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THE ELLIOTT SCHOOL
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THE INSTITUTE FOR MIDDLE EAST STUDIES

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JOB CREATION IN TUNISIA:
INVESTING IN HUMAN CAPITAL POST-BEN ALI

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1. INTRODUCTION

A young, college-educated, unemployed fruit vendor immolated himself in protest in the small city of Sidi Bouzid in December 2010 when officials confiscated his unlicensed grocery cart that he was using to support his family. Remarkably, this single act of protest sparked a revolution against long-standing social injustice, unemployment, political repression and corruption, leading to the ousting of Zine El Abidine Ben Ali and uprisings across the Arab world. As John P. Entelis, Professor of Political Science and Director of the Middle East Studies Program at Fordham University said shortly after the start of the uprising sparked by this incident, the “question was never if but when” political and social unrest would emerge.¹ The uprising allowed the Tunisian people to voice their longstanding political and socioeconomic grievances.

The nation has made a relatively smooth transition to an elected constituent assembly that is currently drafting a new constitution. Much progress has been made since the start of the uprising, but significant challenges remain. Over a year after the start up the uprising, Tunisia’s economy continues to suffer. Due to uncertainty following the uprising, investment has decreased significantly, tourism has faced a major decline, and unemployment continues to rise. The tourism sector previously accounted for 6.5 percent of GDP and employed one in five Tunisians; however, it has suffered dramatically over the course of 2011.

This paper sets out to investigate the initiatives that the current interim government and other major players have initiated and adopted to address unemployment, as well as potential challenges and opportunities. In this paper I will examine the barriers constraining the upward

¹ “Tunisia: Protests and Prospects for Change” The George Washington University Project on Middle East Political Science (POMEPS) and the Institute for Middle East Studies. 25 January 2011.

mobility of jobseekers in Tunisia. Questions that this paper seeks to explore include: How can economic growth and job creation be promoted in Tunisia after the Jasmine revolution? What steps have been taken so far? What are significant obstacles and challenges to job creation in Tunisia? What short and long-term initiatives do financial institutions, governments, Tunisian citizens, Tunisian job seekers, NGOs, and academics propose? How do they differ and on what proposals is there tension between stakeholders?

This is a critical period for Tunisia and its 10 million citizens, rendering it both interesting and important to understand the prospects for job creation and Tunisia's economic future. This paper focuses on the economic prospects in Tunisia by examining the factor of unemployment. In addition, I will assess potential challenges for job creation such as the uprising, new leadership, and Tunisia's position as a developing economy facing a global recession. This paper will further explore these research questions by focusing on the struggles for the banking sector as a window into opportunities and challenges for unemployment and the labor market. This is a fluid and confusing moment and an examination of unemployment provides insight into the real challenges, difficulties, and greater dynamics of this transitional period. This is also a key test of the government's ability to deliver prosperity to a population who now holds the power to vote underperforming leaders out of office.

In this paper I argue that although various stakeholders are arguably creating jobs for Tunisians, there are several challenges within the current workforce and under new leadership that must be addressed in order to create sustainable solutions to tackle unemployment. I argue that thus far, the government has taken steps that have potential in the short-term, but investing in human capital is critical for economic development and long-term stability. In making this argument I will trace unemployment since the 1970s through to today, taking into account the

current political and economic context and the recognition that unemployment is a problem for which there are no quick or easy policy solutions.

2. METHODOLOGY

My primary objective in undertaking this research was to assess the predominant types of initiatives that are being implemented to create employment in Tunisia, as well as additional challenges and opportunities. Specifically, I sought to address systemic unemployment and found the case of the Arab Tunisian Bank to be an excellent illustration of challenges in the post-Ben Ali period.

Unemployment, more than any other economic indicator, is a function of how it is calculated and by whom. Here, the definition of unemployment that is used is in accordance with the international standards of the International Labor Organization (C160 Labour Statistics Convention, 1985). According to this definition, “persons are considered unemployed if they simultaneously meet the following conditions: not working, available for work, and seeking work.”²

In order to understand unemployment in Tunisia, I began researching the literature necessary to identify common themes. Initially, I sought to assess what can be done to create jobs and as my research progressed, it naturally changed into an analysis what is preventing the sustainable creation of jobs. My research quickly led me to focus on educational reform, labor code reform and utilizing Tunisia’s rich resources in human capital. I came to the conclusion that unemployment is a systemic challenge for Tunisia that has shifted since the 1950s – a challenge

² “Concepts and definitions.” International Monetary Fund.

<<http://dsbb.imf.org/pages/sdds/DQAFBase.aspx?ctycode=PER&catcode=UEM00>>. Accessed on 20 April 2012.

that requires dynamic, collaborative initiatives to combat it. In addition, I argue that human capital is an undervalued, yet significant resource for the Tunisian people.

My research was based on books, academic papers and interviews conducted in Washington, DC and Tunis. I also closely monitored English, French and Arabic language news media for information on the subject.

In March of this year I traveled to Tunisia and spoke with 23 people. Although this was not a scientific sampling, I do believe it provides an accurate representation of current job creation projects, challenges and opportunities. I spoke with academics, journalists, consultants, students, activists, recent graduates, and practitioners from a variety of backgrounds. The diversity of my interviewees and their backgrounds provided insight into a wide range of perspectives on the causes of unemployment and possible solutions to create jobs. The interviews were conducted in English, French and Arabic. The interviewees spoke candidly and were eager and willing to speak freely about their experiences. I found most of my interview subjects through student, faculty and staff contacts at the Mediterranean School of Business in Tunis. I was initially hindered by the inability to speak with officials of the interim government; at the same time, I dealt with this by relying on government speeches, statements and press releases. Finally, a great deal of my analysis focuses on conditions in Tunis, as this is where I spent the majority of my time while in Tunisia and most available and reliable data is on Tunis.

This paper is not exhaustive of all potential solutions or challenges for job creation. This research is meant to shed light on the predominant types of projects that the interim government has outlined, as well as potential obstacles to those projects. In identifying these systemic obstacles, this paper suggests further opportunities for job creation through investing in the workforce.

3. OUTLINE

Much of the US knew very little about Tunisia prior to the uprising last year. In order to make sense of what is happening in Tunisia and make predictions for the future, it is important to understand the historical context. In the following sections, I will first present an overview of unemployment in Tunisia in recent decades, followed by the current political and economic context. This paper will then assess the predominant initiatives the Tunisian government is pursuing to address unemployment. Finally, having assessed these various approaches, I will then present challenges and opportunities within the workforce, as well as a brief outlook and concluding remarks.

4. BACKGROUND

4.1 ECONOMIC PROFILE

For decades Tunisia has been considered an economic success story, rhetoric that has continued into current arguments that Tunisia is the most successful or most likely to succeed following the so-called “Arab Spring.” However, this is only relative to other countries that have witnessed uprisings in the past year and the challenges and conditions in these countries are vastly different. Tunisia is a work in progress and is still in a transitional phase. Despite its comparative economic success, fundamental social and development challenges need to be addressed. The Tunisian government and its people face many questions regarding their country’s political and economic future.

The Tunisian national budget is \$10.39 billion in revenues and \$14.57 billion in expenditures. In addition, taxes comprise 21.3 percent of the country’s \$44 billion GDP. Tunisia

primarily exports clothing, semi-finished goods and textiles, agricultural products, mechanical goods, phosphates and chemicals, hydrocarbons and electrical equipment. Its \$17.86 billion in exports primarily breaks down to 26.5% to France, 17.4% to Italy, 9.6% to Germany, 6.2% to Libya, 5.6% to the UK and 4.2% to Spain. The country predominantly imports textiles, machinery and equipment, hydrocarbons, chemicals and foodstuffs. Its \$23.4 billion in imports generally breaks down to 20.4% from France, 20.2% from Italy, 9.1% from Germany, 5.2% from Spain, and 4.5% from China.³

Agriculture, mining, tourism and manufacturing are the most important sectors for the Tunisian economy.⁴ However, Tunisia has traditionally relied on investment in these sectors from Europe, which is grappling with its own financial crisis, resulting in lower exposure of the banks to developing nations, specifically in the Middle East. Foreign direct investment (FDI) has left the country and many national companies have closed as well. The interim government has not demonstrated a clear understanding of how to manage a modern economy and has been unable to address Tunisia's economic problems, including the issue of most immediate concern to the average Tunisian citizen – unemployment.

