selected African economies, 2010 (percentages)**

Source: Food and Agriculture Organization, 2011.



### Box 1.1 Impact of rising food prices

The spike in food prices highlights the vulnerabilities of poor consumers to higher staple food prices. Rising global food prices contribute to high food inflation in many countries and, in some countries, have led to riots and other incidences of social unrest. MENA countries are particularly vulnerable to the increase in food prices, as water supplies are limited and nearly fifty percent of the food consumed in the region is imported.

Rising food prices can fuel inflation and bloat government subsidy bills, but the inflationary impact varies across the region and depends on various other factors such as the exchange rate, domestic infrastructure, and price stabilization policies. The impact of rising food prices also significantly impacts household food security bills. The vast majority of poor rural and urban households in developing countries are net food buyers who are negatively affected by higher prices. According to the World Food Programme (WFP), around 97 per cent of households in Yemen indicated that they had not enough money for food and other basic essentials during the 2008 global food crisis; “Furthermore, over 90 per cent had to rely on less preferred and cheaper food and had reduced the size of their meals” (WFP, 2008). Similarly, “Moroccan families – especially those on low incomes who rely on vegetables as a staple due to the high cost of meat – suffered from the price hikes”, with women reportedly buying and cooking less food for their families (Benmehdi, 2009).

Faced with this situation, many governments tried to limit the increase in domestic food prices by raising subsidies (Tunisia), lowering import tariffs, or imposing export restrictions (Egypt). However, these are basically short-term relief strategies that both distort markets and can have negative long-term implications. In the short run, higher subsidies increase budget expenditures and reduce fiscal resources available for much needed public investment and other developmental expenditures; while export restrictions aggravate price increases (which in turn led to higher prices for rice in the 2008 food crisis). Additionally, over the medium to long term, artificially low prices may limit the supply and improved productivity response that are required for long-term food security (International Food for Agricultural Development (IFAD), 2008).

Table 1.1 Policy Responses in MENA to higher food prices, 2008

Country	Economy-Wide Policies			Social Protection Programs				
	Reduce taxes on food	Increase supply using food stocks	Export restrictions	Subsidies and/or Price Controls	Cash transfers	Food for work	Food rations/stamps	School feeding
Egypt	✓	✓	✓	✓	✓		✓	
Morocco	✓	✓		✓				✓
Tunisia	✓		✓	✓	✓			✓
Djibouti		✓	✓	✓				

Source table: Yemstov, R. (2009).

Sources: Benmehdi (2009); IFAD (2008)WFP (2008).

## **B LABOUR MARKET SITUATION**

### **1 OVERVIEW OF THE LABOUR MARKET**

The unemployment rate, which was 16.4 per cent in 1984 at the onset of the first stabilization plan, was 13.0 per cent in 2010, while GDP growth increased by about 200 per cent (from 17.5 TND to 52.5 TND) during the same period. Unemployment, however, is just one of the key challenges in regards to the Tunisian labour market, and this section will attempt to address some of these underlying concerns.

A more thorough analysis of Tunisia's employment situation would, of course, require a longer time period (pre-2004), and a more diverse and disaggregated dataset. However, attempts to obtain more information were not successful and given the current re-evaluation taking place with regards to the country's statistics such information may not prove useful at this juncture. With this in mind, the remainder of the section will focus on key structural issues in the labour market, mainly related to the supply side – while Chapter 2 will raise the demand side concerns and analyse factors impacting on job creation.

#### *Supply side considerations are key challenges to the labour market*

On the supply side, there is increased pressure from the growing number of entrants into the market. The labour force has grown from less than 3 million in 1994 to around 4 million in 2010 – owing mainly to the number of young people and women entering the labour market.<sup>10</sup> Between 2004 and 2008 there was an employment gap of nearly 20,000 jobs per year just for new entrants into the labour market – which is on top of the already 500,000 unemployed looking for jobs each year.<sup>11</sup>

But demographic pressures are not the only factor explaining excess labour supply, as there is a mismatch between the jobs being created and the skills of the labour force. The number of skilled workers entering the labour market skyrocketed in the last two decades – in large measure due to the increase in the number of university graduates from 3,618 in 1984 to 65,630 in 2009 (as a share of the population it increased by over 1000 per cent). Although there is some evidence that education systems are failing to equip students with skills that are valued by the private sector and the global economy, the number of

<sup>10</sup> Government of Tunisia (2010).

<sup>11</sup> H. Dimassi: *Background paper for the Tunisia country review*, unpublished manuscript, 2010.

highly-skilled workers clearly outstrips the available job opportunities, as the majority of jobs being created are in low-skilled sectors. The agriculture and trade sectors, where a large portion of workers have less than secondary level education,<sup>12</sup> was responsible for about 60 per cent of jobs created between 2004–2007. But sectors where there is a larger share of ‘skilled’ workers, i.e., those with at least a secondary education (such as in education, health care, mechanical, and electrical) had a less important contribution to job growth over the same period (Table 1.2).

**Table 1.2 Skill level in employment-creating and shedding industries, 2004–2007**

Industry	Net Jobs Added (thousands per year)	Skill Level (per cent)	Industry	Net Jobs Added (thousands per year)	Skill Level (per cent)
<b>Agriculture</b>	34.9	12	<b>Construction</b>	-0.8	23
<b>Trade</b>	14.3	44	<b>Textiles</b>	-2.9	35
<b>Education, health and administration</b>	8.6	83			
<b>Mechanical and electrical</b>	6.9	50			
<b>Transportation and Communication</b>	6.1	52			
<b>Chemicals</b>	0.8	54			
<b>Mining</b>	0.2	63			
<b>Other non-agricultural sectors</b>	41.9	49			

Note: Skill level is defined as the percentage of the sectoral workforce with at least secondary education in 2001.  
Source: IILS based on World Bank data, 2008.

### *There is an increasingly educated young labour force...*

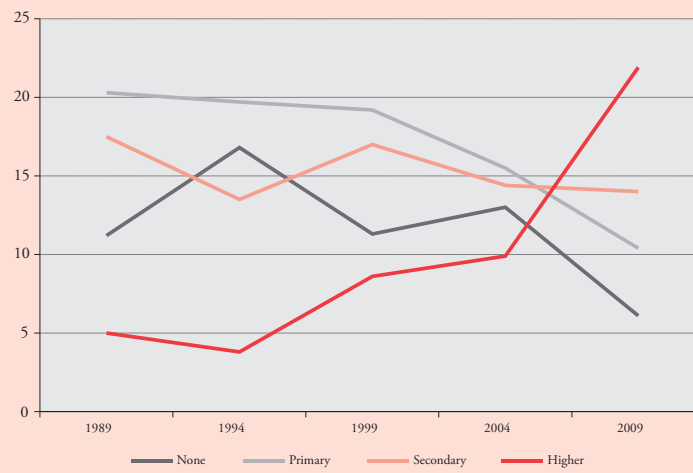
Consequently, the problem of unemployment is particularly acute among those with tertiary education – in 2010, the majority of those enrolling in an unemployment office for the first time (37 per cent) held a university degree. Moreover, the unemployment rate is also greatest among those with a higher education – even as unemployment declined in recent years among the non-educated, and those with only primary schooling, it rose for those with

<sup>12</sup> World Bank: *Tunisia's Global Integration: Second Generation of Reforms to Boost Growth and Employment*, 2008.

secondary and tertiary education (Figure 1.8, Panel A). The unemployment rate for the university educated rose from 14 per cent in 2005 to close to 22 per cent in 2009 relative to those with no education, which had in turn fallen steadily beginning in 2005 and which stood at 6.1 per cent in 2009. Additionally, in terms of absolute numbers, those with secondary level education or higher represent the larger share of unemployed workers. At the turn of the century, those with secondary and tertiary level education represented 40 per cent of the unemployed, but by 2009 their representation was over 50 per cent (Figure 1.8, Panel B).

**Figure 1.8 Unemployment rates and composition of unemployed by educational attainment (percentages)**

**Panel A: Unemployment rates by educational attainment, 1984–2010**



Source: IILS based on Ministry of Education, Tunisia.

**Panel B: Composition of unemployed by education, 1999–2009**



Source: Ministry of Vocational Training and Employment of Tunisia.

---

The increase in unemployment with level of education is a common problem throughout the MENA region. Unemployment among those with tertiary education in Egypt, Algeria, and Lebanon is around 15 per cent, 20 per cent, and 30 per cent, respectively. Yet unemployment among those with a primary education is 2.0 per cent, 7.6 per cent, and 22 per cent in the same countries. This is in contrast with developed economies where unemployment decreases with higher schooling; for example, in the United States and France, the unemployment rate among those with a tertiary education is 5 and 8 per cent respectively, while unemployment among those with less than a high school diploma is 14.6 per cent in the United States and among those with no education is 31 per cent in France.

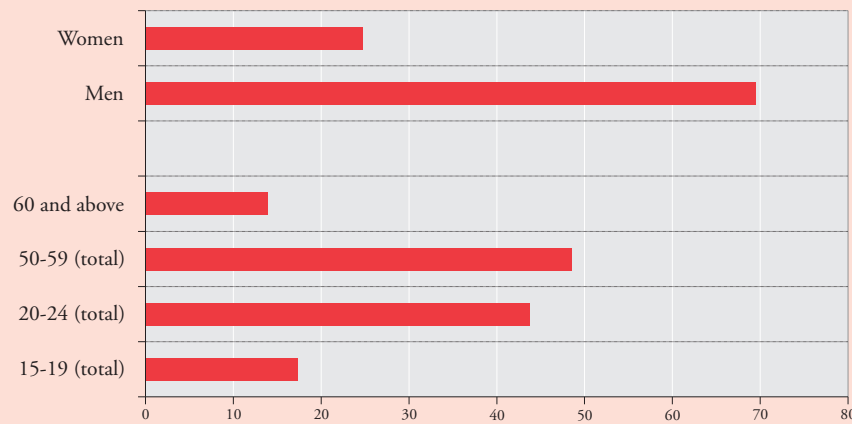
The lack of employment opportunities is also partially responsible for the low labour force participation rates, particularly for young people as they remain in school longer and postpone their entry into the labour market or wait for better employment prospects while depending on family support or remittances. Other coping strategies such as emigration (both skilled and unskilled) to more job-rich countries have historically helped to relieve some of the labour market pressure and ensured a steady flow of remittances.

*...but, low labour force participation, especially among women...*

Labour force participation is extremely low in Tunisia and there has only been a slight increase in recent years, from 45.5 per cent in 2005 to 46.9 per cent in 2010. Indeed, the overall participation rate masks important differences among groups of workers. The rates are lowest among youth, women, and the elderly, while men have rates (69.5 per cent) comparable with those of other MENA and advanced economies (68.9 per cent in Algeria, 62 per cent in France, 64.5 per cent in Greece, 74.7 per cent in Morocco, and 67 per cent in Spain.)<sup>13</sup> (See Figure 1.9).

---

<sup>13</sup> European Commission: Eurostat.

**Figure 1.9 Labour force participation for different groups, 2010 (percentages)**

Source: Ministry of Vocational Training and Employment of Tunisia.

In 2010, the participation rate of women was only 24.8 per cent – but comparable to other countries in the region, such as 14.2 per cent in Algeria and 25.9 per cent in Morocco.<sup>14</sup> After independence, several policies were implemented in order to facilitate women's integration into the labour market with some success. However, in recent years the rate stagnated (from 23.6 per cent to 24.8 per cent in the last five years) and it still remains very low when compared to European countries, where it is 68.1 per cent in Portugal, 52.2 per cent in France and 65 per cent in Spain.<sup>15</sup>

The low women's participation rate is due to a number of reasons. Firstly, as alluded to above, school retention is part of the reason – as women's level of education improved this in turn delayed their entry into the labour market. Additionally, despite important progress, social norms still seem to constitute an obstacle to the entry of women into the labour market. Although much progress has been made in legislation, in practice discrimination still exists; moreover, women's participation in the labour market is not continuous. After the age of 30, the participation rate declines markedly (see Figure 1.11). Women seem to drop out of the labour market after getting married or having a child, owing mainly to the paucity of child care facilities; only 0.4 per cent of children between the ages of 0 and 3 were admitted to a day care centre in 2006.<sup>16</sup> Such lack of institutions strengthens the traditional role of women as

<sup>14</sup> INS for Tunisia, ONS for Algeria, TUIK for Turkey and HCP for Morocco.

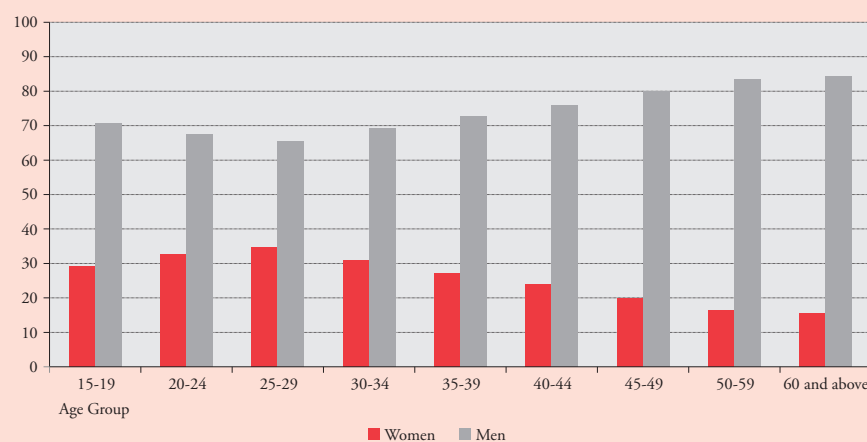
<sup>15</sup> European Commission: Eurostat, op. cit.

<sup>16</sup> A. Goudier: *Déterminants de l'activité des femmes sur le marché du travail tunisien et discrimination salariale par genre*, (2009, pp. 4-9).

housewives. Finally, access to credit for starting a business is also an issue, as micro credit institutions tend to favour men over women.<sup>17</sup>

It should be noted, however, that Tunisia has made progress in terms of gender equity. Not only does it have the lowest gender gap in activity amongst the Maghreb countries (Figure 1.10), but the Global Gender Gap Ranking, which examines the gap between men and women in four categories (economic participation and opportunity, educational attainment, health and survival, and political empowerment) ranks Tunisia ahead of many countries such as Lebanon and Turkey (in addition to the Maghreb countries) in terms of gender equity.<sup>18</sup>

**Figure 1.10 Labour force participation rates, by age and gender, 2010 (percentages)**



Source: Ministry of Vocational Training and Employment of Tunisia. Available at: [http://www.emploi.gov.tn/fileadmin/user\\_upload/PDF/statistique/publication/a3.pdf](http://www.emploi.gov.tn/fileadmin/user_upload/PDF/statistique/publication/a3.pdf).

*Europe and oil exporting countries are important destinations for emigrant workers...*

Emigration has been an important means of securing employment for Tunisian workers since the second half of the 20<sup>th</sup> century, and this has historically helped to ease some of the demographic pressures in the labour market. In 2010, emigrants represented 10 per cent of Tunisia's population.<sup>19</sup> The major-

<sup>17</sup> United Nations University-World Institute for Development Economics Research (UNU-WIDER): *Supporting Women Entrepreneurs in Tunisia*, 2010.

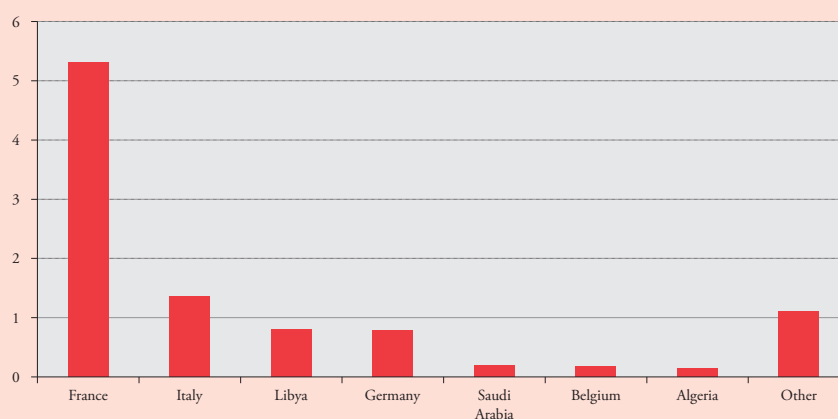
<sup>18</sup> The Global Gender Gap ranking is developed by the World Economic Forum, see R. Hausmann, et. al.: *The Global Gender Gap Report*, 2010.

<sup>19</sup> Office for Tunisians abroad: <http://www.ote.nat.tn>

ity of them work in Europe (e.g. France, Italy, and Germany) and (until recently) neighbouring countries such as Libya (see Figure 1.11), but the profile of such workers has changed considerably over the last decades. In the 1960s and 1970s emigrants worked in sectors that required semi-qualified workers, but today they are increasingly working more in sectors requiring high skills.<sup>20</sup> It is estimated that the number of educated Tunisian workers in Europe doubled in the 1990s and this trend continues. For example, among male emigrants to France, 18 per cent had tertiary education in 2007 while in 2008 this rate was 20.5 per cent.<sup>21</sup>

Emigration has had other important benefits for both workers and the Tunisian economy. It has improved earning opportunities; for example, in France, Tunisian women earned 8 times more and men 3.4 times more than the average wage that women and men earn in their country respectively – a vital source for financing in terms of remittances (see section A).<sup>22</sup> Although the prospect of increased earnings has certainly encouraged many well-educated Tunisians to leave the country, thus diminishing the human capital base, the brain drain itself does not seem to be a dilemma for Tunisia as the percentage of educated workers in the labour force is very high. In many ways, it is indeed more of a solution to the unemployment problem than a challenge.

Figure 1.11 Tunisian emigrants as a percentage of domestic population in 2008<sup>23</sup>



Source: ILS calculation based on Boubakri (2010, p.8)

<sup>20</sup> Although much of the migration to Libya and other oil exporting economies is mostly illegal, it is due to the opportunities linked to the exploitation of new oilfields.

<sup>21</sup> ILO: 2010b, op. cit., p.41.

<sup>22</sup> International Institute for Labour Studies (IILS): *Making migration a development factor: The case of North and West Africa*, 2010..

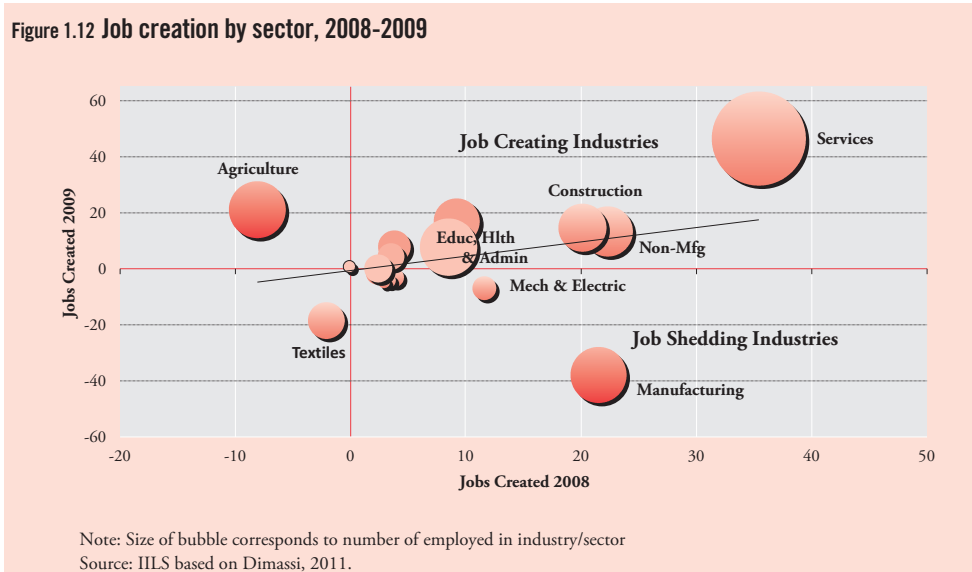
<sup>23</sup> Statistics on the number of Tunisian emigrants vary in different sources; for example, the French Statistics Institute estimates that there are only 150,000 Tunisians in France, while Tunisia estimates are around 500,000. The differences are probably due to double citizenship. See European Training Foundation: European Training Foundation. *The Contribution of Human Resources Development to Migration Policy in Tunisia*, 2007, p.12 for more details on this subject.



## 2 LABOUR MARKET IMPACT OF THE GLOBAL FINANCIAL CRISIS

### *Net job losses during the crisis were minimal...*

In general, the global crisis had a relatively brief but negative impact on the employment situation in Tunisia. The global crisis affected key export sectors and tourism-related industries. Unemployment rose from 12.4 per cent in 2008 to 13.3 per cent in 2009, mainly due to weak job creation. Most of the jobs that were lost were in the manufacturing sector (38,000 jobs disappeared between 2008 and 2009) owing to the slowdown in textiles and clothing industry, but also other in important industries such as machinery and electrical components (Figure 1.12). However, in larger industries, such as wholesale and retail trade, transportation and communication, education, and health, where employment is concentrated, net job creation either accelerated or remained stable throughout the crisis. Thus, the overall unemployment rate increased throughout the crisis by only 1 percentage point.<sup>24</sup>



### *...but structural employment issues were brought to the fore...*

However, and more specifically, the crisis deepened and exploited the structural issues as discussed in Section A:

- *Unemployment among university graduates:* Unemployment rose sharply, particularly for those with tertiary education. Unemployment among

<sup>24</sup> There is some evidence, mainly in the form of Daily Reports from the Ministry of Social Affairs, that shows how the impact of the crisis in the service sector was more in the form of partial employment losses, which suggests that hours worked were reduced instead of jobs being eliminated (Ministry of Social Affairs, General Labour Inspectorate and Conciliation).

university graduates increased from 18.2 per cent in 2007 to 21.9 per cent in 2009, compared to those with no schooling, which rose from 4.4 to 6.1 per cent during the same period.

- *Adverse effect on women:* Women were particularly hard hit during the crisis, which is in line with other studies that have shown the adverse impact on women's employment during the crisis. While the unemployment rate for men remained stable throughout the crisis, the rate for women increased from 15.3 per cent in 2007 to 18.8 per cent in 2009 – mainly owing to the larger number of female low skilled workers in the export sector (80 per cent of workers in textile and clothing are women), which witnessed significant job losses.
- *Emigration bottlenecks:* One of the major impacts of the financial crisis on the labour market was to stem the flow of emigrants to Europe because of the diminished job opportunities abroad. In addition to this, the political instability in other Arab countries led migrants to return back to Tunisia. In particular, the civil war which broke out in Libya, one of the top destinations for Tunisian workers, turned migrant flows back to the country and prompted a number of European countries to reduce their quotas for foreign migrants (e.g., Italy) or made the criteria for admission more difficult (e.g., France).<sup>25</sup> Empirical evidence shows a slight decrease of inflows of Tunisians migrants to OECD countries in 2008.<sup>26</sup>

Thus, the crisis widened the fissures in labour market inequities; before the global crisis, high emigration and the promise of public sector employment opportunities helped to quell labour market disparities by acting as a pressure valve on the growing labour force. However, with the prolonged downturn in Europe and other important destination countries, certain groups of workers such as university graduates and women were disproportionately impacted. Additionally, although there is broad social protection in Tunisia for the poor (see Chapter 3), there are few options for the unemployed to receive benefits while trying to gain a foothold in the labour market. Thus the lack of adequate unemployment benefits and limited opportunities for entrepreneurship and self-employment put the unemployed in an untenable position – and without an appropriate counteractive institutional response, the growth rebound alone was not sufficient to improve the employment and social prospects.

<sup>25</sup> Italy diminished its quota for non-seasonal workers to 150,000 in 2008 and to 0 in 2009. See OECD (2009).

<sup>26</sup> J-C. Dumont and J-P. Garson: *La crise et son impact sur les migrations et l'emploi des immigrés*, 2010.

---

## C INSTITUTIONAL CRISIS RESPONSE

### *Tunisian response to the global crisis was inadequate*

The global crisis presented an opportunity to address some of these systemic labour market challenges; however, Tunisia's response consisted mainly of supporting the badly hit export sector, as well as certain measures to assist small and medium enterprises, and others to shore up domestic demand. These 'targeted' labour market measures mainly consisted of tax credits to exporting firms for employer's social security contributions, as well as increasing public sector wages in order to stabilize domestic demand. Public investment was also increased by 20 per cent, which is reflected in the strong employment creation in the public works and construction sector (see Section B) that helped to offset losses in other sectors such as manufacturing. Additional measures targeted towards SMEs included improving the flow of credit to small enterprises by injecting additional liquidity into the economy through deposit and credit facilities, and by decreasing the prime rate to 5.25 per cent.

As the economic effect of the global crisis was brief in Tunisia, the labour market response was targeted mainly towards cyclical changes in employment. In this regard, many of the jobs secured were low skilled public works reinforcing the mismatches present in the labour market. Additionally, although minimum wages were increased during this period, this was not adequate enough to keep real wages from falling. Tunisia thus missed a golden opportunity to make more structural changes in the economy that might have addressed some of the glaring inequities in the labour market.

### *More targeted policies were enacted after January 14th, but are still not far reaching enough...*

It is too certainly too soon to gauge the full economic impact of the events of January 14<sup>th</sup>; however, the initial effects will likely have a more pronounced impact in percentage terms than the global crisis – as growth prospects are expected to fall below 1 per cent in 2011. The weakened growth prospects are chiefly attributable to the weak recovery in business activities, particularly tourism (resulting from the social unrest), as well as continued employment stagnation (Table 1.3). Additionally, the return of emigrants from war torn Libya (one of the top five remittance source countries), and the slowdown of growth in that country will almost certainly have adverse effects on Tunisia's economic situation.

