



Policy Brief 7

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Inter-Regional Inequality Facility
sharing ideas and policies across Africa, Asia and Latin America

National Employment Fund

Tunisia

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Objectives

The National Employment Fund, or 'Fonds National de l'Emploi' (FNE), was established in Tunisia in December 1999. Its aim is to help the most vulnerable categories of unemployed people to find productive long-term employment. It follows on from the success of an earlier initiative aimed at combatting poverty, social exclusion and vulnerability in isolated regions, the National Solidarity Fund, or 'Fonds National de Solidarité' (FNS).

The FNE seeks in particular to promote the labour market integration of two categories of the young unemployed, namely:

- those whose level of education does not give them access to official vocational training provided by official establishments;
- those with higher education qualifications, who have acquired initial training in certain areas but have very few employment opportunities outside teaching.

Description

The FNE aims to reduce unemployment among the most vulnerable categories of job seekers in three main ways:

- first, by improving the employment prospects of job seekers through specific training programmes which both meet the demands of the labour market and take into account their qualifications;
- second, by creating timely opportunities for placements in wage-earning employment;
- third, by promoting business development initiatives through providing funding sources for qualified young people who have difficulty accessing credit.

The FNE is a presidential project, funded by the national budget and directly supervised by the Head of State. It is funded through a combination of gifts and subsidies from persons and corporate bodies, proceeds from privatisation, and tax revenue.

Lessons learned

The FNE has provided a temporary solution to the problem of unemployment among people with low levels of education. It has been welcomed by beneficiaries and their families for enabling young people to obtain training while receiving a minimum income grant. It stems from political will at the highest level of government, and as a result benefits from the full commitment of all the parties involved.

Nevertheless, there are ways in which the impact of the FNE could be enhanced further. These include creating a specialist employment and training unit to develop the content and improve the quality of follow-up training courses, and establishing a monitoring and evaluation unit to measure the impact of the initiative on participants' success in obtaining stable employment. The monitoring and evaluation of FNE operations in terms of permanent jobs is particularly crucial, to avoid the FNE becoming simply a means of providing piecemeal financial assistance. In the longer term, the numbers of job-seekers with no qualifications will be reduced by parallel education reforms, making education compulsory for all up to the age of 15. The main challenge in future will be to find solutions to unemployment among those with vocational training diplomas and higher education degrees.

Background

Employment policy in Tunisia has in the past consisted mainly in broad-based efforts to provide vocational training (e.g. vocational training certificates, technician's certificates) for suitably qualified school-leavers and graduates, in fields and in numbers determined by industry. This has been financed and implemented with the support of the EU and the World Bank.

For various reasons however, this approach – based on feedback from companies concerning employment opportunities – has not been able to deal adequately with the additional demands for employment stemming each year from the numbers of young people entering the labour market. Not least, Tunisian businesses are largely small family enterprises, lacking competitiveness in terms of innovation, gaining new markets and risk-taking. Unemployment in Tunisia has been increasing in recent years, and reached a peak of 15.8% in 1999.

Two groups at particular risk of unemployment are:

- those whose level of education does not give them access to official vocational training provided by official establishments (a common problem in developing countries);
- those with higher education qualifications, who have acquired initial training in certain areas but have very few employment opportunities outside teaching.

The first of these groups currently make up the majority of the unemployed. Around 60% of the total number of unemployed people in 1999 were either illiterate or had just a primary education. (This figure is estimated to have been even higher (around 75%) in 1994, when the proportion of the total labour force with no more than a primary education was higher). The second group makes up a smaller proportion of the total, but one that is nevertheless rising. The proportion of the total number of unemployed people with a university diploma was around 5% in 1999, but had risen to 9.4% in 2004.

To address these problems, it was recognised that a new approach to employment policy was required, which draws on the capacity of other civil society and public sector organisations (as well as the private sector) to identify and generate employment opportunities, and which also helps job seekers to determine and achieve their own employment prospects.

Details

The overall objective of the FNE is to reduce unemployment among the most vulnerable categories of job seekers. It aims to do so in three main ways:

- first, by improving the employment prospects of job seekers through specific training programmes which both meet the demands of the labour market and take into account their qualifications;
- second, by creating timely opportunities for placements in wage-earning employment;
- third, by promoting business development initiatives through providing funding sources for qualified young people who have difficulty accessing credit.

The activities of the FNE differ from those of existing employment

and training programmes in Tunisia, in terms of the flexibility of their design, funding, and implementation process.