4.2 UNEMPLOYMENT SINCE INDEPENDENCE

Tunisia has been facing a structural unemployment crisis that has seemingly only deteriorated over the course of the past three decades. Since the 1970s, overall unemployment has not changed significantly, and continues to affect people in the interior regions more than those along the coast and in the capital. What has changed, however, is the demographic that is

³ "Tunisia" CIA World Factbook. <<https://www.cia.gov/library/publications/the-world-factbook/geos/ts.html>>. Accessed on 11 April 2012.

⁴ Hanan. Personal interview. 23 March 2012.

most affected by unemployment. Specifically, unemployment in rural areas has declined slightly from 16% to 14% over the past 25 years, but perhaps much more worrisome is the fact that the unemployment rate among the educated classes has dramatically increased from 3% in 1984 to an intolerably high 20% in 2010.

Unemployment was previously highest among the uneducated and it is now the highest among university graduates. In the 1970s and 1980s, those most affected were young and uneducated. In 1984, 71% of the unemployed were youth between the ages of 15 and 24.⁵ In that same year, 35% of those unemployed had no education, and 46% only had access to primary education.⁶ Education is essentially free in Tunisia, and when citizens are unable to find work, many return to school. Today, those most affected are highly educated citizens, many with tertiary degrees – masters, doctorates and engineering degrees, in their late 20s and early 30s. The traditional avenues for highly-skilled graduates – the civil service and state-owned enterprises can no longer guarantee employment as they have in the past. This is significant, as rural unemployment is less volatile a social problem than urban educated unemployment because the latter have expectations and are more willing to act on their anger.

In *Arab Manpower: The Crisis of Development*, published in 1980, J.S. Birks and C.A. Sinclair state that “perhaps more worrying than the absolute numbers unemployed is the growing imbalance in recent years between the types of jobs desired by school-leavers and Tunisia’s present employment structure.”⁷ At that time, only 3% of jobseekers were pursuing an

⁵ INS, *Recensement general de la population et de l’habitat*, 1984, vol. 5, p.12, 103.

⁶ Radwan, Samir, Vali Jamal and Ajit Ghose. *Tunisia: Rural Labour and Structural Transformation* (New York, NY: Routledge, 1991) p.26.

⁷ Birks, J.S. and C.A. Sinclair. *Arab Manpower: The Crisis of Development* (New York, NY: St. Martin’s Press, Inc.,1980). p.266.

occupation in agriculture – the sector in which over half of the population was employed.⁸ Even as the country's economy has shifted from one based in agriculture, this discrepancy between those seeking jobs and available positions has persisted.

In the 1970s, many Tunisians were pushed to migrate from rural areas as the Tunisian economy shifted from one mainly based in agriculture to one based primarily in foreign direct investment and with an emphasis on the tourism sector.⁹ Development was concentrated in coastal areas for tourism and industrial projects, attracting labor from rural areas. In addition to an influx of labor from rural areas, migrant workers returned from abroad, particularly from Libya following the oil boom of 1973, exacerbating the unemployment situation.¹⁰

Employment steadily increased, but the labor force did as well; hence, the available opportunities were insufficient to absorb the migrating labor force, maintaining national unemployment at a rate of 14% or higher since 1984. As with any measure of unemployment, these numbers suffer conceptual shortcomings. This figure is likely closer to 25-30% in 1984 because in that year's census, unemployment figures included those individuals between the ages of 18 and 59 years, excluding the 15 to 17 age group with extremely high unemployment, as well as anyone at the age of 60 or older. The census also considered anyone who had a family member who owned a piece of land to be employed. In addition, housewives were not considered among the workforce.¹¹

⁸ *La Presse*, 24 July 1977.

⁹ Radwan, Samir, Vali Jamal and Ajit Ghose. *Tunisia: Rural Labour and Structural Transformation* (New York, NY: Routledge, 1991) p.6.

¹⁰ *Ibid.*

¹¹ *Ibid.*

Job creation became a priority for Ben Ali in recent years, but his government failed to provide adequate jobs for its educated citizens. In *Tunisia: Rural Labour and Structural Transformation*, published in 1991, Samir Radwan, Vali Jamal and Ajit Ghose predicted that the employment situation would worsen in years to come, unless concrete steps were taken to reform some of the basic economic trends in the country.

4.3 CURRENT POLITICAL AND ECONOMIC CONTEXT

Ben Ali ruled Tunisia largely unchallenged for 23 years since taking power in a bloodless coup in 1987. He left power on January 14, 2011 after a month of protests led to the fall of his dictatorship.

President Moncef Marzouki and the Islamist Al-Nahda Resistance party were brought to power in the December 2011 free elections. After the victory of the Islamic movement in the successful general election, the interim government has been working to establish a fledgling democracy. The government was elected to govern and write a new constitution. The government seems to be more liberal, more educated, and more accepting of minorities and women's rights than in any other area experiencing significant change in the region. Intissar Kherigi, an Al-Nahda Party member, stated, "I think Tunisia, given its position, given its resources, and given its people, I think it has a real shot at building a real democratic society."¹² The country is currently divided more or less between the secular and Islamic and over 100 political were registered as of February 2012.¹³

¹² "Post-Revolution Tunisia Attempts Painful Transition to Democracy." Pulitzer Center on Crisis Reporting. 16 February 2012. <<http://pulitzercenter.org/reporting/tunisia-revolution-democracy-unemployment-civil-womens-rights-parliament-enhada>>. Accessed on 16 February 2012.

¹³ "Background Note: Tunisia." U.S. Department of State. <<http://www.state.gov/r/pa/ei/bgn/5439.htm>>. Accessed on 3 April 2012.

The Tunisian citizens have high expectations of the government and finding jobs for them is one of the government's biggest challenges. On April 3, Prime Minister Hamadi Jebali proposed a budget with the aims of reducing unemployment and encouraging economic growth. Vocational Training and Employment Minister Abdelwahab Maater has repeated his commitment to create 225,000 new jobs, yet the public continues to see his words as empty promises. Rachid Ghannouchi, the Al-Nahda president, has pledged to create 600,000 new jobs, and only 25,000 of which he plans to create in the public sector. This is a dramatic reversal from previous governments that have used government jobs programs as a governance tool. The government is the country's biggest employer, but only creating a limited number of jobs. This is a common problem and the solution is a function of the government's ability to raise revenues through tax collection, attracting FDI, or through a loan program with the World Bank or the IMF.

Despite government efforts to create employment, public discontent is increasing. During the elections, they campaigned discussing the creation of more jobs and improved living standards, but now that the officials are in office, the government has not connected to the basic economic needs of workers and peasants because there are no quick fixes to this problem and they are currently preoccupied with drafting the constitution. Marina Ottaway, a senior associate in the Middle East Program at the Carnegie Endowment for International Peace, says she thinks the government is very aware of the issue, but they are in the middle of writing the constitution. They have been focusing on political and not economic issues. The election is coming up and they need to tackle economic issues because that is likely what most people will base their votes on.

Tunisian citizens are growing increasingly impatient with the slow pace of advancement.