Table 1.3 Forecast summary in Tunisia

	2010 (estimate)	2011 (forecast)	2012 (forecast)
<b>Real GDP growth</b>	3.4	0.8	3.3
<b>Industrial production growth</b>	7.8 (actual)	0.0	3.0
<b>Gross agricultural production growth</b>	- 7.9	1.9	2.0
<b>Exports of goods, fob (US\$ billons)</b>	16.7	18.3	19.0
<b>Unemployment rate</b>	13.0 (actual)	16.0	15.8

Source: Economist Intelligence Unit, 2011

In April 2011, the interim Government of Tunisia adopted short-term economic and social policies specifically targeting vulnerable groups. This recovery plan is composed of 17 measures focusing on job security, employment, private sector growth, and support targeted towards the young unemployed, return migrants, and the poor. Some of the measures are a continuation of support given during the global crisis, such as the economic support and financing for the private sector; however, there is supplementary support in the area of regional development as well social assistance, in particular:

- *Young graduates:* New measures to extend social protection to young graduates by providing up to 200,000 young graduates a monthly allowance of 200 dinars (US\$ 140) and medical coverage for up to a year. In addition, programmes to help prepare young job seekers for the public sector entrance exam will also be launched.
- *Regional development:* To improve growth in all regions, particularly the remote areas, the interim Government is focusing on infrastructure projects to facilitate development and investment in all regions. Moreover, 500 million Euros received by the European Investment Bank (EIB) will be used to improve transportation and roads. Combined with these initiatives, the interim Government has also taken a few measures to promote regional development and investment in the regions.

- 
- *Priority Zones:* According to the interim Government, a number of investors expressed their willingness to implement large-scale projects in regional development zones, of which the State will make every effort towards their realization as soon as possible. In addition, new financial and fiscal measures have been taken to encourage investment in priority regions. These include exempting companies from taxes on wages with no time limit for industrial projects, crafts, and services based in these areas.
  - *Social Assistance:* The interim Government plans to improve the housing situation for 20,000 families, 11 per cent of which below the poverty line either through microcredit or by giving subsidies. The proposal of the interim Government also includes social protection and economic inclusion programmes.

In the cases where measures are extensions of already existing programmes, the funding and the scope of the programmes have been increased in order to reach more people. These measures complement the objective of improving the situation of most vulnerable groups; however, more social dialogue is needed to reach a consensus on medium and long-term solutions that reduce inequities and bring about more sustainable growth.

## D CONCLUDING REMARKS

Given the weak growth prospects and political uncertainties, the employment situation in Tunisia remains bleak. Although a number of policies have been enacted to address some of the shortcomings in the labour market, particularly with respect to youth unemployment, a return of economic growth and a more comprehensive labour market blueprint are needed to improve sustainability. Much will depend on the pace of elections and the extent to which an open system of governance can be achieved. Equally important are events outside of Tunisia that have major spill over impacts, such as growth prospects in Europe, geo-political events in emigrant destination countries such as Libya (where 70,000 workers were employed), as well as geo-political events in the overall region that impact on tourism.

As the country moves forward, there is considerable opportunity and scope for institutional reform that embraces a more equitable social contract between citizens and government. Tunisians must work to stabilize their society, improve governance, and broaden the economic base. With this in mind, the remainder of this report addresses key structural challenges necessary for public discourse on policy design in the near term. Chapter 2 presents an overview of employment creation in Tunisia along with the role of investment (private and foreign) in achieving more balanced job growth. The challenges with regard to the social protection system are addressed in Chapter 3; while Chapter 4 is more forward-looking and deals with policy considerations and international experiences in terms of improving the quality of job creation, strengthening the efficiency and effectiveness of social protection, and developing genuine social dialogue among all stakeholders.

---

## REFERENCES

African Development Bank. 2008. *African Economic Outlook* (Tunis).

Benmehdi, H. 2009. "Moroccan public in outcry over soaring prices of food" in *Magharebia* Available at: [http://www.magharebia.com/cocoon/awi/xhtml1/en\\_GB/features/awi/features/2009/04/22/feature-01](http://www.magharebia.com/cocoon/awi/xhtml1/en_GB/features/awi/features/2009/04/22/feature-01) [Accessed 24 Aug. 2010].

Blin, M. 2009. "The political economy of IMF and World Bank interventions: Is Tunisia really a model student?" in J. Harrigan, J. and H. El-Said, (eds.): *Aid and Power in the Arab World* (Palgrave Macmillan).

Boubakri, H. 2010. *Migration pour le travail décent, la croissance économique et le développement : le cas de la Tunisie*, Cahiers des migrations internationales No. 102 (Geneva, ILO).

Central Bank of Tunisia. 2011. *The Tunisian economy in figures* (November). Available at: <http://www.bct.gov.tn/bct/siteprod/francais/index1.jsp>.

Chabaan, J. 2010. *Job creation in the Arab economies: Navigating through difficult waters*, Arab Human Development Report Research Paper Series (New York, UNDP).

De Bouk, R., et. al. 2010. *Spillovers from Europe and Morocco and Tunisia*, IMF Working Paper No. 10/238. (Washington, D.C.) Available at: <http://www.imf.org/external/pubs/ft/wp/2010/wp10238.pdf> [Accessed 23 Aug. 2010].

Dimassi, H. 2010. *Background paper for the Tunisia country review*, (Geneva, International Institute for Labour Studies), unpublished manuscript.

Dimassi, H.; Hassen, B. 2011. *Impact de la crise économique mondiale sur l'emploi de la Tunisie (2008-2010): bref aperçu*, unpublished manuscript.

Dumont, J-C. ; Garson, J-P. 2010. *La crise et son impact sur les migrations et l'emploi des immigrés* (Paris, OECD). Available at: [http://www.iemed.org/anuarii/2010/farticles/Dumont\\_Garson\\_crise\\_fr.pdf](http://www.iemed.org/anuarii/2010/farticles/Dumont_Garson_crise_fr.pdf) [Accessed 23 Aug. 2010].

Economist Intelligence Unit (EIU). 2011. *Tunisia Country Report*, various months (London).

European Commission. *Eurostat*. (Brussels).

European Training Foundation. 2007. *The Contribution of Human Resources Development to Migration Policy in Tunisia* (Turin). Available at: [http://www.etf.europa.eu/pubmgmt.nsf/\(getAttachment\)/5CD26BB43A026CD8C12573DB004D8AD2/\\$File/NOTE7B7KG6.pdf](http://www.etf.europa.eu/pubmgmt.nsf/(getAttachment)/5CD26BB43A026CD8C12573DB004D8AD2/$File/NOTE7B7KG6.pdf) [Accessed 23 Aug. 2010].

Gouider, A. 2009. *Déterminants de l'activité des femmes sur le marché du travail tunisien et discrimination salariale par genre*. Available at: [http://gdri.dreem.free.fr/wp-content/g43-gouider1\\_final.pdf](http://gdri.dreem.free.fr/wp-content/g43-gouider1_final.pdf) [Accessed 23 Aug. 2010].

Government of Tunisia. 2010. *National Institute of Statistics: Tunisia*.

—. 2008. Balance of Payments.

—. 2010. Ministry of Education.

—. 2011. Ministry of Vocational Training and Employment.

Ha, B.J.; et al. 2010. *Youth employment in crisis* International Institute of Labour Studies Discussion Paper No. 201 (Geneva, ILO).

Hausmann, R.; Tyson Laura D.; Zahidi, S. 2010. *The Global Gender Gap Report* (Geneva, World Economic Forum).

Haut-Commissariat au Plan du Royaume du Maroc : <http://www.hcp.ma/>.

International Fund for Agricultural Development (IFAD). 2008. High food prices: Impact and recommendations, Paper prepared by FAO, IFAD and WFP for the meeting of the Chief Executives Board for Coordination on 28-29 April 2008, Berne, Switzerland.

International Labour Office (ILO). 2011. *Global employment trends* January (Geneva).



---

—. 2010a. *World of work report 2010: From one crisis to the next* (Geneva, International Institute for Labour Studies).

—. 2010b. “Making migration a development factor” in *The case of North and West Africa* (International Institute for Labour Studies, Geneva).

International Monetary Fund (IMF). 2010. *World economic outlook*, October (Washington, D.C.).

—. 2010a. “Tunisia: 2010 article IV consultation”, in *IMF Country Report No. 10/282* September. (Washington, D.C.).

Jones, N, et. al. 2009. *Impact of the economic crisis and food and fuel price volatility on children and women in the MENA region*, ODI Working Papers No. 310, November.

Organisation for Economic Cooperation and Development. 2009. “Migrations internationales : quelle ligne de conduite adopter suite à la crise?”.

Office National des Statistiques, Algeria. <http://www.ons.dz>.

Ratha, D. 2003. “Worker’s Remittances : An Important and Stable Source of External Development Finance”, in *World Bank Global Development Finance: Striving for Stability in Development Finance. Volume 1: Analysis and Statistical Appendix*, p. 157-75. (World Bank, Washington, D.C.).

United Nations University-World Institute for Development Economics Research (UNU-WIDER). *Supporting Women Entrepreneurs in Tunisia* Working Paper No. 2010/100. (Helsinki) Available at: [http://www.wider.unu.edu/publications/working-papers/2010/en\\_GB/wp2010-100/](http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-100/) [Accessed 26 Aug 2010].

World Bank. 2011. *World Development Indicators* (Washington, D. C.).

—. 2008. *Tunisia’s Global Integration: Second Generation of Reforms to Boost Growth and Employment* Draft Report No. 40129-TN, May (Washington, D.C.).

World Food Programme (WFP). 2008. *Impact of Rising Food Prices on Household Security in Yemen*, August (Rome) Available at: [http://reliefweb.int/sites/reliefweb.int/files/resources/E4878062DEA3CBA6C12575510045A297-full\\_report.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/E4878062DEA3CBA6C12575510045A297-full_report.pdf) [Accessed 24 Aug. 2010].

Yemstov, R. 2009. *The Food Crisis: Global Perspectives and Impact on MENA* (Washington, D.C. World Bank).

---

## CHAPTER 2

### JOB CREATION AND PRIVATE SECTOR GROWTH IN TUNISIA

#### INTRODUCTION

As Chapter 1 showed, the Tunisian economy is facing the challenge of absorbing the strong growth of the working-age population, many of whom are young and educated. To improve the labour market prospects of workers in general, and the growing number of youth and university graduates in particular, private sector competitiveness is crucial to improving job creation. With that in mind this chapter assesses Tunisia's business climate in relation to its system of economic governance. In particular, it looks at the record of job creation and private sector growth in Tunisia, and provides a comprehensive look at the constraints facing the private sector.

Section A of this chapter reveals that behind Tunisia's favourable rankings in terms of economic competitiveness and business climate is an economy characterized by interventionist economic governance. Thus, the Tunisian economy is not as competitive as it appears to be, and the positive assessments by international agencies may have been driven by factors other than those related to economic performance *per se*. This provides the context for the country's dismal record with regards to private investment and job creation. Section B examines in more detail the factors underlying poor private sector performance; notably it analyses the constraints facing private enterprises such as lack of economic freedom, opaque corporate governance, corruption, clientelism, under-developed financial markets, and lack of entrepreneurship and dynamism. The chapter concludes with a call for a coherent and national level policy, which removes private sector constraints and creates room for more inclusive growth and job creation.

## A JOB CREATION AND BUSINESS ENVIRONMENT

For years now, Tunisia has been considered a model for private-sector competitiveness, yet with the onset of the revolution some of these assessments proved all too optimistic, even somewhat misleading. Underlying these perceptions were a number of structural deficiencies: in particular, job creation has been relatively weak and a large majority of the jobs that were created were of low quality. Moreover, there is a considerable gap between domestic “onshore” and export-oriented “offshore” sectors in terms of job creation, dynamism, and investment.

### 1 APPARENT COMPETITIVENESS, BUT SEVERAL POLICY FAILURES

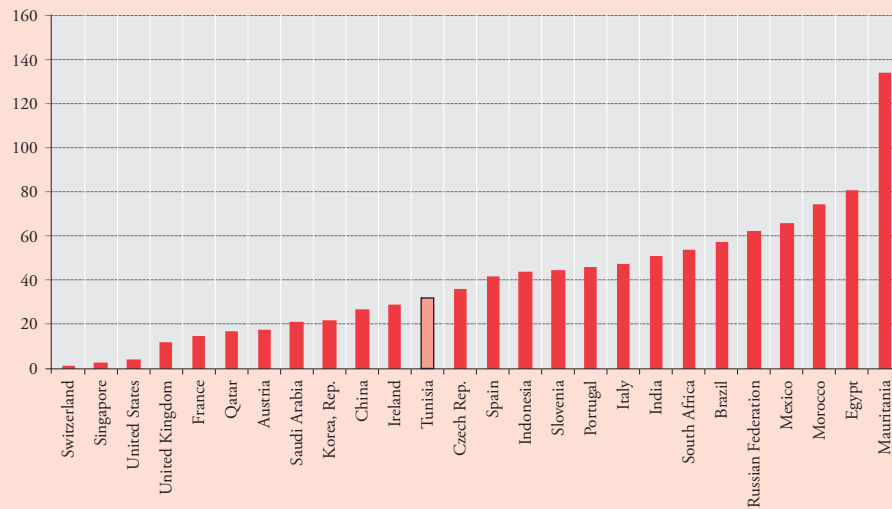
Tunisia has been hailed as a success story, not only in the MENA region, but in Africa as a whole – mainly owing to perceptions of business-friendly government policies, a favourable macroeconomic environment, and increased linkages with the European Union (EU) and the MENA region. In particular, according to the World Bank’s *Doing Business Report 2010*, Tunisia is among the top ten most improved economies in terms of business regulation. The ease of doing business indicators ranks Tunisia similar to countries like Spain and the Czech Republic, and deems it easier than doing business in China, Indonesia, and Italy. This would suggest that in Tunisia it is comparatively easy to start a business, get construction permits, register property, get credit, protect investors, pay taxes, trade across borders, enforce contracts, and close a business. Other countries in the region such as Egypt and Morocco rank lower than Tunisia in this regard.

Additionally, the World Economic Forum’s (WEF) global competitiveness ranking takes an equally sanguine position, placing Tunisia alongside Ireland, and also ahead of some of the countries mentioned above in terms of competitiveness (Figure 2.1).<sup>27</sup> But in the aftermath of January 14<sup>th</sup> it has become in-

<sup>27</sup> According to the WEF, competitiveness is defined as “the set of institutions, policies, and factors that determine the level of productivity of a country,” which includes 12 pillars, some of which are: institutions (legal and administrative), infrastructure, macroeconomic environment, health and primary education, and higher education and training.

creasingly clear that these positive assessments were overly optimistic and failed to capture the lack of private sector productivity and growth in Tunisia.

**Figure 2.1 Tunisia appears to have a competitive business climate (world ranking in 2010)**



Source: Doing Business Report 2010–11, World Bank; Global Competitiveness Report, the World Economic Forum.

Part of the positive assessment of Tunisia’s competitiveness is grounded in the fact that the country has carried out a wide-ranging reform programme based on improving the competitiveness of the economy, enhancing the business environment, and increasing trade openness. For instance, Tunisia signed an Association Agreement with the EU in 1998, which led to buoyant export growth and made the EU Tunisia’s largest trading partner. As mentioned in Chapter 1, the EU accounts for more than three quarters of the country’s exports of goods, tourism receipts, workers’ remittances, and foreign direct investment (FDI). Besides the agreement with the EU, other policies included: an industrial re-structuring programme to create an enabling environment for export and trade sectors, reform of the financial sector, launching of an ambitious privatization programme in order to reduce the size of the public sector, and several targeted initiatives to enhance business competitiveness (see Box 2.1).

**Box 2.1 Tunisia's Government policies to foster business competitiveness**

Since the mid-1980s, the Government of Tunisia has engaged in several economic reform programmes with a view to improve its business environment and overall competitiveness, in particular:

*Agreement with the European Union:* In 1998, Tunisia concluded an Association Agreement with the European Union in an effort to further deepen its economic and financial relations with Europe. The Agreement provided for far-reaching liberalization of trade relations as well as enhanced financial and technical cooperation between the two parties. In particular, the Agreement allowed nearly all industrial exports from Tunisia free access to the EU market and vice versa, fortifying Tunisia's trading relationship with the EU, but at the same time increasing its economic dependence on the EU as well. As a result of such outward orientation, real annual merchandise export growth in Tunisia averaged 8 per cent between 1997 and 2003.<sup>28</sup>

*Industrial restructuring programme (Mise à Niveau):* Complementary to signing the Association Agreement with the EU, Tunisia launched a vast programme of industrial modernization called *Mise à Niveau* aimed at helping enterprises to meet the challenge of international free trade, particularly *vis-à-vis* Europe. Headed by a *Comité de pilotage* (COPIL) – attached to the Ministry of Industry and composed of 16 members representing the Government, the employers' federation (UTICA), the banks, and the labour union (UGTT) – the programme provided grants worth TD 2.5 billion (US\$ 2.3 billion) towards restructuring and upgrading projects of eligible enterprises over the period of 1996–2000.<sup>29</sup>

*Financial sector reform:* In 1997, the Government launched a comprehensive plan to reform the banking sector with particular emphasis on tackling non-performing loans (NPLs). Under the Government's plan, legislation allowing the transfer of NPLs to Asset Management Companies (AMCs) was introduced to tackle NPLs in public and semi-public enterprises (amounting to TD 1.03 billion (US\$ 0.93 billion) – in 1997) as well as private enterprises (amounting to TD 4 billion (US\$ 3.6 billion) – in 1997). As a result, NPLs fell from 25 per cent in 1996 to 19 per cent in 2001.

*Privatization:* In the mid-1980s, the public sector in Tunisia constituted the bulk of the economy, representing roughly 40 per cent of total investment, 30 per cent of total value added, and 33 per cent of total official employment. At the same time, public enterprises were incurring losses and had accumulated a debt of TD 3 billion (US\$ 3.6 billion) or 35 per cent of the country's GDP. Starting in 1987, the Government began reducing the size of the public sector by restructuring, privatizing, and liquidating public enterprises, mostly small- and medium-sized public enterprises in the textile, tourism, and construction sectors. As for large public enterprises such as the national airline (Tunisair) and the insurance company (Star), company shares were sold to private investors on the stock exchange.

*Programmes to strengthen competitiveness:* Starting in 1999, the Government of Tunisia implemented three consecutive Competitiveness Support Programmes (PAC I, II, and III) with financial support from the African Development Bank, the World Bank, and the EU. PAC I, II, and III covered the period of 1999–2001, 2002–2004, and 2005–2007 respectively, with total spending close to US\$ 1.37 billion.<sup>30</sup>

<sup>28</sup> International Monetary Fund (IMF): *Tunisia: Article IV Consultation*, 2004

<sup>29</sup> International Monetary Fund (IMF): *Tunisia: Article IV Consultation*, 1999.

<sup>30</sup> African Development Bank (ADB): *Tunisia Competitiveness Support Programme I and II Project Performance Evaluation Report*, 2006; *Completion Report*, 2008 (which included PAC III).

The overall aim of these programmes was to establish a competitive economy with sustainable growth. To that end, these programmes supported initiatives to improve the environment for private investment, facilitate privatization, and strengthen the financial sector through banking and insurance reform. In particular, PAC I had an emphasis on improving the effectiveness of capital allocation to businesses, while PAC II had a broader focus on improving the general business environment. PAC III built on the previous two programmes in order to further achieve business competitiveness through further fiscal consolidation, promotion of investment opportunities, and enhancement of the financial sector.

The reforms, albeit welcome, had a number of perverse effects that in the end were detrimental to the overall business climate and job creation. In particular, the Tunisian Government engaged in a selective industrial policy which led to the misallocation of resources and created a dual economy: export vs. non-export sectors. Meanwhile, despite the drive to promote investment, the Government still controls a significant part of the investment decisions, especially as regards to “strategic sectors” (see Section B for more on the topic).

## 2 TRENDS IN JOB QUALITY AND INVESTMENT

### *Deteriorating job quality combined with tepid employment growth*

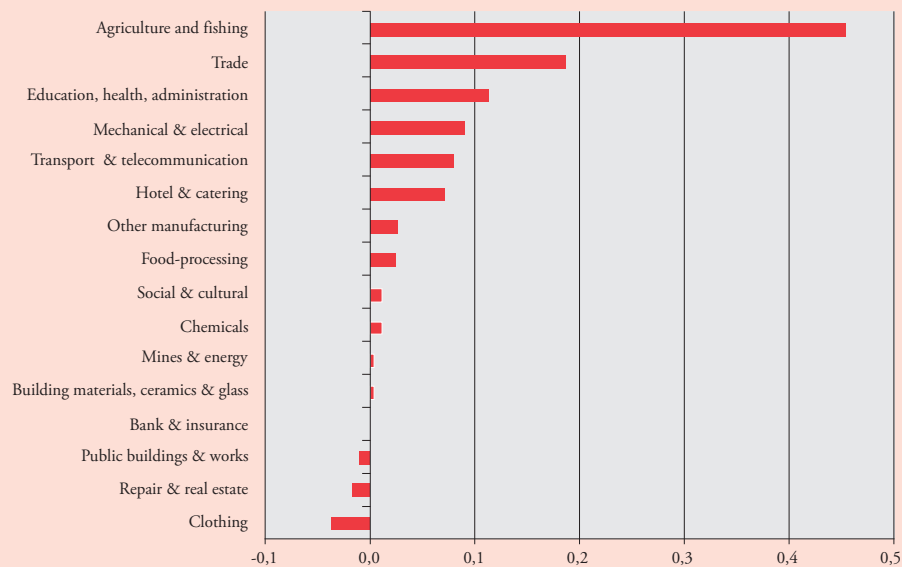
Leading up to the 2008–09 global crisis, Tunisia’s labour market performance could be characterized as having: (i) lacklustre job creation; (ii) growth in low-skill jobs; (iii) declining wages and; (iv) increasing precariousness of employment contracts. Between 2004 and 2007, there were 77,000 new net jobs created, the majority of which were low-skilled. This was far below the level needed to accommodate the labour force, which increased by nearly 190,000 and included many young university graduates entering the labour market for the first time. This resulted in an increase in unemployment rates, especially among young graduates (see Chapter 1 for more information).

Meanwhile, the majority of job creation in Tunisia took place in the agriculture and services sectors. Between 2004 and 2007, the agriculture and service sectors combined accounted for roughly 90 per cent of the jobs created in the economy, with the share of manufacturing at about 10 per cent (Figure 2.2).<sup>31</sup> Also, despite productivity improvements, the sector remains labour-intensive

<sup>31</sup> This trend in job creation changed due to the global financial crisis, owing to significant job losses in the manufacturing sector and the increase in public works programmes. However, it has recently reverted back to the pre-crisis trend.

and the robust employment growth stems from increases in the number of farms, improved irrigation, and other measures that have been implemented as part of an integrated rural development programme.<sup>32</sup> But despite agriculture's importance in employment creation, the services sector remains by far the largest employer in the economy, accounting for over 50 per cent of employment – with a large portion of jobs related to public administration. In general, public employment has been the main provider of jobs for skilled workers, often with significantly higher wages than in the private sector (see Box 2.2 for more).

Figure 2.2 Industry share of total job creation, annual average, 2004–07 (percentages)



Note: Service related sectors are: trade; education, health and administration; transport and telecommunication; hotel and catering; social and cultural; banks and insurance; and repair and real estate.

Source: INS.

In the manufacturing sector, job creation has been relatively weak. The sector created about 8,800 jobs annually between 2004 and 2007, which is surprisingly low given the development and policy focus of the Government on manufacturing sector growth.

<sup>32</sup> H. Dimassi: *Background paper for the Tunisia country review*, 2010.



---

Given the skills profile of jobs being created, it should not be surprising that real wages have grown very modestly in Tunisia at around 2.7 per cent during 2000–2005 and 1.4 per cent during 2006–2009, even as productivity growth accelerated from an average annual growth rate of 1.6 during 2000–2005 and 2.9 per cent during 2006–2009.<sup>33</sup> Meanwhile, the real minimum wage decreased during 2006–2010 by an average of 0.8 per cent per year. Indeed, the economic development strategy that was adopted since the implementation of the IMF structural adjustment programme (SAP) in 1986, led to increasing job insecurity, (especially in the textile and garment industry) and consequently put downward pressure on wages.<sup>34</sup> During the adjustment programme, wage moderation was heavily practiced, which suggests that the cost of the SAP was mainly borne by the workers. For example, the average real salary decreased by 15 per cent during the 1980s and only increased by 1.6 per cent during the 1990s.<sup>35</sup>

Meanwhile, the 1996 labour market reform, aimed at improving the overall flexibility of labour market, has increased precariousness, as evidenced by the growing use of temporary contracts across all sectors. Indeed, a significant portion of the new jobs created in the private sector since adoption of the 1996 Labour Code have been temporary in nature. For example, in 2009, the textile industry had 44 per cent of its workers on temporary contracts while another 11 per cent were on traineeship or internship contracts. Furthermore, 58 per cent of those in the tourism and hotel sector had temporary contracts.<sup>36</sup> Yet another survey found that 68 per cent of the contracts in the textile industry were temporary and 19 per cent were non-standard, with only 13 per cent defined as indefinite contracts.<sup>37</sup>

---

<sup>33</sup> ILO: *Global Wage Report 2010* for wage information; and EIU: *Country Data*, 2011a for the labour productivity figures (calculated as real GDP per person employed).

<sup>34</sup> Meddeb, H. 2010. "La Tunisie, pays émergent?", in *Sociétés politiques comparées*, No. 29, November, 2010.; B. Destremau: "La protection sociale en Tunisie : nature et cohérence de l'intervention publique", 2003.

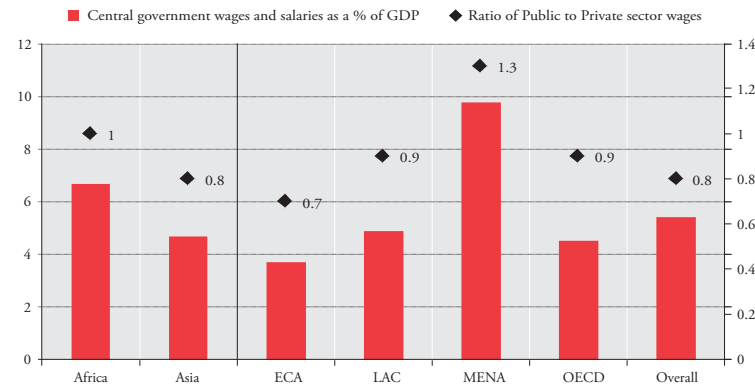
<sup>35</sup> B. Destremau: op. cit.

