

# CHAPTER 4

## Economic Opportunities



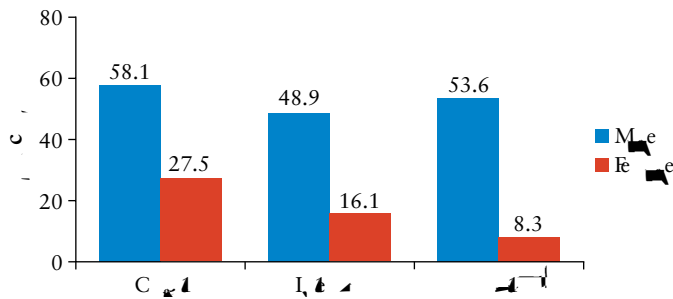
**This chapter highlights the economic opportunities available to young Tunisian women and men, and presents the state of employment and entrepreneurship in both formal and informal sectors.** The results underscore that significant regional and gender disparities exist in youth employment prospects, also documented in a recent World Bank study on labor market outcomes in Tunisia (World Bank 2013b). Most employment is offered without written contracts, providing limited job security and little access to social security.<sup>1</sup> Lastly, a separate section on self-employment highlights the substantial entrepreneurial potential of young Tunisians while also discussing limited access to finance and the implications of excessive regulations on self-employed youth.

## 4.1 Employment Opportunities

**Despite Tunisia's policies on gender equality, few young Tunisian women are employed.** Less than one in five young women in rural Tunisia (18.5 percent) and less than two in five in urban Tunisia (39.8 percent) have jobs.<sup>2</sup> Among Tunisian young people who are not in education, employment, or training (NEET), rates of employment are substantially lower among women than among men (see figure 4.1). Female employment is particularly low in the south (8.3 percent in rural areas and 17.2 percent in urban areas) and in the interior region (16.1 percent in rural areas and 34.3 percent in urban areas), compared

Figure 4.1. Employment of Young Tunisians

## a. Rural



Source: World Bank 2012d; 2012e.

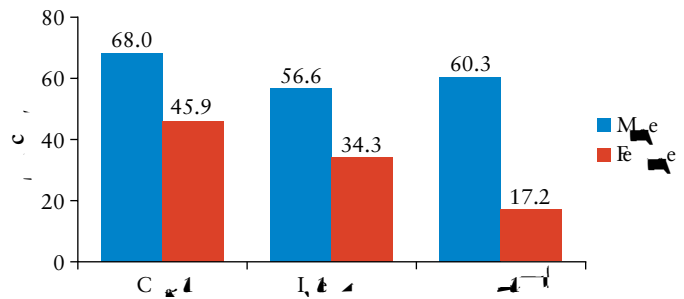
Note: Figure excludes all youth enrolled in education or training programs.

proximity,” rather than geographic proximity (Egel and Garbouj 2013).

**Youth migration further reinforces existing regional disparities and urban-rural divisions.** Youth migration deprives rural areas of its limited skilled young labor force while feeding the ever-growing poor suburbs of urban Tunisia. In effect, migration cements the inability of the rural hinterland to shift toward a high-productivity economic model. In this vicious circle, the youth of the interior see themselves as victims of neglect and regional bias. Youth migration further adds to the social pressure in urban areas that are unable to absorb the rapidly growing numbers of young unskilled workers. Young Tunisians migrate not only for work but also to exit from the social pressure in rural communities, delaying many life decisions, and thereby creating additional frustrations among young men and women. Migration is seen as traumatic by many—an exile from family and community. Many young people depict leaving home and the emotional and material support of family, friends, neighborhood, and the café for urban areas as a sacrifice “where no one sees me” rather than as an adventure.

**Rural youth continue to move to cities as they attempt to escape rural areas, despite the lack of good jobs in urban areas.** Nearly 90.2 percent of rural households report that members of their direct family<sup>5</sup> have migrated to urban areas, mostly the siblings of rural youth. Rural-urban migration continues to be an important pathway for rural youth, especially for young men.

## b. Urban



Nearly one-quarter of male migrants have moved to Greater Tunis (24.6 percent), to other cities (31.7 percent), or abroad (15.3 percent), while just over one-quarter (28.4 percent) of male migrants from rural households has moved to another rural location (see figure 4.2). In contrast, relatively few young women migrate to Greater Tunis (16.7 percent), other towns (32.2 percent), or abroad (2.4 percent). Nearly half of all migrated female siblings have moved to other rural areas (48.8 percent).