Out of the 23 people interviewed in this study, they unanimously stated that the government is not addressing unemployment. High unemployment and low wages have led to increased unrest, especially among industrial employees, including strikes and sit-ins throughout the country and particularly in the southwest. For the sixth time since the start of the uprising last year, the state of emergency has been extended. The country is witnessing a vicious circle in which the people are protesting against unemployment and poverty, which further entrenches it and does not benefit the economy. However, the Tunisian General Labour Union (UGTT) declared that they will continue protesting despite the ban on protests on Habib Bourguiba Avenue. The recent clashes on Avenue Habib Bourguiba on Martyrs Day indicate this. It poses an added challenge for the government to put an end to the demonstrations when protesters are taking to the streets for various reasons. As we drove past a protest in La Marsa, a local citizen touched on this hurdle, stating, “I have no idea what they’re protesting for. People protest so much and for different reasons that we don’t know anymore.”¹⁴

The government argues that it is these disruptions – sit-ins, strikes and protests – that are creating a climate that is unfavorable for renewing the economy, fueled by opposition with a newly acquired “freedom of speech.”¹⁵ The opposition says that the government is the problem because its officials are lacking in expertise and experience, and are simply inapt. Among the opposition is an active student population, which was one significant factor that contributed to the success of protests in Tunisia. Members of this active student population believe they have sacrificed the most for the revolution, receiving only continued poverty in return.

¹⁴ Jebli, Khaled, Personal interview. 18 March 2012.

¹⁵ Malouche, Mohamed. Personal interview. 1 March 2012.

5. CURRENT UNEMPLOYMENT IN TUNISIA

Jobs and economics brought Tunisian citizens to the streets and many feel that the uprising exacerbated unemployment, which is currently estimated at 18.57% overall.¹⁶ The uprising coincided with the debt crisis in Europe and a worldwide economic slump, further exacerbating the issue and posing a relentless threat. Tunisia is currently a ping-pong ball in a wind tunnel of the world, so its government will not solely determine the country's fate; it is partially an immovable threat beyond the control of anyone in Tunisia. Among other businesses, hotels were forced to close due to the uprising, leaving thousands out of work. Unemployment has increased despite efforts by interim government, creating a major cause for concern as it continues unabated.

Unemployment is a concern for many developing countries, especially among youth. For Tunisian youth between the ages of 15 and 24, unemployment is currently estimated at 30.7%, the 14th highest in the world.¹⁷ It has been among the highest in the world for over two decades. However, the average age in Tunisia is 30 – one of the highest in the region; therefore, this is not an issue of a youth bulge, which could exacerbate youth unemployment, as is the case in Egypt, where the average age is 25.¹⁸ The National Employment Office of Tunisia receives over 1,000

¹⁶ "Background Note: Tunisia." U.S. Department of State. <<http://www.state.gov/r/pa/ei/bgn/5439.htm>>. Accessed on 3 April 2012.

¹⁷ "Tunisia" CIA World Factbook. <<https://www.cia.gov/library/publications/the-world-factbook/geos/ts.html>>. Accessed on 11 April 2012.

¹⁸ Ibid.

job seekers each day, far more than they are able to serve and the majority of whom are highly educated.

The actual number of jobs has increased, but more people are entering a labor market that is unable to employ high numbers of graduates with tertiary degrees. Pharmacy, medical and engineering graduates are more likely to find jobs than those who studied law, marketing or economics.¹⁹ Jobs are scarce and low-paying, even for those who are extremely qualified. The average university graduate is unemployed for two years and four months – nine months longer than non-graduates facing unemployment.²⁰

In addition to generational and educational discrepancies, there are also significant regional and gender disparities that are not captured in national employment figures. Wealth has long been concentrated in the capital and along the eastern coast, while areas such as Sidi Bouzid and Kasserine were historically marginalized under Ben Ali. In Tunis unemployment is significantly lower than it is in inner regions of Sidi Bouzid, Gafsa, Jendouba, Kef, and Kasserine.

Regarding the gender gap, a significantly higher percentage of women in Tunisia are unemployed in comparison to men. To make matters worse, the women's movement does not seem to have a unified voice and they are hindered by a lack of training and experience, as well as cultural norms. Marco Stampini and Audrey Verdier-Chouchane, Principal Research Economists at the Development Research Department of the African Development Bank, explain that the rapid expansion of the labor force as a whole drives Tunisia's high unemployment rate; despite the gender gap, the increasing participation of women does explain one aspect of this

¹⁹ Grun, Rebekka. Personal interview. 9 April 2012.

²⁰ Stampini, Marco and Verdier-Chouchane, Audrey (2011) "Labor Market Dynamics in Tunisia: The Issue of Youth Unemployment," *Review of Middle East Economics and Finance*: Vol. 7: No. 2, Article 1. p.3.

phenomenon.²¹ Many Islamic fundamentalists argue that keeping women home is a way to cope with unemployment. One interviewee remarked that Tunisians pride themselves on working to support women, but that it is all for show, especially as Islamic fundamentalists gain visibility.²² This could be risky for Islamists to push if many citizens are not in agreement with them.

The World Bank has expressed its strong commitment to supporting the country's democratic transition and currently supports 11 investment projects in Tunisia. Simon Gray, the Bank's Country Director for the Maghreb, stated, "The immediate challenge facing Tunisia's new authorities lies in managing a tough macroeconomic situation buffeted by external shocks and regaining the social stability that helps make the space for the much-needed investments to trigger growth and create jobs."²³ The World Bank's country program is geared to support the transitional government with these issues through initiatives around renewed private sector-led growth and job creation; social assistance and economic inclusion, particularly in the poorest regions; and governance and citizen participation. These projects have the potential to effectively address the immediate challenges for the Tunisian leadership; however, they do little to nothing to address the systemic causes of unemployment in the long-term.

Proposed solutions to unemployment are very often based on generalized principle, not on the actual situation. However, concrete, actionable plans are urgent and necessary for Tunisia. The right investments must be made to create jobs, and though there are small opportunities for advancement nobody seems to know how to create new jobs.

²¹ Ibid.

²² Zouabi, Rim. Personal interview. 20 March 2012.

²³ "World Bank Support to Tunisia "Resolute" says Visiting Vice President." Middle East and North Africa Region at the World Bank. Press Release. 12 February 2012.
<<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/TUNISIAEXTN/0,,contentMDK:23115520~pagePK:1497618~piPK:217854~theSitePK:310015,00.html>>. Accessed on 16 February 2012.

5.1 THE “JASMINE PLAN”

To address the problem of unemployment, the government currently emphasizes “pursuing greater exports and foreign investment; fostering a larger role for the private sector in job creation; increasing public investment in infrastructure and education, with a focus on addressing regional inequalities; reviving privatization programs; and reducing public debt,” which could potentially work against job creation.²⁴ Formalized in September 2011, the Jasmine Plan has been the government’s most serious attempt at regional development and its first attempt to articulate a strategy to tackle unemployment. For example, one section of the plan established the “Ajyal Fund” for regional development in infrastructure, technology, tourism and real estate. The government expects the plan to create more than a million jobs over the course of five years.

However, Lahcen Achy, an economist and non-resident senior associate at Carnegie Endowment for International Peace's Middle East Center, argues that the government’s seventeen-point plan for short-term economic growth is “vague and lack(s) any firm schedule for implementation.”²⁵ To support his claim, Achy cites one nebulous measure to launch infrastructure projects necessary for investment, and another to launch a program to promote Tunisia’s new image.

²⁴ Arieff, Alexis. “Political Transition in Tunisia.” 16 December 2011. Congressional Research Service. p.16.

²⁵ Achy, Lahcen. “Tunisia’s Economic Challenges.” Carnegie Endowment for Middle East Peace. December 2012. p.6.

6. THE GOVERNMENT'S FIVE OPTIONS

This section discusses the five prominent types of initiatives that the Tunisian government is pursuing to tackle unemployment. These include: increasing FDI, attracting tourism, emigration, encouraging the growth of small and medium enterprises (SMEs), and regional development projects.