<sup>36</sup> Union Générale Tunisien du Travail (UGTT), 2008.

<sup>37</sup> Ibid.

**Box 2.2 Public sector wages in the Middle East and North Africa (MENA)**

Over the last two decades, public employment became the “employer of choice” for the educated work force in Tunisia and other MENA countries. Public sector employment was part of a social contract in which governments guaranteed young educated workers access to permanent jobs with high wages and benefits. Statistics show that both civilian and central government employment are the highest paid in the MENA region. For example, central government wages comprise close to 10 per cent of GDP in the MENA region, significantly higher than the overall average for the world and for Organisation for Economic Co-operation and Development (OECD) countries (see Figure 2.3). Furthermore, public sector wages are higher than private sector wages. For example, the ratio of public to private sector wages for the MENA region is 1.3, higher than the overall world average of 0.8 and the OECD average of 0.9.

**Figure 2.3 Central Government wages**

Source: ILS based on the World Bank.

There are also significant differences in policies that govern the onshore and offshore sectors. For example, a law passed in 1992 provided several benefits to the export sector, including, a multi-year tax exemption (corporate and income tax exemptions for 10 years), duty-free import of raw materials, and technical and financial assistance from the State such as partial reimbursement of investment costs.<sup>38</sup> In 1994, another law was passed (*code d'incitations aux investissements*) which further augmented the benefits to the export-oriented sectors. Fully export-oriented firms, especially when established offshore, receive the most government benefits, but partially exporting firms also receive several of the benefits.

<sup>38</sup> Ibid.

The effect of the special status accorded to offshore sectors have had mixed results in terms of employment, especially since the majority of job creation in the offshore sector has been low-skilled, manufacturing employment did not grow much. Furthermore, the favourable treatment of the sector has come at an expense of the onshore sector, which has been neglected and has not received similar levels of state support for growth.

However, in recent years a number of measures to reduce the gap between the offshore and onshore firms have been implemented by the Tunisian government; in particular: trade facilitation measures to reduce transaction costs in the onshore sector, reduction of tariffs on raw materials, equipment and capital goods, availability of export promotion tools and equipment to domestic firms, reduction in corporate taxes for domestic firms, and improving production linkages between onshore and offshore firms by allowing offshore firms to sell up to 30 per cent of their production in the onshore sector. However, more efforts are needed in this direction.

### *Declining trends in public and private investment*

Tunisia was one of three countries in the MENA region (with Algeria and Egypt) that witnessed a decline in investment as a percentage of GDP between 1990 and 2007 (Figure 2.4). In particular, investment in Tunisia declined by 1.2 percentage points, despite government policies to promote investment and support the private sector, compared to countries such as Qatar, Libya, and Lebanon, where invest-

#### **Box 2.3 Private business investment in Morocco**

Since the 1990s, Morocco has been pursuing reforms towards liberalizing the economy through the progressive withdrawal of the State from economic activities, a broad programme of privatization, and more openness to the outside world. The effects of these reforms have been particularly positive in the 2000s as GDP rose on average by 5.1 per cent a year in 2003-2008 and inflation remained under control at below 2 per cent a year in the same period. Moreover, the private sector's share of total investment increased progressively through the 1990s and 2000s. A major area of improvement includes FDI, which has been rising since 2000 to reach a record level of US\$ 2.8 billion in 2007 -16 per cent higher than the previous year. Along with the increasing FDI inflows, unemployment declined as it fell below 10 per cent from 2006.

Morocco's major policies to promote investment include the following:

*Privatizing and liberalizing the economy:* Morocco's privatization programme started in 1990 with the passage of Law 39-89 in April 11, 1990, authorizing the transfer of public enterprises to the private sector. In addition to the financial impact in terms of budgetary revenues, the privatization programme sparked liberalization in several sectors with significant gains in employment, productivity, and service quality.

*Implementing sectoral development plans:* The Government of Morocco partnered with the private sector to develop sectoral strategies intended to create new growth clusters comprising of several sectors of the economy. For instance, the Emergence Plan (2005) identifies six industrial sectors with high growth potential (i.e., offshoring services, automotive, aeronautics, electronics, foodstuffs, craft industry) and stresses the development of infrastructure and training facilities in these sectors. The National Pact for Industrial Emergence (2009) intends to increase the weight of manufacturing output in the national economy and its contribution to exports and job creation. Other areas covered by these sectoral plans are the information and communication technology sector, tourism, and agriculture.

*Promoting regional investment:* Specific geographic zones have been designated to benefit from a special tax regime in order to increase FDI. These zones include the export free zones in the port of Tangier and in 20 prefectures and provinces. The regional investment promotion strategy identifies appropriate sites and activities in light of the region's potential and seeks to improve competitiveness by creating platforms offering basic infrastructure, services, and equipment for different types of activities. For instance, Agadir region focuses on fishing industry, Meknes region on foodstuff industry, and Jorf Lasfar region on chemical industry.

*Establishing a specialized agency:* Pursuant to Law 41-08 in November 2007, the Investment Directorate has been transformed into the Moroccan Investment Development Agency (AMDI). The AMDI's objective is to establish a reception and guidance structure for investors and a body of cooperation and coordination in promotional activities.

ment increased by around 10 percentage points. Other countries with an above five-percentage-points-increase in investment were Bahrain, Morocco, and Syria.

Moreover, total investment in Tunisia has largely trended downwards since the early 1980s. Investment peaked at 34 per cent of GDP in 1982, but declined sharply in the late 1980s, falling to 21 per cent of GDP in 1988. Since then, investment has never fully recovered – it increased to 28 per cent of GDP in 1993, but by 2005, it was back at 22 per cent of GDP. In 2009, it was at 26 per cent of GDP. Unlike other countries in the region such as Morocco, the private sector has not picked up the slack created by the downsizing of the public sector. For instance, in Morocco private sector investment remained strong in the same period because of targeted government effort at enhancing investment and productivity (see Box 2.3 for more).

Meanwhile, foreign direct investment (FDI) in Tunisia lags behind its neighbours. For example, in 2007 it was 4 per cent of its GDP, while it was 15 per cent of GDP for Jordan, 13 per cent of GDP for Lebanon, and 9 per cent of GDP for Egypt (Figure 2.5). The recently announced stimulus measures aimed at stimulating invest-

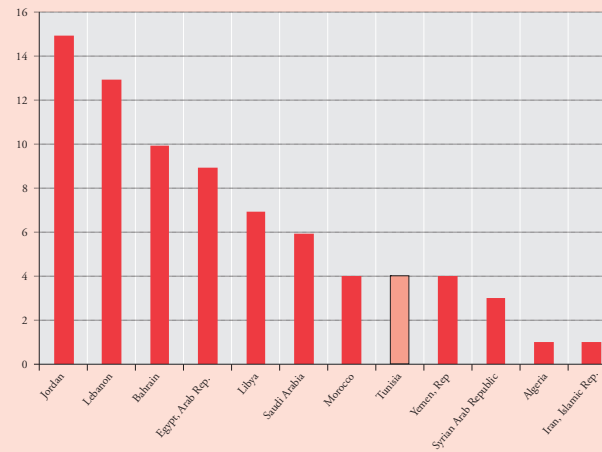
ment are steps in the right direction, but more needs to be done in promoting competitiveness and facilitating the entry of new firms into the market.

**Figure 2.4 Investment as a per cent of GDP in the MENA region**  
(percentage points change between 1990 and 2007)



Note: Data refers to gross fixed capital formation (GFCF) as a per cent of GDP.  
Source: ILS based on the World Bank.

**Figure 2.5 Foreign direct investment, net inflows in 2007 (as a per cent of GDP)**

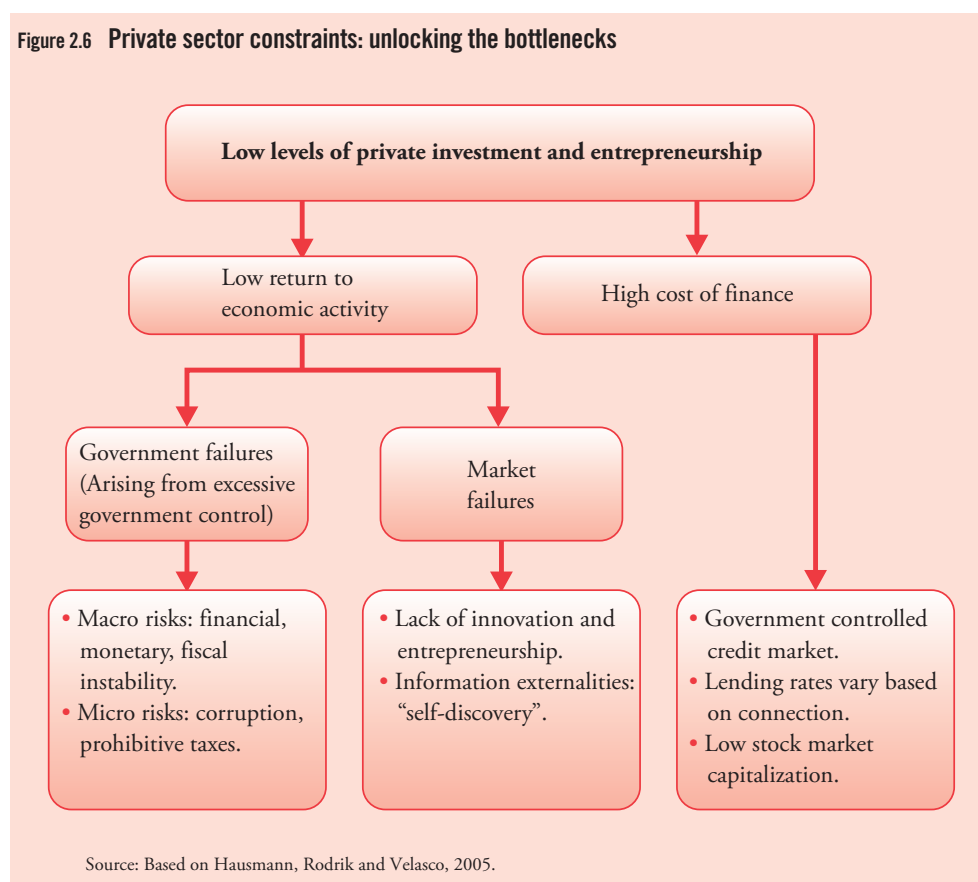


Source: ILS based on the World Bank.

## B CONSTRAINTS FACING THE PRIVATE SECTOR

In order to foster job creation and absorb the increasing number of young graduates, Tunisia needs to revive private sector growth. One of the ways to unlock investment potential and spur growth is by addressing specific constraints to private sector growth. Indeed, the private sector in Tunisia faces numerous challenges that mainly stem from: (i) low return to economic activity; and (ii) high cost of finance (see Figure 2.6).

Figure 2.6 Private sector constraints: unlocking the bottlenecks

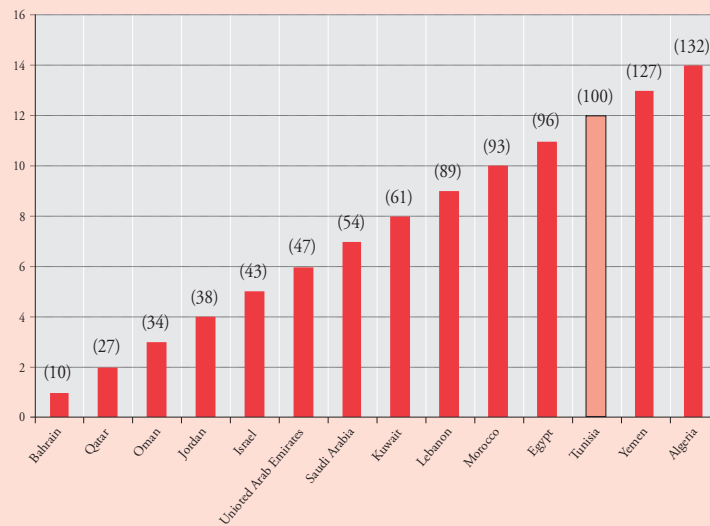


### 1 GENERAL LACK OF ECONOMIC FREEDOM

The most important constraint facing the private sector in Tunisia is a lack of economic freedom. In fact, despite the acclaimed gains in competitiveness and business climate, the Tunisian economy ranks poorly in terms of economic freedom – it ranks 12th among the MENA countries and 100 in the world, worse than most other major economies in the region (see Figure 2.7). For ex-

ample, Bahrain ranks first in the region while it ranks 10th in the world. Likewise, in the region, Jordan ranks fourth, Saudi Arabia ranks seventh, Lebanon ranks ninth and Morocco ranks tenth; in the world, these economies rank 38th, 54th, 89th, and 93rd, considerably better than Tunisia.<sup>39</sup>

**Figure 2.7 Regional ranking of economic freedom – Tunisia performs poorly**



Note: World ranking is in parenthesis, the smaller the number, higher the economic freedom in the country. Source: Economic Freedom Index 2010, Heritage Foundation.

One prime example of the lack of economic freedom is the Tunisian government's control over investment decisions. Private investment is still largely dependent on the express authorization of the public authorities, namely in the sectors that are deemed to be "sensitive" such as, construction, infrastructure, transport, communications, culture, education, publishing, and food processing.<sup>40</sup> Furthermore, any majority takeover of a local company by foreign investors also requires authorization from the Government. Studies show that the legal-institutional framework is still full of politically motivated loop-holes, such as special clauses and waivers for politically important pressure groups and clients. The wave of privatization began with the Economic Recovery and Structural Adjustment Programme (ERSAP) in the 1980s, but the Government maintained that "strategic sectors" would be protected from privatization. For example, four sectors that receive special status in Tunisia: mining,

<sup>39</sup> According to the Heritage Foundation, which measures economic freedom across the world, the score for economic freedom is a cumulative of business freedom, investment freedom, trade freedom, financial freedom, fiscal freedom, property rights, government spending, freedom from corruption, monetary freedom, and labour freedom.

<sup>40</sup> S. Erdle: *Industrial Policy in Tunisia* Discussion Paper 1/2011, German Development Institute, Bonn, Germany, 2011.

energy, commercial, and financial are exempt from the national investment code and are in fact governed by special regulations.<sup>41</sup> Because of the extensive government control over investment decisions such as these, Tunisia consistently also ranks as one of the region's worst performers in terms of investment freedom.<sup>42</sup> For new entrants into the market, it is near-impossible to break-through and for ones already operating there remains a heightened sense of insecurity as there is ample room for politically motivated rent-seeking.<sup>43</sup>

Meanwhile, some of the institutions created to facilitate and foster private investment in Tunisia have succeeded, mainly, in giving more discretionary power to public authorities:

- A case in point is the operation of two national programmes – “*Programme de mise à niveau*” (PMN) and “*Law on Enterprises in Difficulty*” (LED) – adopted respectively in 1995 and 1996, provide financial and other support to Tunisian firms in difficulty because of either international competition or tough domestic environment. There are several concerns regarding the operation of these programmes: first, decision-making is highly centralized as they are under the jurisdiction of the Ministry of Industry. Second, large firms are overrepresented among the beneficiaries and small firms with considerable employment potential are usually left out. Studies have shown that firms and sectors that have benefitted from PMN and LED are not necessarily the ones with high growth, as the State has used some of the funds to reward its political and social allies (i.e., clientelism).
- One of the pillars of the Tunisian industrial policy is the creation of “industrial zones” (ZI) to facilitate investment and private sector development. Altogether, the country has 122 industrial zones, but only a very few of these ZIs are privately owned and operated. Moreover, only 17 are fully operational, another 30 are partially operational, and the rest exist only on paper.<sup>44</sup> Furthermore, only a small fraction of ZIs are operated according to international standards.
- *Poles de compétitivité* (PCs) are tasked to bring together training, research, and production by facilitating partnerships between the private sector, potential investors, and academic and research institutions. PCs were created to foster business innovation and improve Tunisia's competitiveness. On the one hand they have streamlined the legal and

<sup>41</sup> Ibid.

<sup>42</sup> Based on *Investment Freedom Index 2010*, Heritage Foundation.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.



---

institutional framework for investment, but on the other hand because of several safeguard clauses and legal exceptions, it has added to the complexity of business regulations and opened up more areas for rent-seeking behaviour.<sup>45</sup>

- Privatisation efforts did not improve competitiveness because they were mainly focussed on non-strategic public enterprises and the definition of “strategic” was arbitrary.<sup>46</sup> In fact, many of these efforts simply involved the reshuffling of state’s assets as state-owned public banks bought most of the state-owned enterprises (SOEs). In 2007, the total assets of four state-owned public banks amounted to 45 per cent of all commercial bank assets in Tunisia.<sup>47</sup> Meanwhile the problem of elevated shares of non-performing loans (NPLs) in the banking sector can be traced back to SOEs, which are controlled by the Government. Since the staffing of SOEs is a source of political support, the Government had been reluctant to relinquish its reach.<sup>48</sup>

## 2 OPAQUE CORPORATE GOVERNANCE

One of the most important constraints facing the private sector is below-standard corporate governance practices. For example, in 2005, the OECD conducted a comprehensive survey of corporate governance practices in the MENA region, and the findings pertaining to Tunisia reveal the opaque nature of firms operating in the country (see Table 2.1). The survey dealt with issues related to the independence of board members, the rights of share holders, executive compensation practices, and financial disclosure requirements. For example, Tunisia and Algeria are the only two countries that do not require by law disclosure of financial results for firms. Moreover, along several indicators of corporate governance, Tunisia consistently scores a “No” – indicative of a corporate sector that is not transparent regarding its business operations (see Table 2.1).

The opaque nature of the corporate sector is tied to the widespread clientelism. In particular, former President Ben Ali and his family controlled a large chunk of the Tunisian economy.<sup>49</sup> For instance, the President’s siblings and other family members controlled several markets, including real estate, hotels, tourism, metals, clothes, airlines, automobiles, and telecommunications. In terms

<sup>45</sup> Ibid.

<sup>46</sup> M. Blin: “The Political Economy of IMF and World Bank Interventions: Is Tunisia Really a Model Student?”, 2009.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> M. Blin: op. cit, 2009; S. Erdle: op. cit , 2011.

of perceptions of corruption, Tunisia ranks behind other countries in the region like Qatar, the United Arab Emirates, and Oman.<sup>50</sup> Even though the private sector saw impressive growth in the last decade or more, the beneficiaries seem to be overwhelmingly concentrated among the economic and political elites.

In short, there is a dire need for more transparency in governance and business practices in Tunisia, and social dialogue must play a crucial role in this regard. Involving social partners in governance is key in introducing checks and balances into the new system.

**Table 2.1 Corporate governance in the Middle East and North Africa**

	Algeria	Bahrain	Egypt	Jordan	Kuwait	Morocco	Oman	Qatar	Tunisia	UAE
<b>Board Members</b>	YESv	YESv	NO	NO	NO	YESv	NO	NO	YESv	NO
Is there any recommended proportion of independent board members?										
Is there a specific call for the board to oversee executives?	NO	NO	YESs	YESs	YESs	NO	YESs	YESs	NO	YESs
<b>Shareholders</b>	NO	NO	YESs	NO	NO	NO	YES	YESs	NO	YESs
Is there a call to block trading of shares between the record date and the date of the General Meeting?										
<b>Executive Compensation</b>	NO	NO	NO	YESs	NO	NO	NO	NO	NO	NO
Is there a recommendation to disclose the individual amount of executive compensation?										
<b>Disclosure</b>	NO	YESs	YESs	YESs	YESs	YESs	YESs	YESs	NO	YESr
Is there a recommendation to disclose the financial results of the company according to domestically accepted accounting standards?										
Are there provisions to require disclosure of at least the first 15 shareholders or alternatively of all shareholders with at least 5 % of voting right?	NO	YESs	YESs	YESs	NO	NO	NO	NO	NO	NO

Notes: YESs = Statutory, or required by financial exchange; YESv = Voluntary, provision is recommended but company is not obliged to explain non-compliance; YESr = Recommended, and in case of deviation company must explain.

Source: MENA-OECD Investment Programme, 2005.

<sup>50</sup> Transparency International: *Corruption Perceptions Index*, 2010.  
Available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010](http://www.transparency.org/policy_research/surveys_indices/cpi/2010)

---

### 3 INADEQUATE FINANCIAL MARKET DEVELOPMENT

In terms of access to credit, given the relatively strong savings rates in Tunisia, the credit market seems to be doing reasonably well. For example, between 2000 and 2009, the average domestic credit to the private sector stood at 66 per cent GDP, one of the highest in the MENA region. Also, the lending rates in Tunisia are competitive in the region; moreover, the central bank of Tunisia has kept its benchmark rate lower in 2011 than in late 2008 and early 2009. However, the Tunisian banking sector is highly politicized, with the senior managers making financial decisions at the behest of the political elites.<sup>51</sup> In fact, commercial banks hold about two-thirds of all national financial assets, and the State owns a half of the capital in these banks. On paper it seems that there is ample credit available for the private sector; however, since the lending decisions, especially in relation to new and ambitious projects require some form of government approval, the credit market is far from being free and accessible.<sup>52</sup>

In terms of total stock market capitalization, Tunisia lags behind its regional neighbours. For example, in 2010, stock market capitalization in Tunisia stood at 24.1 per cent of its GDP, significantly lower than most other economies in the region such as Jordan, Qatar, Saudi Arabia, Bahrain, Morocco, and Egypt (see Figure 2.8). While large oil-exporters generally tend to have a larger stock market, even compared to non-oil exporters, Tunisia's stock market is significantly smaller. This shows that there is room for financial market development in Tunisia, especially by encouraging firms to raise funds through direct funding in the stock market. Besides promoting economic efficiency, stock market development is positively related to capital accumulation, productivity improvements, and economic growth.<sup>53</sup>

The financial sector reform of 2010 – aimed at strengthening the financial soundness of the banking sector, consolidating banking institutions, and improving the quality of financial services to match international standards – is a welcome step forward. Among the measures approved in June 2010 include increasing banking presence by ensuring one bank for every 7,000 habitants, which entails establishing 400 new bank branches. Meanwhile, the reform also approved the creation of a financial institution specifically geared towards providing financing to small- and medium-sized enterprises (SMEs). This new in-

<sup>51</sup> S. Erdle: op. cit., 2011.

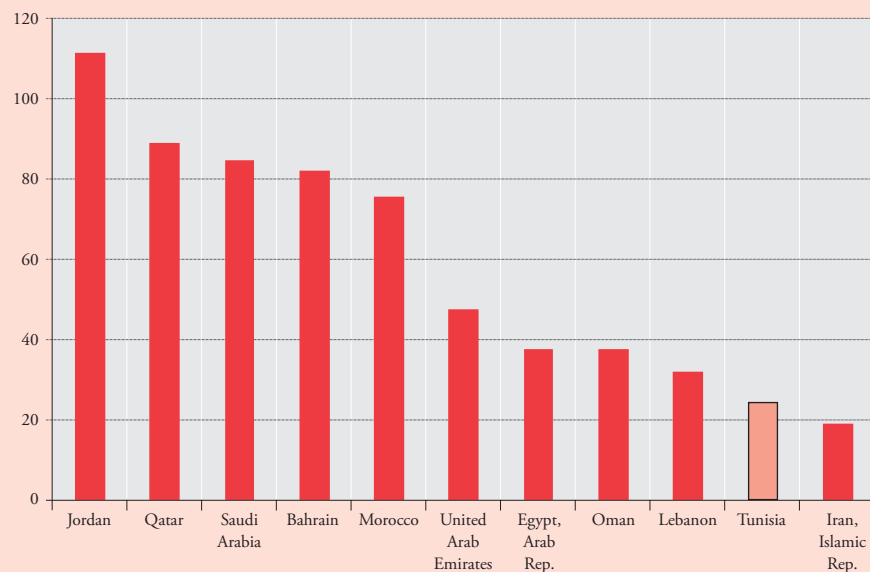
<sup>52</sup> M. Blin: op. cit, 2009; S. Erdle: op. cit , 2011.

<sup>53</sup> R. Levine and S. Zervos: "Stock markets, banks and economic growth", in *American Economic Review*, Vol. 88, No. 3, pp. 537-558, 1998.

stitution will be entrusted to manage government equity holdings in the Bank for Financing Small-and-Medium-sized Enterprises (BFPME), the Tunisian Guarantee Company (SOTUGAR), and in regional investment companies.<sup>54</sup> The new set-up is designed to provide a one-stop-shop for all things financial for SMEs.

While the 2010 reform measures are commendable, the fundamental problem with the financial sector is that it is largely controlled by the Government, distorting the risks and the rewards structure of the sector. It is important to scale back the State's presence in the banking and financial sector in order to allow credit to be allocated to its most productive use. Additionally, allowing foreign entry into the market will enhance transparency in the allocation of credit and make the credit market more competitive, which in turn will favour would-be investors and entrepreneurs.

**Figure 2.8 Total stock market capitalization as a per cent of GDP, 2010**



Note: For Qatar, Saudi Arabia, Bahrain, UAE, Oman and Iran, the data refers to 2009.  
Source: Based on the *World Development Indicators* (WDI).

<sup>54</sup> IMF: *Article IV Consultation*, Sept. 2010.