Funding

Under the Finance Act of December 1999, the FNE was established in the form of a special account of the Treasury. Its resources are obtained from three main sources:

- gifts and subsidies from persons and corporate bodies, deductible from income tax and company tax;
- a proportion of the benefits from privatisation;
- other allocated resources, including taxes such as that on the sale of cement, introduced in 1993.

(A breakdown of total FNE funding across these different sources is not available.)

Coverage

The activities of the FNE cover the whole of the national territory of Tunisia. However, districts with the highest unemployment rates are targeted as a matter of priority (through the use of quotas), so as to enhance training activities for unemployed job seekers in these areas. These mainly include districts in the south-east of the country which are isolated from the coast, namely Kasserine, Kef, Jendouba, Seliana, and Gafsa.

Eligibility

The FNE's operations target two main types of job seekers. These are:

- a) job-seekers with a higher education diploma, whose initial training provides very few vocational openings outside the public services or the banking sector (e.g. degrees in Humanities and Social Sciences, Arabic Arts, Theology, Economics and Management);
- b) unskilled job seekers, whose age or level of education denies them access to apprenticeship or vocational training (the minimum education level required for vocational training is eight years out of the standard nine years of basic education).

All beneficiaries must first declare themselves officially unemployed, and register with employment bureaux. Among the unemployed who have completed higher education courses, priority is given to those who have been seeking employment for the longest period of time (according to the date they obtained their diploma), and who have never been employed.

Benefits provided

For job seekers with a higher education diploma, there are three main activities provided by the FNE: follow-up training programmes, work placements, and business development schemes.

- i) *Follow-up training programmes.* The idea here is to enhance the employability of job seekers by offering them additional training in areas in particular demand in the labour market, such as information and communication technology, multimedia, and computer technology. The overall training design, organisation and implementation process is undertaken by academic institutions that are remunerated by the FNE. The training generally takes 9 months, two of which are spent in-house, during which all candidates receive a monthly grant of US\$ 130.

Ministries, administrative services, multi-sector technical centres as well as national institutions are requested to propose training

themes that they consider relevant, in terms of employment opportunities adapted to their industry sector or to their specific environment. Training or retraining can also be provided, on an ad hoc basis, to groups of job seekers in specialised subjects that are in high demand, providing the courses are conducted under the aegis of an academic institution. Examples include quality specialists in the hotel industry, coaches for employment agencies, call centre operators and logisticians. All these courses may be developed without necessarily leading to any specific offer of employment, but each trainee is awarded a certificate on the completion of training.

ii) *Work placement programmes.* The idea here is to provide job seekers with work placements in institutions which, owing to a lack of resources, have low levels of management staff, such as local councils and development associations (including those that are registered to deal with micro-credit). The objective is twofold: to improve the operation of these institutions, and to provide employment for qualified job seekers. The new employee's salary is paid by the FNE, on a decreasing scale until the employing institution takes over the payment of the full salary after a period of five years. Graduates with a diploma in Arabic Arts and Humanities can be placed as part-time teachers in adult education programmes (e.g. the National Literacy Programme), for which they receive a monthly payment of US\$ 210.

iii) *Business development schemes.* The aim here is to help new graduates develop their own business, and in particular to overcome the serious difficulties they face in obtaining credit. In Tunisia, commercial banks are only authorised to give credit on the basis of mortgage securities. This requirement excludes most potential micro-enterprise developers. In 1998 however, the Banque Tunisienne de Solidarité (BTS) was established to enable those with potentially profitable projects or income-generating activities to access credit without the need to provide mortgage securities. The FNE gives the BTS a back-up line of credit, to be allocated in the form of loans to graduates, subject to certain conditions ensuring the viability of the project and the solvency of the entrepreneur. Loans to qualified graduates usually have a ceiling of US\$41,000 per approved project, and are subject to a compulsory personal input of 4%. Almost all the credit is to be used to purchase project equipment, but a supplementary grant is also provided to ensure a minimum income until the start of project activities and initial salary payments can be made.

An original feature of the FNE is to encourage university graduates to establish their business in a sector related to the conservation and protection of the environment. Town councils are invited to sub-contract a part of their landscape and embellishment work in the form of concessions given, subject to certain conditions, to micro-enterprises established by graduate job seekers. The success of this tripartite co-operation scheme (i.e. job seekers, FNE-BTS and the public administration) is expected to give rise to other business development and self-employment initiatives.

