

# From 'Solidarity' to Full Employment: A Gradualist ELR Plan for Tunisia

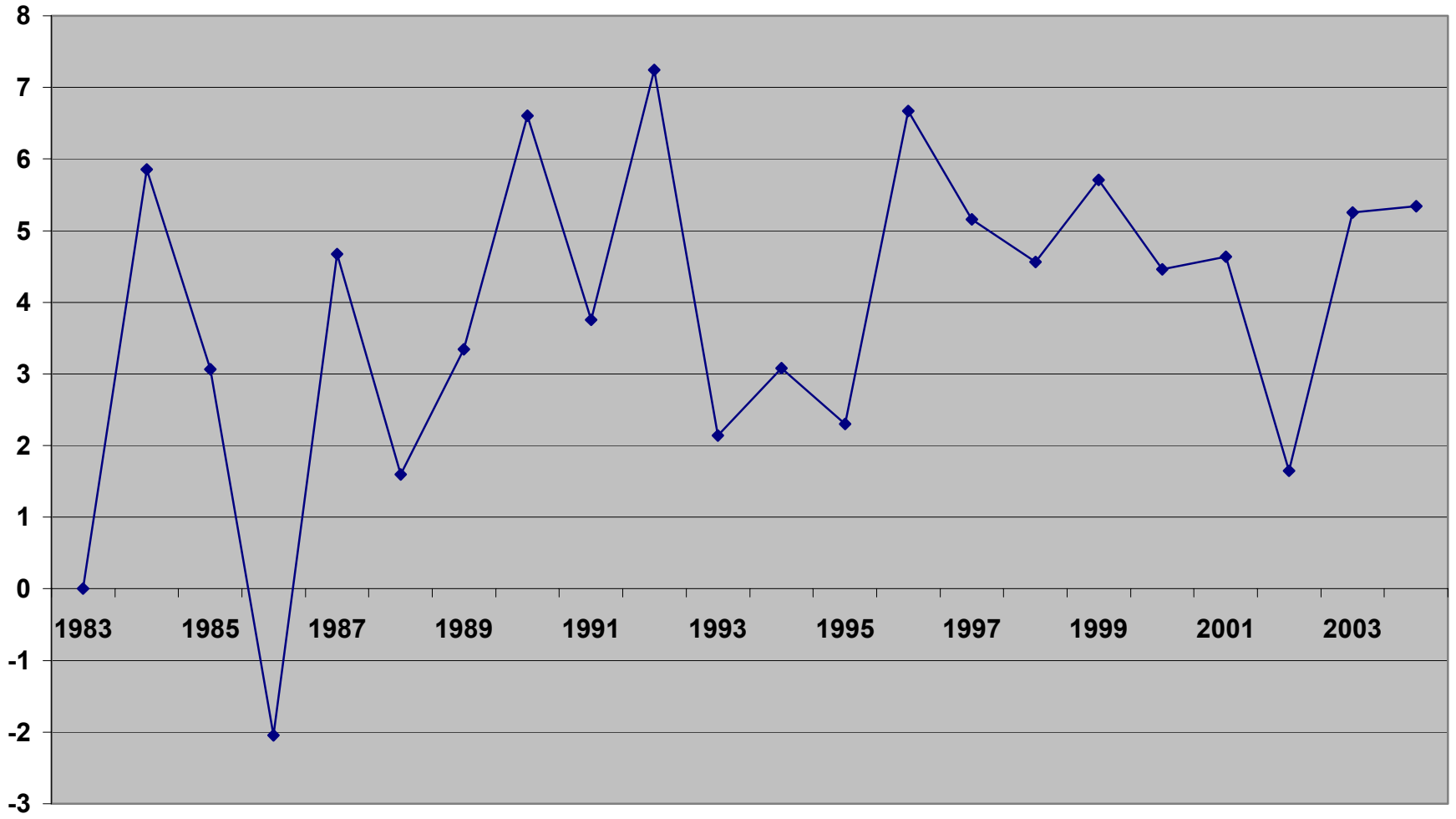
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*Employment Guarantee Policies: Theory and Practice: The Levy  
Economics Institute of Bard College, NY, October 13-14, 2006.*

## ***An Overview of the Situation in Tunisia***

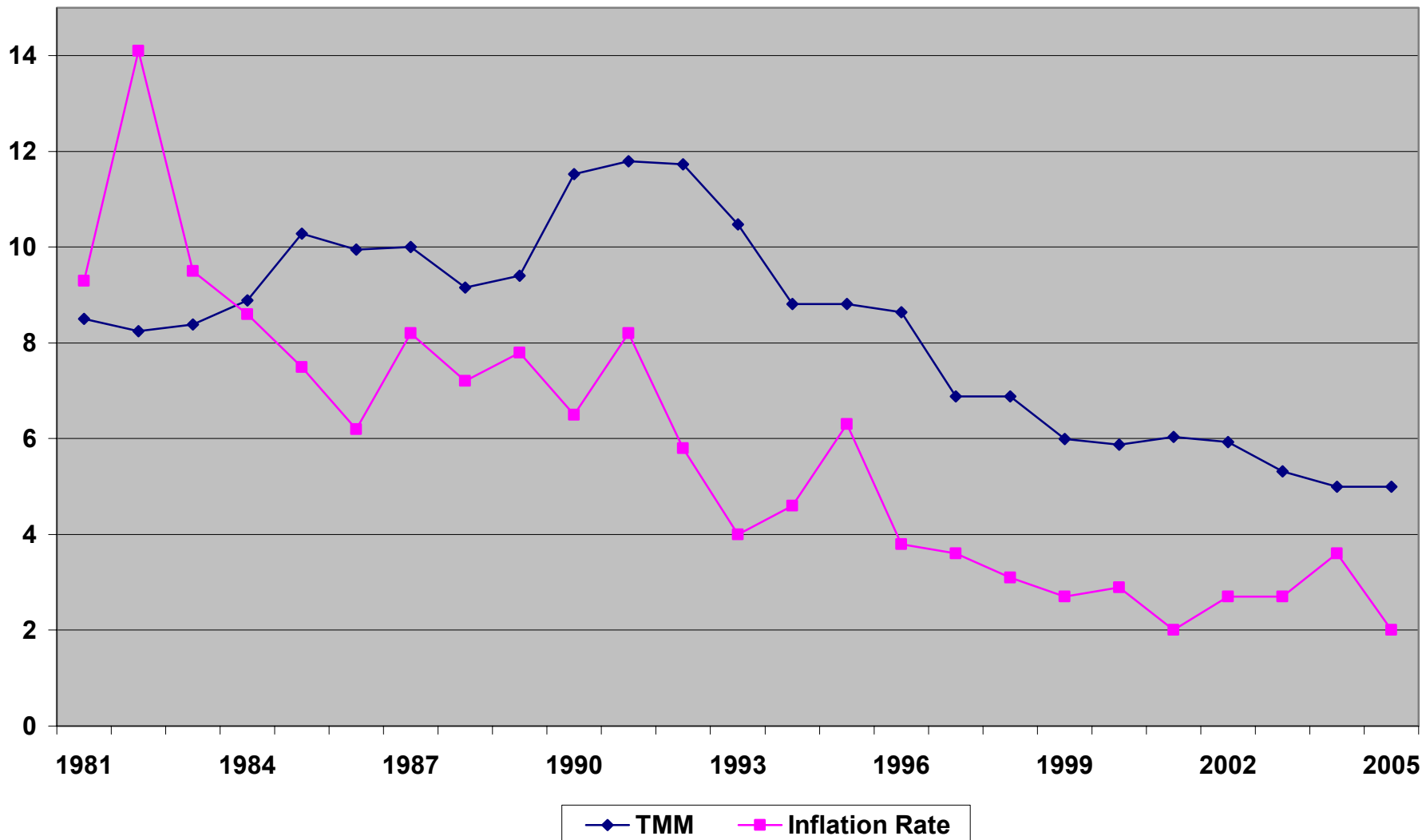
- **Population = 10 million; LF = 3.4 million**
- **Unemployment = 14%**
- **50% of whom are unemployed for > 12 months**
- ***ALMPs represent 1.5% of GDP***
- ***Public works spending is .15% of GDP***
- ***Gov. spending on Edu. has been around 25% of gov. budget in the last 5 decades***
- ***Number of college grads up to 2005 was 40,000/year but is expected to explode to 100,000/year starting in 2006 (2.9% of LF)***
- ***2/3 of the first time job-seekers in 2006 have a university degree.***
- ***Textile industry already in sharp decline employs 250,000 workers (8.5% of LF)***