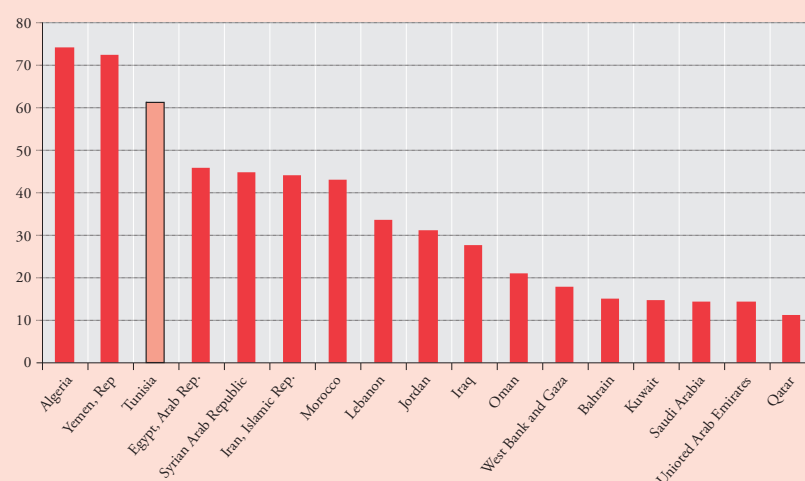
## 4 RESTRICTIVE TAXES

There is a dual regime in terms of tax treatment in Tunisia, which provides ample room for rent-seeking and adds a source of uncertainty for businesses. Off-shore sectors that are fully export-oriented are exempted from much of the taxation, while the domestic sectors catering to the domestic market bear the brunt of high taxes. Moreover, because of the system of clientelism and patronage, businesses need to curry favour to the public authorities to receive tax exemptions and other public carrots.

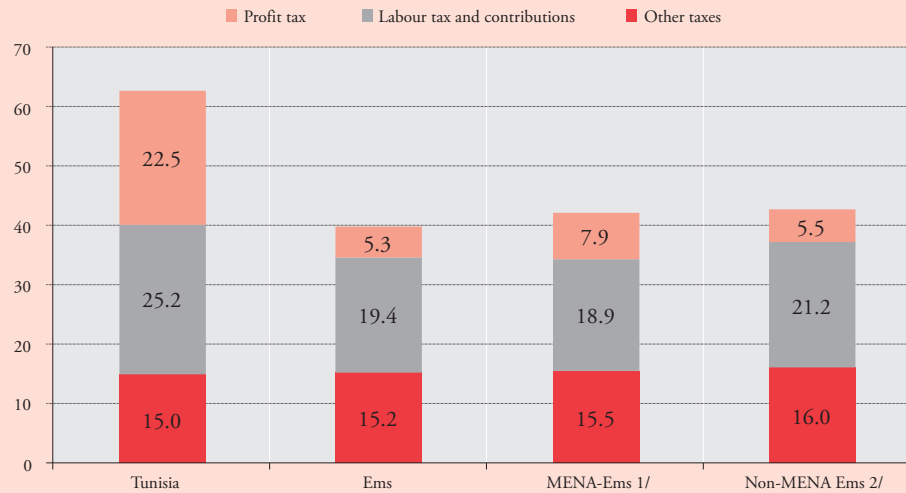
On paper, Tunisia has one of the highest business taxes in the MENA region. On average, between 2005 and 2009, the total tax rate as a per cent of commercial profits stood at 62 per cent in Tunisia, which is significantly higher than other countries in the MENA region such as Egypt (45 per cent), Morocco (43 per cent), Lebanon (33 per cent) and Jordan (31 per cent) (see Panel A, Figure 2.9). Countries with the lowest tax rates were Qatar (11 per cent), United Arab Emirates (14 per cent), Saudi Arabia (14 per cent), Kuwait (14 per cent), and Bahrain (15 per cent). Further examination of taxes reveals that labour taxes in Tunisia is very high compared to its neighbours, which could partially explain dismal job creation in the formal sector. For example, labour taxes were 25.2 per cent in Tunisia in 2008, while they were at least 6 percentage points lower in other MENA countries such as Egypt, Jordan, and Lebanon (see Panel B, Figure 2.9).

Figure 2.9 Taxes on businesses in Tunisia (percentages)

Panel A: Total tax rate as a per cent of commercial profits (average 2005-10)



Panel B: Breakdown of taxes among enterprises, 2008



1/ MENA-Ems: Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey.

2/ Non-MENA Ems: Botswana, Brazil, Bulgaria, Croatia, Estonia, Hungary, India, Peru, Kazakhstan, Lithuania, Malaysia, Mexico, Poland, Russia, South Africa, and Thailand.

Note: Total tax rate measures the amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits. Taxes withheld (such as personal income tax) or collected and remitted to tax authorities (such as value added taxes, sales taxes or goods and service taxes) are excluded.

Source: ILS based on the World Bank.

## 5 LACK OF ENTREPRENEURSHIP AND DYNAMISM

These constraints have created enormous barriers for entrepreneurs vying to create new businesses, and which serves as a disincentive to enter the market. For example, Tunisia ranks lower in terms of global entrepreneurship compared to its regional neighbours such as the United Arab Emirates, Saudi Arabia, Egypt, and Jordan.<sup>55</sup> Entrepreneurs hoping to exploit new growth sectors in Tunisia have difficulty getting their businesses off the ground because of several difficulties, chief among which is the lack of training needed to actually start a viable business. Moreover, without political connections, doing business in Tunisia is difficult, and this is felt by the new entrants to the market place.<sup>56</sup>

<sup>55</sup> Z. Acs; L. Szerb: *The Global Development and Entrepreneurship and Development Index (GEDI)*, 2010.

<sup>56</sup> Dimassi (2011).

---

There are several institutional mechanisms in place to promote entrepreneurship and dynamism. For example, there are one-stop-shops called technical centres all over Tunisia that provide all services an investor needs to start a business. There are “business centres” in all provincial capitals that are targeted at local start-ups and micro-enterprises. Furthermore, there is also the “espaces d’entreprendre” within the national employment agency that provides jobless workers assistance to start their own business. But all of these programmes have somehow failed to spur entrepreneurship and investment.<sup>57</sup>

Meanwhile, the Tunisian Government did introduce several new programmes in 2011 to spur job creation, one of which was an entrepreneurship assistance programme. It is a support Programme for Small Business Promoters (*Programme d’accompagnement des promoteurs des petites entreprises*) that encourages entrepreneurship by assisting would-be entrepreneurs to identify business ideas, develop business plans, gain technical skills, and be financially supported throughout the process. The programme provides both technical and financial assistance including a monthly allowance of 150 dinars (US\$ 105) for higher education graduates and 80 dinars (US\$ 56) for the less educated.

---

<sup>57</sup> See Erdle, 2011 for more on the topic.

## C POLICY CHALLENGES

Going forward, a strong, viable, and productive private sector will be imperative to absorb the growing and highly-skilled workforce into employment. Moreover, robust growth in the private sector will ease the burden on the Tunisian State to create public sector employment and help ensure that the recovery process is fair and balanced. In order to achieve this, however, a number of policies need to be considered:

- *Enterprise creation and entrepreneurship:* Create an environment where business start-up and development is encouraged through programmes that combine financing opportunities with business services (see Chapter 4 for examples). One particular challenge is reforming the system of economic and corporate governance that discourages firms to start-up in the first place.
- *Transparency and accountability:* With a view to encourage transparency and accountability, the Government should consider the inclusion of social partners – that is, representations from *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat* (UTICA) and *l'Union Générale des Travailleurs Tunisiens* (UGTT) – to institutions that oversee economic and corporate governance in Tunisia. Besides promoting openness, this will allow the new Government to foster a culture of democracy and shared prosperity.
- *Level playing field between offshore and onshore:* The Tunisian Government should do more to promote growth in domestically-oriented companies. Much has been done to close the gap of support prevailing between the offshore and onshore sectors, but further efforts are merited in this regard. For example, making the tax regime less burdensome on the onshore sector is a way forward. In general, growth in the onshore sector employment will significantly ease the burden on public sector for labour market absorption.
- *Targeting investment incentives:* More generally, there is a need to attract and encourage investment in the Tunisian economy. However, careful consideration should be given to how to encourage investment in high value-added sectors that have the potential to create good quality jobs. Investment on its own does not necessarily create more or better jobs. Special attention to enhancing the long-term productive capacity of the economy will yield better employment outcomes in the long run (see Chapter 4 for more).



---

Moving forward, a nation-wide industrial policy is much needed in Tunisia in order to encourage private sector development and promote investments in high value-added sectors (see Chapter 4). The current policy is characterized by a plethora of smaller programmes and strategies but lack the coherence and vision that is currently needed if the private sector is to play a critical role in Tunisia's recovery. Moreover, there is ample fiscal space for the Government to engage in the explicit promotion of high growth sectors.

## REFERENCES

Acemoglu, D.; Verdier, T. 2000. “The choice between market failures and corruption” in *The American Economic Review*, Vol. 90, No. 1, March, pp. 194–211, (American Economic Association).

Acs, Z.; Szerb, L. 2010. *The Global Development and Entrepreneurship and Development Index (GEDI)*. Paper presented at the Summer Conference 2010: “Opening up Innovation: Strategy, Organization and Technology” at Imperial College London Business School, June 16–18, 2010.

Available at: <http://www2.druid.dk/conferences/viewpaper.php?id=502261&cf=43> [Accessed 29 Aug. 2011].

Adkins, L.C.; Moomaw, R.L.; Savvides, A. 2002. “Institutions, freedom, and technical efficiency”, in *Southern Economic Journal*, Vol. 69, No. 1. July (Southern Economic Association).

African Development Bank (ADB). 2006. *Tunisia Competitiveness Support Programme I and II Project Performance Evaluation Report*.

—. 2008. *Tunisia Competitiveness Support Programme III (PAC III) Completion Report*.

Ahmed, M. 2010. “Trade competitiveness and growth in the MENA region”, in *The Arab World Competitiveness Review 2010*, pp. 23–26 (International Monetary Fund).

Beck, T.; Demirguc-Kunt, A.; Levine, R. 2004. *Finance, inequality, and poverty: Cross-country evidence*, NBER Working Paper No. 10979.

Berger, T.; Bristow, G. 2009. *Competitiveness and benchmarking of nations – A critical reflection*. (International Atlantic Economic Society).

Blin, M. 2009. The Political Economy of IMF and World Bank Interventions: Is Tunisia Really a Model Student?, in J. Harrigan and H. El-Said (eds.): *Aid and Power in the Arab World* (Palgrave Macmillan).

Dimassi, H. 2010. *Background paper for the Tunisia country review* (Geneva, International Institute for Labour Studies), unpublished manuscript.

---

Diwan, I.; Walton, M. 1997. “How international exchange, technology, and institutions affect workers: An introduction”, in *The World Bank Economic Review*, Vol. 11, No. 1, A Symposium Issue on How International Exchange, Technology, and Institutions Affect Workers, pp. 1–15, Jan., (Oxford University Press).

Dutt, Pushan. 2009. “Trade protection and bureaucratic corruption: An empirical investigation”, in *Canadian Journal of Economics*, Vol. 42, No. 1, Feb. (Canadian Economics Association).

Economist Intelligence Unit (EIU). 2011. *Risk briefing Tunisia* (The Economist).

—. 2011a. *Country Data*. Available at: [https://eiu.bvdep.com/version-2011621/cgi/template.dll?product=101&user=ipaddress&dummy\\_forcingloginisapi=1](https://eiu.bvdep.com/version-2011621/cgi/template.dll?product=101&user=ipaddress&dummy_forcingloginisapi=1).

Egger, P.; Winner, H. 2006. “How corruption influences foreign direct investment: A panel data study”, in *Economic Development and Cultural Change*, Vol. 54, No. 2, pp. 459–486 (The University of Chicago Press).

Erdle, S. 2011. *Industrial Policy in Tunisia* Discussion Paper 1/2011, (German Development Institute, Bonn, Germany).

Halleb, A.; Ben Sedrine, S., 2010. *Efficacité et impact des fonds emploi jeunes en Tunisie*, Recherche commanditée par le Bureau Régional pour l’Afrique et le Programme Finance Solidaire (ILO).

Hausmann, R.; Rodrik, D.; Velasco, A. 2005. *Growth Diagnostics* John F. Kennedy School of Government, Harvard University (Cambridge, MA).

Hood, C.; Dixon, R.; Beeston, C. 2008. “Rating the rankings: Assessing international rankings of public service performance”, in *International Public Management Journal*, Vol. 11 No.3, pp. 298–328, (Taylor and Francis Group, LLC).

International Labour Office. 2010. *Global Wage Report 2010/11: Wage policies in times of crisis* (Geneva).

International Monetary Fund (IMF). 2004. *Tunisia: Article IV Consultation*.

- . 2010a. *Tunisia: Article IV consultation*.
- . 2010b. *Spillovers from Europe into Morocco and Tunisia*, Working Paper 10/238.
- . 2010c. *Middle East and North Africa: set for a shift in economic policy*.
- Kang, S. 2009. "Labor and the bank: Investigating the politics of the World Bank's Employing Workers' Index", in *Journal of Workplace Rights*, Vol. 14 No.4, pp. 481–501 (Baywood Publishing Co., Inc.).
- Köke, J.; Renneboog, L. 2005. "Do corporate control and product market competition lead to stronger productivity growth? Evidence from market-oriented and blockholder-based governance regimes", in *Journal of Law and Economics*, Vol. 48, No. 2, pp. 475–516, Oct., (The University of Chicago Press).
- Lee, S.; McCann, D.; Torm, N. 2008. The World Bank's "Employing Workers" index: Findings and critiques: A review of recent evidence, in *International Labour Review*. Vol. 147 Issue 4, pp. 416–432.
- Levine, R.; Zervos, S. 1998 "Stock markets, banks and economic growth" in *American Economic Review*, Vol. 88, No. 3, pp. 537–558, (Jun. 1998).
- Levy, B. 1993. "An institutional analysis of the design and sequence of trade and investment policy reform", in *The World Bank Economic Review*, Vol. 7, No. 2, pp. 247–262, May (Oxford University Press).
- Meddeb, H. 2010. "La Tunisie, pays émergent?" in *Sociétés politiques comparées*, No. 29, November, 2010. <http://www.fasopo.org/reasopo/n29/article.pdf>.
- Migdalovitz, C. 2009. *Tunisia: Current Issues*, Congressional Research Service.
- Moran, T.H.; Alfaro, L.; Javorcik, B.S. 2007. "How to investigate the impact of foreign direct investment on development and use the results to guide policy", in *Brookings Trade Forum*, Foreign Direct Investment (2007), pp. 1–60, (The Brookings Institution).

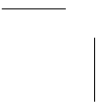
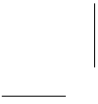
---

Morck, R.; Wolfenzon, D.; Yeung, B. 2005. "Corporate Governance, Economic Entrenchment, and Growth", in *Journal of Economic Literature*, Vol. 43, No. 3, pp. 655–720, Sept, (American Economic Association).

Reuters. 2009. *Tunisia continues fiscal stimulus in 2010 budget*, ABN Digital. Available at: <http://www.abndigital.com/news/top-business-stories/330811.htm> [Accessed 29 Aug. 2011].

Rodrik, D. 1998. "Why do more open economies have bigger governments?", in *The Journal of Political Economy*, Vol. 106, No. 5, pp. 997–1032. Oct. (University of Chicago Press).

Saggi, K. 2002. "Trade, foreign direct investment, and international technology transfer: A survey", in *The World Bank Research Observer*, Vol. 17, No. 2, pp. 191–235, Fall (Oxford University Press).



---

## CHAPTER 3

### SOCIAL PROTECTION IN TUNISIA

#### INTRODUCTION

Tunisia has long been regarded as having one of the best social protection systems amongst MENA countries. Not only is a majority of the working population legally covered, but during periods of job loss the system also provides financial support, health care, and family allowances to the unemployed through its social assistance programmes.<sup>58</sup> However, the system also faces a number of challenges including improving effective coverage, reducing inequities in parallel schemes, improving the efficiency of programmes, and expanding support for the unemployed.

Firstly, in terms of social insurance for workers, the effective rate of coverage by an insurance scheme is much lower than the legal rate. Many workers fall through the cracks and receive no benefits at all, owing to a number of reasons such as financial hardship for workers who cannot afford contributions, administrative difficulties, and service delivery to remote locations. Moreover, there are a number of different schemes (such as eleven pension schemes) and substantial inequalities exist between schemes for different groups of workers.

Secondly, with regards to social assistance programmes, many of them are purported to be inefficient: administration is complex, criteria for eligibility are not clear, distributed amounts are too small in some cases to have a real impact, and lists of beneficiaries are rarely updated, thus preventing new families from obtaining aid. Furthermore, the political structure seems to have played an important role in granting aid – with the distribution of aid based on external factors. In this regard improved transparency and better targeting of beneficiaries is needed.

Finally, in spite of the country's high unemployment rates, unemployment insurance benefits do not exist. The state does provide unemployment *support*

---

<sup>58</sup> The notion of social protection used in this chapter covers on the one hand contributory social insurance schemes (social security), and on the other, non-contributory social assistance programmes. It is thereby not social protection in the wider ILO sense, which also includes aspects of labour protection (such as wages, working time and occupational safety and health).

but this is in the form of social assistance, which only covers a small fraction of the unemployed. Thus, in terms of cash transfers for the unemployed, the main sources consist of social assistance aid for the poor or family support. However, since January 14<sup>th</sup> 2011, the transitional Government implemented new measures to increase the social protection of the unemployed, especially of young university graduates, by introducing new conditional unemployment support to those participating in active labour programmes such as the AMAL<sup>59</sup>. Moreover, the Ministry of Social Affairs has been stressing the importance of human rights and equity principles in the granting of social aid, as well as the necessity of improving effective social protection coverage for workers while formulating new programmes.<sup>60</sup>

The implementation of new measures of course begs the question of financing; in this regard, Tunisia's social security system has already been facing severe financial difficulties, with some pension schemes in deficit since the year 2000. However, the solvency of the system is of paramount importance in order to provide a sustainable social protection system.

---

<sup>59</sup> See the Web Site of Ministère de la Formation Professionnelle et de l'Emploi : [www.emploi.gov.tn](http://www.emploi.gov.tn).

<sup>60</sup> *Portail Social*; République Tunisienne, Ministère des Affaires Sociales: <http://www.social.tn/>



## A BACKGROUND AND INSTITUTIONS

The Tunisian social protection system consists of: (i) social insurance schemes for workers; and (ii) social assistance programmes for the inactive and workers ineligible for social insurance schemes. The system was first instituted in the late 19th century for colonial civil servants. It was initially restricted to French citizens until 1910, after which time social assistance schemes such as family allowances and medical assistance were introduced for Tunisian citizens.<sup>61</sup>

However, it was only after 1930 that important steps were taken to increase public expenditures on social protection;<sup>62</sup> and since then the system has constantly expanded to cover an increasingly larger part of the population. In the 1960s, social protection for workers was reformed to include private sector salaried employees in addition to those working in the public service. Currently the system also legally covers students (since 1965), interns (since 1989), Tunisians working abroad (since 1989), and those who are usually in the informal economy such as self-employed workers (since 1995), domestic employees, and artists (since 2002).<sup>63</sup> Foreign workers are also covered under social protection.<sup>64</sup> The number of social assistance programmes, amounts granted, and the number of beneficiaries has also increased over time (See section C.1 for details).

Three major national institutions manage social insurance for workers in Tunisia (Figure 3.1). The Tunisian National Social Security Fund (*Caisse Nationale de Sécurité Sociale*, CNSS – founded in 1960) is in charge of insurance such as old age, disability, survivor pensions, and death and family allowances for workers (as well as unemployment support for workers in the private sector).<sup>65</sup> The scheme has both contributory and non-contributory elements. The National Pension and Social Providence Fund (*Caisse Nationale de Retraite et de Prévoyance Sociale*, CNRPS – founded in 1975) is in charge of social protection in the public sector and also has both contributory and non-contributory elements. The Tunisian National Health Insurance Fund (*Caisse Nationale d'Assurance Maladie*, CNAM), which was founded in 2004 in order to unify schemes for workers in the private and public sectors, is in charge of insurance

<sup>61</sup> B. Destremau: "La protection social en Tunisie, in M. Catusse, B. Destremau and E. Verdier (eds.): *L'Etat face au débordements du social au Maghreb* (Paris, Ireram-Karthala, 2009).

<sup>62</sup> A. Guelmami: *La politique social en Tunisie de 1881 à nos jours* (Paris, Harmattan, 1996).

<sup>63</sup> N. Mzid: *Le système tunisien de protection sociale : émergence du principe de solidarité et défis de dysfonctionnement* (Luxembourg, ISSA, 2010).

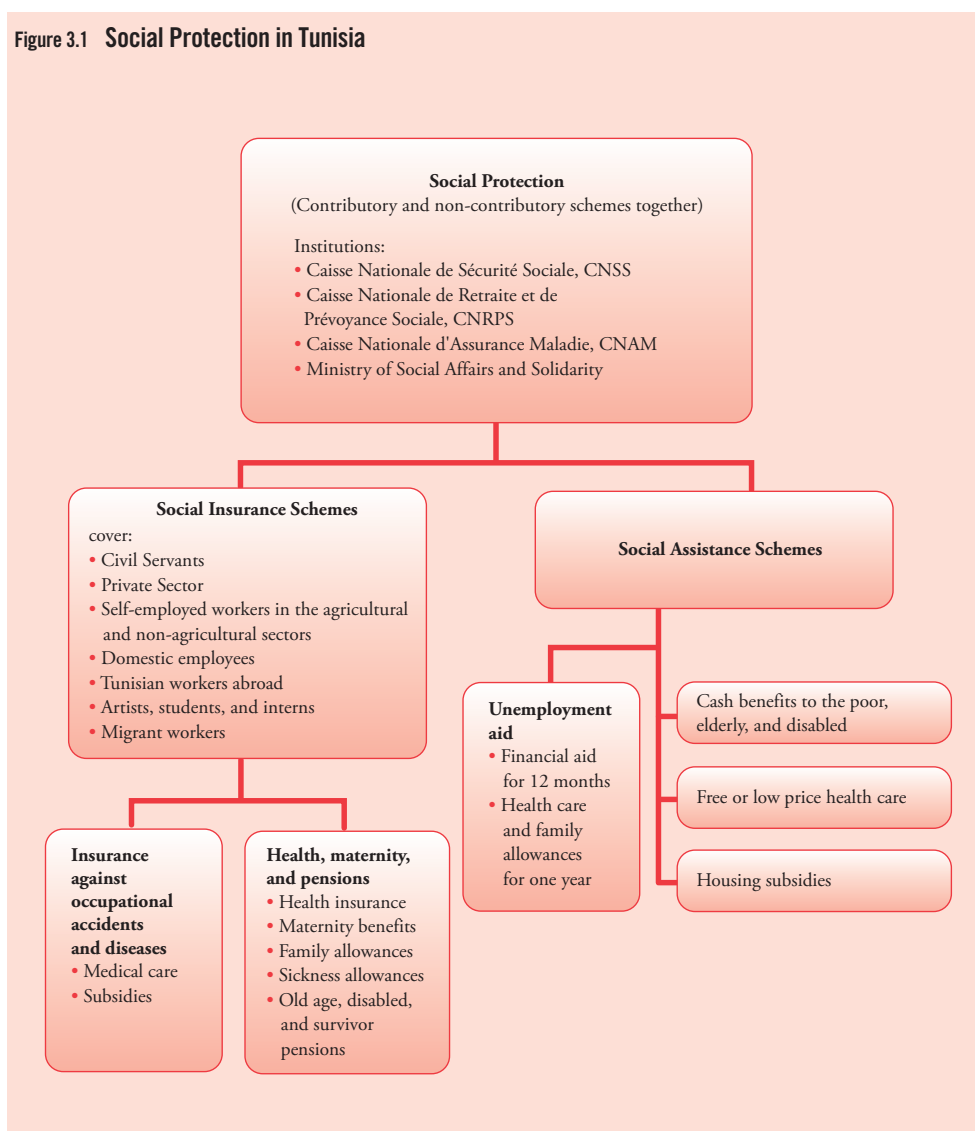
<sup>64</sup> ILO: *Building adequate social protection systems and protecting people in the Arab region*, Thematic paper presented at the Arab Employment Forum, Beirut, 19–21 October 2009.

<sup>65</sup> Students and trainees are also covered by this institution.

such as health, maternity benefits, and insurance for occupational accidents and diseases.

Social assistance programmes mainly include cash benefits, free or low-cost health care, and housing subsidies; in Tunisia, unemployment support is also included as a part of social assistance. The Ministry of Social Affairs is in charge of the dispersal of social assistance funds (with the exception of unemployment support), but the funds originate from various sources such as the State, social protection institutions (CNSS), and private donations.

Figure 3.1 Social Protection in Tunisia



## B SOCIAL INSURANCE SCHEMES

### 1 GENERAL COVERAGE ISSUES

The social protection system in Tunisia was founded on the Bismarkian social insurance ideal that links benefits with contributions.<sup>66</sup> The social insurance scheme, which has a legal coverage rate of around 95 per cent,<sup>67</sup> is jointly financed by employees and employers. Indeed, Tunisia has one of the most comprehensive systems amongst the MENA countries (Table 3.1), as almost all risks mentioned by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) are covered, even though Tunisia has not ratified the convention.<sup>68</sup> For example, in other MENA countries, such as Egypt, Jordan, and Sudan family allowances are not granted and very few countries in the region, with the exception of Algeria and Bahrain, provide any form of unemployment benefits. Although Tunisia's unemployment benefits are in the form of social assistance, in contrast to many countries in the region there is at least a system in place, which can serve as a starting point for future reform. Furthermore in Tunisia every category of worker can benefit from health care provided in public hospitals and health institutions, with some workers receiving cash benefits during the inactivity period.

**Table 3.1 Contingencies covered in selected MENA countries**

	Algeria	Bahrain	Egypt	Jordan	Lebanon	Morocco	Sudan	Syrian Arab Republic	Tunisia
<b>Sickness</b>	X(C, N.C)	None	X (C, N.C)	Only benefit in kind	Only benefit in kind	X(C, N.C)	None	None	X(C, N.C)
<b>Maternity</b>	X(C)	None	X(N.C, *)	*	X*	X(N.C)	None	None	X(C)
<b>Old age</b>	X(C)	X(C)	X (C)	X(C)	X(C)	X(C)	X(C)	X(C)	X(C)
<b>Family allowances</b>	X(N.C)	None	None	None	X(C)	X(C)	None	None	X(C)
<b>Employment injury*</b>	X(C,*)	X(C*)	X(C*)	X(C*)	X *	X*	X(C*)	X(C*)	X(C*)
<b>Unemployment</b>	X(C)	X(C, N.C)	X(C*)	None	None	None	None	None	X(N.C)

X: One statutory programme at least  
 C: Contributory  
 N.C: Non-contributory  
 \*: Paid by the employer  
 Source: ILO (2009a; 2010-2011)

<sup>66</sup> Although this situation is changing with the increase in non-contributory assistance programmes.