6.1 INCREASING FDI

Increasing FDI is a high priority for the current government, which decreased by 20 percent as more than 80 foreign companies exited the country after the uprising.²⁶ Lahcen Achy points to investment opportunities in agriculture, industry, and the services sectors that capitalize on the high level of human capital by creating high-value jobs.²⁷

Isabel Rioja-Scott, the Commercial Attache at the US Embassy in Tunis, stated that the embassy is focusing on regulatory reform to attract investment. She facilitates connections between US companies and investments in Tunisia and stated that offshore investments are making progress, but onshore sectors are hindered by many restrictions. Bureaucracy and the uncertainty of investing in Tunisian companies pose barriers to attracting FDI. For example, FDI is not authorized in the distribution, energy or security sectors.²⁸

²⁶ Ibid.

²⁷ Ibid.

²⁸ Rioja-Scott, Isabel. Personal interview. 23 March 2012.

The Foreign Investment Promotion Agency (FIPA) in Tunisia works to restore confidence in economic development prospects in Tunisia. Its 270 partners include ministry employees, members of parliament, CEOs and professors from around the world. FIPA's "New Tunisia, New Opportunities" campaign publishes reports and produces videos to encourage investment in Tunisia's economy and the creation of jobs by emphasizing the country's expanding infrastructure, economic competitiveness, strategic location, and investment incentives, among other attractive features.²⁹

6.2 INCREASING TOURISM

Tunisia is a well-known tourist destination, particularly for Europeans, due to its location on the coast of the Mediterranean Sea in North Africa. Tourism has been one of the economic pillars in Tunisia, accounting for much of its revenue. As a key sector, tourism employs 400,000 people and makes up seven percent of Tunisia's output. Tourism represents 6.5% of Tunisia's GDP and is the largest provider of foreign exchange currency; however, it declined by more than 50% in 2011, leaving the country without a way to compensate for lost revenue or jobs.³⁰

In a visit in March 2012 to Carthage and Sidi Bousaid, top tourist destinations in Tunisia, aside from the occasional tourist, only locals were seen. I had a similar experience in a visit to the Bardo Museum. A cab driver expressed to me his struggle to provide for his family as tourism has decreased dramatically. He stated, "I used to find tourists to hire me for their entire

²⁹ "New Tunisia, New Opportunities." Foreign Investment Promotion Agency-Tunisia. <http://www.investintunisia.tn/document/590.pdf?goback=%2Egde_1882365_member_104050750>. Accessed on 28 March 2012.

³⁰ Achy, Lahcen. "Tunisia's Economic Challenges." Carnegie Endowment for Middle East Peace. December 2012. p.5.

stay in my city and make good money. Now it is a struggle to put food on the table for my children.³¹

The hope is that more tourists will flock to Tunisia as the summer approaches. The government's new program is relying on growth in the tourism and agriculture sectors to create jobs this year, but these two together are only a small fraction of the overall economy. Although tourism is not a high-tech industry and will create more positions for non-graduates, the tourism industry is a key driver to boost the economy and create jobs in the short-term. Tourism Minister Elyes Fakhfakh is hopeful that current negotiations with the EU to sign an "Open Skies" agreement will be fruitful and make it easier for airlines to use Tunisia's airports and revitalize tourism. However, as Europeans struggle economically, it is unlikely that they will flock to Tunisia to spend the amount of money that Minister Fakhfakh hopes for.

The government has plans for decentralization and is also looking to develop tourism infrastructure in the more deprived central regions. In March, the government of Tunisia, the International Labour Organization (ILO) and the European Union (EU) signed a new agreement for a technical cooperation project. Funded with 20 million euros from the EU, one component of the project aims to promote job creation in marginalized provinces including Kasserine, Le Kef, Siliana and Sidi Bouzid. The implementation phase is expected to begin in May of this year.³²

6.3 EMIGRATION

³¹ Anonymous cab driver. Personal interview. 21 March 2012.

³² "Tunisia, ILO and EU Sign a New Agreement to Promote Job Creation and Professional Reinsertion." International Labour Organization. 30 March 2012. Press release.

The government is open to the emigration of trained workers, which can mask the problem, in the belief that this approach will decrease unemployment and that expatriates may remit back home and return one day with money, experience, and a new and improved skill set. In a recent interview, Secretary of State to Maghreb, Arab and African Affairs Abdallah Triki encouraged emigration to other countries in the continent, arguing that Tunisia has lost out on 200,000-300,000 job opportunities throughout the African continent so far this year.³³ This is because many African states do not require experience and have a demand for laborers in education, health, road infrastructure, engineering, computing, telecommunications, tourism and hotel trade.

Young jobseekers have already ventured to Saskatchewan and other areas in Canada that boast a healthy economy. The Tunisian government is also cooperating to integrate graduates into the labor market in Germany. In addition, a significant portion of the Tunisian workforce is relocating to Libya, simultaneously addressing unemployment in Tunisia, and providing vocational training to the Libyan people.

However, this outward mobility is a brain drain on the country's human capacity, as many of those who leave in search of a better future are not heard from again after their departure. Kass Blog featured an interview with Hasniya, the mother of Dhia al-Rabhi. Al-Rabhi was wounded in the January 14 revolts, after which he fled the country in search of work elsewhere. His mother still has faith that he is alive, even though she has not heard from him in

³³ "Abdallah Triki: "Tunisia lost between 200 and 300 thousand job opportunities in Africa." Tunisian News Agency. 6 April 2012. <<http://www.tap.info.tn/en/en/politics/12911-abdallah-triki-qtunisia-lost-between-200-and-300-thousand-job-opportunities-in-africa.html>>. Accessed on 6 April 2012.

over a year.³⁴ Birks and Sinclair warned against outmigration of labor as a solution in the early 1980s when 2% of the Tunisian workforce was searching for work in the Libyan oil industry.³⁵ Unfortunately, potential opportunities in Libya are most likely for skilled laborers, rather than college-educated jobseekers. Emigration has potential value in the short-term as a small percentage of Tunisian immigrants can be absorbed by the Libyan labor market, but it may prove to be problematic in the medium to long-term depending on Libya's security situation.

Mohamed Ali Marouani from Pantheon-Sorbonne University, an expert in unemployment and labor market policies, briefly presents emigration as an option to reduce the labor supply and lays out potential challenges. He argues that foreign firms seek the best of the highly skilled workers and that these are also the individuals who have the easiest time finding local positions. He argues “the microeconomic impact is positive, while the macroeconomic effects are uncertain.”³⁶ Marouani cites the lack of empirical data regarding interactions between labor market policies and migration, proposing further study of the relationship between the two. Finally, he argues that policies should focus on enhancing labor demand and reducing the labor supply, rather than simply exporting the labor supply.

6.4 SMALL AND MEDIUM-SIZED ENTERPRISES AND ENTREPRENEURSHIP

³⁴ “Report: The missing, a puzzle and suffering” Kass Blog. 3 March 2012. <http://kasserineblog.blogspot.com/2012/03/blog-post_03.html>. Accessed on 5 March 2012.

³⁵ Birks, J.S. and C.A. Sinclair. *Arab Manpower: The Crisis of Development* (New York, NY: St. Martin’s Press, Inc.,1980). p.275.

³⁶ Marouani, Mohamed Ali. “More jobs for university graduates: some policy options for Tunisia.” *Applied Economics Letters*, 2010, 17, 933-937. p.937.

Due to the recent decrease in large-scale foreign investment, some Tunisian economists and businessmen are pressuring the government to do more and encourage the creation of smaller, local companies. Lahcen Achy with the Carnegie Endowment for International Peace argues that in addition to creating a competitive private sector, the government must remove barriers to investment and entrepreneurship.³⁷ The US is also in line with this approach and focused on youth entrepreneurship and employability through soft skill training.

Particularly after the uprising, many young Tunisians are seeking to create new opportunities for themselves. Rim Zouabi, a staff member at the Mediterranean School of Business (MSB), lost her job after the uprising. After gaining work experience in the US, she returned to Tunisia where she had to create her job by starting the language institute at MSB.³⁸ Rim is now the director of the Language and Culture Center.