**GDP Growth Rate 1983-2004**

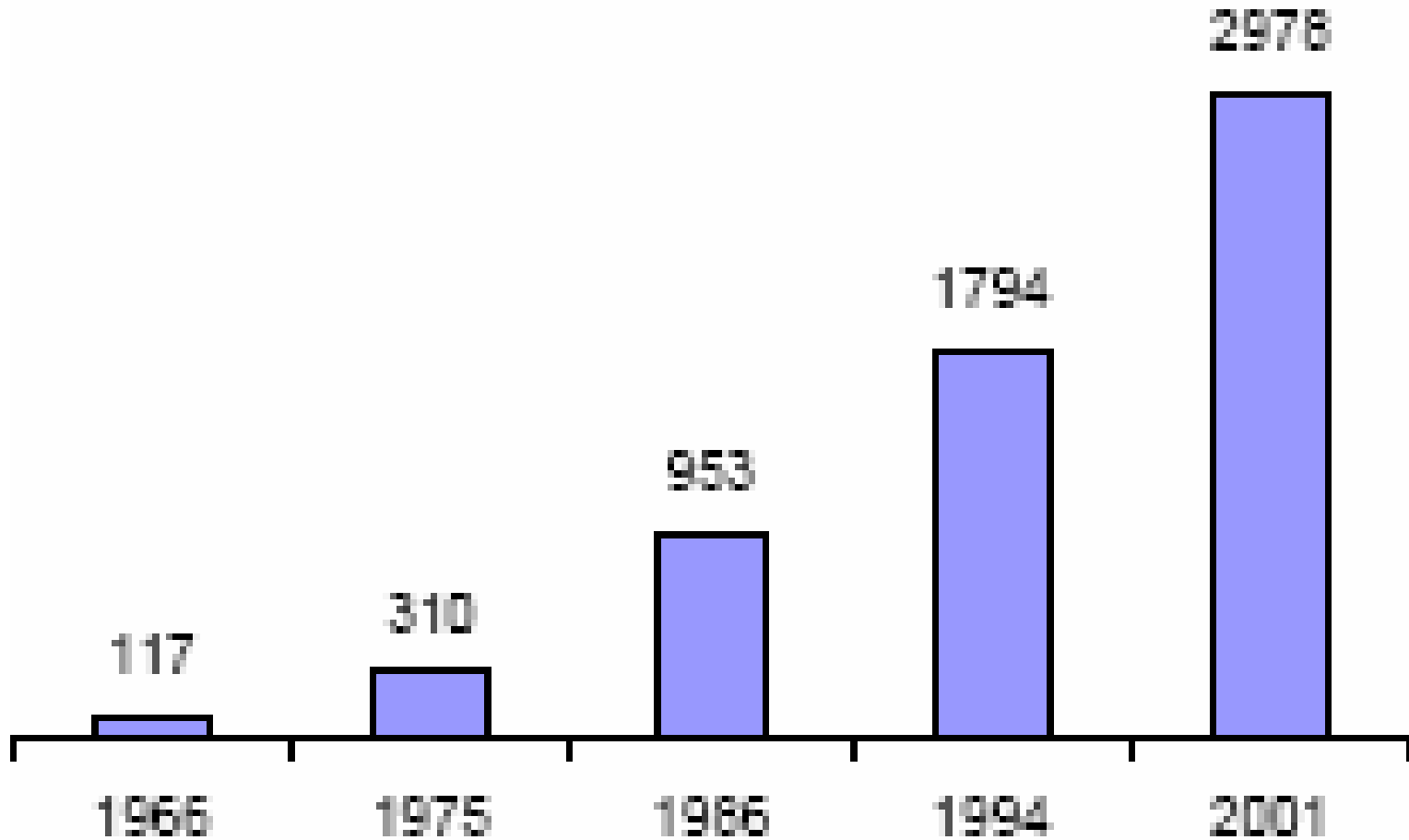


—◆— GDP growth rate

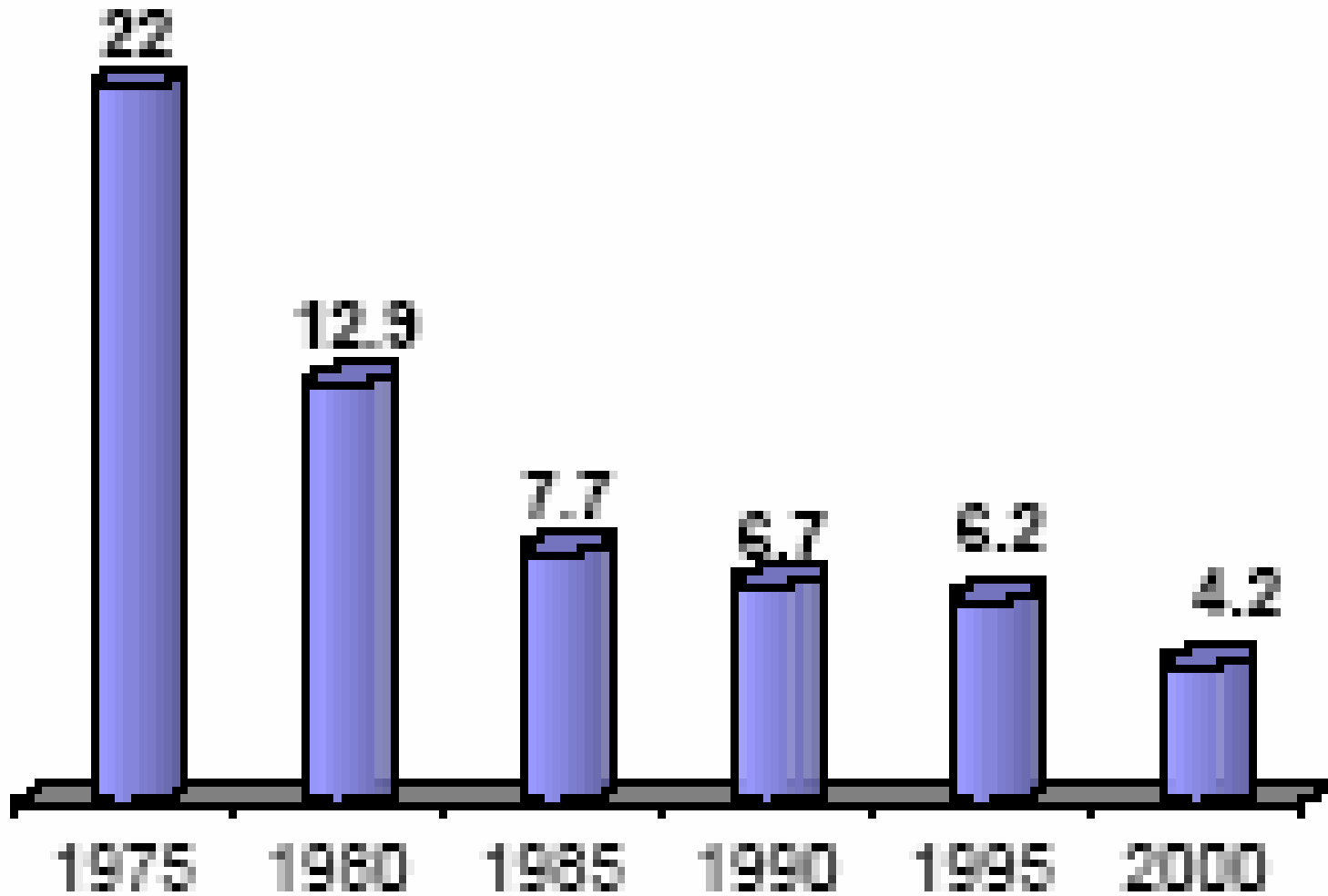