<sup>67</sup> This figure is from Mzid (2010) (see also the web site of Ministry of Development and International Cooperation).

<sup>68</sup> The ILO Security (Minimum Standards) Convention, 1952 (No. 102), gives a list of contingencies which must be covered. These risks can be grouped as follows: Medical care, old age, disability and survivors' benefits (long-term benefits); sickness and maternity benefits (short-term benefits); work injury benefits; family benefits; and unemployment benefits; ILO: *Building a social protection floor with the Global Jobs Pact* (Geneva, 2010).

In Tunisia, workers in most sectors are also insured against occupational accidents and diseases, and the legal employment injury coverage as a percentage of the economically active population is estimated to be around 50.5 per cent, which is a higher rate than in other Maghreb countries, such as Algeria (33.3 per cent), and Morocco (37.7 per cent).<sup>69</sup> When other emerging countries are taken into consideration, Tunisia also fares well, in China (31.9 per cent), Thailand (27.5 per cent), and Indonesia (23.7 per cent) the rate is lower than in Tunisia, while in Egypt it is only slightly higher (52.5 per cent).

However, there are substantial inequities that exist between coverage in the public and private sector, with the former being more lucrative (Table 3.2). For instance, health care is non-contributory for a majority of public workers, and some benefits such as maternity and sickness allowance are also more advantageous. Several measures have been taken to improve the attractiveness of health care insurance in the private sector; for example, starting from 2007, workers in the private sector had access to medical care in accredited private institutions (similar to public sector employees).<sup>70</sup>

**Table 3.2 Services covered by different schemes**

Worker Category	Family Allowances	Maternity, Disease and Death Allowances	Cash Benefits for Death	Health Care	Pensions	Occupational Accidents and Diseases
Public Servants	X	X	X	X	X	X
Private non-Agricultural workers	X	X	X	X	X	X
Agricultural Workers		X		X	X	X
Improved System for Agricultural workers	X	X		X	X	X
Non-salaried workers		X	X	X	X	
Tunisians Workers Abroad		X	X	X	X	
Low-income Workers				X	X	X
Artists, Intellectuals, Creative activities		X	X	X	X	

Source: Mzid (2010), quoting Chaabane (2010).

In the following section, the focus will be on old-pension schemes, as it is the largest scheme in terms of expenditure at more than 850 million dinars (US\$ 690 million)<sup>71</sup>, but it also faces important financial problems which place it at the center of social protection concerns.

<sup>69</sup> ILO: *World Social Security Report 2010–11* (Geneva, 2010–2011).

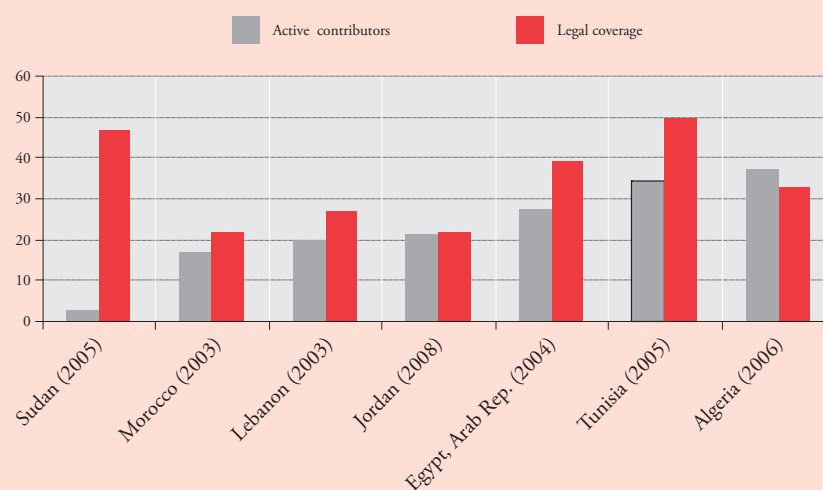
<sup>70</sup> Destremau (2009), op. cit.

<sup>71</sup> CNSS, <http://www.cnss.nat.tn/fr/images/stats/13.htm>.

## 2 COMPREHENSIVE OLD-AGE PENSION SCHEME

Tunisia has made important progress in order to extend the scope of old-age insurance to previously unprotected groups of workers. For example, in Tunisia the percentage of contributors is 34.5 per cent compared to 27.7 per cent in Egypt, and only 2.9 per cent in Sudan (Figure 3.2).

Figure 3.2 Estimate of legal coverage for old age and active contributors to a pension scheme as a percentage of the working age population in selected MENA countries



Source: ILO: *World Social Security Report*, (2010-2011).

However, the coverage rate of the working-age population, which is 50 per cent, is still low when compared to the rates in advanced economies (70 per cent in France and in Austria, and 100 per cent in Finland and the United Kingdom).<sup>72</sup> This is mainly due to the persistence of the informal economy, high unemployment, and the increasing number of precarious contracts that do not offer adequate social protection.<sup>73</sup> Moreover, as old-age pension is in the form of contributory insurance, categories such as the inactive, housewives, and the unemployed are excluded.<sup>74</sup>

Nevertheless, when compared to other Maghreb countries Tunisia has made progress: the legal rate of coverage increased, while in Algeria there has been a

<sup>72</sup> ILO: (2010-2011), op. cit..

<sup>73</sup> J.-M. Dupuis, C. El Moudden and A. Pétron: "Démographie et retraites au Maghreb" in *Connaissance de l'Emploi*, No. 65, pp. 1-4 (2009a); and UGTT: *Mutations du marché du travail, la précarité et ses impacts en Tunisie* (2008).

<sup>74</sup> Dupuis, Moudden, and Pétron (2009b).

decrease. More importantly many groups of workers which are often part of the informal economy have the possibility to enrol in a scheme (e.g. the self-employed and domestic workers). In Morocco, not only is there no mandatory scheme for non-salaried workers, the number of workers in the agricultural sector – where the informal economy is most prevalent – is high and most are not covered.<sup>75</sup>

### *Disparities between pension schemes have only added to inequality...*

There are in total eleven different pension schemes depending on the branch and the nature of the activity. This is indeed at the origin of important inequalities that exist across sectors. For example, the legal retirement age for salaried workers is 60, but for the self-employed it is 65. A contribution of 15 years in the private sector is required to obtain a pension, but only 10 years is necessary in the public sector.<sup>76</sup> In addition, pensions are calculated on the basis of the highest salary for public sector workers, while in the private sector they are based on an average of wages from the last ten years. Moreover, the minimum pension is equal to two thirds of the minimum wage for those who work in public and salaried non-agricultural sectors, while it is only 30 per cent for non-salaried workers.<sup>77</sup> This list is far from exhaustive, and such differences serve to increase inequalities between different groups of workers.

### *...and the scheme is facing important financing difficulties*

As for pension programmes' financing, the budget which has almost always been positive, is now facing severe shortfalls mainly owing to demographic issues, but also to the low level of declared salaries in the non-agricultural private sector. Three concurrent solutions are currently being considered, each of which poses significant challenges for both workers and employers: i) increasing the retirement age to 62; ii) increasing contributions of employers and employees, and iii) revising calculation methods in order to reduce pensions. Each solution must be evaluated taking into account their potential negative impact both socially and economically:

- *Increase the retirement age:* Tunisia's current legal age for retirement is fixed at 60 years (except for certain categories such as the teaching profession where the legal age is 65). There seems to be a consensus in the country,

<sup>75</sup> Dupuis, Moudden, and Pétron (2009a).

<sup>76</sup> M. Chaabane: *La réforme des régimes de retraite, Cas de la Tunisie* (Geneva, ILO, 2007) ; and, Destremau (2009), op. cit.

<sup>77</sup> Chaabane (2007), op. cit..

including among the main social partners, that Tunisia needs to progressively increase its retirement age from 60 to 62 if the pension scheme is to be sustainable. However, in a country where the unemployment rate is very high and employment creation is insufficient, extending the retirement age could provide an additional hardship for the poor and low-income.

Moreover, the larger issue seems to be the effective retirement age: many workers in Tunisia take early retirement while having the same benefits as if they were to retire at 60. It is estimated that around 60 per cent of public sector workers and 33 per cent of private sector workers take early retirement – placing the average age of retirement at around 55.<sup>78</sup> In order to deter early retirement, a decrease in pensions might be introduced for those who retire before the legal age.<sup>79</sup> Moreover, incentives for people to work longer can be created (such as in Australia which provides a lump-sum bonus for those retiring after the legal age; and Finland, where older workers are given higher accrual rates). Such increases must also be accompanied by specific measures: working conditions must be adapted to the needs of older persons' physical conditions; lifelong learning tools must be implemented to keep them competitive; and more importantly, measures must be taken to reduce discriminatory practices with regards to recruitment and retention of older workers.<sup>80</sup>

- *Revaluation of benefits:* Currently formal private and public sector workers enjoy a maximum replacement rate between 80–90 per cent, which is twice as high as mentioned in the ILO Convention on Social Security, 1952 (No. 102).<sup>81</sup> The minimum rate is between 40–50 per cent of the minimum wage, depending on the sector. Even in many advanced countries, the replacement rate is less than 60 per cent after 45 years of contribution on average (however this varies from a low of 35 per cent in the Republic of Korea, Japan and the United Kingdom, to 80 per cent in Denmark and Netherlands and 90 per cent in Greece).<sup>82</sup> For this reason, rates can certainly be revised to more internationally comparable levels. Additionally, a more formal indexation mechanism can be introduced. Currently, benefits are tied to inflation and discretionary adjustments, which might in reality reduce the effective return rate.<sup>83</sup>

<sup>78</sup> ILO (2009b), op. cit..

<sup>79</sup> Ibid.

<sup>80</sup> United Nations: *Objectifs du Millénaire (Tunisie)* (2007).

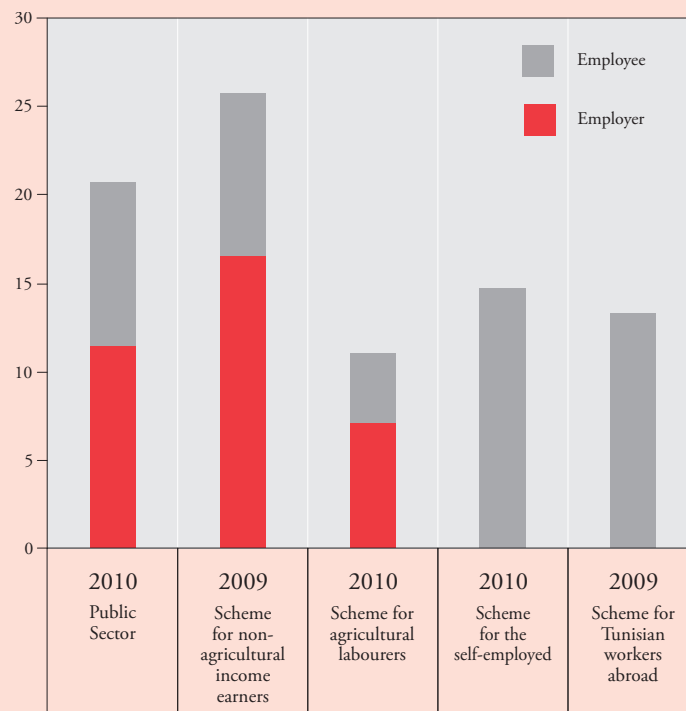
<sup>81</sup> The replacement rate is the pension benefits relative to earnings when working.

<sup>82</sup> In developing and emerging countries the replacement rate varies considerably; for example, it is 15 per cent in Indonesia, 32 per cent in Malaysia, 67 per cent in China, and 40 per cent in India.

<sup>83</sup> Z. Tzannatos: "Social Protection in the Middle East and North Africa: A review" in H. Handoussa and Z. Tzannatos (eds.): *Employment Creation and Social Protection in the Middle East and North Africa*. (Cairo: The American University in Cairo Press, 2002) pp. 121-71.

- Increasing contribution rates:** Contribution rates are relatively high in Tunisia and several increases have already been introduced (for both workers and employers). Moreover, rates vary considerably from one scheme to another (Figure 3.3), particularly between the organized and unorganized sector. The total (employers and workers) contribution rates reach 25.8 per cent for private sector non-agricultural workers, compared to only 19.7 per cent for public sector workers; while for agriculture workers it is 10.7 per cent. As a lower middle income country,<sup>84</sup> Tunisia's average public sector contribution rates are higher than in other MENA economies, such as Morocco with 11.9 per cent, Jordan (14.5 per cent), and Algeria (17 per cent). It is similar to that of emerging and many advanced countries which is around 22 per cent on average – as an example, Turkey's rates are 20 per cent. In such a context, additional increases would be difficult to implement. Furthermore, such increases would not only raise labour costs, but reduce the purchasing power of workers.

**Figure 3.3 Contribution rates as percentage of salary**



Source: CNSS ([www.cnss.nat.tn](http://www.cnss.nat.tn)) and CNRPS ([www.cnrps.nat.tn](http://www.cnrps.nat.tn)).

<sup>84</sup> According to the World Bank's classification.



---

*Other options, such as harmonization of schemes should also be considered*

One of the solutions which can be adopted is the harmonization of different systems across occupations and sectors. This could have a double advantage: on the one hand the reduction of inequalities may incite outsiders to enrol in a scheme; while on the other hand a better coordination of schemes may reduce management costs. Tunisia undertook a similar reform in the social health insurance scheme by creating CNAM (*Caisse Nationale d'Assurance Maladie*) in 2004. This could serve as a useful lesson on how to proceed for reforming the current pension scheme (see Box 3.1).

More on alternative methods of reforming the social security system (including financing) is discussed in Chapter 4, but it is important to bear in mind that the financial problems of the pension system must also be reconsidered under the light of a broader approach which takes into account global imbalances. It should be stressed that in several developing countries economic growth did not benefit low and middle-income groups, and consequently salaries stagnated. Such a situation limited the amount of contributions (which are proportional to salaries) and contributed to financial problems faced by both pension schemes and other social protection insurance in general. Furthermore, since the financial burden of pension schemes is mostly on wage earners, alternative ways of financing social pension schemes should be envisaged. For example, the contribution from capital gains might not only ease budget problems but also lead to the implementation of a fairer system.

**Box 3.1 Health care reform in Tunisia**

Discussions on health insurance reform in Tunisia started back in 1996 as a result of dissatisfaction shown by service providers and citizens in terms of quality of service, increasing costs, and the many administrative layers of the health-care sector. The country initially focused its attention on increasing coverage rates but reform was also intended to make the scheme more equitable, improve the quality of the service, and control the increasing costs. Prior to its reform, Tunisia's health insurance scheme had many inherent problems: there was unequal access and benefits in the private and public sectors and there were different actors involved in management of the scheme, which led to a lack of coordination and an increase in overall health insurance spending.

Health insurance was provided by the CNSS for the private sector, the self-employed, the disabled, and students (some 2.3 million beneficiaries) while the CNRPS provided coverage to public sector workers (some 815,000 beneficiaries). Those falling outside these two categories were covered by the Free Medical Assistance (*Assistance Médicale Gratuite* (AMG) – starting in 1958) and free or reduced fees in public hospitals.

The reform process has made a single, basic, and mandatory scheme with a basic benefits package, managed by the social security administration. There is also an optional complementary scheme, managed by private insurance companies. In addition, in order to finance the new scheme there was a progressive increase and standardization of contribution rates for the basic scheme as described in the table below.

Contribution rate	Initial	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11
<b>RSNA Private (Non-agricultural private)</b>						
Employer	3.43	4				
Employee	1.32	1.32	2.04	2.75	3	4
Retiree	0	0	1	2		
<b>Public sector workers (CNRPS)</b>						
Employer	1	2	3	4		
Employee	1	1.88	2.75			
Compulsory pension	1	2	3	4		
Optional pension	3	3.34	3.67	4		
<b>RSA Private (agricultural private)</b>						
Employer	0.68	1.35	2.02	2.68	3.34	4
Employee	0.23	0.23	0.86	1.49	2.12	2.75
<b>RSAA Private (improved agriculture private)</b>						
Employer	1.52	2.14	2.76	3.38	4	
Employee	0.76	1.43	2.09	2.75		
RNS (non agricultural non wage earners)	3.04	3.97	4.9	5.83	6.75	
RTTE Tunisians abroad	4.1	4.99	5.87	6.75		
Artists	3.04	3.97	4.9	5.83	6.75	

Source: ILS based on EC, 2010.  
[http://ec.europa.eu/delegations/tunisia/documents/more\\_info/rapport\\_final\\_ass\\_maladie\\_fr.pdf](http://ec.europa.eu/delegations/tunisia/documents/more_info/rapport_final_ass_maladie_fr.pdf)

### 3 EFFECTIVE RATE OF COVERAGE OF INSURANCE SCHEMES

Although Tunisia extended the legal coverage rate for all insurance schemes to 95 per cent in order to progressively integrate informal workers into the system, the effective rate of coverage is considerably less for low-income categories.<sup>85</sup> The rate for agricultural workers is about 50 per cent, while for workers in small farms, fishermen, and domestic workers it did not exceed 22 per cent in 2006.<sup>86</sup> The gap between the legal and effective coverage rate exists for a number of reasons:

<sup>85</sup> Chaabane (2002), op. cit; Mzid (2010), op. cit.

<sup>86</sup> Mzid (2010), op. cit.

- In the informal economy, employees often work for many different employers and can practice different activities in numerous places. Additionally, in the agricultural sector, workers have to work more than 45 days per quarter to be counted.<sup>87</sup> Hence, it becomes difficult to control declarations and irregularities.
- Workers' revenues are in some cases so low that they cannot afford contributions, and the priority is often to meet basic needs rather than preparing for retirement.
- Another factor which may contribute to the low rate of effective coverage seems to be the unwillingness of employers to declare employees and to pay contributions. The UGTT (Union Générale Tunisienne du Travail) estimates that 37 per cent of salaried workers are not declared within the social security scheme.<sup>88</sup> In Africa, in general, such practice seems to be the main reason for low coverage rates.<sup>89</sup>
- Finally, practical reasons, such as filling in forms (for those who are illiterate) or the distance to the social security office, also impact on enrolment.<sup>90</sup>

Several steps have been taken to improve effective coverage in the social security system:

- As already discussed, one of the objectives of the CNAM established in 2004 was to improve effective coverage of medical services and reduce inequalities. This was achieved by putting in place a single, basic, and mandatory scheme with a basic benefits package (see Box 3.1).
- Additionally, procedures such as employment service vouchers, which make it possible to declare short periods of activity, important sanctions for employers omitting declarations, and information campaigns were also introduced in Tunisia.

<sup>87</sup> Destremau (2009), op. cit.

<sup>88</sup> UGTT (2008), op. cit.

<sup>89</sup> ILO (2010), op. cit.

<sup>90</sup> Financed jointly by social protection institutions (such as CNSS), the State, the Tunisian Red Crescent, international aid, private donations. See Chaabane (2002), Destremau (2009), and Cherif, Mounir and Essoussi *L'extension de la sécurité sociale aux populations non couvertes*, Colloque des directeurs d'institutions de sécurité sociale des pays francophones d'Afrique (Cameroon, ISSA, January 2004).

Although these reforms have improved the effective rate of coverage by offering insurance opportunities to vulnerable groups and the self-employed, the rate amongst these groups remains low compared to public and private structures for wage workers. Some international experience such as collaboration with non-state organisations may be helpful to draw lessons (see Box 3.2).

### Box 3.2 Extending social protection coverage to informal workers: examples from emerging countries

There are no reliable figures on informal employment in Tunisia, and it is suggested that the most current figure of 21.6 per cent of total employment in 1997, is vastly underestimated. Rates for other emerging economies show the importance of the informal sector for employment. For example, in Egypt, informal employment is more than 40 per cent of total employment, while in India it is 85 per cent<sup>91</sup>.

Given that such workers remain vulnerable and without access to adequate social protection services. Different approaches based on international experience can be proposed to extend coverage:

- *Extend coverage through non-state actors:* In some emerging countries it might be more realistic to provide social protection coverage to informal workers through non-state institutions, such as community based social protection (CBSP) organizations. These organisations have decentralized structure and often require close participation of their members. The benefits of such organizations are that contribution rates tend to be low and affordable to all members; local characteristics are also better taken into account, and benefits can be more closely adapted to needs.<sup>92</sup> One example in India is SEWA (Self Employed Women Association) an organization owned and run by its members, which aims towards improving working conditions of women in the informal economy. Founded in 1972, it offers comprehensive insurance scheme to its members. SEWA attained 700,000 women in 2006 and currently preserves its financial sustainability.<sup>93</sup>

Although SEWA offers a good example, it is important to bear in mind that CBSP mechanisms often offer low levels of benefits and have limited scope. Moreover, those who manage the scheme may not have adequate training, and financial resources are in most cases insufficient.<sup>94</sup>

- *Mixed national and CBSP:* In some instances, it might be a better option to use both national and CBSP systems together in order to extend coverage. For example in Ghana, a mixed system combining elements of a compulsory national insurance scheme and community-based health insurance was introduced. It is financed both by individual contributions based on income and a 2.5 per cent Value Added Tax (VAT). Despite the existence of some problems in the system, in Ghana the coverage rate of the population increased from 15 per cent to 38 per cent from 2005 to 2007, 24 per cent of which consisted of informal workers. This reveals an important increase in the number of informal workers reached by the system.<sup>95</sup>

<sup>91</sup> Definitions vary by country so may not be strictly comparable. Tunisia (1997) and Egypt (2003) refer to workers without contract; in India (2009-10) self-employed and casual workers.

<sup>92</sup> See Coheur, Jacquier, Schmitt-Diabaté, and Schremmer (2008)

<sup>93</sup> See Jhabvala and Sinha (2006) on SEWA.

<sup>94</sup> See Coheur, Jacquier, Schmitt-Diabaté, and Schremmer (2008)

<sup>95</sup> See Alfors (2009) for more information on this subject.

---

## **C SOCIAL ASSISTANCE SCHEMES**

In Tunisia, several social assistance programmes exist for the unemployed and those at the fringes of the labour market. These programmes are non-contributory and aim towards assisting those who are inactive, as well as workers who cannot enrol in an insurance scheme.

### *Social assistance programmes: a political tool?*

Implementation of social assistance programmes played an important role in the political strategy of the former government. Although many programmes were implemented during the Bourguiba period (1975-1987), the Ben Ali regime emphasized more particularly the role of the government in organizing “solidarity” actions with the aim of strengthening the government’s political legitimacy. The solidarity concept (funding from other sources such as private companies and individuals) has gradually replaced social assistance financed solely by the state. Such action was also related to the concerns by the government that poverty reduction was a prerequisite for social cohesion and political stability. It thus served as part of social contract between the State and citizens as a trade-off for inequitable growth.

However, this balance was fragile. Social assistance programmes were not always well-targeted and thus could not sufficiently eradicate poverty; while only limited unemployment support was available for the unemployed.

## **1 NON-CONTRIBUTORY SOCIAL ASSISTANCE PROGRAMMES AND SPECIFIC FUNDS**

Social assistance programmes concern mostly two areas: direct cash transfers and health care services for the poor and the needy. Cash benefits are granted to the poor who are below the absolute poverty threshold, to the elderly without support, and to the disabled.<sup>96</sup> Those in need can also benefit from free or low-cost health care in public health institutions.<sup>97</sup> In addition, there are several development projects aimed at improving facilities and housing conditions in the least developed zones, and in creating job opportunities. The most prominent programmes are listed in Table 3.3.

<sup>96</sup> Chaabane (2002).

<sup>97</sup> Chaabane (2002). Care for the disabled is more and more represented as a part of national responsibility. In addition to cash transfers and medical services, specific schemes such as professional and social reinsertion programmes are created to improve their living conditions, Mzid (2010).

Table 3.3 Social assistance programmes and funds

Name	Date of Implementation	Targeted Groups	Main areas
<b>Food Subsidy Programmes</b> (by <i>Caisse Générale de Compensation</i> ) ( <i>Aide alimentaire</i> )	1970	Low income groups	Limiting consumer price increase of selected food products (such as cereal, oil, or sugar)
<b>Programme for Aid to Needy Families</b> ( <i>Programme d'aide aux familles nécessiteuses</i> )	1986	Low income groups	Cash transfers, free health care
<ul style="list-style-type: none"> <li>• Programme for the elderly</li> <li>• Programme for the disabled</li> <li>• Programme for children</li> </ul>		<ul style="list-style-type: none"> <li>Elderly</li> <li>Disabled</li> <li>Children</li> </ul>	
<b>Aid to single mothers not receiving pensions</b>	1993	Single mothers	Cash transfers
<b>Regional Development Programme</b> ( <i>Programme régional de développement</i> )	1973	Rural and urban zones	Improving facilities, public goods, job creation
<ul style="list-style-type: none"> <li>• Rural Development Programme</li> <li>• Urban Development Programme</li> </ul>	<ul style="list-style-type: none"> <li>1984</li> <li>1992</li> </ul>	<ul style="list-style-type: none"> <li>Low income groups in rural zones</li> <li>Low income groups in urban zones</li> </ul>	
<b>Programme for Eliminating Squalid Houses</b> ( <i>Programme national pour l'élimination de l'habitat rudimentaire</i> )	1986	Low-middle income groups	Improving housing facilities, granting credits
<b>National Solidarity Fund</b> ( <i>Fond National de Solidarité, FNS</i> )	1993	Low income groups	Improving facilities, public goods, job creation

Source: Web site of the Ministry of Social Affairs; United Nations (2004); Japan Bank for International Cooperation (2001).