**Unemployed youth compete for the few jobs that are available.** Rural migrants are sometimes seen as undercutting the already low wages for unskilled workers in urban Tunisia.

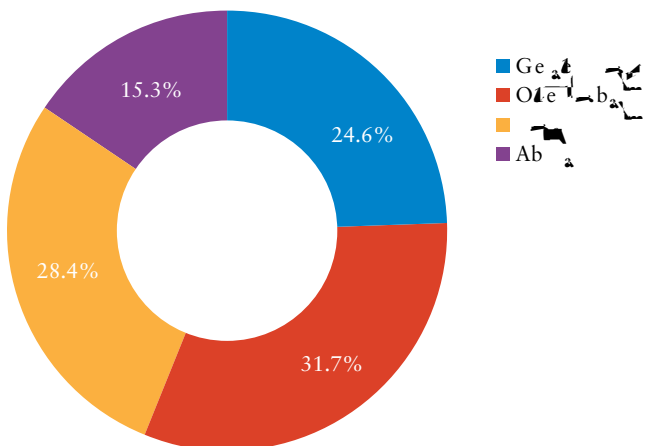
*Those who come from rural areas are willing to work at lower wages. Tunis is invaded by migrants, while other areas of the country are empty, and Tunis residents cannot find a job. I think there should be a visa to live in the city, so that young people don't just overcrowd the place. In Tunis, there is no more space anywhere. Male informal worker, Tunis (coastal Tunisia)*

### Gender Exclusion

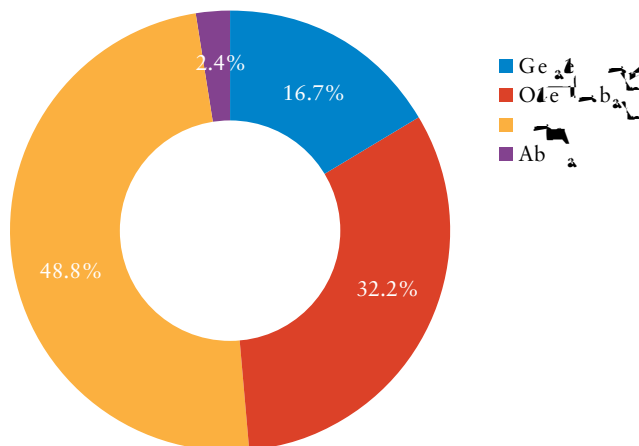
**Exclusion based on gender remains a daunting challenge for young Tunisian women trying to enter the workforce.** Tunisia has made admirable progress in closing gender gaps in education and health outcomes, but investments

Figure 4.2. Destinations of Rural Migrants by Gender

a. Male



b. Female



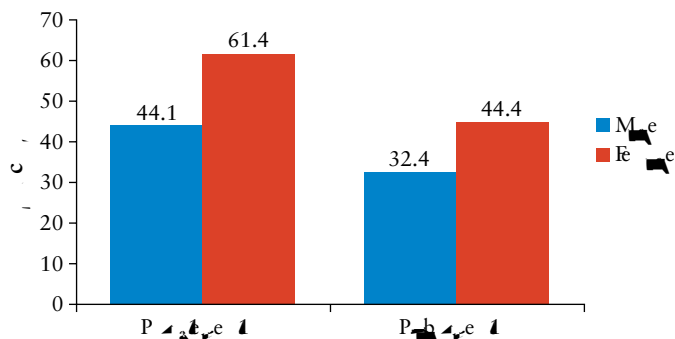
Source: World Bank 2012d.

Note: Figure refers to all current migrants who are siblings of rural youth.

in human development have yet to translate into higher rates of female participation in economic life.<sup>6</sup> Several established methods are available to better understand the prevailing gender discrimination, including self-reported experience and perceptions and wage regression analysis (see annex 4, table A4.2). Figure 4.3 presents the perceptions of young men and women in rural Tunisia regarding gender discrimination in the labor market.<sup>7</sup> Nearly two-thirds (61.4 percent) of female

respondents report that women are discriminated against when seeking work in the private sector. A smaller but still considerable number (44.4 percent) perceive gender discrimination in the public sector. A large proportion of young men agree that discrimination against the recruitment of women exists: 44.1 percent in the private sector and 32.4 percent in the public sector.