# Short Term Interest Rate & Inflation



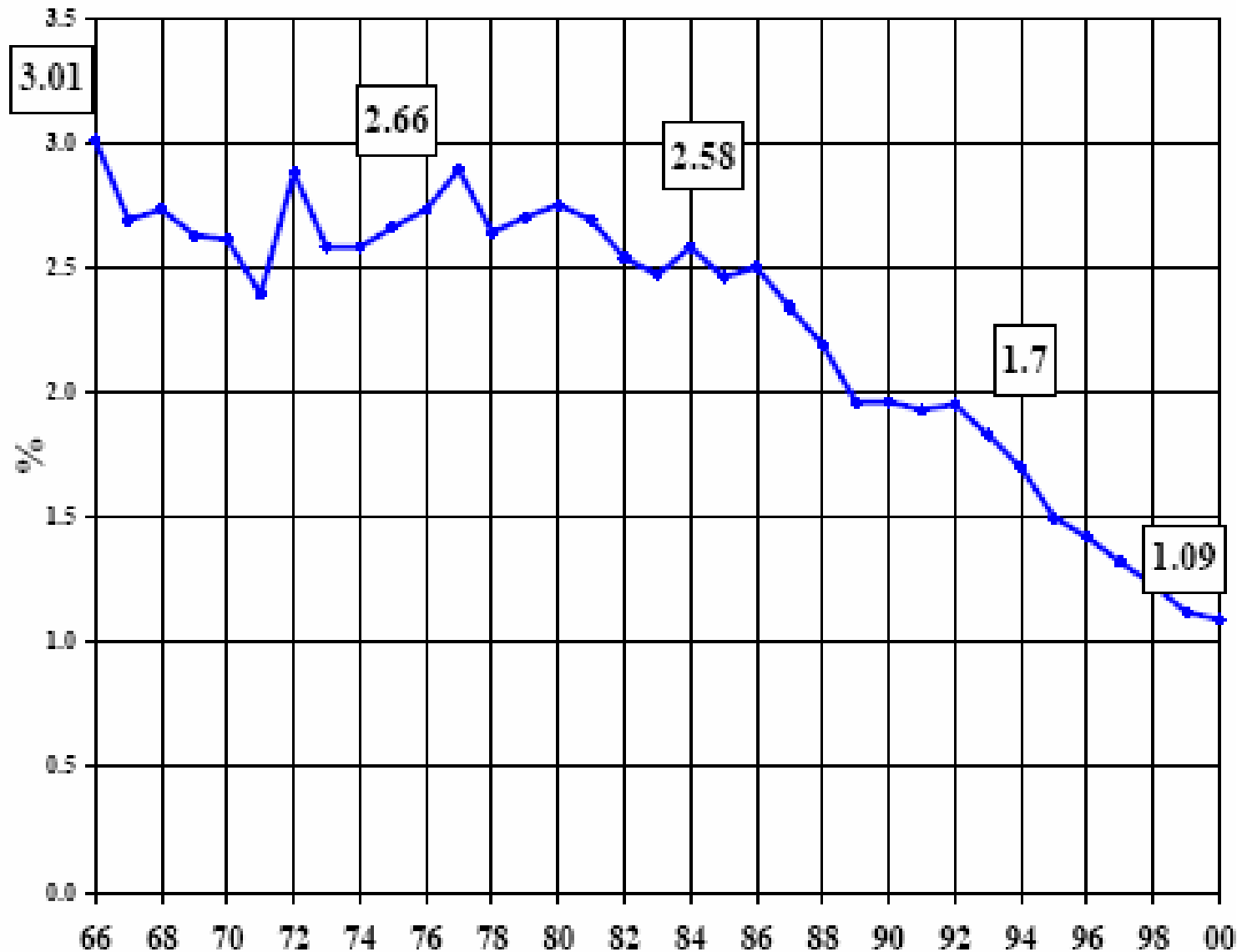
# Per Capita Income



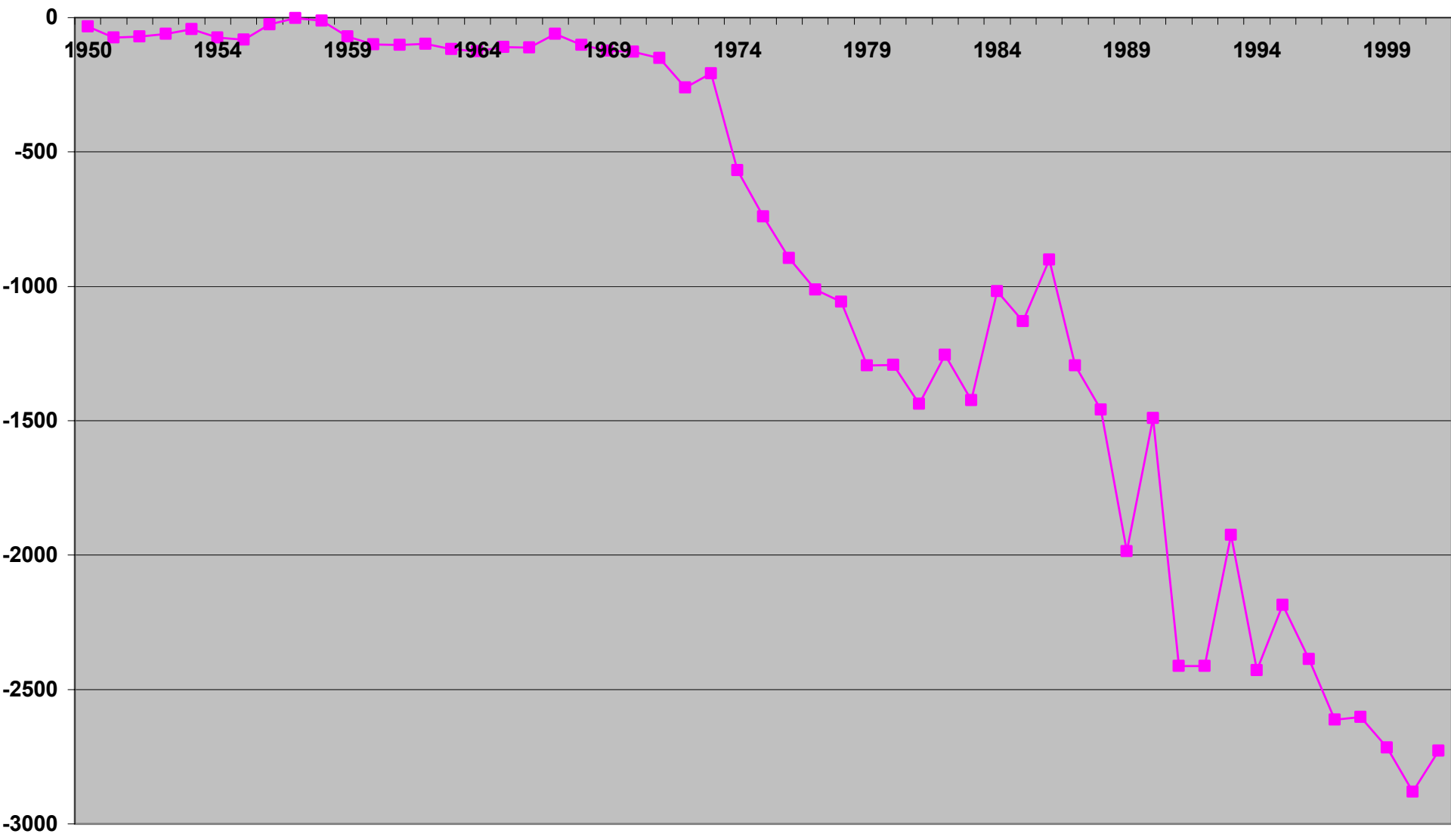