---

*The scope of social assistance programmes have progressively increased...*

One of the most extensive programmes is the National Programme for Aid to Needy Families (PNAFN, created in 1986), which targets the very poor by providing direct cash transfers and health care. This programme benefitted some 124,000 families in 2008 and the amount distributed reached 75.8 million dinars (US\$ 61.5 million) in the same year.<sup>98</sup> The amount of aid received per family increased between 92 dinars (US\$ 111) (in nominal terms) per quarter to 160 dinars (US\$ 130) per quarter from 1987 to 2008. Moreover, in 2008, 172,000 families were provided with cards allowing them to have access to free health care services, and 550,000 families were entitled to benefits in the form of reduced tariffs. In addition, food aid is also granted to those most in need, either through other specific programmes (such as the food subsidy programmes) or directly in schools.<sup>99</sup> The transitional Government has recently decided to extend the scope of PNAFN to cover 185,000 families. Moreover, following the events in Libya, 256,000 dinars (US\$ 207,768) has been distributed in order to assist Tunisians returning from Lybia and refugees on the Tunisia-Lybia border.

Programmes that have as their objective the improvement of housing conditions play an important role in the country. One programme, the National Programme for Eliminating Squalid Houses, destroys squalid houses and constructs better houses with sanitary facilities. Low-rent accommodation is also offered to low-income categories. Moreover, loans at low rates are proposed to those who wish to be owners. This service is for those who have revenues above, but less than three times the SMIG (minimum wage), and thus concerns the middle class rather than the very poor. Nevertheless, accommodation improvement projects seem to have had a positive impact: 85 per cent of households in Tunisia were owners of their houses in 2000 and only 1.2 per cent of houses are classified as squalid.<sup>100</sup>

Since the 1990s special funds to attract more private donations for social assistance activities have been created. These funds comprise several actions and do not provide direct financial aid; the National Solidarity Fund (known as “26-26”) is the most prominent. Created in 1993 as a new method for combat-

---

<sup>98</sup> [http://www.tunisie.gov.tn/index.php?option=com\\_ministeres&Itemid=382&task=view&cid=32&lang=french](http://www.tunisie.gov.tn/index.php?option=com_ministeres&Itemid=382&task=view&cid=32&lang=french)

<sup>99</sup> Destremau (2009).

<sup>100</sup> Destremau (2009).

ing poverty,<sup>101</sup> its objective is to foster economic, social, and cultural development of the least developed regions by providing collective goods, improving facilities such as drinking water supplies, access to electricity, roads, and by improving housing conditions and creating job opportunities. The Fund benefited 250,000 families and approximately 1.2 million individuals, covering 1,817 districts during more than 15 years.

### *...but programme effectiveness is difficult to evaluate*

It is difficult to calculate the total amount assigned and distributed by the State for social assistance services. Although national figures on social transfers exist, they also include public services. Nevertheless, these figures indicate an increasing trend in the past 5 years, not only in terms of nominal amount spent but also as a percentage of GDP (see Table 3.4). Moreover, it is difficult to evaluate the programmes themselves because of the dearth of information. There have indeed been very few evaluations in Tunisia, which has in turn made it difficult to determine the real impact of specific programmes.<sup>102</sup>

**Table 3.4 Social transfers (social actions and public services)**

Year	2006	2007	2008	2009	2010
<b>Millions of Dinars</b>	7,836	8,597	9,846	10,566	11,550
	(US\$ 5,887 mln)	(US\$ 6,709 mln)	(US\$ 7,991 mln)	(US\$ 7,825 mln)	(US\$ 8,069 mln)
<b>Per cent of GDP</b>	17.1	17.2	17.8	18.1	18.4

Source: Web site of the Ministry of Social Affairs

The World Bank attempted to create a database that compares social assistance expenditures across emerging countries, although it suffers from coverage and comparability problems.<sup>103</sup> According to the database, social assistance expenditure in Tunisia was around 2.5 per cent of GDP in 2008, which suggests that

<sup>101</sup>This is however contested. See Hibou (2006) and Chakerli (2000) on this subject.

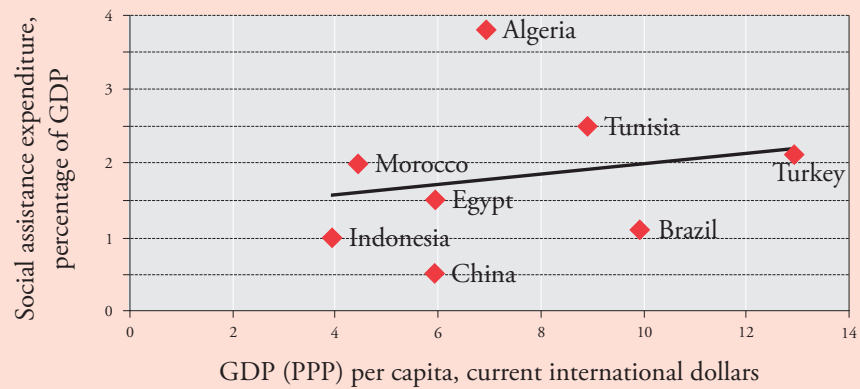
<sup>102</sup>See below for more information.

<sup>103</sup>ILO (2010-2011). The most important difficulty in obtaining viable information on social assistance figures in Tunisia is that there is little transparency about amounts collected and distributed.



the country spends more on social assistance than other emerging countries, with the exception of Algeria (see Figure 3.4).

**Figure 3.4 Social assistance expenditure and GDP per capita (thousands) in some emerging and developing countries, 2008**



Source: ILO (2010-2011), IMF World Economic Outlook Database.

*The impact of these programmes was not fully satisfactory...*

However, despite the impressive expenditures and several positive effects, social assistance programmes are affected by a number of irregularities.

In the case of direct assistance, it is purported that these programmes leave out a substantial portion of the poor. This is mainly due to entitlement criteria that are too vaguely defined, preventing many families from registering – but also external factors such as political orientation.<sup>104</sup> Those in need cannot always obtain aid, and administrative laxity permits some families, not necessarily the poor, to benefit from aid; distributed amounts are sometimes too small to help the poor improve their situation. These shed doubt on the redistributive capacities of the social assistance services. Moreover, development projects have not been wholly successful in integrating the poor into the labour market (the vul-

<sup>104</sup> Some studies suggest that clientelism Destremau (2009); Hibou (2006) and political party affiliation Chakerli (2000), Zamiti (1996), Ben Amor (1995) have played a strong role in the granting of coverage.

nerable groups remained mostly dependant on aid)<sup>105</sup> or in improving the infrastructure in these regions.<sup>106</sup>

### *...and their financing is not transparent*

Concerning the financing of the programmes, more and more financial resources come from particular individuals or companies owing to the disengagement of the state and the promotion of the national solidarity concept. However, what is presented as voluntary donation turns out to be mandatory taxation in many cases. Companies that ‘avoid’ financial contributions may face difficulties such as fiscal controls, difficulty in obtaining public contracts, and other red tape. This obligation not only concerns companies, civil servants and workers in the private sector also have to ‘volunteer’ a part of their income as a donation.<sup>107</sup>

In order to address these issues, the solidarity concept needs to be revisited and the State must take a more active role in the financing of social assistance programmes. The introduction of more transparent criteria in the granting of aid also needs to be implemented (see Chapter 4 for further discussion).

## **2 UNEMPLOYMENT SUPPORT**

An unemployment support system, which is part of the social assistance programme, has existed in Tunisia since 1996. Although, it is a non-contributory scheme, it is reserved for formal sector workers who lose their jobs. However, only a very small percentage of the unemployed is eligible for these benefits. The benefits, which are totally financed by the Government, provide a monthly allowance equivalent to the SMIG and are paid for a maximum period of twelve months. The unemployment support also includes health insurance and family allowances for one year. Through CNSS the government also takes charge of severance packages, such as dismissal allowances (the amount cannot be more than three months salary) and pay in lieu of notice. But, necessary conditions to take advantage of this coverage are quite restrictive: only those who lose their jobs due to economic and technological causes and have worked at least three years in the same company can receive it.<sup>108</sup>

<sup>105</sup> For example, masons received tools for digging wells but the tools were too rudimentary for dealing with a high level of water. See Zamiti (1996).

<sup>106</sup> Laroussi (2009); Chakerli (2000).

<sup>107</sup> Hibou (2006); Chakerli (2000).

<sup>108</sup> Where these conditions are not satisfied, in some cases “special” aid is granted: health insurance and family allowances are maintained, but unemployment compensation is equal to the half of the SMIG, Destremau (2009); CNSS.

---

In addition to the eligibility criteria, other conditions regarding the procedure make it difficult for the unemployed to obtain support (for example, in the case of job loss, it is the employer who is in charge of administering the support request for their former employees). Such conditions lead to a low rate of coverage. Only 8,000 unemployed had access to unemployment support in 2001,<sup>109</sup> and according to the ILO, the percentage of the unemployed receiving unemployment benefits was only 3 per cent in 2008<sup>110</sup> which corresponds to approximately 13,000 people.

Although unemployment benefits have several positive effects both from social and economic perspectives, only a small proportion of the unemployed benefit from them in emerging countries because of the low proportion of those employed in the formal sector (see Figure 3.5). In MENA countries unemployment benefits, whether contributory or not, are also rare. There is a contributory scheme in Algeria that has existed since 1994; however, the percentage of the unemployed receiving unemployment benefits was only 3.9 per cent in 2002. In Bahrain, where the system is financed with contributions from workers, employers and the Government, the rate was 34.2 per cent in 2008.

Indeed, a more expansive and financially sustainable unemployment insurance scheme would require a contributory system. In order to create such a scheme, contribution rates in Tunisia will have to be increased; however, as mentioned this will prove difficult as rates for other types of insurance are already relatively high (around 26 per cent in total for non-agricultural workers) and several increases have indeed already been introduced in the public and private sectors. In this respect, increasing the number of contributors seems to be a more viable solution, which can begin by attracting workers from the informal sector to the formal sector. Some emerging countries have already taken important steps in this direction. For instance, Brazil succeeded in formalizing workers by supporting formal job creators such as municipalities and SMEs. Moreover, more equitable distribution of economic gains may contribute to the financing of unemployment benefits via increasing contributions.

Although a contributory system is more adequate for both increasing the scope of unemployment benefits and ensuring its sustainability, the financial contribution of the State is necessary at least for the implementation of the system. There is indeed fiscal space for such interventions in Tunisia since the debt to GDP ratio is relatively low (43 per cent in 2010, see Chapter 1). Many coun-

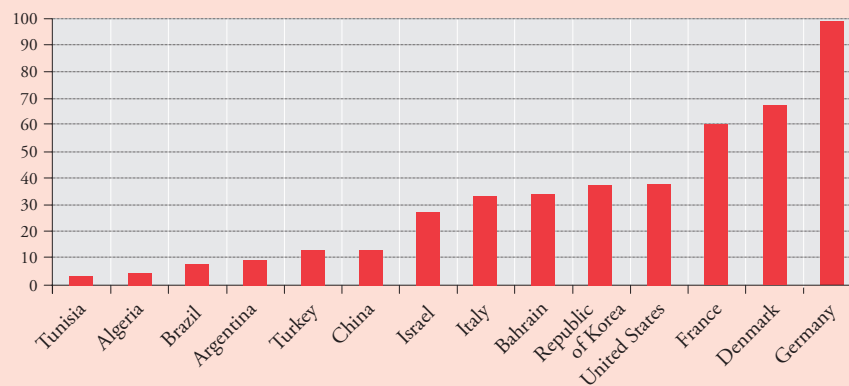
<sup>109</sup> Destremau (2009).

<sup>110</sup> ILO (2010-2011).

tries at similar or lower GDP per capita levels have recently introduced unemployment insurance schemes, such as Vietnam in 2009 and Thailand in 2004. It is true that in Tunisia the unemployment rate is higher than it was in these countries at the time of implementation and has been markedly increasing; however, such a venture can be made cost-effective at least in terms of launching expenses as was done in the Republic of Korea. Korea extended considerably the scope of the newly launched unemployment insurance after the Asian Crisis in 1997 by using existing facilities and staff to administer it.

In Tunisia, the transitional Government is currently extending conditional cash transfers for the unemployed who participate in active labour market measures. However, implementation of a more comprehensive scheme could be envisaged in the near future.

**Figure 3.5 Unemployed who actually receive benefits worldwide, percentage, latest available year**



Source: ILO (2010-2011).

---

## **D CHALLENGES GOING FORWARD**

In spite of its perceived comprehensiveness, the social protection system in Tunisia has a number of weaknesses that should be addressed in order to improve its efficiency and effectiveness.

With regards to social assistance, the lack of transparency seems the major element that has made the system inefficient. Many of those who were entitled to receive benefits did not receive them, owing to a number of factors such as political orientation, clientelism and/or administrative difficulties. The transitional Government is currently placing more emphasis on the importance of human rights and equality principles in granting social aid, which is a step in the right direction. Additionally, more transparency can be obtained by implementing more objective criteria in the financing and granting of benefits. A tripartite management of funds can contribute to this objective. Moreover, measures must be taken in order to better target those in need and an administrative system must be adapted to integrate efficiently new beneficiaries (see Chapter 4).

The major challenge with regards to social insurance schemes is the effective coverage rate. A growing population might be covered under social security schemes by making the system more attractive for workers in the informal sector, harmonizing different schemes in order to reduce inequalities, and improving the financial capacity. The financing argument is particularly important in the case of pension schemes, where the system is already in deficit, and in the implementation of a more comprehensive unemployment benefits scheme. In each case, an increase in the number of contributors, thanks to integration of informal workers, can contribute to the improvement of budget conditions. Moreover, collaboration with non-state organizations, as previously mentioned, may reduce financial difficulties. Concerning specifically unemployment benefits, it should be noticed that even though they may seem costly for the time being, their positive effects on social and economic conditions in the long run are highly important. They keep the unemployed linked to the labour market, avoiding in this way more costly economic and social consequences in the future. As for pension schemes, some other reforms seem necessary to improve their financial conditions. This issue will also be discussed further in Chapter 4.

## REFERENCES

Achouri, Hedi. 2005. "Advances in implementing Social Security: Lessons from Tunisia" *International Conference on Social Health Insurance in Developing Countries*, Berlin, December 2005.

Alfers, Laura. 2009. *WIEGO Social Protection Case Study: The Ghana National Health Insurance Scheme* (WIEGO, Manchester, United Kingdom).

Ben Amor, Ridha. 1995. "Politique sociale, ajustement structurel et pauvreté en Tunisie", in *Les Cahiers du CERES*, No. 24 (Bamako, Mali).

Chaabane, Mohamed. 2002. *Towards the universalization of social security: The experience of Tunisia* Social Security Policy and Development Branch, ESS Paper No. 4 (Geneva, ILO).

—. 2007. *La réforme des régimes de retraite, Cas de la Tunisie* (Geneva, ILO).

Chakerli, Douja. 2000. *Lutte contre la pauvreté et solidarité nationale* (Paris, Centre d'études de et de recherches internationales).

Cherif, Mounir and Kamel Essoussi. 2004. *L'extension de la sécurité sociale aux populations non couvertes*. Colloque des directeurs d'institutions de sécurité sociale des pays francophones d'Afrique, ISSA, Cameroon. January.

Coheur, Alain; Christian Jacquier; Valérie Schmitt-Diabaté; and Jens Schremmer. 2008. *Linkages between statutory social security schemes and community-based social protection mechanisms: A promising new approach* (International Social Security Association, Geneva).

Destremau, Blandine. 2009. "La protection sociale en Tunisie : nature et cohérence de l'intervention publique", in M. Catusse; B. Destremau; E. Verdier (eds): *L'Etat face aux débordements du social au Maghreb* (Paris, Ireram-Karthala), pp. 129–71.

Dimassi, Hassine. 2010. *Background paper on Tunisia* (Geneva, ILO).

Dupuis, Jean-Marc; Claire El Moudden; Anne Pétron. 2009a. "Démographie et retraites au Maghreb", in *Connaissance de l'Emploi*, No. 65, pp. 1–4.

---

—. 2009b. *Inégalités de revenu, retraite et redistribution au Maghreb* Inégalité et développement dans les pay méditerranéens, Istanbul, May.

Guelmami, Abdelmajid. 1996. *La politique sociale en Tunisie de 1881 à nos jours* (Paris, Harmattan).

Hibou, Béatrice. 2006. “Domination & Control in Tunisia: Economic Levers for the exercise of Authoritarian Power”, in *Review of African Political Economy* Vol. 33, No. 108, pp. 185–206 (Sheffield, ROAPE Publications).

International Labour Office (ILO). 2009a. *Building adequate social protection systems and protecting people in the Arab region*, Thematic paper presented at the Arab Employment Forum, Beirut, 19–21 October.

—. 2009b. *Réforme des régimes de retraite publics en Tunisie: Partie I: Perspective du BIT sur les orientations politiques* (Geneva).

—. 2010. *Building a social protection floor with the Global Jobs Pact* (Geneva).

—. 2010–2011. *World Social Security Report 2010–11: Providing coverage in times of crisis and beyond* (Geneva).

Japan Bank for International Cooperation. 2001. *Poverty Profile: Executive Summary Republic of Tunisia*.

Jhabvala, Renena; Shalini, Sinha. 2006. “Social Protection for Women Workers in the Informal Economy”, in *Comparative Labour Law and Policy Journal* Vol. 27, No. 2 (University of Illinois College of Law, Chicago, IL) pp. 167-86.

Laroussi, Houda. 2009. *Micro-crédit et le lien social en Tunisie*. (Tunis, Paris, IRMC Karthala).

Mzid, Nouri. 2010. *Le système tunisien de protection sociale : émergence du principe de solidarité et défis de dysfonctionnement*. 6<sup>e</sup> Conférence internationale d’analyse et de recherche en sécurité sociale, Luxembourg, ISSA, September-October.

Tzannatos, Zafiris. 2002. “Social Protection in the Middle East and North Africa: A review”, in Heba Handoussa and Zafiris Tzannatos (eds.): *Employment*

*Creation and Social Protection in the Middle East and North Africa.* (Cairo, The American University in Cairo Press), pp. 121-71.

The Tunisian general Union of labor (UGTT). 2008. *Mutations du marché du travail, la précarité et ses impacts en Tunisie.*

United Nations. 2004. *Objectifs du Millénaire (Tunisie).*

—. 2007. “Development in an Aging World” *World Economic and Social Survey 2007* (Department of Economic and Social Affairs, New York).

Zamiti, Khalil. 1996. “Le Fonds de Solidarité Nationale pour une approche sociologique du politique”, in *Annuaire de l’Afrique du Nord* No. 35, pp. 705-12.



---

## **CHAPTER 4**

### **POLICY CHALLENGES FOR MORE INCLUSIVE GROWTH**

The road ahead for Tunisia offers the potential for more equitable and sustainable growth. The interim Government has already enacted a number of policies targeting growth in disadvantaged regions and have focused efforts on vulnerable groups such as youth and return migrants. As the economy begins its path towards recovery more space is needed for national dialogue, in order to give Tunisians a stronger voice in determining their future. This chapter presents three key challenges to consider in this respect, all of which contain numerous examples of international experiences that have proven successful and which can serve as useful lessons learned.

Section A discusses the mechanisms and tools that need to be strengthened so that social dialogue can have a more effective role in helping to shape employment policy and the much needed labour market reforms. The importance of safeguarding social protection and effectively extending coverage to those most in need is addressed in Section B. Finally, Section C focuses on the need to reinvigorate the private sector (both onshore and offshore) and provide the impetus for more and better job creation.

## A IMPROVE MECHANISMS FOR SOCIAL DIALOGUE

There has been ineffective social dialogue in Tunisia over the past decades. Trade unions were unable to operate in a free environment – and at best their leadership was used to support and endorse the Government’s policies. Although the right to strike is guaranteed in principle by the labour code, it is very limited in practice because of the many legal loopholes, the stringent requirements to strike, and dissuasive sanctions in cases of illegal strikes.<sup>111</sup> The past two regimes (Bourguiba and Ben Ali) used violent coercion under the pretext of negotiation, and dialogue (if any) was imposed from the ruling party to the Tunisian people through union representatives. At the national level, “social dialogue” under the aegis of the National Social Dialogue Committee, took place once every three years at the initiative of the Government for the collective bargaining of wages. Outside this mechanism, there is no other institution for social dialogue. At the enterprise level, social dialogue is quasi-non-existent.

Given Tunisia’s current transition towards democracy, there is a need to re-define and redesign the mechanisms and instruments for improved social dialogue. Trade unions and social partners represent a fundamental social institution, which facilitates the relationship between employers and employees together with the Government. They also mobilize their members for political change, which ensures that governmental policies are a collective process, borne from debate and the exchange of ideas. In this respect, the social partners are essential actors in the social and economic policy-making spheres and can contribute towards creating national reconciliation and improving social cohesion.

### 1 FOLLOWING-UP ON ILO RECOMMENDATIONS

There is no ready-made recipe for improving social dialogue and adapting it to the current political and social context. The first task of the social partners in Tunisia is to prepare a better vision within the new political landscape and within the realm of the changing economic, social, and labour market conditions. Dialogue should focus on social justice issues, which include the fundamental principles of rights at work (freedom of association, the right to organize, and collective bargaining); social protection; labour administration and inspection; and better working conditions. The ILO has been assisting the Tunisian trade unions to be actively involved at the international level but it is

<sup>111</sup> See the various International Trade Union Confederation (ITUC) reports on the trade union violations rights in Tunisia 2011.

---

generally felt that many ILO standards are largely unknown and unfamiliar to both workers and employers.

Therefore, there is a need to provide ample information and organize workshops, which can be done through the ILO's Bureau for Workers Activities (ACTRAV) and the ILO International Training Centre (ITCILO). This will help members to gain a better understanding of international labour standards and the use of the ILO supervisory system. In addition, more targeted training for youth trade union leaders can be obtained, as well as training in broad labour market issues, such as how to link employment, development and poverty-reduction strategies, including the role of trade unions in services for returnees, self-employment and entrepreneurship, gender and women workers' rights, training of trainers and training methodology, and the use of information technology by trade unions.

In the aftermath of the political crisis, there was a recent ILO technical mission to Tunisia (28–31 March 2011), and the various social partners and the Government reached agreement with regard to some of the issues, including training and education of young people on the principles of social dialogue and citizenship. But also extending social dialogue mechanisms regionally, and across sectors; developing collective bargaining agreements; building capacity for social partners in conflict resolution and negotiation; convening a tripartite national social dialogue conference to agree on a National Jobs Pact; and making operational and effective social dialogue institutions.

This section presents three priorities for the social partners in Tunisia to achieve the abovementioned agreements. The first priority is to increase membership rates through a broadening of the base, the second is to recognize trade union plurality, and the third to increase organizational competence of the trade unions in Tunisia.

### *Increase membership base*

Currently the *l'Union Générale des Travailleurs Tunisiens* (UGTT) has a membership of around 500,000, forty-eight per cent of which are from the public sector (where the civil servant union rate is 31.5 per cent). In the private sector the union rate is lower at 27 per cent (of which manufacturing has a 14 per cent rate and the rate in textiles is 8 per cent.). However, despite the importance of SMEs in Tunisia (90 per cent of all firms, and over 60 per cent of total

jobs), the union membership in these firms is very low (lower than 5 per cent).<sup>112</sup>

There are many legal barriers for a union to be created at the company level. For instance, currently the law only allows membership for enterprises with at least 40 permanent workers, thus effectively restricting the creation of unions in the private sector, where most SMEs have fewer than 10 employees.

The new trade union priority in Tunisia should be to broaden membership by increasing membership rates in the private sector, especially in service industries such as tourism, education, and healthcare, but also in agriculture. One initial step in doing this would be for the Government to change the labour code to recognize unions from all enterprises (regardless of size).

In addition, trade unions need to reach out to vulnerable employees and potential workers, such as those in precarious work, the self-employed, the unemployed, young people, women, and migrant workers. Tunisia can learn from countries that have successfully targeted particular groups to increase membership rates (see below).

### *Recognize plurality of trade unions*

There are two major trade unions that are engaged and recognized by the Government for social dialogue in the country: (UGTT) representing all the Tunisian workers and their trade union affiliates, and the *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat* (UTICA) representing the employers. However, there are many other unions which are either members of the UTICA or UGTT especially at the sectoral level; for example, the UGTT has approximately 600 smaller unions, 24 regional unions, and 50 federations and industrial unions,<sup>113</sup> while UTICA has some 6,000–7,000 companies (mainly larger) as members.<sup>114</sup>

Although there are many grassroots trade unions in the country, the Government has restricted their actions through draconian laws. One such law is that strikes should be authorized by UGTT which is the main trade union confederation for workers and is controlled by the Government. It has repeatedly been pointed out by the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) that this law has restricted the

<sup>112</sup> S. Aouadi: *Social dialogue and concertation in the partner countries of the southern and eastern Mediterranean*, 2004.

<sup>113</sup> S. Aita: *Emploi et droit du travail dans les pays arabes méditerranéens et le partenariat euroméditerranéen*, 2008.

<sup>114</sup> S. Aouadi, op. cit.

---

right of grassroots unions to organize their activities and freely defend their members' interests. Additionally, some trade unions, such as the General Confederation of Tunisian Workers (*Confédération générale tunisienne du travail*, CGTT) were not able to be legally recognized until recently (February 2011).<sup>115</sup>

In light of the new political transition, there will be many more unions emerging; the plurality of unions provides a choice for workers and does not restrict their adhesion to one single federating union as in the past. Nevertheless, when representing the workers' claims, unions should negotiate internally to resolve disputes and present a united front.

As a starting point, the trade unions should undertake a survey or study on "union membership analysis". This will allow the unions to understand their constituents and how best to reach them and address their concerns.

### *Increase organizational competence*

Trade union leaders should be able to present, defend, and discuss their member's concerns and aspirations. They should also be able to present new ideas and policies on social, economic, and labour market issues within a national and even international framework. In this regard, not only does the new trade union leadership require additional training and soft skills development, but trade unions will also need to modernize their statutes and operate in a transparent and democratic manner<sup>116</sup>; to do this requires:

- *Improving credibility*: The power and assertiveness of a union is derived from its membership and its ability to mobilize them. To successfully represent its members, there needs to be unity among unions and motivation from its members. Credibility can be built through actions such as collective bargaining, improving conditions of work, and effectively defending the rights of its members.
- *Becoming more independent*: Based on past experiences, the social partners and their organizations should be independent (including financially independent) since reliance on the Government will force uneasy compromises. However, it should not be forgotten that the new democratic political landscape will imply that diverging interests will have to be

<sup>115</sup> See ILO complaints on Tunisia, 2011.

