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The challenge of youth unemployment in Tunisia: what steps are needed?

Conference Item [eg. keynote lecture, etc.]

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The Challenge of Youth Unemployment in Tunisia: What Steps are Needed?

Dr Gita Subrahmanyam

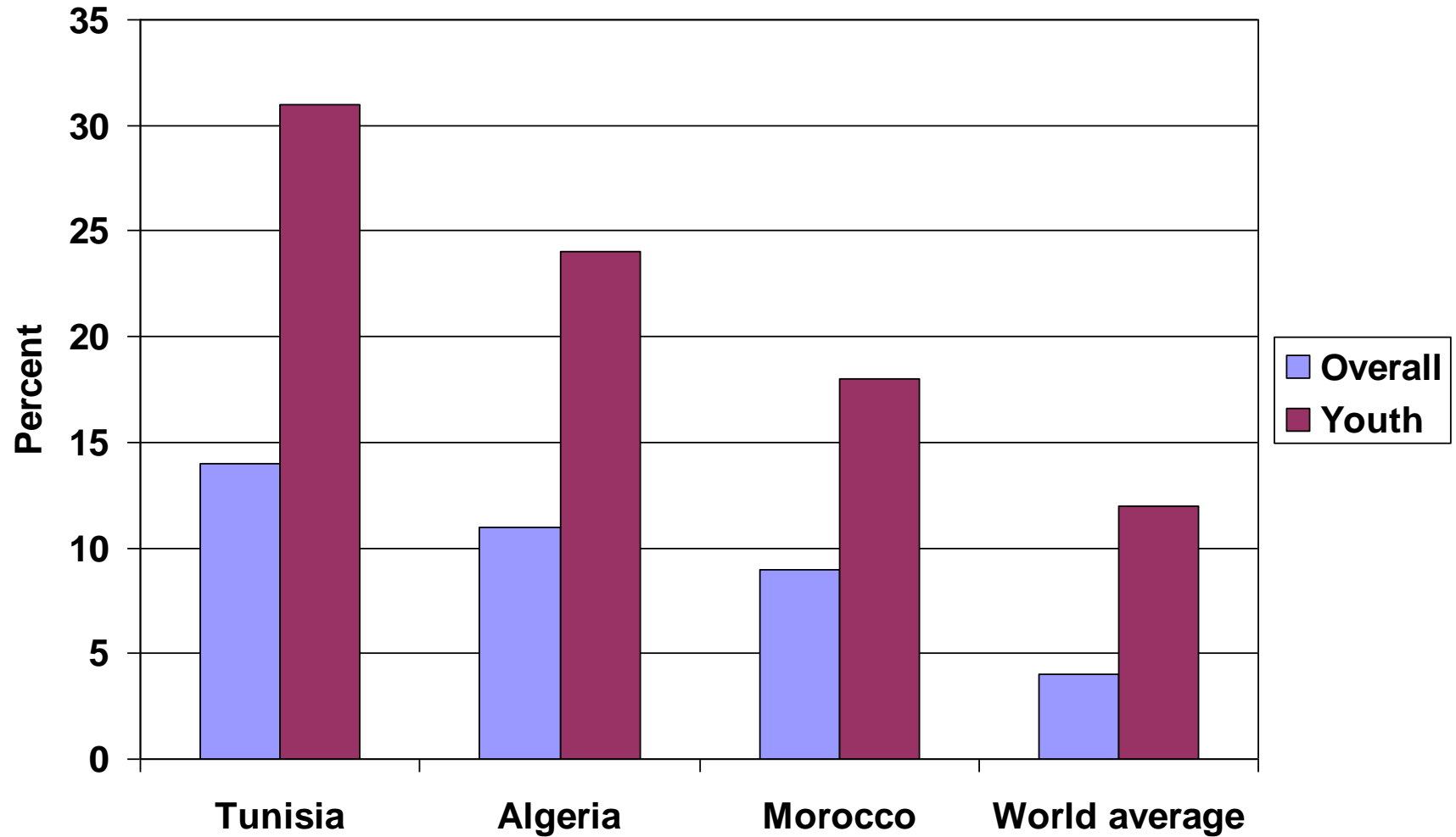
London School of Economics & Political Science

Tunis, 22 September 2011

Tunisia: Model of success pre-2011

- Top performer among MENA countries
- Best country in MENA for doing business
- ‘Investment grade’ sovereign credit ratings by Standard & Poor’s, Fitch and Moody’s
- Most diversified and open economy in Maghreb
- Generally good relations with neighbours
- No simmering ethnic tensions