# Poverty Rate



# Population Growth Rate

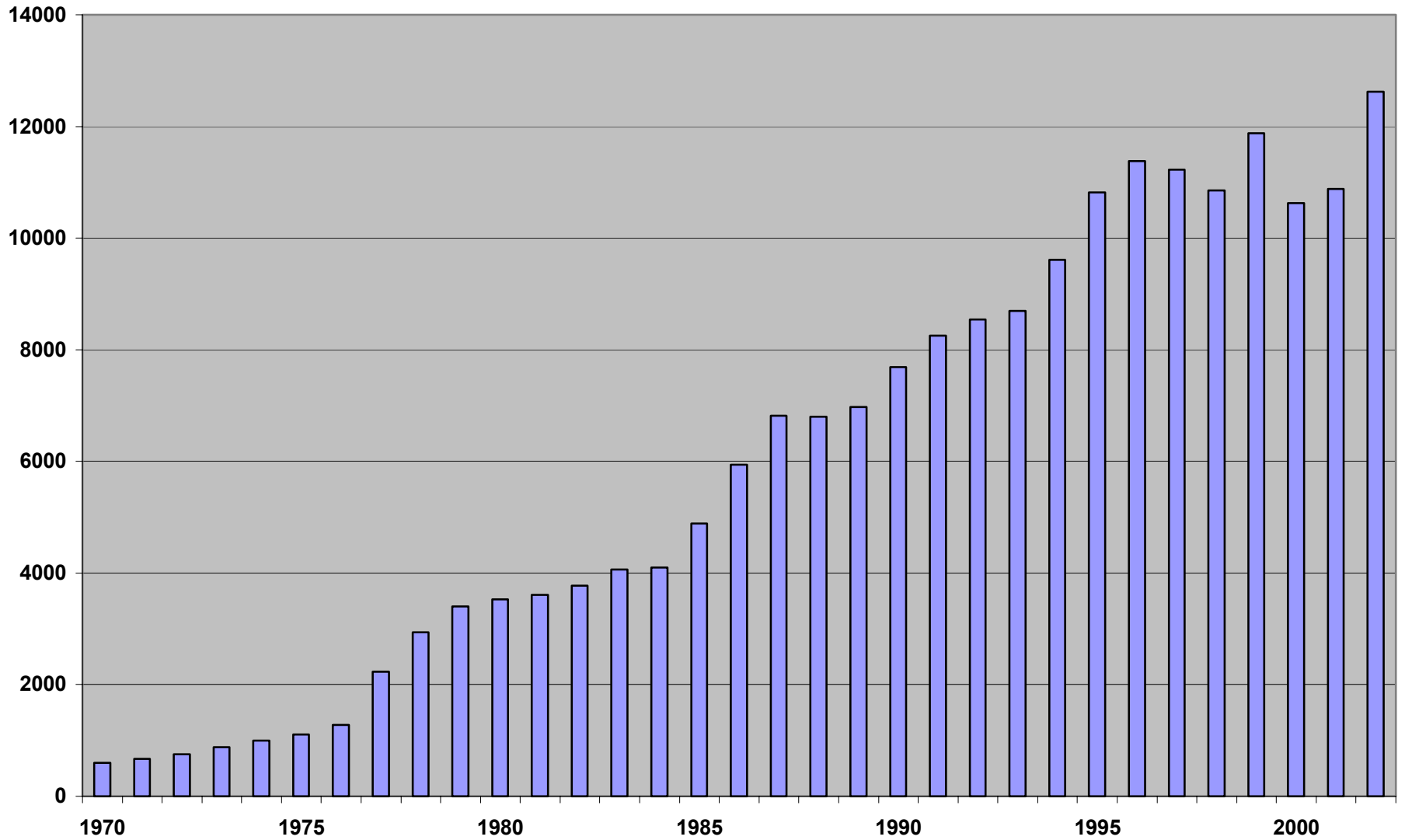


Trade Balance in millions of dollars (1950-2002)