<sup>116</sup> Hantke, F. 2009. *Trade Unions in the 21<sup>st</sup> Century: A Discussion Handbook for Trade Unions in the Transition Countries*. Friedrich Ebert Stiftung.

reconciled. This should be done within a democratic process that is both transparent and efficient.

- *Reforming finance:* There is a need for a well-functioning, centralized, transparent, and democratically controlled system for collecting and dispensing funds. Such a system will avoid information gaps between individual revenue levels, and members will better trust that their funds are being used properly. Additionally, this centralized system can provide a complete and seamless overview of membership statistics and membership structures, which are important in developing union strategies and priorities.

## 2 LESSONS LEARNED FROM INTERNATIONAL EXPERIENCES

Social dialogue is a crucial pillar of the Decent Work agenda and ILO has several major instruments to support social dialogue: the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No.87); Right to Organise and Collective Bargaining, 1949 (No. 98); Workers' Representatives Convention, 1971 (No. 135); Collective Bargaining Convention, 1981 (No. 154). Tunisia has ratified only the first three (No. 87, No. 98, and No. 135), while it has not ratified Convention No. 154. As a first step, Tunisia should ratify all the fundamental Conventions of the ILO and all Conventions linked to social dialogue.

In addition, many countries have developed innovative mechanisms for effective social dialogue between workers, employers, and Government. Some of these tripartite bodies were at first created for consultation purposes, but were later developed into full-fledged policy and governance bodies. These experiences from other countries that have either i) gone through a political transition towards a democratic process such as those in the Eastern Europe, or ii) gone through crises, such as the Asian economies, can provide valuable insights for Tunisia, especially in relation to design and implementation.

### *Poland's social dialogue enshrined in Constitution*

In Poland, the principle of social dialogue has been enshrined in the country's Constitution (1997) at the same level as “the principles of freedom of enterprise, private property and social justice”. This ensures that social dialogue with the social partners is not ignored or undermined by any government that emerges in the country.

---

Social dialogue is conducted through the Tripartite Commission for Social and Economic Affairs, which presents and discusses the social and economic policies of the Government. The Tripartite Commission deals with issues of remuneration and social benefits, and important social and economic issues. Apart from the national level, it has developed mechanisms for social dialogue at the regional level (*Voivodship*, commissions for social dialogue (VCSD)), and at the sectoral level. These mechanisms have been successful in finding compromise in certain industries especially those undergoing restructuring at the local level.

### *Slovakia's new labour code includes all employees at enterprise level*

Slovakia has a unique social dialogue mechanism which takes place at the national level (in the Council of Economic and Social Agreement, which deals with drafting policies on economic and social issues, including employment policy), and in governing bodies (such as the Social Insurance Agency, National Labour Office and health insurance companies). In addition, there is bipartite social dialogue for collective bargaining at the sectoral and enterprise level. In view of declining union membership (from 35 per cent in 2000 to 20 per cent in 2007), the concern for Slovakia was how to protect workers in the many SMEs that do not have any union structure. To address this, a new labour code (2003) created an employees' councils representing all employees in firms where no trade union operates. In addition, to support this structure, training was provided to newly appointed arbiters to provide objective assistance for collective bargaining. These workers' councils are legally recognized to represent the staff of the enterprise for social dialogue with the management.

### *Introducing new labour code: Indonesia*

The change to democracy and the Asian financial crisis in Indonesia were instrumental in creating a culture of social dialogue. In Indonesia, although the social dialogue mechanism existed since the 1980s (National Tripartite Council (LKS)), it was not put into practice because of the lack of democracy; however, after the financial crisis of 1997, the process of social dialogue was revived with ILO assistance. The ILO proposed the creation of a tripartite body for social dialogue, along with trade union freedom, an impartial dispute settlement institution, and protection for workers against union discrimination. A Tripartite Task Force was created in 1999, which was involved in training, awareness, ratification of core ILO conventions, and developing a new labour code. In 2000, a Trade Union Act was passed that adopted all of the ILO's recommendations. As a result, trade unions are becoming a powerful force in the

country and are integral parts of the social and economic policy-making process. In addition, trade union membership is now around 3.5 million.

### *Creating national consensus through the Korean Tripartite Commission*

In the Republic of Korea, social dialogue was not possible during the military rule, but with the emergence of democracy (1993) improved dialogue followed. During the Asian financial crisis, the government created the Korea Tripartite Commission (KTP) with the aim of contributing to the economic restructuring process and involving the social partners in the updating of labour law. The agreement adopted in 1998 recognized the economic realities of the time (a downturn), but also substantially increased workers rights, freedom of association, and the right to collective bargaining. This social pact was hailed a success in helping to overcome the Asian crisis and towards building national consensus.

### *Increasing membership rates by targeting vulnerable groups*

A number of countries have had success in increasing membership rates, particularly among vulnerable groups. The Philippines provides a good example of how to strengthen social dialogue by giving voice to young people through the creation of youth branches, appointing youth coordinators and undertaking technical training of young members. Similarly, the United States and Viet Nam have good experiences in mainstreaming assistance to youth entrepreneurs through business associations. Spain managed to increase membership of temporary workers by bringing the issue of employment security into social dialogue (Carey et al., 2010). Other countries have tried to attract members by reducing their entry fees (Finland), providing services and benefits (Slovakia), and providing bonuses for members who recruit new members. In the Netherlands some unions offer health and pension schemes to self-employed workers.



---

## **B IMPROVING SOCIAL PROTECTION: COVERAGE AND EFFICIENCY**

As discussed in Chapter 3, Tunisia has a rather comprehensive social protection system that offers protection to both workers and inactive low-income groups. However, the system is also facing challenges that have impacted the effective coverage and brought into question the viability of service provisions in the near term. These challenges are particularly acute with regard to transparency and equity. This section will make a more detailed examination of these issues in terms of social assistance programmes and social insurance schemes (focusing on pension schemes), and provide valuable lessons learned from international experiences that could be useful for Tunisia in order to strengthen its own system.

### **1 IMPROVING SOCIAL ASSISTANCE PROGRAMMES**

In Tunisia there are a number social assistance programmes aimed at supporting low-income groups. These programmes comprise direct cash transfers and health care services, as well as development projects. The number of the poor benefiting from such programmes has been increasing and coverage is broad-based, but a number of weaknesses are also present, especially regarding targeting and programme evaluation, which hamper programme effectiveness.

#### *Better targeting of those in need*

Better targeting of those in need of social assistance is important from the perspective of resource constraints and equity. However, properly identifying the poor (and vulnerable) is not an easy task owing to often poorly designed eligibility criteria, administrative burden for determining the real income of families, and some degree of clientelism. Such is the case in Tunisia, where it is purported that many poor who are eligible do not receive aid; while others who are less in need receive multiple benefits (see Chapter 3).<sup>117</sup>

Thus, there is a need to improve programme design to reflect more standardized methodologies for targeting, thereby limiting the opportunity for the inaccurate dispersal of aid. In this respect, some lessons can be learned from Cambodia, where a standardized procedure has been implemented to better identify the poor (see Box 4.1). Another example is Brazil where implementation of a centralized system improved identification of beneficiaries, as well as the efficiency of aid dispersal. In 2003, the country initially unified four social

---

<sup>117</sup> Z. Tzannatos: "Social Protection in the Middle East and North Africa: A review" in H. Handoussa and Z. Tzannatos (eds.): *Employment Creation and Social Protection in the Middle East and North Africa*, pp. 121–171, 2002.

assistance programmes under the umbrella of *Bolsa Familia*. Previously each of the four programmes had their own implementing agency and information system, and it was possible that one family could receive multiple benefits, while another eligible family might be completely excluded.<sup>118</sup> As part of the programme unification process, a common information and registry system called *Cadastro Unico*, was implemented. This system allowed improved targeting by reducing the cases mentioned above. It is argued that *Bolsa Familia* is among one of the best-targeted programmes in the world, which owes much to *Cadastro Unico*.<sup>119</sup>

One impediment to identification in Tunisia is the reliability of statistical information, particularly with respect to poverty. Official poverty figures indicate a very a low rate of poverty and suggest that it has declined from 7.7 per cent in 1985 to below 4 per cent in 2005.<sup>120</sup> However, many argue that the figure is much too low.<sup>121</sup> Conversely, recent upward revisions to the figure (e.g., the Ministry of Social Affairs estimates that around 25 per cent of the population receive social assistance), are dismissed as too high. Regardless of the actual figure, it is obvious that the estimates do not capture the full extent of the poverty situation in the country and better survey methodology, collection, as well as transparency, are needed.

<sup>118</sup> Soares, Ribas, et al.: *Targeting And Coverage Of The Bolsa Familia Programme: Why Knowing What You Measure Is Important In Choosing The Numbers*.

<sup>119</sup> Ibid. for further references.

<sup>120</sup> Web site of *Institut National de la Statistique*: <http://www.ins.nat.tn>

<sup>121</sup> For example Destremau, 2009 argues that if the actual standard of living is taken into consideration (instead of that of 1980) the poverty rate would be three times higher. Another argument is that official figures represent only extreme poverty.

#### Box 4.1 Better identification of the poor: The case of Cambodia

Reducing poverty is one of the key challenges of Cambodia. In 2006 a programme – Identification of Poor Households (IDPoor) – led by the Ministry of Planning in cooperation with regional authorities, was implemented in order to standardize the procedures for identification of the poor.<sup>122</sup> Prior to this period, institutions were using different criteria and methods, thus making comparisons impossible. As part of IDPoor, a standard questionnaire was distributed to households in different areas to ensure the comparability of results. There was a high degree of participation and lists of beneficiaries were drawn up in collaboration with the villagers themselves. Elected representatives verified the proposed lists and then made the names public. Such a procedure improved the transparency and hence the acceptability and efficiency of the system. In 2010, the questionnaires were distributed to around 6,460 villages and a further estimated 4,198 villages will be included in the project in 2011.<sup>123</sup>

Currently, the IDPoor system has mostly been used by Health Equity Funds (which provide free health care to the poor). IDPoor card holders are entitled to receive free health care in public institutions. It is argued that the IDPoor increased the efficiency of these funds and contributed considerably to the decrease in the percentage of households with debts for medical care.<sup>124</sup> The system has also been effective for identifying the poor in emergency situations. For instance, it has been used for the Emergency Food Assistance Project financed by the Asian Development Bank (ADB) (October/November 2008) and allowed the identification of 68,000 families who then received rice subsidies.<sup>125</sup> Moreover, a survey conducted in 2008 showed that although there is room for improvement, the majority of the programme beneficiaries perceived it as fair and adequate.<sup>126</sup>

#### *Better evaluation of programme impact*

Objective evaluations of different funds and programmes are essential in determining their effectiveness. However, there have only been a few attempts to evaluate such funds and programmes in Tunisia.<sup>127</sup> International experience suggest that the benefits of such evaluations far outweigh the costs of carrying out such an analysis as they point to areas of weaknesses that can improve overall programme design. For instance, a study on the impact of the expansion of the Food Subsidy Programme in Mozambique in 2008 revealed that this

<sup>122</sup> See the web site of the Ministry of Planning: <http://www.mop.gov.kh/Projects/IDPoor/tabid/154/Default.aspx>. See also the website of GTZ which provided technical assistance for this project: <http://www.gtz.de/en/weltweit/asien-pazifik/kambodscha/24885.htm#>.

<sup>123</sup> See the web site of the Ministry of Planning.

<sup>124</sup> See the Web site of Cambodia Food Security and Nutrition: [http://www.foodsecurity.gov.kh/News\\_Events\\_Ann.aspx?IdNews=534&chk=News](http://www.foodsecurity.gov.kh/News_Events_Ann.aspx?IdNews=534&chk=News)

<sup>125</sup> Braithwaite, Bruni, et al.: *Cambodia Safety Net Review*, Council for Agriculture and Rural Development, World Food Programme, World Bank East Asia Human Development Unit, 2009.

<sup>126</sup> See the survey published on the web site of the Ministry of Planning: <http://www.mop.gov.kh/Projects/IDPoor/tabid/154/Default.aspx>. Further studies are being conducted in 2011.

<sup>127</sup> Former attempts to make such an evaluation on the National Solidarity Fund seem to have failed because of political pressure (B. Hibou: "Domination & Control in Tunisia: Economic Levers for the exercise of Authoritarian Power." In *Review of African Political Economy* Vol. 33, No. 108, pp. 185–206, 2006).

programme had achieved “to some extent its main objective” (reducing food insecurity), but was weak in terms of registration and monitoring tools. The weakness was owing to difficulties in obtaining aggregate data, such as the number of those who do not receive benefits or who receive benefits with delays. It was thus recommended that a better system be adopted to more efficiently use the administrative information available.<sup>128</sup> Another study in Paraguay (Tekoporá) evaluated the cash transfer programme and showed positive impacts in several areas (such as per capita income and consumption, poverty reduction, and school attendance). However, the evaluation also detected limitations such as the failure to reduce child labour and emphasized the need for addressing these problems separately before expanding the programme.<sup>129</sup> Such studies would be useful in the case of Tunisia in order to reveal the limitations of programmes and suggest avenues for improvement.

## 2 SAFEGUARDING AND EXTENDING SOCIAL SECURITY

Tunisia’s social security system is facing immense challenges especially in terms of its financial viability, owing mainly to population ageing. The Government, recognizing the urgency of reforms, revamped the health care system in 2007, but the pension system is still facing massive and growing deficits that require immediate attention as well as a need to extend coverage universally.

### *Improving financial viability of pension schemes*

Tunisia is not unique in this sense, worldwide, pension system reforms have been widespread, owing to changing demographics and increasing health care costs, which have pushed many schemes into deficit and threatened their overall sustainability. Reforms have ranged from minor adjustments (for instance adjusting eligibility criteria and contributions and benefit structure) to major reforms (such as changes in the retirement income or funding scheme).

Some reforms of Tunisia’s pension system have already been undertaken. One such move has been towards increasing compliance in the informal sector, by registering workers and having them pay for contributions. But there is considerable scope for improvement as there is widespread inequality among sectors in terms of coverage and benefits across sectors (see Chapter 3).

<sup>128</sup> Soares and Teixeira: *Impact Evaluation of the Expansion of the Food Subsidy Programme in Mozambique*, 2010.

<sup>129</sup> Soares, Ribas, et al.: *Achievements and Shortfalls of Conditional Cash Transfers: Impact Evaluation of Paraguay’s Tekoporá Programme*, 2010.

---

As in many countries, Tunisia's pension scheme is based on a pay-as-you-go system and is financed through social contributions. These contributions represented around 19 per cent of total government revenue in 2010, which is equivalent to 6 per cent of GDP. Other countries in the MENA region have relatively lower levels of social contributions (less than 10 per cent of total revenue and 4 per cent of GDP). However, even with the high rate of contributions, these funds are not sufficient to cover the growing costs. The deficit stood at around 312 million dinars (US\$ 218 million) in 2010 for the three main schemes combined (CNRPS, RSNA, and RSA). Thus, it is imperative for the country to seek out alternative sources of funding to address this shortfall, while also improving coverage.

In light of the above issues and the associated problems, there is consensus among all stakeholders that for the system to survive, reform has to be undertaken. On a positive note, since both the public sector (CNPRS) and private sector (CNSS) schemes are managed by the Ministry of Social Affairs, the reforms will be coordinated by one single authority. As for the progress of the reform, the *Centre de Recherches et d'Etudes de Sécurité Sociale* (CRESS) is coordinating recommendations made by a technical commission, which was created for this purpose. Additionally, a national consultative tripartite commission (*Comité National Consultatif Tripartite*) has been created under the aegis of the Ministry for Social Affairs to track the reform process.

### *Lessons from international experiences in pension reform*

International evidence on pension system reform shows there are three generally proposed solutions for addressing the schemes solvency: increasing contribution rates paid by contributors, decreasing benefit rates, and increasing the retirement age. In addition, these three reforms should be addressed concurrently and not in isolation, otherwise they would not effectively achieve the desired results of improving the financial sustainability of the scheme.

This section presents some of those country cases, which may be helpful for Tunisia (with more details in Annex Table 4.1). Reforms in advanced countries for example have so far centred on the contribution period (number of years), taking into account the calculation of benefits, the pace of indexation of current pensions, and the retirement age or early retirement conditions. The most important element of reform has been the demographic adjustment, especially in pay-as-you-go systems like those in Austria, Finland, France, and

Germany, and in notional defined contribution plans,<sup>130</sup> as in Sweden; and in all defined contribution-funded schemes.<sup>131</sup> In these systems, the current workers contribute to the pensions of those who are currently retired.

In most OECD countries, there have been positive financial improvements achieved from adjusting benefits and retirement age. For example, Sweden's pension reform has been successful in reversing the growing financial deficit of the scheme by increasing the retirement age to 65 and increasing contribution rates. Australia's highly successful pension reform implemented a superannuation scheme, which considerably increased the coverage rate and benefits, especially for lower income earners. Similarly, Turkey has also been quite successful in its pension reform since it managed to decrease its very high replacement rates and increase its retirement age and the country is currently in the process of reversing the financial deficit. In some other countries the results are still unclear because reforms have been implemented only recently, such as in France.

In addition to Turkey, other emerging and developing countries have also increased their retirement age and reformed their benefit system in an effort to improve financial solvency. For example, Egypt is progressively increasing the retirement age to 65 starting in 2012 and decreasing benefits (the results are yet to be evaluated). Jordan increased the number of minimum years of contribution by an additional 5 years (from 20 to 25 years for men and from 15 to 20 for women), which has led to enhancing the sustainability of the pension scheme in the country and decreasing reliance on the Government to fund the growing deficit.

Similarly, Israel successfully increased the retirement age from 65 to 67 for men (starting from 2004), and from 60 to 62 for women (and to 64 by 2017). This has helped to increase the receipts for the pension fund. Recently it has also gradually increased contribution rates from 0.34 per cent for employees to 2.5 per cent (reaching 5 per cent by 2013) and from 1.8 per cent for employers to 2.5 per cent (reaching 10 per cent by 2013). This increase is showing a positive impact on the pension fund since it has increased revenues. Another example includes Romania, which is progressively increasing its retirement age to 65 for both women (currently 58) and men (currently 63) and increasing the number of years of contribution to 35 years (instead of the current 32 years). It is also

<sup>130</sup> Notional accounts are designed to mimic a defined contribution plan. Pension contributions are tracked in accounts which earn a rate of return. However, the return that contributions earn is a notional one, set by the Government, not the product of investment returns in the markets (World Bank Pension Primer).

<sup>131</sup> Any pension plan under which the financial or longevity risk is borne by the plan sponsor. Benefits are typically based on a formula including accrual rate, pensionable salary, and length of employment.

discouraging early retirement by reducing pension benefits by 45 per cent rather than the current 30 per cent.

It should be borne in mind, however, that policies targeted at increasing the effective age of retirement age and contribution rates should not be considered as 'magic bullets' for pension reform. Some countries have also benefited from introduction of various forms of taxes to generate additional revenues for the pension system (see Box 4.2). In addition, in cases such as Tunisia, where labour force participation rates among women and young people are relatively low and unemployment is high, complimentary labour market reforms (as discussed below) can go a long way in supporting pension sustainability.

#### **Box 4.2 Alternative financing methodologies for pension schemes**

General tax revenue or revenue from social contributions may not always be sufficient to finance pension schemes. Thus, alternative methods of finance have become important in seeking ways to sustain viability. As evidenced by international experiences, there are varying forms of taxes that can be imposed to finance social protection and pension schemes:

**Oil revenues:** Norway has been reliant on revenues from oil to fund its Government Pension Fund. This has been very successful in generating revenue without increasing the tax burden on the workers.

**Corporate taxes:** Other countries have imposed taxes on specific profitable sectors or large corporations to generate additional revenue for financing social protection:

- The United Kingdom imposed a bank levy of 0.05 to 0.1 per cent in 2010 on the banks' balance sheets, which is expected to generate around GBP 2.5 billion (US\$ 4 billion) a year to be used for financing social protection (HMRC, 2010). The result of this reform is yet to be seen.
- Likewise, Brazil also imposed a bank tax of 15 per cent on financial institutions (as opposed to 9 per cent for other corporations) (Deloitte, 2011).
- Gabon has imposed a 1.5 per cent tax on companies that transfer and handle remittance money and a 10 per cent tax on mobile phone companies (which are very profitable), which raised over US\$ 30 million to finance its social protection programmes (WHO, 2010).
- Combination of taxes: Increased taxes on products, such as alcohol and tobacco products, in combination with other forms of taxation have also proved useful in financing social pensions.
- Costa Rica uses several taxes to finance its pension system: a sales tax (48.3 per cent), payroll tax (46.2 per cent), alcohol and cigarette tax (5.4 per cent) and accrued interest on judicial deposits and bank accounts (1.7 per cent).

- In order to finance its social health insurance scheme, the Government of Ghana levied an additional 2.5 per cent to the VAT bringing it to 15 per cent (there is also a 2.5 per cent social contribution from those who are in formal sector employment). The 2.5 per cent VAT revenue alone covers 70 per cent of the social health insurance cost.
- Brazil's social pension is partly funded by a corporate tax (1 per cent on rural produce) and a 2.5 per cent payroll tax on urban enterprises. This has proved vital to extend coverage to the rural households where pension coverage is quasi universal.
- Bolivia used proceeds from the privatization of its State-owned enterprises to finance its social pension. It has recently supplemented this fund through the use of a Direct Hydrocarbon Tax (from gas resources).

These examples offer real solutions to raise considerable government revenue to fund various social protection programmes including the safeguarding and extension of pension coverage. In addition, such revenues are relatively easy to collect and are cost effective.

Sources: HMRC. 2010. *Bank Levy – Technical Note*. <http://www.hmrc.gov.uk/drafts/tn-bank-levy.pdf>  
 WHO. 2010. World Health Report 2010, <http://www.who.int/whr/2010/en/index.html>  
[http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Intl%20Tax%20and%20Business%20Guides/2011/dtt\\_tax\\_highlight\\_2011\\_Brazil.pdf](http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Intl%20Tax%20and%20Business%20Guides/2011/dtt_tax_highlight_2011_Brazil.pdf)

### *Labour market reforms*

Apart from the many reform areas discussed above, the deficit of the pension scheme can also be addressed through supportive labour market measures. For this to take place, the Government should clearly give employment priority to vulnerable groups, such as women and youth. Measures such as skills and training opportunities, improved access to credit for entrepreneurial opportunities, and hiring incentives for the private sector could help not only in assisting women and youth to gain a foothold into the labour market, but also encourage the transition from informal to formal employment. Additionally, more and better job creation (as discussed in Section C) will provide workers with increased opportunities for employment as well as enhanced wages.

This implies that for the pension reform to bear fruit they should be addressed in tandem with the labour market to promote employment and encourage workers to stay in the labour market for a longer period of time.



## C CREATE JOBS BY REINVIGORATING THE PRIVATE SECTOR<sup>132</sup>

Private investment and employment creation in Tunisia has been inadequate owing to a number of constraints, which include the lack of economic freedom, corruption, limited access to credit, and the high cost of finance; together with a lack of entrepreneurship and economic dynamism (see Chapter 2). Against the backdrop of a burgeoning working-age population, private sector development is a necessary condition for improving job creation and mitigating social discontent. To achieve this goal however, the challenge for the new Government of Tunisia is to reform the economy to better support growth in the private sector by: (i) improving access to finance and business development services; (ii) implementing a coherent national policy that aims at developing not just the offshore sector but also the onshore one – and supporting new growth areas like the ICT sector; and (iii) restructuring the State’s presence in the economy.

### 1 PROMOTE SMEs THROUGH INCREASED ACCESS TO FINANCE AND BUSINESS SERVICES

Many viable enterprises, especially job-rich small and medium enterprises (SMEs) in Tunisia, are unable to access much needed credit. In this respect, greater efforts are needed to improve transparency of credit markets and distribute credit more equitably to private businesses and would-be entrepreneurs. Moving forward it will be important to strengthen the link between credit access and business counselling and support measures (Box 4.3).

#### Box 4.3 Ensuring that viable enterprises are able to take advantage of new opportunities

*Promoting entrepreneurship:* Many would-be entrepreneurs lack the necessary skills, information and financing to start a business. Greater emphasis could be given to supporting the development of new businesses by facilitating their access to information and courses on starting a business, human resources, financing, marketing and innovation. The Small and Medium Business Administration (SMBA), founded in 1996 in the Republic of Korea, is one such example.

<sup>132</sup> This section benefitted greatly from the background paper prepared by Henrik Vistisen specifically for this report: Vistisen, H. 2011. Tunisia: Labour market issues and economic development – International outlook and policy options, unpublished background paper, ILO.

*Ensuring continued access to credit:* A number of countries (e.g., Brazil, Germany, Indonesia) implemented credit measures targeted at SMEs after the global financial crisis. Nevertheless, many of those measures have since expired and lending standards remain rather tight, and so firms – especially SMEs – continue to face difficulties accessing finance. In other cases, the cost of borrowing is exorbitant. In this respect, the Government needs to seek longer term solutions to strengthen the ability of micro-, small, and medium-sized enterprises (MSMEs) to secure financial support. One potential solution is the expansion of microcredit, as well encouraging foreign banks to enter the Tunisian banking sector, which could have long-term positive impacts on enhancing transparency in the allocation of credit.

*Helping firms leverage future growth:* In order for micro and small firms to develop into larger enterprises, they need to be given access to growth opportunities through larger networks. In Canada, for example, the National Research Council of Canada Industrial Research Assistance Program provides financial support to qualified small and medium-sized enterprises to help them develop technologies for competitive advantage. Tunisia's "Pôles de Compétitivité" (PCs), which combines training, research, and production by facilitating partnerships between the private sector, potential investors, and academic and research institutions is also based on this idea, but to improve its effectiveness, PCs need to be strengthened and its efficacy regularly evaluated.

