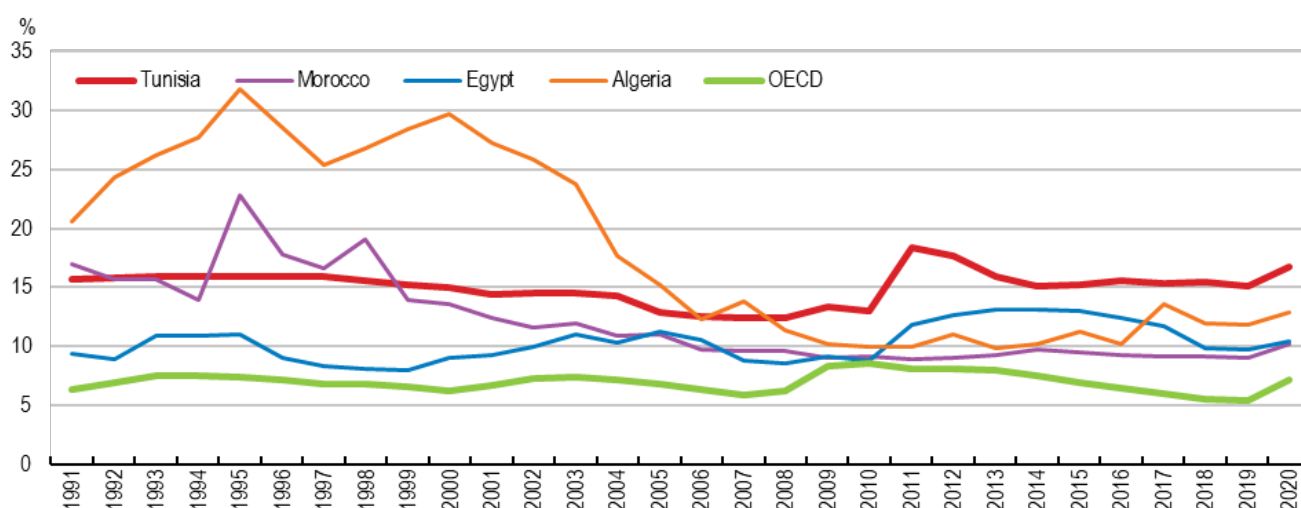


Improving skills and employment opportunities in Tunisia

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Tunisia has been among the emerging market economies hardest hit by the COVID-19 crisis, which caused the deepest economic contraction ever, with a heavy social cost. Unemployment has increased to over 18%, and is particularly high among youth (42%). However, the 2020-21 crisis has just exacerbated a problem that has been there for decades. Unemployment rates have hovered above 12% since the 1990s, with much higher rates for young labour market entrants. The new Economic Survey of Tunisia shows that this is due to a broad range of structural factors, which complicate the adjustment of labour demand and labour supply and prevent the labour market from clearing.

Figure 1. Unemployment has been persistently high



Note: The unemployment rate is calculated as the share of the unemployed in the labour force.

Source: WB, ILO, INS, CEIC; and OECD Economic Outlook database.

First, high barriers to firm entry and growth as well as barriers to international trade lead to weak business dynamism and discourage the creation of more and better jobs. The lack of sufficient job creation, coupled with a strong rise in the working age population, has led to particularly high unemployment rates among youth. Moreover, rising access to education has increased the supply of high-skilled labour, but the business sector has mainly created jobs in low-skill intensive and low-productivity activities. This has led to high unemployment rates among tertiary graduates and particularly for women who represent two thirds of tertiary graduates.