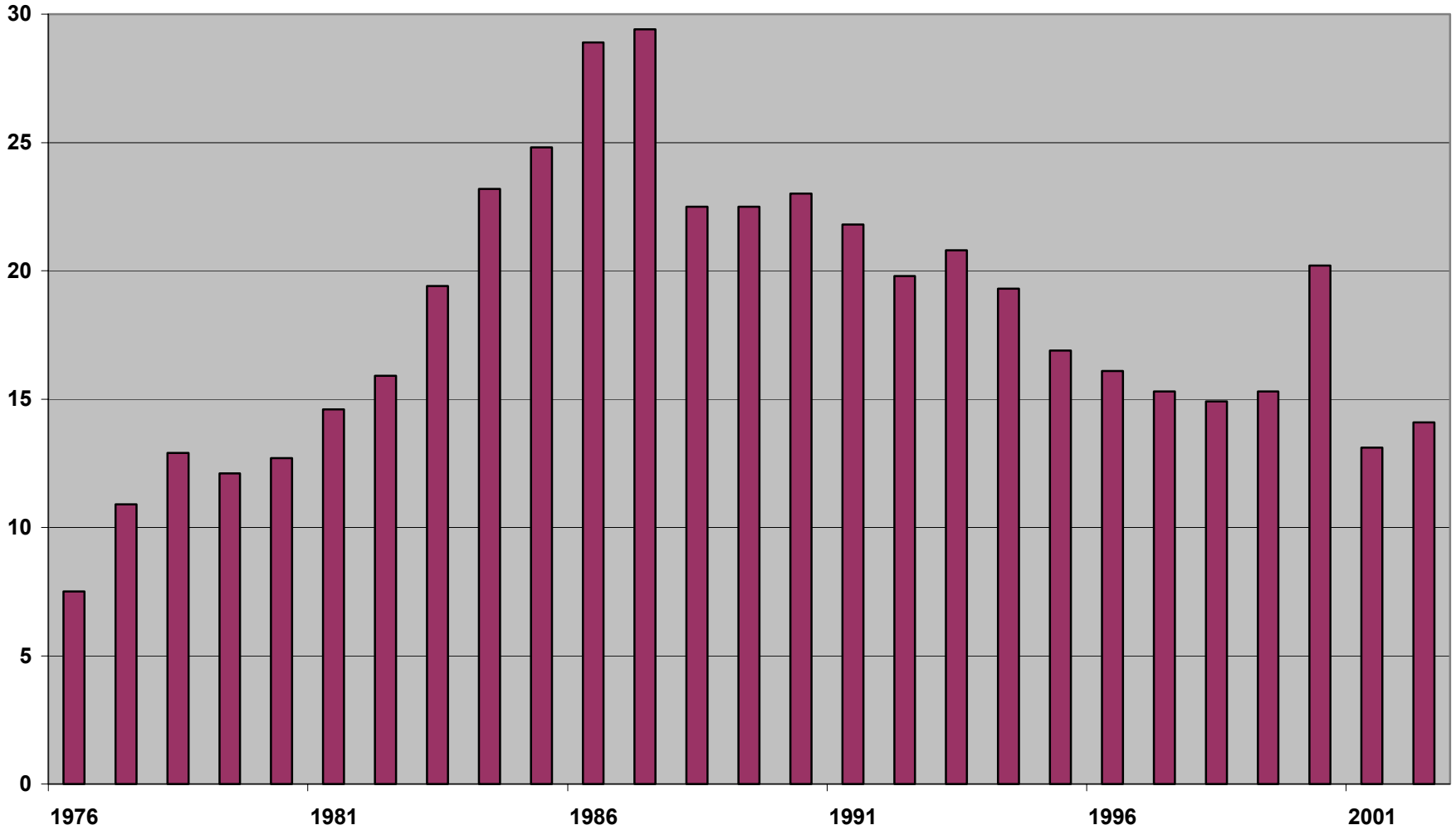




**Total External Debt in millions of dollars (1970-2002)**

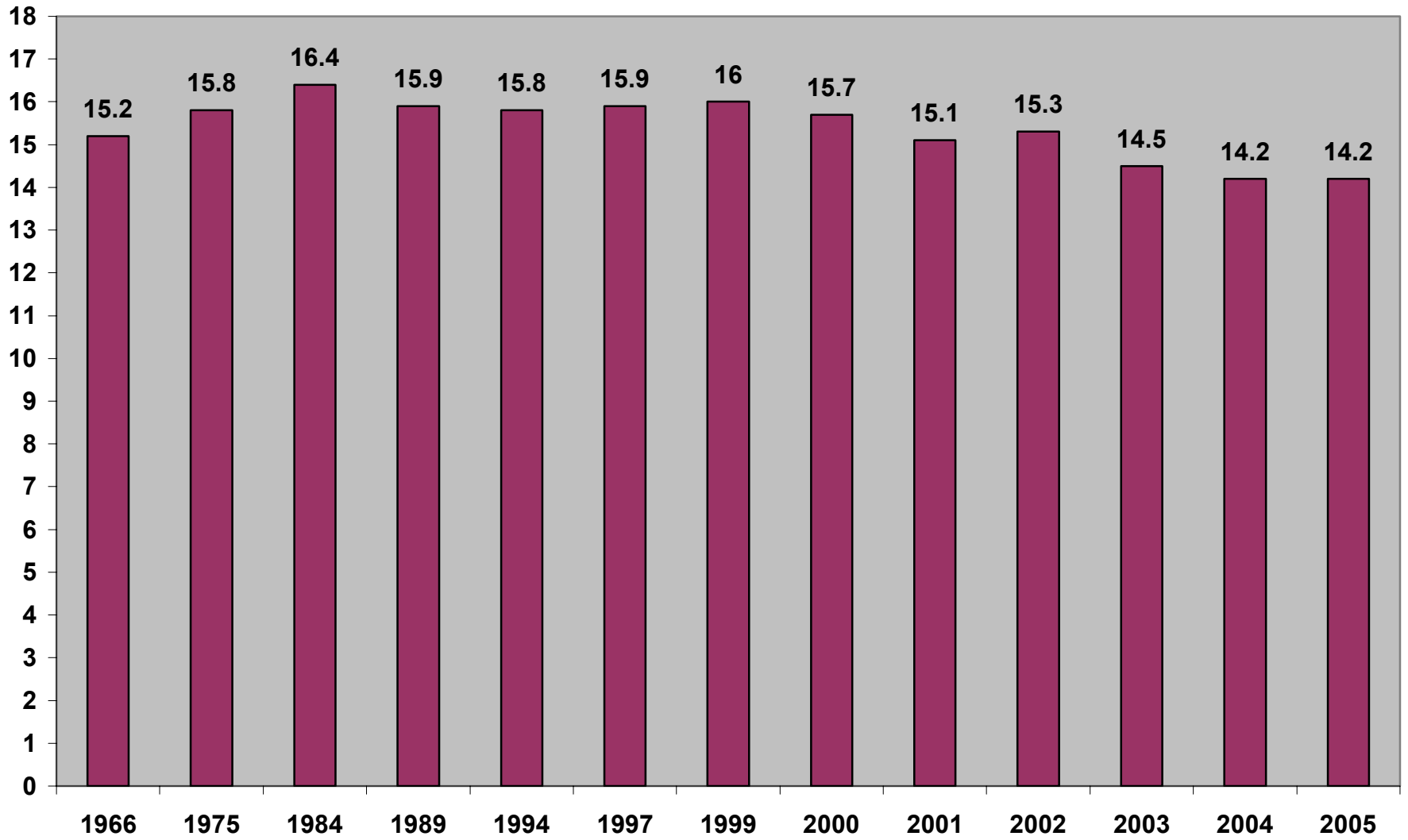


**Debt Service as a percentage of Export Earnings (1976-2002)**

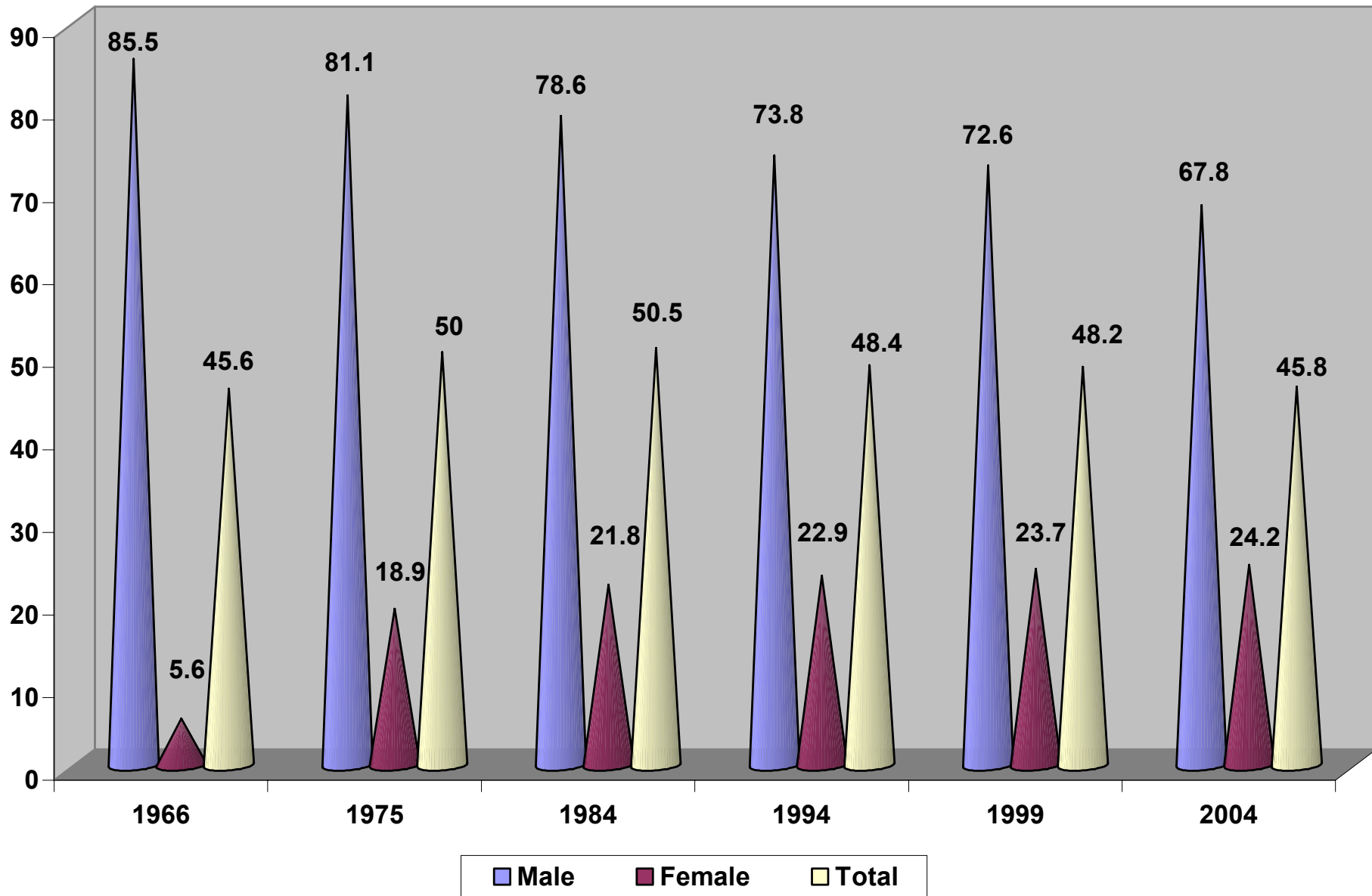