Some Tunisian business plan competitions have been successful in helping universities to train students and young citizens like Rim to write business plans, fund their plans, and start their ventures. In one example, to help development of new businesses, specifically of young people, the Chamber of Commerce of Sidi Bouzid invites people to apply for Swiss funding and pitch their business ideas. If they see promise, they work with individuals to turn their ideas into concrete business plans. Another example is the Global Entrepreneurship Program, which connects investors with youth who have good ideas and works diligently with them to create concrete business plans and realize their vision.

In December 2010 the US created the North Africa Partnership for Economic Opportunity (NAPEO) in collaboration with the Aspen Institute. NAPEO helps young

³⁷ Achy, Lahcen. "Tunisia's Economic Challenges." Carnegie Endowment for Middle East Peace. December 2012. p.3.

³⁸ Zouabi, Rim. Personal interview. 20 March 2012.

entrepreneurs in Algeria, Libya, Mauritania, Morocco and Tunisia by focusing on youth training, job creation and entrepreneurship. The US is also developing a Tunisia Enterprise Fund that will provide \$20 million to help Tunisian citizens launch small and medium enterprises.

There are great opportunities in supporting entrepreneurs and small and medium enterprises and they have the potential to flourish, but key constraints must be alleviated. For one, they generate employment on a very small scale. Zack Brisson and Kate Krontiris with the World Bank identify additional restrictions to include an elevated cost of doing business, government control of critical markets, and skill deficiencies in the workforce.³⁹ Some frustrations that have been expressed by entrepreneurs across various sectors of the Tunisian economy include: uncompetitive business practices encouraged through the patronage systems of the previous government, difficulties with foreign exchange caused by government limitations, bureaucratic inefficiencies within contracting and procurement processes, and a lack of secure and reliable payment options for online and mobile consumer transactions.⁴⁰

However, based on qualitative research, the biggest barrier for SMEs and entrepreneurs is a lack of access to credit. There is a significant lack of access to finance because banks will not lend to small entrepreneurs that may be seen as high risk. The Tunisian Solidarity Bank (BTS) is the government microcredit bank, but they demand that entrepreneurs contribute 20-25% to get their ideas off the ground; this is either difficult or impossible for students and for the poor, so it is not truly functioning as venture capital or enabling entrepreneurs to succeed. An example of the ineffectiveness of this system is a lady with a clear and promising business plan for tourism geared toward the elderly. A business competition awarded her 7,000 dinars, which is

³⁹ Brisson, Zack and Kate Krontiris. "Tunisia: From Revolutions to Institutions." The World Bank. 2012. p.6.

⁴⁰ Ibid.

approximately 5,000 US dollars, but she needed much more funding in order to turn her plan into action, forcing her to abandon the idea completely.⁴¹

6.5 EXPANSION TO RURAL AREAS

In my research I did not expect to find that, despite the spotlight on unemployment in Tunisia during the past year, people in Tunis are significantly misinformed about the severity of the issue. I found myself sharing with several people that the frequently discussed 7% unemployment figure only applies to Tunis; in underprivileged regions, the figure is as high as 40-50%. Of all the interviewees in Tunis, only those with family in the interior regions were able to articulate concrete opinions regarding job creation.

Wealth and power have historically been concentrated in coastal regions and basic needs in the interior have long been neglected. These regions have been isolated by distance, infrastructure and a lack of public and private investment. Sixty percent of the population and 90% of formal firms are in Tunis, the Center-East, and the North-East regions, while only 30% of the population and 8% of the enterprises are in the underprivileged regions, the North-West, Center-West, and the South.⁴² In addition, foreign investors were previously forbidden to venture into interior regions without Ben Ali's consent.⁴³

⁴¹ Grun, Rebekka. Personal interview. 9 April 2012.

⁴² Achy, Lahcen. "Tunisia's Economic Challenges." Carnegie Endowment for Middle East Peace. December 2012. p.20.

⁴³ Grun, Rebekka. Personal interview. 9 April 2012.

Tunisia has shown signs of negative rural population growth due to migration.⁴⁴

Migration negatively affects rural labor markets not only by depleting the area of human capital, but also by reducing labor supply pressure. In addition to increasing access to basic services such as education and health, Achy suggests that the government should “promote labor mobility between regions by investing in transportation infrastructure, easing access to affordable housing, and developing regional complementarities.”⁴⁵

Tunisian Prime Minister Hamadi Jebali announced on 26 April that 4.6 billion dinars, or 75%, of the regional development budget will be dedicated to Tunisia's marginalized interior regions.⁴⁶ In addition, the I-SEMER project is a Swiss initiative that creates jobs and promotes rural SMEs. This project appears to be on the right track in its focus on creating 10,000 jobs for youth in Kasserine, Sidi Bouzid, Kef and Medenine. The I-SEMER project has strategically opened a regional office in Kasserine, which allows partners to relay information from the local arena to national and international partners in Tunis.

Stampini and Verdier-Chouchane also argue that development policies should account for regional differences and that “the decentralization of labor offices and the creation of job opportunities away from the capital and the Eastern coast may reduce regional disparities.”⁴⁷

⁴⁴ World Bank. *Unlocking the Employment Potential in the Middle East and North Africa: The Social Contract* (Washington, DC: The World Bank). p.61.

⁴⁵ Achy, Lahcen. “Tunisia’s Economic Challenges.” Carnegie Endowment for Middle East Peace. December 2012. p.4.

⁴⁶ Ajmi, Sana. "4.6 Billion Dinars of 2012 Budget Allocated to Tunisia's Interior Regions." Tunisia Live. 27 April 2012. <<http://www.tunisia-live.net/2012/04/27/6-2-billion-dinars-of-2012-budget-allocated-to-tunisia's-interior-regions/>>. Accessed 27 April 2012.

⁴⁷ Stampini, Marco and Verdier-Chouchane, Audrey (2011) “Labor Market Dynamics in Tunisia: The Issue of Youth Unemployment,” *Review of Middle East Economics and Finance*: Vol. 7: No. 2, Article 1, p 20.

Yes, this holds truth; however, it is much more complicated than simply decentralizing labor offices and creating job opportunities in the interior.

There are certainly incentives for corporations to expand to neglected regions, as the government provides the land to build on, the first 25% of investment into development, and it is tax-free. However, the infrastructure to support new businesses is not available and expansion is often not well received.⁴⁸ In addition, some Tunisians living in rural areas express a desire to modernize, but still preserve a more traditional way of life. For example, Pizza Hut tried to enter the market in recent years, but none of its locations were prepared for a US franchise. Today, vacant Pizza Hut locations stand throughout the country – including in Tunis – where they were unsuccessful in serving the local populations. All of my interviewees in this study argued that bringing major companies into rural areas makes local citizens uneasy as they fear that outside actors will change their way of life.

Throughout the past year, various stakeholders have predicted what Tunisia's economic future will look like and put forth possible solutions to address the country's deep-rooted economic problems and create jobs for its highly educated population. Much of the government focus has been on increasing FDI and SMEs, and encouraging emigration. Of course, building infrastructure, reducing the labor force and attracting capital are important to tackling the country's high youth unemployment; however, these solutions alone are inadequate.

7. ADDITIONAL CHALLENGES

7.1. CHALLENGES WITHIN THE WORKFORCE

⁴⁸ Rioja-Scott, Isabel. Personal interview. 23 March 2012.

There are significant challenges regarding the current workforce that often keep ineffective workers employed and discourage employers from hiring Tunisian citizens. These barriers include: labor codes and the influence of unions; a misalignment between education and labor; and a lack of training.