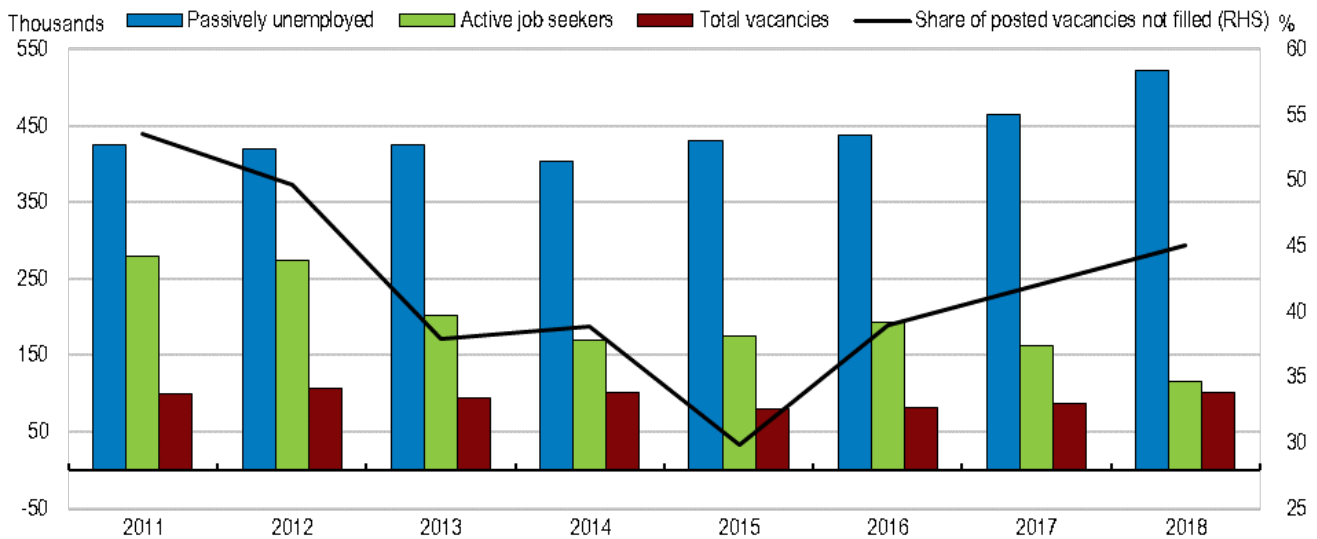
However, low-skilled young men and women also suffer from weak job creation. The lack of formal job opportunities forces many young men without a tertiary degree to accept low-paid work in the informal sector. Informal employment accounts for 47% of total employment in 2021, and is concentrated in agriculture, construction, retail, transport and hospitality services. For young low-skilled women, although cultural reasons related to family and household work play an important role, difficulties to find a formal job are the predominant reason why they leave the labour force. The labour force participation rate for young women without a tertiary education degree is below 25%, whereas it is around 50% for women with tertiary degree and above 70% on average for men.

To foster business dynamism and innovation and create more and better jobs, it is crucial to lower regulatory barriers to market entry and entrepreneurship, raise the international integration of domestic firms and adjust labour taxes. Reducing prior authorisation for market entry and investment, lowering administrative burden and simplifying the tax system would provide new opportunities for small, young and innovative firms, foster formal job creation and raise productivity growth. This should be complemented by a reduction in tariffs and non-tariff barriers, as high import

barriers reduce access to high-quality inputs and capital goods for onshore firms, which predominantly serve the domestic market, and hinder the adoption of new technologies. Moreover, reducing the income tax rate for the lowest-income bracket and allowing for more flexibility in wage setting for smaller firms would raise formalisation.

Second, despite high unemployment rates, many firms report that they do not find workers with the skills they need. This is due to the low quality of education and training systems and their weak responsiveness to the skills needs of the private sector. Besides technical and job-specific skills, many job applicants are missing fundamental soft skills, such as oral and written communication, foreign languages, team-working, problem solving and conflict resolution. To address this problem, the quality of education and vocational training needs to improve. This requires enhancing teacher selection, evaluation and training, with a special focus on pedagogical skills, improving school infrastructure, providing high quality language teaching from an early age, and focusing on soft skills. Expanding access to early-childhood education, particularly for low-income and single-parent families, would reduce inequality in opportunities. To make education and training systems more responsive to skill demand in the private sector, it is crucial to better link VET and university curricula with workplace training by improving the legal framework and encouraging a more active participation of firms.

Figure 2. In spite of high unemployment, many job vacancies cannot be filled



Note: Data on active job seekers and vacancies comes from the information system of the public employment agency (ANETI) and does not include unemployed persons that do not actively search through ANETI. If job seekers have not visited the public employment office for more than 2 months, they are automatically excluded from the database. Passively unemployed persons refers to the difference between the total number of unemployed as indicated by the labour force survey and the number of active job seekers registered at ANETI.

Source: ANETI and Labour Force Survey Tunisia.

Third, the regional concentration of economic activities combined with low interregional labour mobility reduces the potential labour supply for firms, further contributing to recruitment difficulties. Unemployment rates are persistently higher in interior compared to coastal governorates, indicating a relatively low internal mobility of labour. Due to weak income support to the unemployed, many of them rely on support from the family for housing and food, which reduces their geographic action space in the labour market. Cultural norms amplify these barriers for single women, who may face difficulties to travel and live alone far away from the family. Moreover, public employment services are weak due to severe capacity constraints and insufficient coordination between regional offices. As private job placement services face legal difficulties to operate, the unemployed mainly use personal contacts for searching a job, which complicates matching of vacancies and job seekers.

To increase labour mobility and allow for better labour market matching, it is crucial to improve public employment services by allocating more resources to personal counselling services, training counsellors, combining counselling with targeted training support, and allowing for more competition from private providers. Active labour market policies should be better targeted towards individuals most in need, and regular impact evaluation of programmes should be introduced. To reduce incentives for tertiary graduates to remain unemployed while waiting for well-paid public sector jobs, wage schedules in the public sector and SOEs should be redesigned to narrow the gap with the private sector and public recruitment processes should be open to all applicants, including experienced workers from the private sector.

Reference

OECD (2022), *OECD Economic Surveys: Tunisia 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/7f9459cf-en>.