■ Debt Service as a percentage of Export Earnings

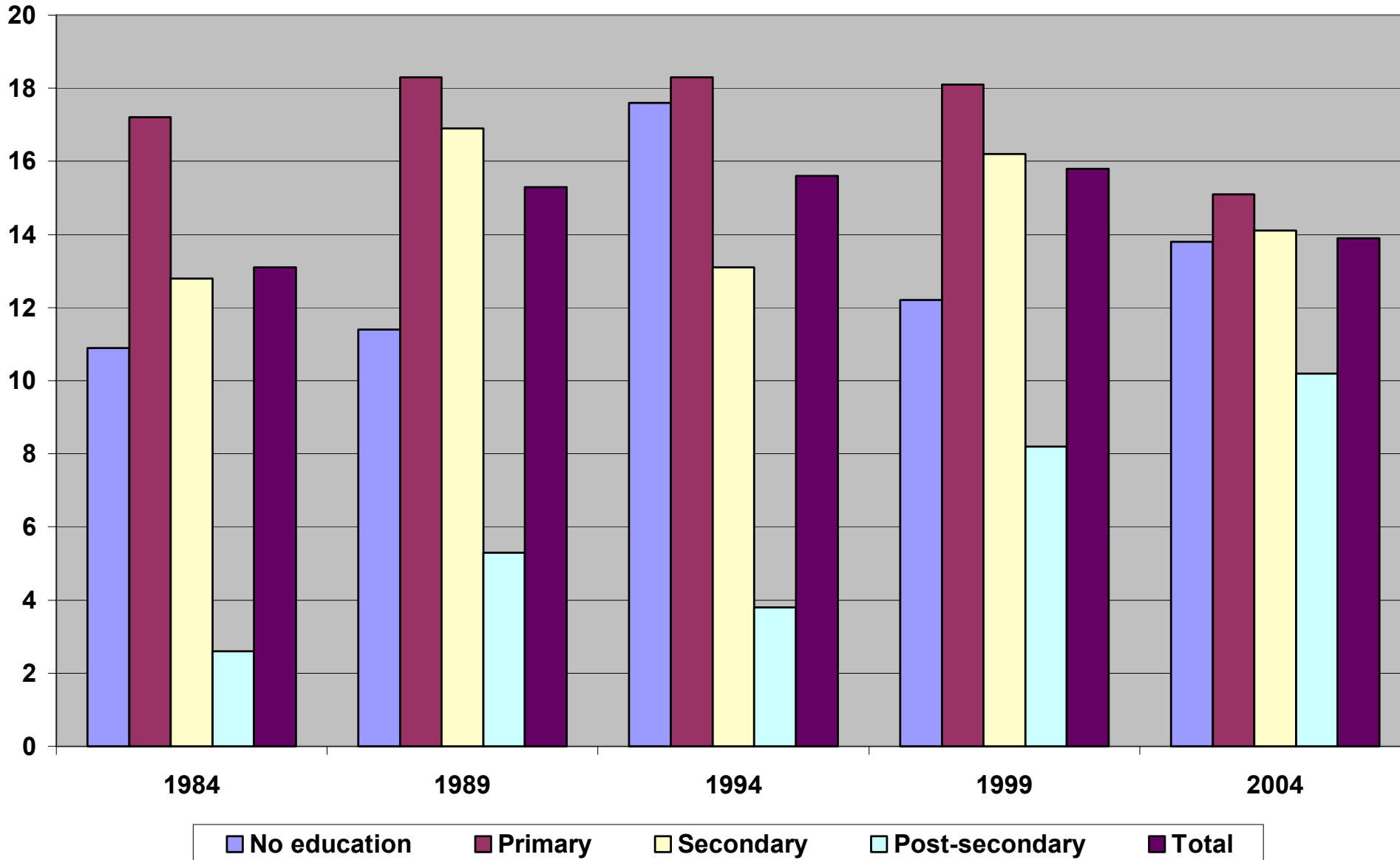
## Official Unemployment Rate



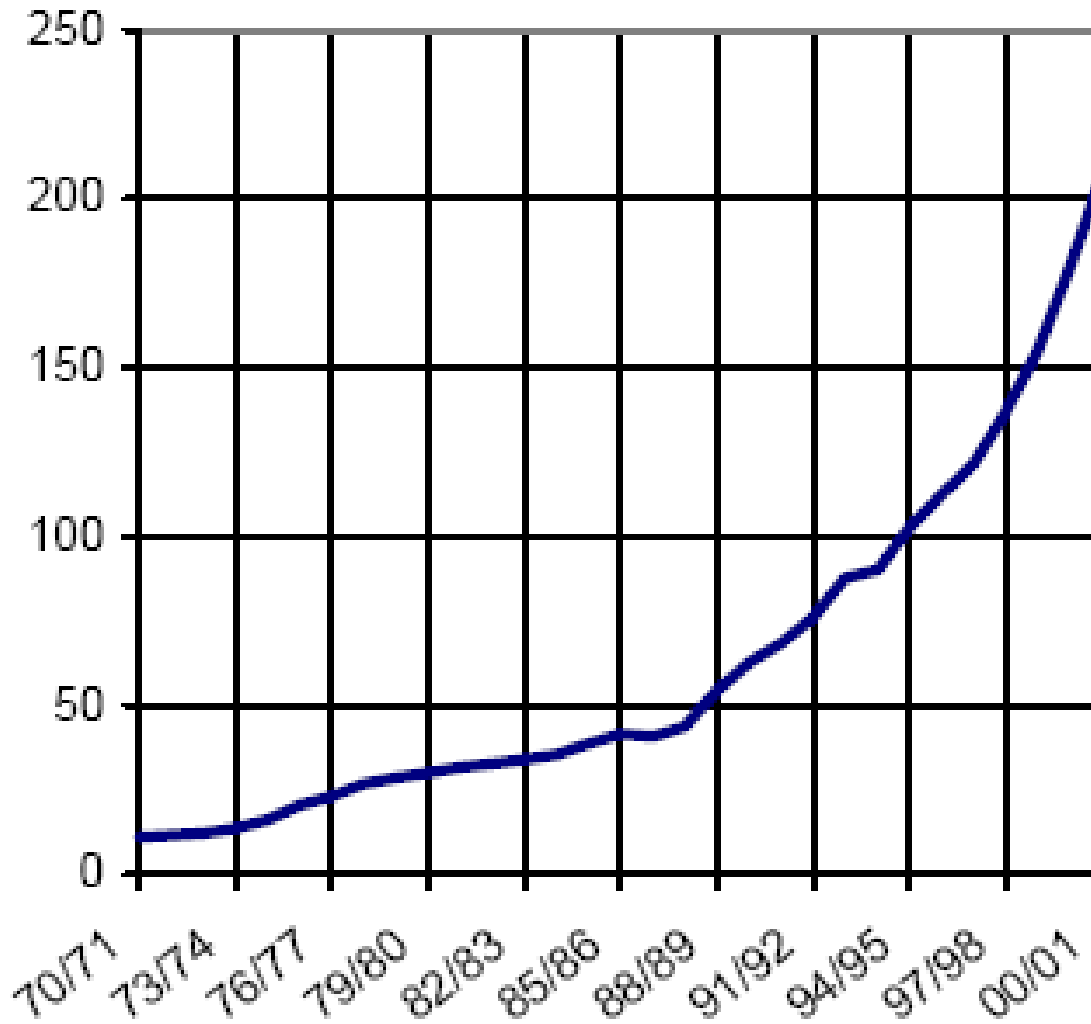
Labor force participation rate by gender (1966-2004)