Figure 4.3. Perceived Gender Discrimination in Private Versus Public Sectors, Rural Tunisia



Source: World Bank 2012d.

Note: Figure only refers to youth in rural Tunisia.

**Discrimination against women in the labor market is detrimental to female labor market participation and to Tunisia’s development potential.** As the *World Development Report 2012* states, “gender equality is smart economics” and matters for development (World Bank 2011). Providing women and men with equal access to education, economic opportunities, and assets has the potential to boost productivity. Qualitative research shows that many young men believe the importance of a woman having a job is less than that of a man, given that the man is traditionally seen as the breadwinner. However, increasingly, two incomes are becoming necessary to sustain a household, and employability can be an asset for young women. As one graduate commented:

*Men today are not looking for a housewife, they prefer a woman who works and brings in money. And they are right. Female unemployed graduate, Tunis*

**Familial concerns for women’s safety and social propriety continue to limit young women’s participation in the labor market.** Fewer options exist for women to work outside the home, especially in the southern region, due to a lack of economic diversification and the limited availability of work considered appropriate for young women by their families. The qualitative data show that social norms continue to limit the mobility of young women for employment (see box 4.1 on family formation). A young woman living away from her family would be tolerated by some families only if the job were considered socially acceptable and increased her marriage prospects—i.e., work that is appropriate to her training, preferably in the public sector. Some of the young female survey respondents indicated that staying in their home regions may be seen as an imposition rather than an aspiration. Unlike young men, they cannot take on casual, short-term “filler” jobs that may result in gaining relevant skills. Given the scarcity of jobs

considered appropriate, female graduates can face years of unemployment pending their assumed transition to wives and mothers.

*Our parents encouraged us to study and work. But it is always within limits defined for us, which we can’t go beyond. It is a question of mentality. People here think a girl can work as a teacher or nurse; these are respectable, decent occupations. I am only allowed to be a teacher and nothing else. I couldn’t work as a tourist guide, or in a factory, or anything else. And worse, the job would have to be in the south of Tunisia. I couldn’t even dream of working far from home.* Female graduate, Médenine (South Tunisia)

**However, driven by the economic needs of their families, a significant proportion of young women from the interior and southern regions are working.** These young

such as Sfax, where they share accommodations with others. In this case, there is a trade-off: on one hand, between the norms governing the type of work considered appropriate for a university graduate and, on the other, the family's need for income and the young woman's desire to escape the tedium of the domestic sphere. As one female graduate put it:

*I worked in a factory for a year after graduating. I notice that most graduates do the same since they can't find suitable work in their field of study. Female graduate, Sfax*

### ***Job Informality***

**Job informality is common among Tunisian youth: less than one in three young workers has a formal work contract and access to social protection.** Under Tunisian labor market regulations, only open-ended work contracts provide full access to social protection and Under T

women interviewed who frequently cite the short-term nature of contracts as a major aspect of job insecurity. Young women and men associate short-term contracts with exploitative treatment by employers. In turn, stable employment, including medium- or long-term contracts with social security benefits, is cited among the main career aspirations. Registration in the social security system, the *Caisse Nationale de Sécurité Sociale* (CNSS), is frequently cited as the most important benefit of any job, even among workers without formal contracts. To many young workers, being registered in the social security system is perceived as a means of maintaining dignity in the face of job loss. Work that does not meet these criteria is considered “false work” (*faux travail*), undertaken only for the sake of survival.

*I have no goals as regards choice of work. I have no ambition. I accept any work I find. The most important thing for me is that I be registered legally under the CNSS.* Male informal worker, 21, Gafsa (South Tunisia)

**The predominance of informal youth employment may be partly due to labor market distortions, which could be addressed by reform.** According to a recent study

obtain employment, and a failure to promote the entrepreneurial spirit and potential of the private sector (see box 4.2 for an overview of the education system).