7.1.1 LABOR CODES & THE INFLUENCE OF UNIONS

A key constraint regarding labor codes is that they contain so many restrictions that employers frequently use part-time positions and fixed-term contracts as opposed to permanent employment, which allow them to maneuver around labor codes. Part-time positions play an important role in economies that have relied heavily on agriculture due to its seasonal character. However, underemployment increases during non-harvest time and creates a pattern of circular migration in which rural laborers search for employment in the coastal areas during tourist season, and return to the farms for the harvest.⁴⁹ In addition to placing a great deal of stress on the labor market in urban and coastal areas of Tunisia, the use of fixed-term contracts increases job turnover and people are unemployed for longer periods of time. This barrier is illustrated in two key job provider sectors – tourism and textiles. Only 35% of employees in the tourism sector hold permanent contracts with their employers; the rest are either temporary employees or apprentices. In the textile industry, only 45% of all employees hold permanent positions.⁵⁰

Another fundamental issue regarding Tunisia's labor codes is the influence of the unions in setting them. Tunisia had unions long before other Middle Eastern countries and they are highly influential, particularly the Tunisian General Labor Union (UGTT), which is the country's

⁴⁹ Radwan, Samir, Vali Jamal and Ajit Ghose. *Tunisia: Rural Labour and Structural Transformation* (New York, NY: Routledge, 1991) p.14.

⁵⁰ Tunisian Ministry of Vocational Training and Employment, "Employment Statistics."

only labor federation. Though UGTT only represents 15% of workforce, it is well established and has significant influence.⁵¹ The union was started in 1946 by Farhat Hached, one of the central leaders of the national movement who worked alongside Habib Bourguiba and Ben Youssef Salah. It has always had a place in the political realm, as it was closely linked to the Neo-Destour, the leading nationalist political party that negotiated Tunisia's independence.⁵² Even though UGTT maintains a small membership of civil servants and employees of state-owned enterprises, it is influential and the most firmly established labor federation in Africa.⁵³ It is also well funded from monthly member contributions, and under Ben Ali, was suspected to receive government subsidies and money from the national social security account.

The UGTT's influence is mainly a result of their involvement as negotiators for collective bargaining agreements that include 80% of the workforce, unionized or not. They negotiate with ministries and state-owned enterprises on behalf of public-sector employees. The UGTT leadership has also been significantly involved in developing the labor codes and minimum wages. A commission including the government, the UGTT and employers' representatives set these labor codes.

The UGTT provides a monopolistic representation of those employed, which often is biased toward higher wages. The UGTT claims they represent a greater percentage of the population, but there is a lack of a supply and demand dialogue, which the World Bank is advocating for. In the past the UGTT was the only existing opposition; now they seem to be marginalizing other voices as new NGOs and other stakeholders become vocal. The stakes are

⁵¹ "Tunisia Country Forecast." Political Risk Services. 1 August 2008. p.35

⁵² World Bank. *Unlocking the Employment Potential in the Middle East and North Africa: The Social Contract* (Washington, DC: The World Bank). p.30.

⁵³ "Tunisia Country Forecast." Political Risk Services. 1 August 2008. p.35.

high and many actors want to claim their seat at the negotiation table, but these are all budding developments.

One of the key constraints for employers and their current workforce is that, based on labor codes that the UGTT has been involved in negotiating, fired workers can pursue legal measures that are extremely costly for firms and firms are forced to face lengthy and inconsistent legal proceedings. The movement in and out of jobs is low, reflecting the consequential low firing rates. Aware that they are protected by labor codes, unskilled workers are often incompetent and complacent in their positions of employment. This is a serious concern as many who are employed are unskilled and protected by labor codes, making companies skeptical to hire new people.

The UGTT has had an influential voice in Tunisia and has gained momentum over the past year. Until the uprising, the UGTT had a history of cooperating with the government and supporting it. Tunisia witnessed sustained opposition from the UGTT in the past year as they were at the forefront of the uprising. Currently, Salam Ayari, the national coordinator for the Union of Unemployed Graduates (UDC) has stated that educated unemployed youth who have demonstrated across the country responded to a call from the Union of Unemployed Graduates (UDC) to protest. They have demonstrated in front of regional bureaus, ministries, and head offices for employment and Salam Ayari warns that the UDC will continue to demonstrate against the slow pace of economical reform.

7.1.2 MISALIGNMENT BETWEEN EDUCATION AND LABOR

Universal education has been a top priority for the Tunisian government since independence in 1956 when its first president, Habib Bourguiba, established a one-party state. The government opened education to any and everyone, rendering university selection policies

almost nonexistent. Every university receives a budget, but the funding does not follow an individual, giving no power to students or employers, and there has not been a real incentive to change this. Brisson and Krontiris also state that “as is common with a state-controlled system, a lack of competition among institutions has hampered innovation in curriculum and professional development among faculty.”⁵⁴ Ben Ali’s regime did not want to discuss this “sacred relationship” between government and education.⁵⁵ It is not yet clear if or how the relationship between the government and the education sector has changed.

Many universities also appear to be expanding, which is further exacerbating the unemployment situation as they produce hundreds of thousands of highly educated, unemployed, angry young adults that the labor market is unable to absorb. Young Tunisians are earning medical degrees then being forced to take positions at call centers or directing traffic.

Birks and Sinclair made two predictions regarding challenges for the 1980s that still present obstacles today. First, they projected that the rapidly expanding youth population would persist, creating the need for more opportunities in the job market. Second, they argued that those entering the job market would be more qualified than ever before.⁵⁶

Their prediction was accurate, as the majority of individuals entering the job market have at least a masters degree, but are unable to integrate into the workforce as the higher education system prioritizes a theoretical pedagogy over a practical one.⁵⁷ Graduates are not well prepared for the workforce, with little access to internship and learning practical skills. This lack of skills

⁵⁴ Brisson, Zack and Kate Krontiris. “Tunisia: From Revolutions to Institutions.” The World Bank. 2012. p.69.

⁵⁵ Grun, Rebekka. Personal interview. 9 April 2012.

⁵⁶ Birks, J.S. and C.A. Sinclair. *Arab Manpower: The Crisis of Development* (New York, NY: St. Martin’s Press, Inc.,1980). p.268.

⁵⁷ Brisson, Zack and Kate Krontiris. “Tunisia: From Revolutions to Institutions.” The World Bank. 2012. p.17.

is a constraint to hiring and a disservice to the students and the economy. The Tunisian economy is mainly a manufacturing and service economy so employers that are hiring are not in search of university graduates and they are left to commit additional time and resources to get their new hires up to speed.

Business Monitor International pointed to the need for a more pragmatic approach, realigning the country's education with business needs in mind. Ben Ali's government had not linked university programs to private sector needs, making it more likely for the unemployed to align with opposition parties.⁵⁸ Stampini and Verdier-Chouchane also argue that programs of professional integration need to be reformed to improve the quality of targeting.⁵⁹

The European Training Foundation (ETF) is launching project in Medenine to ensure that students are educated and trained to better adapt to the needs of the labor market. A joint conference was held by ETF and the Tunisian Ministry of Vocational Training and Employment on March 13 to focus on "Le capital humain au service du developpement socio-economique regional" (the human capital to the benefit of regional socio-economic development).⁶⁰ The ETF's approach based in public-private partnership to change the current situation in which students complete their degrees only to discover that their acquired skills and knowledge are not useful to employers. This is a waste of public funds and exacerbates frustration among youth.

⁵⁸ Business Monitor International "Fear of Unemployment Raises Political Risks" *Africa Monitor* Vol 15 Issue 10 October 2010. p 1,8:8.

⁵⁹ Stampini, Marco and Verdier-Chouchane, Audrey (2011) "Labor Market Dynamics in Tunisia: The Issue of Youth Unemployment," *Review of Middle East Economics and Finance*: Vol. 7: No. 2, Article 1, p 20.

⁶⁰ European Training Foundation, Press release, 13 March 2012. <http://eeas.europa.eu/delegations/tunisia/documents/press_corner/avismedia_etf2012_fr.pdf>. Accessed on 14 March 2012.

The government is aware of this mismatch between supply and demand and they are organizing a forum to facilitate dialogue between employers and unions. The success of this initiative is yet to be determined.