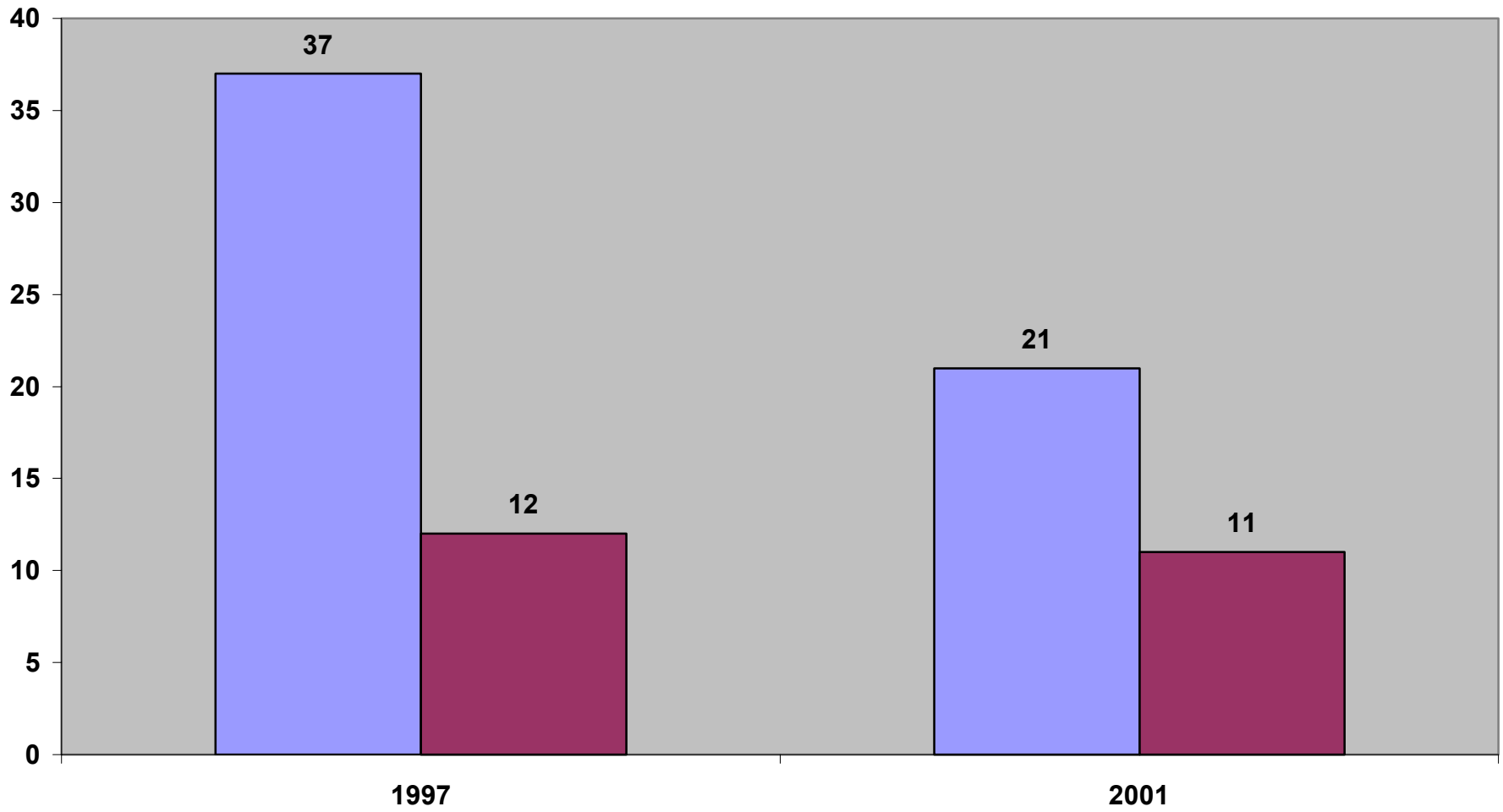
Unemployment rate by educational level



# College Enrollment



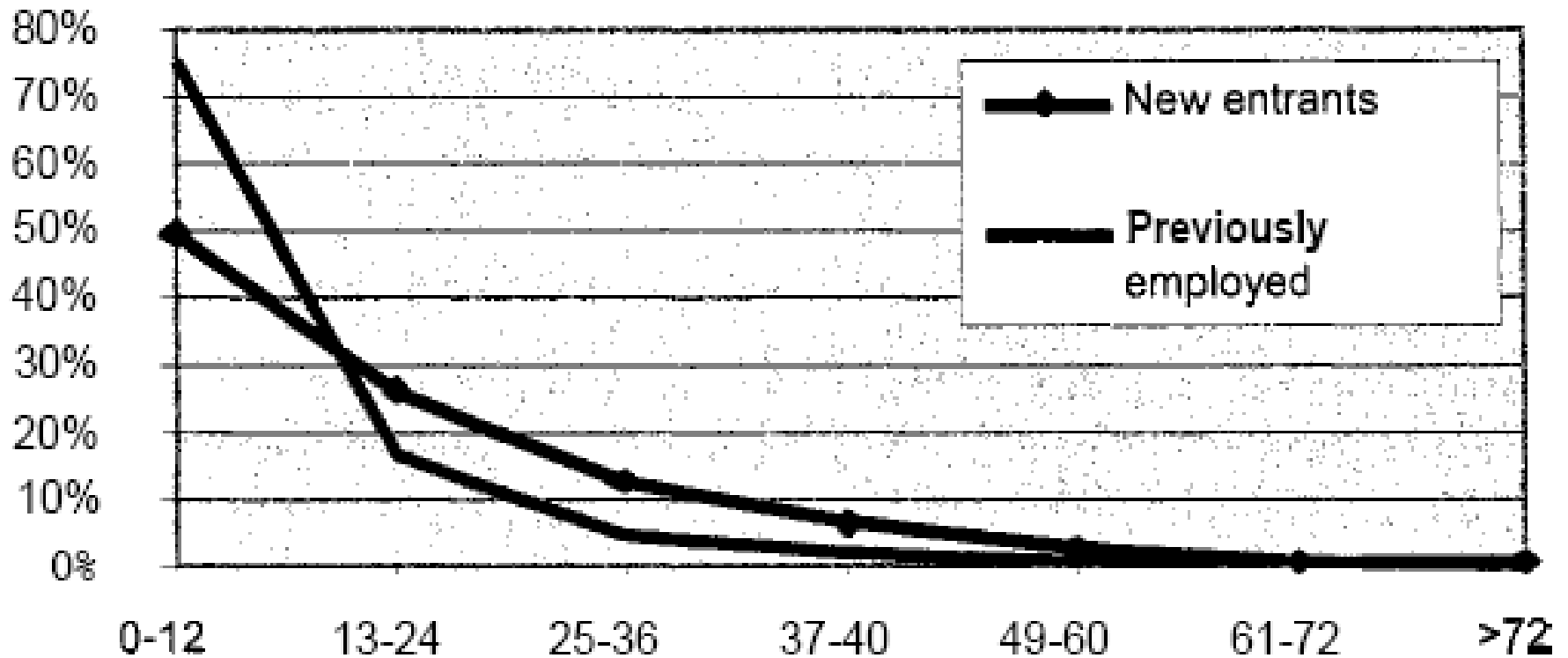
### Unemployment Duration (months)