**Educational attainment is strongly related to family background.** Paternal education plays an important role, as one would expect, but so does household wealth. An estimation of educational attainment suggests that household wealth plays an important role in determining educational attainment (see annex 4, table A4.4).<sup>15</sup> This may be due to the relationship between family wealth and educational quality as well as the high opportunity cost for low-income families in allowing their children to pursue further education. However, it also may be due to

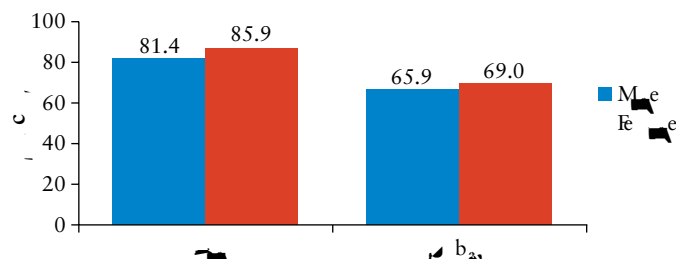


## **Box 4.2. Education in Tunisia**

**Basic Education.**<sup>a</sup> Basic education from grades 1–9 is compulsory and is comprised of six years of primary education and three years of preparatory education, which is also referred to as lower secondary or middle school. At the end of grade six, students must score above 50 percent on their exams to continue to middle school. Traditionally, many students have to repeat the sixth year of primary education, which has led to increased dropout rates after only six years of education. In the early 1990s, about one-fifth of young Tunisians had to repeat the sixth year, and while the rate of this repeating has gradually reduced over the past twenty years, it is



**Figure 4.6. Youth Employment in Low-Productivity Sectors**



Source: World Bank 2012d; 2012e.

Note: Figure only refers to working youth and excludes self-employed youth.

The great majority of employed young Tunisians (82.5 percent in rural areas and 67.0 percent in urban areas) work in sectors with limited productivity.<sup>16</sup> Figure 4.6 shows the share of jobs held by young Tunisians between 15–29 years in sectors of largely low productivity. Young women are especially likely to work in these low productivity sectors—69.0 percent in urban areas and 85.9 percent in rural areas. However, the situation for young men is only slightly better, with 65.9 percent of young men working in the low productivity sector in urban areas and 81.4 percent in rural areas. Young women in urban areas (69 percent) have an especially higher probability to work in low-productivity sectors than do older women in urban areas (58 percent), while the rates are similar across age groups for urban men.<sup>17</sup>

Tunisia's economy, based on its low-skill economic model, provides insufficient skilled jobs for young graduates (World Bank 2014). Although many young graduates are seeking work, firms continue to employ unskilled youth. In urban areas, 59.6 percent of all working youth are unskilled.<sup>18</sup> The proportion is even higher in rural areas at 83.7 percent. The virtual absence of secondary and university education among working youth reflects the dominance of low-skill jobs generated by the Tunisian economy. The dearth of skilled jobs also explains why university graduates face such serious difficulties in finding qualified work.

Most employed young Tunisians have not completed secondary education, and promoting their participation in a modern globalized economy will remain a challenge.

In rural areas, almost three out of four (71.5 percent) working youth have dropped out of school before completing secondary education (*lycée*). An additional 13.5 percent of rural working youth did not complete their primary education; many of them never attended any school (see figure 4.7). Similarly, in urban areas, more than half of all working youth lack a secondary degree (57.6 percent), and an additional 6.1 percent has no education. However, a modern knowledge-based economy generates skilled jobs requiring personnel with the ability to develop complex technical products reliant on knowledge and creative innovation.

The Tunisian economy is underequipped for future growth.<sup>19</sup> Because of Tunisia's lack of high productivity job opportunities, the demand for skilled workers is weak. Consequently, many young Tunisians drop out of school because the investment in their education pays poor returns. In the short-term, young Tunisians may rationalize dropping out of school even before completing secondary education. However, in the medium-term, the large number of unskilled youth reflects a serious national underinvestment in human capital, affecting individuals and the country's long-term potential. Unskilled young women and men will find it difficult to benefit from future economic growth driven by increased productivity. The challenge presented by the lack of a skilled workforce is discussed further below.