Unemployment in the Maghreb, 2008



Source: ILO LABORSTA data

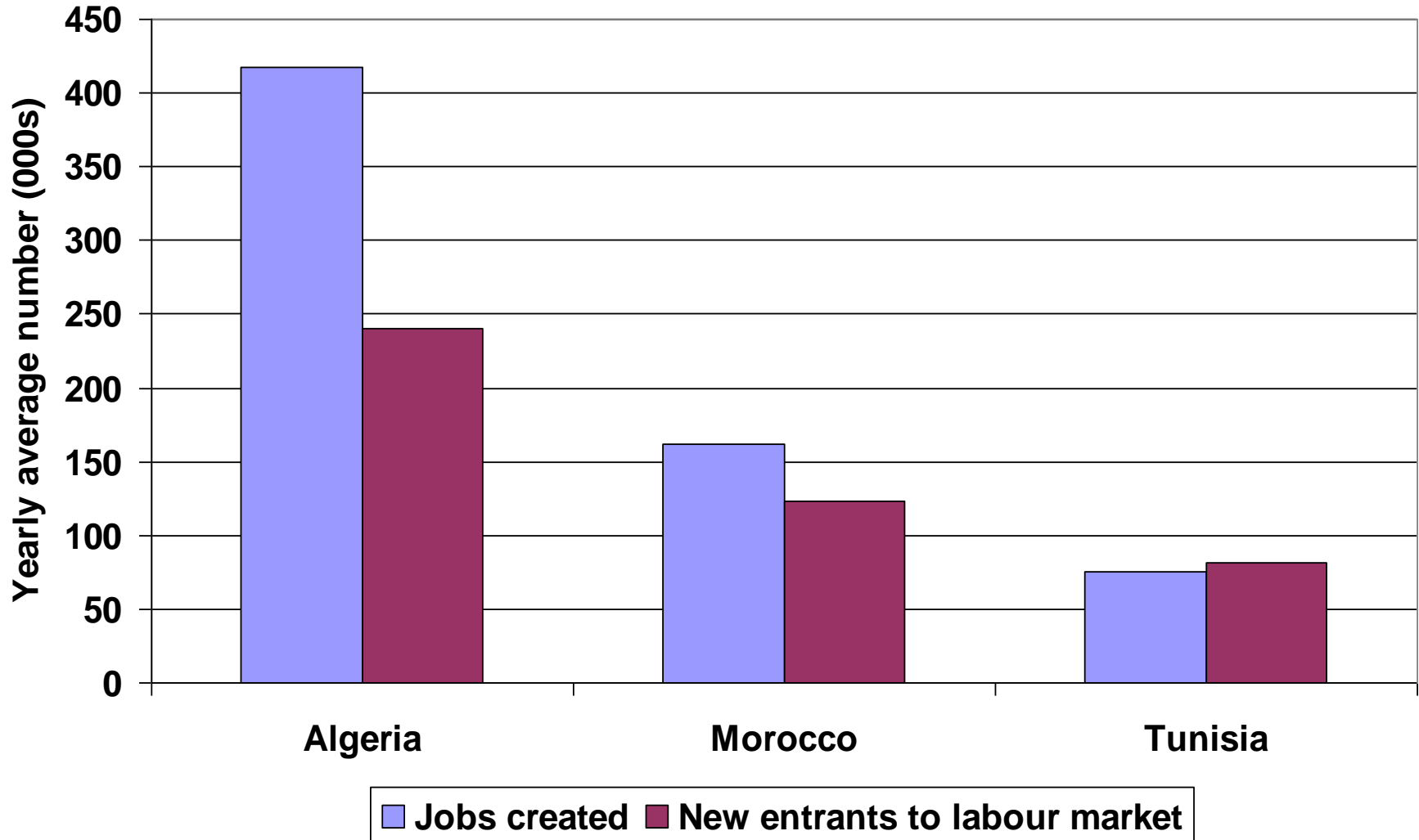
Structure of presentation

- Causes of youth unemployment in Tunisia
- Government measures to address the issue
- Steps needed to tackle the problem

Causes of youth unemployment 1

- ‘Youth bulge’
 - Slowdown in mortality/fertility rates → unprecedented surge in youth population
 - Demographic burden: unprecedented demand for education, housing, jobs...
 - Demographic gift: so long as returns on education are realised - East Asian ‘miracle’
 - Tunisia: educational returns not being realised
 - Window of opportunity – open until 2020

Job supply and labour force increase, 2000-2008



Source: National Office of Statistics (Algeria), High Commissariat of Planning (Morocco), Ministry of Employment (Tunisia)

Causes of youth unemployment 2

- Structural adjustment mid-1980s
 - Shift from public sector to private sector jobs
 - Opening up of economy to global competition
 - Need for change in youth job expectations
 - Need for reform of educational curriculum
- Issues for Tunisia
 - Graduates ‘queuing up’ for public sector jobs
 - Economy partially open – via bilateral treaties
 - Education not yet internationally competitive

Causes of youth unemployment 3

- Legislative barriers to decent job creation
 - High corporate tax rates - deter private sector growth and employment
 - Rigid labour market regulations and high social insurance costs - make firms reluctant to hire workers formally
 - High protection for some workers – precarious conditions for a large percentage

Consequence of youth unemployment

- High levels of outward migration
 - Highly skilled emigration - ‘brain drain’
 - Low stock of skilled labour – deters development of high-knowledge industries
- But migration can be part of the solution
 - Managed migration schemes – can reduce social tensions and provide outlet for educated
 - Diaspora population - valuable resource for developing internationally-competitive skills

What has government done?

- High investment in active labour market programmes
- However, not very effective or successful
 - Poor targeting of beneficiaries
 - Programme support often inadequate – beyond capabilities of government
 - Perverse outcomes – graduate public works schemes encourage unrealistic expectations
- Need for: wider beneficiary pool, non-public partners, better-designed programmes

Any solutions need to be:

- Achievable – before 2020
- Affordable – value of involving diaspora and wide range of partners/stakeholders
- Inclusive – benefit educated/urban youth as well as disadvantaged/rural youth
- Integrative – enabling the development of internationally-competitive skills and high value-added growth

What steps are needed?

- Legislative reforms – costs of doing business and labour market regulations (controversial)
- Educational reforms – upgrading curriculum
- International engagement – multiple partners to encourage globally competitive outcomes
- Private sector involvement – to develop skills relevant to the labour market
- Social dialogue – to manage expectations and build trust