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

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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

• ‘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

• 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