**One important message emerging from the analysis is that any future attempt to reform the education system should be founded on a strong partnership with the private sector and young people themselves.** The challenge is for all of these stakeholders to work together to counter the practice of imposing top-down reforms and artificial barriers to education while introducing innovative

**professional services, transport and logistics, tourism, and health (ITCEQ 2010).** Trade of services, particularly with the European Union, is one of the most promising sectors as a source of economic growth and job creation, especially for skilled youth (World Bank 2013a). Currently, more than half of all youth from rural Tunisia (52.8 percent), and nearly two-thirds (64.9 percent) of urban youth plan to work in services (see annex 4, figure A4.4). The tourism sector has been hit hard by the ongoing political transition, and hotels and restaurants currently provide few jobs for young people (6.9 percent in urban areas and 5.4 percent rural areas).<sup>25</sup> However, tourism is bound to recover. New services, such as ecotourism, could provide important opportunities for youth in nontraditional vacation locations.

**However, Tunisia's young generation works in more productive sectors than their parents in both rural and urban areas.** Annex 4, figure A4.3 presents the sector of employment among working age Tunisians aged 30–59 by sector: 32.2 percent of Tunisians in rural areas work in agriculture, followed by 22.4 percent in services, 22.0 percent in construction, 12.9 percent in manufacturing, and 10.5 percent in the public sector. In urban Tunisia, the generation aged 29 or older works mostly in services (35.1 percent), followed by the public sector (29.0 percent), industry and manufacturing (17.3 percent),

construction (12 percent), and agriculture (6.6 percent). Apart from the large public sector in urban areas, these shares show that, on average, Tunisia's young genera-

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into existing and new economic sectors; and supporting service industries such as the banking sector, which is crucial for economic success. Tunisia is already boasting some social entrepreneurs, such as the Cogit Dialogue Center, and others, such as the Digital Mania Studio, are also among the many start-ups in the Middle East and North Africa Region that have achieved market success since the Arab Spring (Korenblum 2013).

### *Tunisia's Self-Employed Youth*

**Self-employment is relatively common among young men—1 in 10 are self-employed.** Specifically, in urban Tunisia, about 13.1 percent of all young men are self-employed, a rate that is nearly twice as high as rural Tunisia's 7.9 percent (figure 4.11). The relatively high

Compared with other Middle East and North African countries, Tunisia's performance is above average in terms of innovation (see figure 4.10). The Global Competitive Index, which ranks the competitiveness of 142 countries by several dimensions on a seven-level scale, ranked Tunisia 40th, well before Morocco, 73rd; Algeria, 87th; Egypt, 94th; Jordan, 71st; and Lebanon, 89th (WEF 2011). Tunisia also ranked better than Turkey (59th), which is often considered a champion in competitiveness. Tunisia's recently approved microfinance legislation enables international microfinance institutions to provide access to finance to previously underserved areas and communities and will likely introduce new and innovative microfinance products.

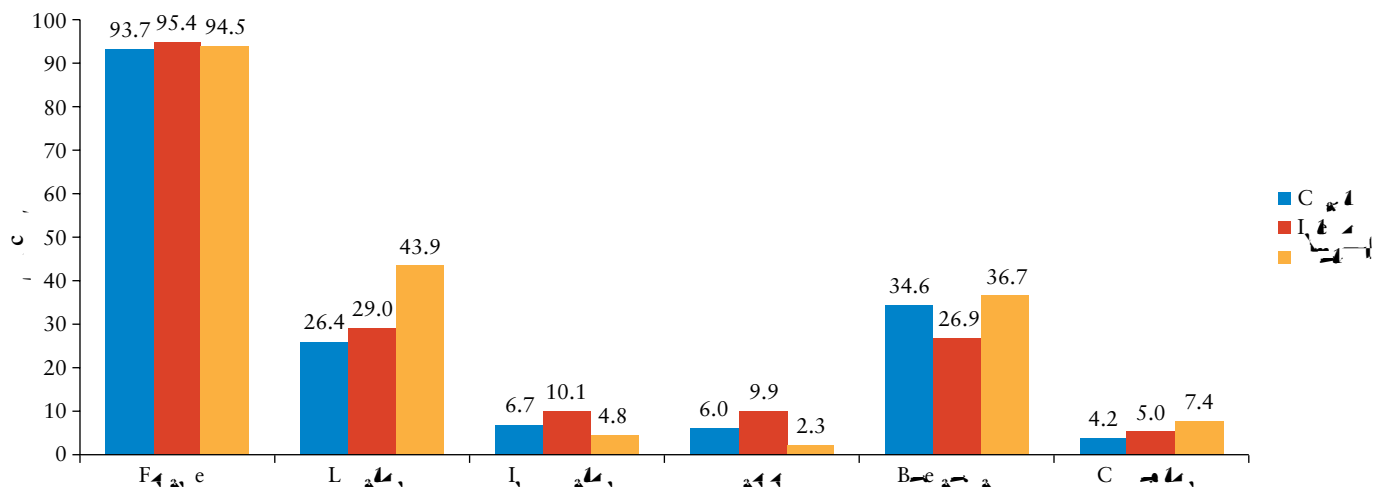
**Stimulating economic innovation through the right mix of targeted regulations and economic incentives present policy challenges to most governments around the world.** Innovations can be loosely defined as any new method, idea, or product, and permanent innovation is largely considered an essential ingredient to economic growth in modern economies. To better foster innovation and entrepreneurship in high-performance sectors, different approaches have been developed, which include manufacturing complex products in innovation hubs; supporting the vertical and horizontal integration of the information and communication technology sector