7.1.3 LACK OF TRAINING

Tunisian employers complain the most about a lack of market-relevant skills in young people, but they invest the least in education and job training. Mohamed Ali Marouani argues that it is a waste of public resources to leave a significant amount of human capital without work or without training.⁶¹ However, the society already pays a great deal for young people to reach the day when they receive their university degrees, creating a stigma attached to training people who the country has already invested in a great deal. On the topic of training in the workplace, all respondents stated that training is undervalued, and one interviewee even laughed, stating that employees are not well-trained. Due to a lack of training, employee performance is frequently low, making employers cautious when hiring new employees.⁶²

Although many advocate for training, some critique it as a Western approach to a Tunisian problem. Marina Ottaway argues that the prevalent emphasis on training and teaching about business models is a “very paternalistic approach” and that more questions must be asked: “How do you make credit available? How do you provide technical support?”⁶³ I agree that these questions must be addressed but training is undervalued and should be emphasized.

⁶¹ Marouni, Mohamed Ali. “More jobs for university graduates: some policy options for Tunisia.” *Applied Economics Letters*, 2010, 17, 933-937. p.933.

⁶² Jamoussi, Amira. Personal interview. 21 March 2012.

⁶³ Ottaway, Marina. Personal Interview. 5 March 2012.

The push for employers to train their employees is developing, whereas in the past they have always argued that this is the responsibility of the government. There is also a temptation for the government to subsidize training, but the World Bank disagrees with taking this route as it will potentially lead to government control.⁶⁴

E-trainings have been used more frequently in recent years, but they have also been proven to be ineffective as users often click through the modules to simply complete them and fulfill employment requirements without retaining a great deal of information. The use of orientations upon entry into a position has also been almost completely phased out and employees are not cross-trained. This lack of necessary skills contributes to the bureaucracy that makes for an ineffective workplace.

7.2 PROGRESS UNDER NEW LEADERSHIP – CHALLENGES AND OPPORTUNITIES

Employers are not focused on tackling unemployment or even training their employees; they are focused on profit, which they see being made through technological advances, not through investing in human capital. Rebekka Grun stated that in her work with the World Bank in Tunisia she has found that employers mainly seek technical advice.⁶⁵ Many companies, particularly small or medium-sized enterprises are optimistic and see this critical period as a chance to modernize. However, many companies attempt to modernize too quickly without first establishing a solid foundation or considering issues such as security crime and infrastructure. This is particularly an issue for many startups. One example of this concern involves the Arab Tunisian Bank, which will be discussed below.

⁶⁴ Grun, Rebekka. Personal interview. 9 April 2012.

⁶⁵ Ibid.

People now have more freedoms than before and although much of the population agrees that despite persistent political, social and economic problems, they prefer current conditions to what they previously lived with, there are many who would be happy to return to the Ben Ali era for security and without the present fear of the unknown. Shortly after Ben Ali fled Tunisia, Yadh Ben Achour, a prominent lawyer and head of Tunisia's Higher Political Reform Commission, said "We might lose our freedom, because we become too drunk on freedom. The risk is that everyone says what they want and does not think of the common good."⁶⁶

I interviewed a young teacher who was frustrated with the protesters. She said that they had freedom now, but they did not know how to use it. She also said that people with jobs were asking for better jobs, or people with salaries were asking for bigger salaries, while there are thousands without money, homes or food. She argued that the interim government is unable to provide the security that Ben Ali did.

Despite a tendency to focus on new challenges after Ben Ali, there are opportunities as well. This period presents new obstacles, but leveraging renewed interest in personal ambition as one of the positive outcomes can present greater opportunities. Souhail Benchitima recently returned from his engineering studies in Russia to start a plastics company in Tunisia. "I came back to participate in the revolution, to build my country, because I think, like everyone here, every Tunisian citizen is responsible to improve the economy."⁶⁷. Souhail now has the opportunity to take new directions, as do individuals and companies throughout the country.

⁶⁶ Fuller, Thomas. "Head of Reform Panel Says Tunisia Risks Anarchy as It Moves Toward Democracy." *New York Times* (New York, NY) 22 February 2011: A.11.

⁶⁷ "Post-Revolution Tunisia Attempts Painful Transition to Democracy." Pulitzer Center on Crisis Reporting. 16 February 2012. <<http://pulitzercenter.org/reporting/tunisia-revolution-democracy-unemployment-civil-womens-rights-parliament-enhada>>. Accessed on 16 February 2012.

There was complacency in politics. After decades under an authoritarian leader, it can be terrifying now to know that one has a choice on his or her own career path. The Tunisian people are deep in the process of understanding what it means to govern themselves and to continue to challenge the status quo. Abdellatif Hamrouni, the secretary-general of Tunisia's federation of public works employees and a member of the UGTT general assembly, stated that "One of the issues each of us in Tunisia faces is how to get rid of self-censorship. Even now that Ben Ali is gone...we still feel that we are practicing it sometimes."⁶⁸

8. CASE STUDY: THE ARAB TUNISIAN BANK

In conducting this research there were common themes in the interviews, reports and articles that the case of the ATB illustrates well. The ATB experienced a significant expansion after Ben Ali. In visits to four ATB branches, I found that employees did not have banking experience, customer service or typing skills and each employee performed only one function, indicating a lack of cross-training. One of the bank directors complained that employees are unskilled and because they are protected by labor codes, they do not have an incentive to be more effective, making ATB branch managers skeptical when hiring. Out of seven ATB directors, only one saw the value in training employees and the significance of knowledge management.

ATB is solely focused on expansion and technical advances, not on training. It is currently investing in infrastructure and not on training employees who will operate and maintain new systems. ATB is presently working with consultants from the Mediterranean School of

⁶⁸ Toensing, Chris. Interview with Abdellatif Hamrouni, Najoua Makhoulouf, Sami Aouadi and Kheireddine Bouslah. 25 March 2011. <<http://www.merip.org/mer/mer258/tunisian-labor-leaders-reflect-upon-revolt-0>>. Accessed on 4 February 2012.

Business to assess its ambition to move to online banking. However, no other well-established bank in Tunisia uses online banking and ATB's first failed attempt to use online banking was in 2005. When asked why they want to utilize e-banking, the directors stated that now that now is the time because they have more freedoms and simply because it is now 2012 – this is what modern banks do. Khalid, a consultant who is currently working with ATB, argues that their desire to move to automation will lead to cutting down their workforce, another reason the directors would like to make the transition.⁶⁹ This proposal to use e-banking is also not desired by ATB's customer base. Their main demographic is those between the ages of 30 and 50 who do not use debit cards, which are essential for online banking. In addition, less than one-third of the country uses the internet and the directors have not given any thought to the privacy and security that are critical when using online banking.⁷⁰

In regards to expansion to rural areas, in an interview with Hakeem, a young man who lives in a small village outside of Tunis, he argued that many companies were trying to move into his town and develop. ATB is one of many banks that has decentralized, creating a great deal of competition and imposing on the lifestyle that locals have always known. Many villagers were not open to branches in their neighborhoods because they did not want it to feel like a city, causing ATB to halt development.

9. POLICY RECOMMENDATIONS AND OPPORTUNITIES

Removing Ben Ali was only the first of many important and challenging steps in having the Tunisian people's grievances heard and addressed. In the short-term the Tunisian government

⁶⁹ Jebli, Khaled. Personal interview 21 March 2012.

⁷⁰ "Tunisia" CIA World Factbook. <<https://www.cia.gov/library/publications/the-world-factbook/geos/ts.html>>. Accessed on 11 April 2012.

must stabilize the economy and effectively tackle mass unemployment. A key ingredient in a successful political transition is going to be a sense of economic possibility. Though the Tunisian people are relatively peaceful and optimistic, they are becoming impatient and the government must act quickly and seek guidance regarding short-term and long-term policies and initiatives. In order to create jobs for the Tunisian people, deep and extensive reform is necessary, not merely a turn in the economy. Rioja-Scott stated that “Tunisians need to be self critical as a country, as companies, and as individuals to grow, which they couldn’t do under Ben Ali,”⁷¹ Now is the time for deep reform.