■ First-time job-seekers

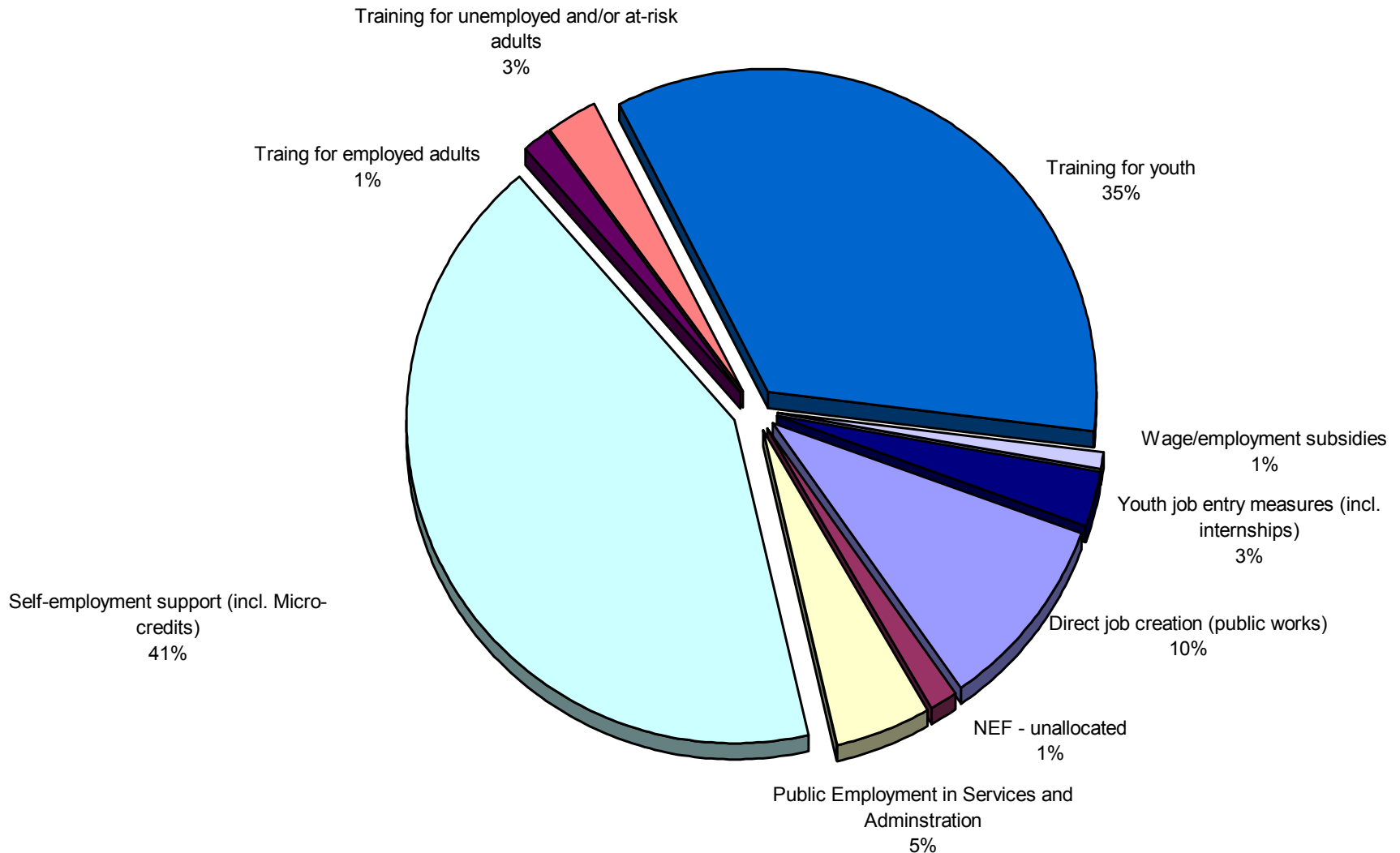
■ Previously employed

# Unemployment Duration





# ALMP Percentage Distribution in 2002



# The Solidarity Network

- National Solidarity Fund (1992)
- Tunisian Solidarity Bank (1997):
  - Finance micro-enterprises
  - Provide micro-credits
  - Finance purchases of family computers
- National Employment Fund (1999):
  - 41 “employment” mechanisms
  - e.g. # 31: Organized Emigration Support

# ELR Plan for Tunisia

- **Phase I:** HH-ELR (20,000 people) over 2 years
- **Phase II:** 12+ELR (216,450 people) over 3 years
- **Phase III:** ELR (432,900 people) in Year 6
- **Marginal Propensity to Consume = 0.785**
- **Marginal Propensity to Import = 0.478**
- **Tax rate = 0.1**
- **Multiplier = 1.295**
- **Annual GDP growth rate = 5%**
- **Initial GDP level = TND 35 billion**

# Wage Structure

**W1: skilled workers (post-secondary education, technical training, or an equivalent amount of prior work experience) earn  $3 * \text{MinWage} = \text{TND } 569.4$  per month**

**W2: semi-skilled workers (secondary education, some work experience, perhaps need some additional training) earn  $2 * \text{MinWage} = \text{TND } 379.6$  per month**

**W3: unskilled workers (no education, primary school education, no training) earn  $\text{MinWage} = \text{TND } 189.8$  per month**

# VAT Structure

Value Added Tax	Income Category 1 (TND 400- 600/month)	Income Category 2 (less than TND 400/month)
VAT-0 = 0%	54.5%	58.6%
VAT-1 = 6%	13.4%	11.3%
VAT-2 = 10%	11.5%	13.4%
VAT-3 = 29%	16.3%	13.2%
Tobacco VAT=135%	4.3%	3.5%
Total	100%	100%

# ELR Impact

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Number of participants</b>	20,000	20,000	216,450	216,450	216,450	432,900
<b>Net Annual Wage Bill</b>	119.59 million (0.34% of GDP) = less than 1% of Gov. spending	119.59 million (0.32% of GDP)	683.34 million (1.69% of GDP) = 5% of Gov. spending	683.34 million (1.57% of GDP)	683.34 million (1.47% of GDP)	1.36 billion (2.74% of GDP) = less than 10% of Gov. spending
<b>Multiplier Effect</b>	154.97 million (0.44% of GDP)	154.97 million (0.41% of GDP)	957.03 million (2.36% of GDP)	957.03 million (2.2% of GDP)	957.03 million (2.05% of GDP)	1.82 billion (3.67% of GDP)
<b>Increase in Imports</b>	74.22 million (0.21% of GDP)	74.22 million (0.2% of GDP)	398.44 million (0.98% of GDP)	398.44 million (0.91% of GDP)	398.44 million (0.85% of GDP)	617.98 million (1.24% of GDP)

# **ELR Projects for Skilled Workers**

- **public school tutors, public school and/or community musicians/artists, community health care consultants, recycling consultants, community historians, community ethnographers, community statisticians, community computer assistants, community web developers and webmasters, and national translation agents.**
- **Websites devoted to information dissipation, conservation of local/regional history, culture, and traditions.**
- **Arts/culture revival projects, conservation of cultural heritage, youth centers, community centers, healthcare centers, ....**
- **Such projects would involve higher ed. graduates with degrees/specializations in history, anthropology, sociology, computer science, geology, psychology, ethnography, social work, folklore studies, literature, religious studies, art, art history, photography, journalism, communications, statistics, music, dance, graphic design, and architecture**

# More ELR Projects

- **environmental cleanup, seashore cleanup**
- **anti-deforestation, anti-desertification (dune fixation)**
- **anti-salinization, flood control, storage of runoff waters**
- **creation/expansions of public parks, low cost housing, improvement of public infrastructure**
- **recycling projects, installation of solar energy packages**
- **construction and maintenance of small-scale irrigation systems, soil conservations, small-dam construction, watersheds protection from erosion, management of renewable resources such as forests and groundwater supplies**
- **conservation of common pasture lands, land terracing, land consolidation, construction of biogas plants**