especially in view of the limited opportunities for formal employment. The combination of a wide array of market niches, relatively high education levels, and strong online skills, would likely enable young women working from home or in offices or shops to create value-added businesses. Women in rural and urban areas alike expressed a strong interest in starting their own income-generating activities. As a young woman who received a microloan through the microfinance institution Enda indicated:

*It is comforting, especially for a young woman, to work for herself. Personally, I detest having a boss. I have worked in a dry cleaner, in a taxi call center, and as a salesperson in a boutique. In each case, there was an awful amount of pressure ... no mercy. It was a shock for me to work in such circumstances. Now I work well for myself after being unemployed for two years.* Young self-employed woman in the informal sector, Tunis

**Overall, self-employment is most common in the coastal region and in the south.** The interior region has the lowest rate of youth self-employment, and only 8.1 percent of young men are self-employed (see figure 4.12). In comparison, 12.1 percent of young men are self-employed in the coastal region and in the southern governorates. As pointed out above, among young women,

Figure 4.13. Barriers Faced by Youth in Establishing Small Businesses (Rural Tunisia)



Source: World Bank 2012d.

Note: Figure refers to all self-employed youth.

**Self-employed youth struggle to gain access to finance, which remains the main challenge in successfully establishing a business.** The rural survey asked young entrepreneurs about the most significant difficulties in establishing a business. As figure 4.13 shows, “Access to Finance” was considered the single most important barrier for young entrepreneurs in all regions—93.7 percent in the coastal region, 95.4 percent in the interior region, and 94.5 percent in the south. These results demonstrate the higher barriers met by young entrepreneurs compared with those encountered by firms in general. As indicated by the recent report, “Investment Climate Assessment,” access to finance is also regarded as a major constraint by 39 percent of small- and medium-size Tunisian firms (World Bank 2013j).

**Existing microfinance programs have limited reach and are widely perceived as inefficient.** Specialized banking products tailored to young people are largely absent, although the 2014 microfinance law is designed to facilitate the increase of institutions offering new services, such as savings, transfer, and insurance.<sup>27</sup> The current lack of available finance for young entrepreneurs was mentioned in several focus group discussions.

*When all of the other doors are closed, it is best to have one's own project, be one's own boss, and realize one's dreams. But, there is a problem of finance, of markets.*

Female entrepreneur and graduate in biomedical engineering. Tunis (coastal Tunisia)

*When credit agencies have a good idea presented to them, they will have their own grounds for not giving finance. Then they will sell the idea to someone else. Hence, you will find the idea for a project in Zaghouan resurfaces in Sousse. Unemployed graduate, Zaghouan (coastal Tunisia)*

**The amended microfinance law is bound to open financial market to new financial intermediaries and could provide more innovative products tailored to small firms led by youth.** In July 2014, the National Assembly amended the 2011 microfinance law with the aim of strengthening the supervision and regulation of banking institutions providing microfinance while opening the sector to international competition. This could mean that up to half-a-dozen new institutions could begin offering products within the coming months, with more to follow. Increased competition will require providers of microcredit to become more innovative and flexible in the design of their financial products, including collateral, interest rates, delayed repayment plans, and other aspects crucial to youth-led firms. To better manage risk and portfolios, providers of financial products are also likely to target niche groups such as rural women or



certain sectors such as small information and communication technology firms. Nontraditional financing, such as crowd-funding, could complement the credit market for Tunisia's self-employed youth. However, while this new law will have a rapid short-term impact on access to finance, in the rural areas, where most smaller microfinance associations are located, it could also generate adverse effects on the market and on stability, which could mean young graduates may not have access to microcredit in the medium-term if their risk-pricing profile is above the regulatory ceiling.