There are many challenges ahead and the short and long-term future of unemployment in Tunisia has wide-reaching implications for both the Middle East and the international community as a whole. It is also important for US-Tunisian bilateral relations and assistance, and to broader US policy priorities in the region.

Unemployment in Tunisia is not only about a lack of jobs; it is about a lack of the right jobs and an immediate need for educational and other systemic reforms. Addressing unemployment will take decades and must involve all concerned parties – national and regional authorities, administrations, vocational training centers, private employers, trade unions, the unemployed, and employment offices. Further proactive measures are necessary to promote job creation, particularly investments in the labor force. This section will highlight opportunities to overcome barriers to job creation in the short and long term.

9.1 SHORT TERM

⁷¹ Rioja-Scott, Isabel. Personal interview. 23 March 2012.

Although it is difficult for a fledgling democracy to implement, the government should first make use of the Jasmine Plan. When the Jasmine Plan was presented at the G8 Summit, it served as a display that the government has a plan, but it is currently not being used or implemented aggressively enough in regulatory reforms and launching visible infrastructure projects. Infrastructure generates employment quickly and manages expectations; people see progress and have hope when they see highways or railroads being built. Money has been allocated for such public works programs; however, it is unclear why the plan is not being implemented. This prescription to increase visible infrastructure projects is in line with Rebekka Grun's recommendations, in which she argues that public works and skilled programs will create jobs in the short-term, especially for youth.

Second, the government must also work with foreign governments and tour operators to reassure tourists that Tunisia is safe. In the short run, it is difficult, but critical to bring tourism back to the country. It not only attracts foreign currency entering into the economy from the pockets of foreign vacationers, it also creates jobs in a number of sectors. Tourism is labor intensive, creating jobs and spinning off into micro-means for livelihood, such as an increase in street vendors.

Third, the government must empower the Tunisian people to make their own economic choices and promote the innovation that was not possible under Ben Ali. Social change and economic reform in his country are not enough, and the people must be heard and be involved in decision-making processes, as it will require their hard work and willingness. There is a new relationship between the government and the public in which the people have the newfound power to demand accountability. This energy and valuable human capital must be leveraged in order to tackle unemployment.

Finally, in the short-term the government needs to make reassuring statements that they act on and create a climate that is attractive to investors and welcoming to businesses, thus, increasing FDI. Sana Ouechtati, a law professor and member of the PDM party stated in an interview, “I believe that even if it’s difficult to expect results that are immediate and sustainable, you must present to the people who’ve been waiting for one year for something concrete and tangible right away.”⁷² The government has to step up their action in the sense that they have to use the legitimacy that they earned from free, fair elections to convince and talk to the Tunisian people, effectively communicating with them. The government’s duty is beyond creating jobs, it must foster an environment in which jobs can survive and expand.

Persuasion is important at this critical time, a point that Jean-Pierre Cassarino clearly articulates, “Persuasion does not require, necessarily, a shared normative stance. It is first and foremost the power to guide and influence the choices and behavior of others through uncoercive means: language, on the one hand, and specific actions, on the other, which come to be viewed as serving popular aspirations and demands.”⁷³ The government needs to persuade the Tunisian people that it is taking action.

9.2 LONG-TERM

In the long term, the first important step will be addressing understaffed employment agencies that currently involve a great deal of red tape and are unable to effectively assist

⁷² “Post-Revolution Tunisia Attempts Painful Transition to Democracy.” Pulitzer Center on Crisis Reporting. 16 February 2012. <<http://pulitzercenter.org/reporting/tunisia-revolution-democracy-unemployment-civil-womens-rights-parliament-enhada>>. Accessed on 16 February 2012.

⁷³ Cassarino, Jean Pierre. “Confidence-building in Tunisia after the Popular Uprising: Strategies and Dilemmas of the Interim Government.” Istituto Affari Internazionali (IAI) Working Paper 11:04, February 2011. p.2-3.

jobseekers. Reforming these agencies and possibly subcontracting work to private companies, while still limiting the power of private companies, can better serve the unemployed.

Second, funding for small- and medium-sized enterprises needs maximum transparency. Government guarantees and incentives can also encourage banks to loan to SMEs. The infrastructure is not quite developed to provide true venture capital and access to credit, even subsidized credit. Transparent access to credit will allow emerging enterprises to overcome the greatest barrier to their success.

Third, the government must stress the value of investing in training and internships to provide students with marketable skills that employers value when they enter the job market. Face-to-face interaction in training must be promoted, as it allows for an environment that cannot be duplicated by e-training, or the ability to ask questions, or to modify modules based on employee and employer needs. Face-to-face training is especially important regarding customer interaction and other intangibles. A mixture of both approaches can prove to be more cost-effective, using electronic training for refresher courses. Incentivizing training and skills development is a promising option, similar to proposals for a skills reimbursement grant scheme to reimburse employers for what they spend on training.

The government needs to work with employers, a task that Prime Minister Hamadi Jebali and Mrs. Wided, the Tunisian Union of Industry, Trade and Handicrafts chairman, have agreed to. Human resources is one of this country's richest resources. Making access to Tunisia's human capital as easy as possible for investors is critical, as is an emphasis on the value in training employees and the high return of vocational training. Workforce assessments should also be conducted to identify additional challenges and opportunities within the labor force.

Finally, in the long-term, reforming labor codes is critical. This should include the reduction of labor taxes and the burden on employers to fire underperforming workers as they see fit, as well as reforming articles of the labor code to limit the power for labor inspection. Changing these labor codes does not increase unemployment by allowing more people to get fired; rather, it will reduce employers' reluctance to hire new people and lead to a more productive workforce. The influence of powerful unions that represent a small portion of the population must be limited as well.

10. CONCLUSION: 2012 AND BEYOND

Tunisia lives in a rough neighborhood of upheaval and bloodshed, but it is on the road to democracy, has an educated labor force that is ready to work and a democratic government that needs to grow the economy for stability. However, it is difficult to bring from upheaval a situation that is better. Although the US, European and African governments, NGOs and other stakeholders are arguably creating jobs for Tunisians, there are several challenges and opportunities that must be addressed in order to create sustainable solutions to unemployment. Tunisians face many questions regarding their country's political and economic future and the current situation is not catastrophic, but it is delicate. Political and social stability will be important prerequisites to employing Tunisian citizens.

There are certainly opportunities for employment now, but Tunisian unemployment is a systemic problem; the end of the Ben Ali regime was only the beginning, as it paved the way for new leadership. In short, most of these issues of today were issues of yesterday and preexisting corruption, flawed labor codes, a lack of training and discrepancies between education and labor remain. With serious reform and investing in the workforce itself, the government can achieve faster, more sustainable job creation.

The opportunities and challenges that have been laid out in this paper must be highlighted, not only because they have the potential to improve and complement current initiatives, but because they point to structural constraints for the labor market that have persisted for decades. The case of Tunisia certainly cannot serve as a cookie cutter model to address unemployment in other places or under different circumstances; however, it provides valuable and in-depth analysis into the views and needs of different stakeholders and finding solutions that are practical and achievable for governments, corporations and individuals, and that address the grievances of the workforce. This study can contribute to our understanding when it comes to policymaking in other societies where the young, educated workforce demands jobs and their governments fight to address systemic unemployment and the political, social and economic issues associated with it.

This paper illustrates gaps and opportunities for the predominant initiatives tackling unemployment. The recommendations in this paper provide guidance for the Tunisian government to overcome short-term challenges and identify long-term opportunities. As we have seen of the past year's events, the future is unknown. The recommendations in this paper apply to job creation in Tunisia by taking into account the full, current context. As this study sheds light on a limited number of job creation initiatives and limitations, further research is necessary to assess the effectiveness of nascent initiatives and additional opportunities to employ the Tunisian people.

Like any small country trying to create domestic prosperity in a globalized world, Tunisia cannot control its own fate entirely, but it can position itself so that when the world economy booms again Tunisia is prepared to take advantage of opportunities that its people – particularly the educated, skilled labor force – is craving.

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