### *Access to microcredit and financing*

As part of the 2010 reform package, the Tunisian Government created a specialized financial institution that provides financing to SMEs. However, it is important to ensure that the allocation of resources is carefully monitored and adheres to strict and independent guidelines. At the same time, additional measures will be needed to improve credit opportunities going forward.

In this regard, the Government could consider further incentivizing the public listing of companies in the Tunisian stock market, which would allow big domestic firms access to direct financing in the market. This can be done using tax incentives to lure companies into listing publicly, a practice that has been done in some developing and emerging economies, such as Cambodia, Thailand, and Viet Nam with impressive results.

Domestic business investment can be further enhanced through better distribution and coordination of microcredit. Currently there are two distribution networks of microfinance loans in Tunisia: "Banque Tunisienne de Solidarité" (BTS, a State-owned bank), and ENDA (a non-governmental organization).

---

Although both of these programmes have expanded their presence rapidly in the last three years and have approximately 400,000 clients, the market for microcredit in Tunisia is far from being saturated. Indeed, a recent study carried out by the European Commission estimates that the number of potential microcredit clients in Tunisia is approximately 1.5 million, which is three times the number of clients registered with BTS and ENDA.<sup>133</sup>

The labour market impact of these microcredit loans shows that there is a real potential for job creation through expansion of the BTS and ENDA, and perhaps other programmes. For example, according to a recent study on ENDA, one stable job is generated for every 8 micro-enterprises, hence with its 160,000 active borrowers, approximately 20,000 stable jobs have been created.<sup>134</sup> Furthermore, projections of micro-credit expansion in Tunisia shows that another 187,000 new jobs could be created in the next five years.

In order to expand its services, a number of issues must be addressed. Firstly, one of the problems of BTS is that, although it is State-owned, it is totally dependent on external resources and provides limited support in the form of business development and support.<sup>135</sup> It could be made more efficient by granting loans at more affordable interest rates (the effective rate is greater than 5 per cent) and accompanying clients throughout the process, providing them with necessary knowledge in order to create a sustainable system.

Meanwhile, Tunisian women have considerable difficulty getting microcredit. Although ENDA has a good track record in targeting women – there are very few programmes that cater to women. The situation is similar for women in other countries in the MENA region. Indeed, women entrepreneurs face numerous obstacles, chief among which are: (i) cultural barriers to starting a business; (ii) women own very few property in their name, hence a lack of collateral for bank loans; and (iii) there is a general scarcity of women in the workforce and in management positions.<sup>136</sup>

As for possible ways to boost microcredit and SME lending, Tunisia could benefit from the IFC's capacity-building programmes that target banks already in operation, but teaches the staff to deal with risks; and by enhancing efficiency in credit allocation, especially in relation to demand for loans from small businesses. This was done successfully in Sri Lanka.

<sup>133</sup> World Bank: *Governance and Opportunity Development Policy Loan*, 2011.

<sup>134</sup> Ibid.

<sup>135</sup> B. Destremau: « La protection sociale en Tunisie : nature et cohérence de l'intervention publique ». in M. Catusse, B. Destremau and E. Verdier (eds.): *L'Etat face aux débordements du social au Maghreb*, 2009.

<sup>136</sup> A. Corder-Dupouy and J.M. Netter: *Study in the implementation for the Mediterranean Business Development Initiative*, 2010.

### *Business counselling*

Experiences from other developing and emerging countries shows that increasing access to credit is more effective when combined with business counselling, advice, and training assistance to would-be entrepreneurs. This is especially pertinent in regards to tackling the problem of unemployment among young graduates. For example, in Tanzania, vocational training is combined with training in entrepreneurship. Likewise, in Indonesia and Sri Lanka, ILO's Youth Employment Programme (YEP) provides entrepreneurship training for youth aimed at aiding in business start-ups – with successful results.

Business counselling through the use of business membership organizations such as the local chambers of commerce, youth associations, and women's unions, are equally important in maximizing the impact of access to credit. Several countries have likewise sought help from international donor agencies in enhancing the effectiveness of business incubators, namely the Republic of Korea and Viet Nam, which Tunisia could potentially draw from (See Box 4.4 for an example from Viet Nam).

#### **Box 4.4 SME support in Viet Nam**

Viet Nam established an agency for Small and Medium Sized Agencies (ASMED) responsible for developing a comprehensive SME policy geared towards enhancing support mechanisms for SME development. The Agency was responsible for donor coordination in line with the provisions of the Paris Declaration of Aid Effectiveness. Because of this initiative, at some stage, over 20 multi and bilateral agencies were involved in supporting private sector and business development in Viet Nam.

ASMED monitored the activities of provincial officers that were responsible for implementing programmes aimed at promoting the establishment of SMEs and expanding the presence of already existing ones. As per the request of international donors, a key strategy was to conduct performance measurement through programme evaluation that was done on a regular basis. This was important in not only holding the provincial offices accountable, but also in evaluating the overall effectiveness of ASMED.

Another policy tool employed by the Vietnamese Government is the Viet Nam Competitiveness Index (VNCI). VNCI measures business climate not only at the national level, but also at the provincial level. One of the goals of this initiative was to enhance benchmarking and put public and political pressure on the provincial Government to deliver in terms of making the business environment more favourable and streamlining the administrative procedures required in starting and running a business.

## 2 PROMOTE JOB CREATION THROUGH WELL-DESIGNED NATIONAL LEVEL POLICY

A nationwide industrial strategy to strengthen the links between education, innovation and the economy is sorely needed in Tunisia. Currently there are a plethora of widely dispersed small programmes to promote investment and entrepreneurship. Thus, there is ample room for a stronger network of activities to unlock new areas of investment and growth, with the Government as an enabler, rather than the maker of investment decisions.

There is also adequate fiscal space for the Government to engage in explicit promotion of high growth sectors. Investment needs to focus on identifying domestic sources of growth and designing policies to promote these sectors, such as, the ICT sector in Tunisia (see Box 4.5 for more).

### Box 4.5 Industrial policy for the ICT sector in Tunisia

The Information and Communication Technology (ICT) sector holds a great deal of promise for industrial development in Tunisia. Given the surplus of young university graduates, who generally perform well in the ICT sector, and increased prevalence of language skills (French and English) there is ample room for ICT development in Tunisia. An effective ICT policy would comprise both: i) policies for ICT innovation; and ii) ICT adoption in the industrial production. These complimentary approaches could enhance the competitiveness of Tunisia and increase the ICT sector's contribution to growth and employment.

The Government should take into account the fact that the ICT sector has shorter innovation cycles and a relatively higher need for investment that leads to commercialisation. An effective industrial policy must consider these features, and focus on commercialisation activities much earlier in a given programme or support cycle. As Tunisia engages in promoting and developing SMEs to spur private sector job creation, it is important to consider increased SME participation in the ICT, especially in the productive electronic and appliances industries. As for a successful industrial policy for the ICT sector, Republic of Korea serves as an excellent example.

The Republic of Korea's economy depends heavily on international trade and its IT-related products account for almost one third of its total exports. In particular, the mobile telecommunication sector is a strategic trade commodity for Republic of Korea as it maintains its global market leadership for mobile telephony services and cell phone production. To further boost the sector, the country developed the so called "IT839/u-IT839 master plan" between 2004 and 2008, which had an enormous positive impact on the Republic of Korea's mobile telecommunications sector.<sup>137</sup>

<sup>137</sup> Source: European Commission. 2009. "An economic assessment of ICT-related industrial policy". Impact study No. 4/2009. A Sectoral e-Business Watch study by empirica and DIW Berlin. Principal authors: Stefan Lilischkis, Pio Baake and Irina Suleymanova. Bonn/Berlin/Brussels

Incentives like investment tax credits, accelerated depreciation allowances and public-private partnerships could be used to promote investment in new growth sectors. There are a few successful country cases Tunisia can draw from, for example:

- *Public-private partnerships*: The Government of Morocco partnered with the private sector to develop sectoral strategies for new growth clusters comprising of several sectors of the economy. The Emergency Plan (2005) identified six industrial sectors with high growth potential (services, automotive, aeronautics, electronics, foodstuffs, craft industry) and stressed the development of infrastructure and training facilities in these sectors.
- *Investing in technology and education*: Ethiopia serves as an example of a successful case of a market-based and socially inclusive industrial transformation spearheaded by the Government.<sup>138</sup> The Government is committed to enhancing its productive capacity and competitiveness by investing in technology and education (e.g., through programmes such as Technical and Vocational Education Systems). Moreover, the Government has provided impetus for industrial diversification by promoting sectors such as textile, leather, and horticultural products. Given its level of development, industrialization is supported by agriculture development.
- *Restructuring State-owned enterprises (SOEs)*: In the case of Viet Nam, its accession to the WTO in 2007 and the 2001 US-Viet Nam bilateral trade agreement are cornerstones of its industrial policy. Furthermore, Viet Nam has engaged in major restructuring of its SOEs. Also, the 2000 enterprise law and its revision in 2005 helped level the playing field between SOEs, export-oriented, and domestic sectors. In terms of sectoral support, research, extension services and value-chain analyses have helped sectors such as coffee, seafood, and nut industries.<sup>139</sup>

<sup>138</sup> T. Altenburg: *Industrial Policy in Vietnam*, 2010.

<sup>139</sup> T. Altenburg: *Industrial Policy in Ethiopia*, 2009.

---

### 3 RESTRUCTURING OF STATE-OWNED ENTERPRISES

Going forward, it is important for the Government to enhance the private sector's ability to grow and create more and better jobs by making State-owned enterprises (SOEs) more effective and where possible privatizing those with sub-par performance. Part of the trend decline in investment is due to the widespread prevalence of SOEs, which have crowded out private sector engagement, particularly in the credit market.<sup>140</sup> For example, three large public banks represent close to 40 per cent of all deposits.<sup>141</sup> In recent years, there have been considerable efforts to privatize many SOEs but these efforts were done with little accountability and transparency, questioning the efficacy of these reforms measures. Thus, there will need to be a “re-privatizing” of some already existing private enterprises in a more transparent fashion.

Additionally, as discussed in Chapter 2, private investment (both foreign and domestic) in many sectors is still largely controlled by the State. Therefore, liberalizing investment in some key sectors could lead to more dynamic investment activity, particularly in areas that move Tunisia up the technological value chain and lead to more skilled job creation.

Moving forward there are a number of international experiences that the newly-formed Government can draw from regarding how best to prepare and protect workers during the transitions from public to private employment. Among the best practices include services and support systems such as employment services, vocational training, re-employment programmes, and government supported severance payments.

- Restructuring projects in Croatia, Hungary, Russia, and the Ukraine used severance pay to compensate displaced workers. These labour retrenchment projects were combined with training and relocation assistance, unemployment insurance, labour-intensive public works programmes, social insurance and retirement benefits, pension reform, vouchers and microcredit support to individuals.<sup>142</sup>
- In Viet Nam, with assistance from the World Bank, employment generation and social safety nets were established to mitigate the social and financial costs of restructuring SOEs. Labour market programmes included

---

<sup>140</sup> However, it should be remembered that the disengagement of the State will require temporary supportive measures to less developed regions.

<sup>141</sup> World Bank: *World Development Indicators*, 2011.

<sup>142</sup> Y. Chen: *The World Bank and the Provision of Assistance to Redundant Workers: Experience with Enterprise Restructuring and Future Directions*, 2011.

social safety nets for formal sector workers through the provision of severance pay packages and job training. Most importantly, employment creation was at the heart of community based rural infrastructure projects.<sup>143</sup> Recent studies indicate that the SOE re-structuring programmes had a positive impact on poverty and welfare.<sup>144</sup>

<sup>143</sup> Ibid.

<sup>144</sup> S. Hague and N. Nguyen: *Poverty and Social Impact Analysis: Its Use in Vietnam*, 2004; World Bank: *Vietnam Development Report: Poverty*, 2004.



## ANNEX A

Country/Issue	Reforms			Impact
	Age	Contributions	Benefits	
<p><b>Australia</b></p> <p>Increasing life expectancy and aging led to financial imbalance of the pension scheme</p> <p>Lack of coverage for temporary and part-time workers</p> <p>Over reliance on public funded scheme</p>	Increase in pension age from 60 to 65 in the 1990s and plan to increase from 65 to 67 in 2017–23	Flat rate contribution by employers (superannuation) increased from 3 per cent (1988) to 6 per cent (1998) and to 9 per cent (2002)	Lump-sum bonus for those retiring after the retirement age  Replacement rate of 50 per cent	Coverage increased from 61 per cent in 1992 to 91 per cent in 2007.  Increased replacement rate, highly successful superannuation scheme
<p><b>Egypt</b></p> <p>Pay-as-you-go scheme</p> <p>Problems of aging, financial sustainability</p>	Increase retirement age from 60 to 61 by 2015, to 62 by 2018, to 63 by 2021, to 64 by 2024, and to 65 by 2027	Increase to 16.5 from 13 per cent for employees and decrease for employers from 17 to 10 per cent	Replacement rate of 80 per cent to be reduced to 55–70 per cent	Too early to do impact analysis
<p><b>Finland</b></p> <p>Public earning related schemes</p> <p>Problems related to aging, financial sustainability, early retirement</p>	Increase in early pension age from 63 to 65 over the period 2011–22	4.5 per cent for workers (from 4 per cent) increased to 17.1 per cent for employers (from 15 per cent)	Earnings measure moves from final 10 years to lifetime average.  Link between benefits and life expectancy.  Lump-sum bonus for those retiring after the retirement age	Average retirement age decreased  Public pension still in deficit  Decrease in replacement rates
<p><b>France</b></p> <p>Earnings related social insurance scheme</p> <p>Financial sustainability, aging</p>	Plans to change to 62 from the current 60 years.	Increase in contribution years for public-sector workers from 37.5 to 41 by 2012  Increment for working age 60–65 raised from 3 per cent to 4 per cent and 5 per cent from age 65	Reduction in benefits for early retirement of public-sector workers  lump-sum bonus for those retiring after the retirement age  Cut benefits by 20 per cent for average earners but only a reduction of 5 per cent for low income	Decrease in replacement rates  High public deficit of the pension scheme  Uncertainties: bulk of old pension system unreformed, different occupations schemes leads to different benefits and very complex system
<p><b>Israel</b></p> <p>Means test social insurance scheme</p> <p>Problems related to aging and financial sustainability</p>	Increase from 65 to 67 for men and from 60 to 62 for women (and to 64 by 2017)	Increasing contribution rates from 0.34 per cent for employees to 2.5 per cent (reaching 5 per cent by 2013) and from 1.8 per cent for employers to 2.5 per cent and reaching 10 per cent by 2013	Means tested	Phasing out the occupational pension system
<p><b>Germany</b></p> <p>Earnings-related social insurance</p> <p>Problems related to aging, early retirement, financial sustainability</p>	Gradual increase in normal pension age from 65 to 67 between 2012 and 2029.	9.95 for workers and 9.95 for employers  Total contribution rates increased to 20 per cent	Replacement rate was decreased, especially for high income groups  Replacement rate currently at 60 per cent	Decrease in replacement rate for high income earners

<b>Jordan</b> Earnings-related social insurance Problems related to aging, early retirement, financial sustainability	In 2004, Jordan Reduced generosity by increasing minimum number of years of contribution by 5 years (from 20 to 25 for men and from 15 to 20 for women)	Remained unchanged at 5.5 for employees and 9 per cent for employers	Unchanged maximum of 75 per cent of the insured's average monthly earnings in the last 2 years	Slow progress in public sector pension finance
<b>Guatemala</b> Earnings-related public pension with pay-as-you-go system Problems of financial sustainability and aging and increase in life expectancy	Increase retirement age from 60 to 62 Increasing number of years of contribution from 15 to 20 years	Remains unchanged workers 1.83 per cent and employers 3.67 per cent	50 per cent of the insured worker's average earnings in the 60 months prior to retirement	
<b>Republic of Korea</b> Social insurance and earnings related Problems of deficit and aging	Retirement age 60 years and to reach 65 by 2033	4.5 per cent each for workers and employers	Gradual cut in target replacement rate from 60 per cent to 40 per cent from 2008	Drastically reduced replacement rates
<b>Portugal</b> Earnings related public pension Problems of financial sustainability, aging	Increased retired age to 65 years	11 per cent for workers, 23.75 per cent for employers	Cut pension benefits with life-expectancy increases from 2008	Decrease in replacement rate Still in deficit
<b>Romania</b> Earnings-related public pension with pay-as-you-go system Problems of financial sustainability and aging	Progressively increase retirement age from 63 to 65 for both men and women (currently 58) Increase to 35 years of contribution (from currently 32)	No changes to the current rates 10.5 per cent for employees, 20.8 per cent for employers	Benefits will be calculated based on worker's lifetime contributions (as opposed to the past 6 months last salary) Discourage early retirement, reduce pension by 45 per cent rather than the current 30 per cent.	Too early for any impact evaluation
<b>Turkey</b> Earnings-related social insurance Problems of financial sustainability, aging	Gradual increase in pension age from 58 for women and 60 for men to 65 for both	9 per cent for workers and 11 per cent for employers	Decrease benefits gradually Benefits: replacement rates of over 100 per cent Increase in contribution period from 19.5 to 25 years	Reduced reduction in replacement rates, but still very high compared to other OECD countries
<b>Sweden</b> Earnings-related social insurance Problems of financial sustainability, aging	Increased retirement age to 65	7 per cent for workers and 11.91 per cent for employers	Cut benefits by 20 per cent for average earners but only a reduction of 5 per cent for low income	Decrease in replacement rate Reversed the deficits

Source: OECD, 2009 (Pensions at a glance), ISSA/SSA, Social security programs throughout the world, various editions, *Social security administration*, International Updates [http://www.ssa.gov/policy/docs/progdesc/intl\\_update/index.html](http://www.ssa.gov/policy/docs/progdesc/intl_update/index.html) various editions.

---

## REFERENCES

Aita, S. 2008. *Emploi et droit du travail dans les pays arabes méditerranéens et le partenariat euroméditerranéen* (Fundación Paz y Solidaridad Serafín Aliaga de Comisiones Obreras).

Altenburg, T. 2009. *Industrial Policy in Vietnam*, Workshop presentation in Bonn, Germany (German Development Institute).

—. 2010. *Industrial Policy in Ethiopia*, Discussion Paper 2/2010 (German Development Institute).

Aouadi, S. 2004. *Social dialogue and concertation in the partner countries of the southern and eastern Mediterranean* (Brussels, European Trade Union Institute).

Braithwaite, J.; Bruni, L. et al. (2009). *Cambodia Safety Net Review*, Council for Agriculture and Rural Development, World Food Programme, World Bank East Asia Human Development Unit.

Carley et al. 2010. *Industrial relations developments in Europe 2009* (European Foundation for the Improvement of Living and Working Conditions). Available at : <http://www.eurofound.europa.eu/docs/eiro/tn1004019s/tn1004019s.pdf> [Accessed 3 Sept. 2011].

Chaabane, M. 2003. *Vers l'universalisation de la sécurité sociale : l'expérience de la Tunisie* (Geneva, ILO). <http://www.ilo.org/gimi/gess/RessShowRessource.do?ressourceId=7925> [Accessed 3 Sept. 2011].

—. 2007. *La Réforme des retraites en Tunisie : case de Tunisie* (Geneva, ILO). <http://www.socialsecurityextension.org/gimi/gess/RessShowRessource.do?ressourceId=4694> [Accessed 3 Sept. 2011].

Chen, Y. 2011. The World Bank and the Provision of Assistance to Redundant Workers: Experience with Enterprise Restructuring and Future Directions, Social Protection Discussion Paper Series No. 0112.

Cordet-Dupoy, A.; Netter, J.M. 2010. *Study in the implementation for the Mediterranean Business Development Initiative (MBDI)*, European Consultants Organisation for the European Investment Bank (EIB).

Destremau, B. 2009. « La protection sociale en Tunisie : nature et cohérence de l'intervention publique ». in M. Catusse, B. Destremau and E. Verdier (eds.): *L'Etat face aux débordements du social au Maghreb* (Paris, Ireram-Karthala) pp. 129–171.

European Commission. 2009. “ An economic assessment of ICT-related industrial policy”. Impact study No. 4/2009. A Sectoral e-Business Watch study by empirica and DIW Berlin. Principal authors: Stefan Lilischkis, Pio Baake and Irina Suleymanova. Bonn/Berlin/Brussels.”.

—. *Evaluation finale du programme d'appui à la Réforme de l'Assurance Maladie en Tunisie* (Brussels). Available at: [http://ec.europa.eu/delegations/tunisia/documents/more\\_info/rapport\\_final\\_ass\\_maladie\\_fr.pdf](http://ec.europa.eu/delegations/tunisia/documents/more_info/rapport_final_ass_maladie_fr.pdf) . [Accessed 3 Sept. 2011].

—. 2011. *European transition compendium report 2010* (Brussels).

Gobé, E. 2009. *Les syndicalismes « arabes » au prisme de l'autoritarisme et du corporatisme*.

Hague, S.; Nguyen, N. 2005. *Poverty and Social Impact Analysis: Its Use in Vietnam*, Policy Review Paper (Save the Children UK).

Hibou, B. 2006. “Domination & Control in Tunisia: Economic Levers for the exercise of Authoritarian Power” in *Review of African Political Economy*, Vol. 33, No. 108, pp. 185–206.

International Labour Office. 2010a. *Réforme des régimes de retraite publics en Tunisie: Partie II: Révision du rapport produit par le CRESS sur l'Évaluation Actuarielle de la Branche des Pensions des Régimes Tunisiens de Sécurité Sociale au 31 décembre 2007*, Rapport au gouvernement, Social Security Department (Geneva).

—. 2010b. *World Social Security Report* Available at: <http://www.ilo.org/gimi/gess/ShowTheme.do?tid=1985> [Accessed 3 Sept. 2011].

—. 2010c. *Global Wage Report 2010/11: Wage policies in times of crisis* (Geneva).

---

—. 2011. *Database of international labour standards*. Retrieved from ILOLEX: <http://www.ilo.org/ilolex/english/>.

International Monetary Fund (IMF). 2010. *IMF Country Report No. 10/282, TUNISIA: Staff Report for the 2010 Article IV Consultation*. Available at: <http://www.imf.org/external/pubs/ft/scr/2010/cr10282.pdf> [Accessed 3 Sept. 2011].

International Social Security Association (ISSA); US Social Security Administration (SSA). *Social security programs throughout the world*, various editions. Available at: <http://www.ssa.gov/policy/docs/progdesc/ssptw> [Accessed 3 Sept. 2011].

—. 2011. *Social security administration*, International Updates. Available at: [http://www.ssa.gov/policy/docs/progdesc/intl\\_update/index.html](http://www.ssa.gov/policy/docs/progdesc/intl_update/index.html) [Accessed 3 Sept. 2011].

International Trade Union Confederation (ITUC). 2011. *Annual Survey of Violations of Trade Union Rights 2011* (ITUC/CSI/IGB, International Trade Union Confederation) Available at: [http://survey.ituc-csi.org/IMG/pdf/Survey\\_ITUC\\_EN\\_web.pdf](http://survey.ituc-csi.org/IMG/pdf/Survey_ITUC_EN_web.pdf) [Accessed 3 Sept. 2011].

Ishikawa, J. 2003. *Key Features of National Social Dialogue: a Social Dialogue Resource Book* (Geneva, International Labour Organization).

Norwegian Agency for Development Cooperation (NORAD). 2011. *Social Dialogue in Developing Countries*. (Oslo).

Organisation for Economic Cooperation and Development (OECD). 2009. *Pensions at a Glance 2009* (Paris).

—. 2011. *Pensions at a Glance 2011* (Paris).

Sbouï, F. 2009. *Les effets de la croissance et de l'inégalité sur la pauvreté en Tunisie*. [http://gdri.dreem.free.fr/wp-content/microsoft-word-sbouï-les-effets-de-la-croissance-et-de-lin\\_351galit\\_351-sur-la-pauvret\\_351-en-tunisie.pdf](http://gdri.dreem.free.fr/wp-content/microsoft-word-sbouï-les-effets-de-la-croissance-et-de-lin_351galit_351-sur-la-pauvret_351-en-tunisie.pdf) [Accessed 3 Sept. 2011].

Soares, F. V.; Ribas, R. P.; Hirata, G. I. 2008. *Achievements and Shortfalls of Conditional Cash Transfers: Impact Evaluation of Paraguay's Tekoporã Programme* (IPC – IG).

Soares, S. S. D.; Ribas, R. P.; Soares, F. V. 2010. *Targeting and Coverage of the Bolsa Família Programme: Why Knowing What You Measure Is Important In Choosing the Numbers*, Working Paper No. 71 (International Poverty Centre).

Soares, F. V.; Teixeira, C. G. 2010. *Impact Evaluation of the Expansion of the Food Subsidy Programme in Mozambique*, Policy Research Brief No. 17 (International Poverty Centre).

Tzannatos, Z. 2002. "Social Protection in the Middle East and North Africa: A review" in H. Handoussa and Z. Tzannatos (eds.): *Employment Creation and Social Protection in the Middle East and North Africa* (Cairo, The American University in Cairo Press) pp.121 –171.

Union Générale Tunisienne Du Travail (UGTT). 2008. *Bilan des négociations collectives dans le secteur privé : Amélioration de la compétitivité économique par la promotion du travail décent*.

Vistisen, H. 2011. Tunisia: Labour market issues and economic development – International outlook and policy options, unpublished background paper, ILO.

World Bank. 2004. *Vietnam Development Report: Poverty* (Washington, D.C.).

—. 2011. *Governance and Opportunity Development Policy Loan*, Programme Document (Washington, D.C.).

—. "Notional defined contribution plans as a pension reform strategy" *World Bank Pension Primer*. <http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNoteNotionalAccts.pdf> [Accessed 3 Sept. 2011].

—. World Development Indicators. 2011. <http://data.worldbank.org/data-catalog/world-development-indicators> [Accessed 3 Sept. 2011].