**However, one-third of all self-employed youth struggle with the burden of bureaucracy, including the costs, difficulties, and delays entailed in obtaining the required licenses.** The rural youth survey finds that bureaucracy represents a major challenge for



One in five young entrepreneurs works in manufacturing and construction (20.1 percent) compared with only 7.9 percent of all entrepreneurs. This difference is a reflection of the higher investments between rural and urban Tunisia. The number of the higher levels of unemployment is also higher in rural Tunisia (World Bank 2013b).

### **Youth Entrepreneurship Challenges and Investment Opportunities**

*It feels good to work for oneself. Personally, I hate to work in a shop, in a laundry, in a taxi phone line, and in a shop. There is always a lot of pressure and no consideration for the employee. No one ever shocked me. Now, after*

## Notes

1. Employment is defined as paid work. The quantitative results are based on survey questions inquiring about recent employment history.
2. These employment statistics exclude youth enrolled in education or training programs.
3. The regression analysis simultaneously controls for differences in age, educational level, parental background, and regional disparities. The potential endogeneity of the variable suggests that not too much weight be placed on the coefficient values related to household wealth.
4. The term “Jasmine Revolution,” is arguably a misnomer, as it refers to the plant from the relatively lush and prosperous northern coast. Instead, Ayeb argues that “Alfa Grass Revolution” might be a better term, based on the plant growing in Tunisia’s interior region.
5. The concept of the direct family includes children, spouse, and parents of the household head.
6. This finding resonates with the conclusion of the recent MENA Development Report on gender equality (World Bank 2013h). These findings are further supported by the regression results on different forms of employment reported in annex 4.
7. One survey question asked: “Do you think women searching for work in the private/public sector are discriminated against?”
8. There is an argument in favor of fixed-term contracts since the increased flexibility could enable employers to increase hiring of youth. However, without access to social protection, fixed-term contracts are widely perceived by youth as exploitative.
9. See annex 4, figure A4.1 on contract type of employed adults (aged 30–59).
10. While originally intended to protect workers, it can be argued that labor regulations have encouraged informality. To allow greater flexibility in adapting staffing to economic conditions, fixed-term contracts were introduced in the early 2000s. Fixed-term contracts can be used to hire workers under flexible short-term contracts, which are renewable for up to four years. For workers, such contracts provide only a limited improvement compared with informal employment since both are characterized by high job insecurity. In addition, because of the flexibility allowed by fixed-term contracts, firms tend to avoid open-ended contracts for new hires altogether.
11. For a detailed discussion of recommended labor market reforms, please see World Bank 2013c.
12. The Probit estimation includes controls for differences in age, educational level, parental background, and regional disparities.
13. Ages 15–24.
14. The total number of students is expected to peak in 2014 at 449,000.
15. As before, the model controls for gender, age, parental background, and region. Once again, the potential endogeneity of wealth may play a role. However, the size and strength of the relationship, as well as the weaker role played by wealth in employment determination suggests that family wealth is playing a key role.
16. For this report, productivity is classified by sector. Sectors with predominantly high productivity firms include trade, communications, tourism (hotels and restaurants), banks and insurance companies, social and cultural services, and real estate services. Sectors with mostly low-productivity firms include primary economic activities—e.g., agriculture and fishing, food industry, building materials, ceramics and glass, mechanical, chemical and electrical industries, textile and shoes industries, other industries, construction and public works, mines and energy, transportation, repair, and manufacturing.
17. See annex 4, figure A4.2 on adult employment in low-productivity sectors.
18. Skilled jobs are defined as requiring at least a secondary school degree or vocational training.
19. For a more detailed analysis, refer to World Bank 2014.