From ‘Solidarity’ to Full Employment:
A Gradualist ELR Plan for Tunisia

Fadhel Kaboub
Drew University
973-408-3764
fkaboub@drew.edu

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)
Short Term Interest Rate & Inflation

- TMM
- Inflation Rate
Per Capita Income

- 1966: 117
- 1975: 310
- 1986: 953
- 1994: 1794
- 2001: 2978
Population Growth Rate

%
Debt Service as a percentage of Export Earnings (1976-2002)
Labor force participation rate by gender (1966-2004)
College Enrollment
Unemployment Duration

The graph shows the percentage of new entrants and previously employed individuals over different periods of unemployment duration. The percentage decreases sharply in the first 12 months, with a slower decrease thereafter, indicating a higher chance of employment within the first year.
ALMP Percentage Distribution in 2002

- Training for employed adults: 5%
- Training for unemployed and/or at-risk adults: 3%
- Training for youth: 35%
- Wage/employment subsidies: 1%
- Youth job entry measures (incl. internships): 3%
- Direct job creation (public works): 10%
- NEF - unallocated: 1%
- Public Employment in Services and Administration: 5%
- Self-employment support (incl. Micro-credits): 41%
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 $3 \times \text{MinWage} = \text{TND 569.4}$ per month

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

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

<table>
<thead>
<tr>
<th>Value Added Tax</th>
<th>Income Category 1 (TND 400-600/month)</th>
<th>Income Category 2 (less than TND 400/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT-0 = 0%</td>
<td>54.5%</td>
<td>58.6%</td>
</tr>
<tr>
<td>VAT-1 = 6%</td>
<td>13.4%</td>
<td>11.3%</td>
</tr>
<tr>
<td>VAT-2 = 10%</td>
<td>11.5%</td>
<td>13.4%</td>
</tr>
<tr>
<td>VAT-3 = 29%</td>
<td>16.3%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Tobacco VAT=135%</td>
<td>4.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
## ELR Impact

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