For unskilled job-seekers, the FNE has developed three different programmes, namely: on-site training schemes, vocational apprenticeships, and micro-enterprise/self-employment development.

i) *On-site training schemes.* The idea here is to provide young job seekers (of ages up to 30) with stable manual employment leading

towards some form of qualification. On-the-job training is given through participation in community work carried out jointly with public and non-governmental institutions. These include town councils (e.g. urban landscaping, embellishment and clean-ing), the National Solidarity Fund (e.g. construction of decent housing for poor families), and primary and secondary schools (e.g. maintenance of the buildings and furniture). Each training course runs for a period of 9 months, during which each trainee receives a daily allowance of US\$3.5 from the FNE. The institution benefiting from the work provides the required raw materials.

The advantage of these schemes is that they provide trainees with a minimum income for a limited period of time, while at the same time giving those who have never worked before some rudimentary manual skills that will improve their chances of finding a job in sectors such as gardening, carpentry, masonry, painting, sanitary plumbing, and so on. On completing the course and following a vocational test, trainees receive a certificate based on the skills they have gained.

ii) *Vocational apprenticeships.* This scheme is targeted at unemployed young people (aged between 15 and 20) with no qualifications at all. On the basis of a training agreement, a qualified instructor (e.g. a skilled tradesman, or a manager of a technical workshop in a private or public company or government department) trains a group of job seekers. The FNE pays the instructor US\$8 to US\$13 per month per trainee. Trainees receive a grant of US\$8 to US\$22 per month depending on the type and duration of the course and the place of training.

iii) *Micro-enterprise and self-employment development.* Through the BTS, the FNE also provides financial support for job seekers who wish to set up their own business and become self-employed. The maximum credit given to unqualified applicants is US\$13,000 per approved project. In areas that are not covered by the BTS, accredited development associations are authorised to provide credit on the basis of certain conditions, and to finance a self-employment project or its expansion, up to the maximum amount of US\$3,500.

Implementation

Implementation of the various programmes of the FNE is the responsibility of regional structures, i.e. the governorate and the different delegates responsible for dealing with employment issues. The latter are responsible for making payments once activities have been completed (e.g. payment of grants, payments to teachers). They also determine the eligibility of applicants in close cooperation with officials of the regional employment departments, in order to register them in training, employment or credit schemes in accordance with criteria established at the national level.

At central government level, two institutions play a key role. The first is the National Authorizing Officer, who controls the FNE budget and who is authorised, following periodical ministerial councils, to release the funds needed to implement planned activities. The second is a co-ordination committee, composed of four officials from the various ministries, and under the supervision of the ministry in charge of employment and training of young people at the regional level. The co-ordination committee sets out the programme of activities planned at the regional level, initiates consultations with the different stakeholders interested in their implementation (e.g.

the Ministry of Higher Education, the Ministry of Defense), submits to the Prime Minister for approval the regulations that will govern each operation, and finalises the programme for funding.

These different institutions are not responsible for fully assessing the programmes of the Fund. The main aspect taken into account in this respect is the number of operations initiated and, more importantly, the number and profiles of the beneficiaries involved in its various schemes. The official in charge of the FNE has the freedom to determine the eligibility of candidates for different training schemes.

Impacts

When it was established in 2000, a budget of approximately US\$42 million was allocated to the FNE. By 2004, expenditure had risen to US\$66.5 million, equivalent to 0.54% of total government expenditure (Table 1). Out of the total expenditure of the programme, the FNE allocates each year a line of credit of US\$25 million to the BTS, to finance the development of businesses and income generating projects. Credit repayments made by previous FNE beneficiaries remain in the BTS funds account.

The number of beneficiaries in the FNE increased by a factor of 2.8 in the first five years of its operation, from 41,500 in 2000 to 118,430 in 2004 (Table 1). Over this period, the cumulative number of beneficiaries (447,290) has slightly exceeded the total number of unemployed documented in 2004 (432,900 unemployed).

Table 1 Expenditure and beneficiaries in the National Employment Fund, 2000–2004

	Expenditure (US\$ million)	Beneficiaries (number)
2000	42	41,500
2001	57	70,550
2002	57	105,980
2003	61.5	110,830
2004	66.5	118,430
Total, 2000–2004	284	447,290

It should also be noted that in 2004, the year in which the general population census was carried out, the number of beneficiaries participating in the FNE was equivalent to 26.5% of the total number of people recorded as unemployed in 1999. At the same time, the last census showed a significant reduction in the rate of unemployment, by 2 percentage points for the country as a whole, and five percentage points in the districts that were particularly targeted by the Fund (Gafsa, Kasserine, Seliana, Kef and Zaghouane). Statistically therefore, there are good reasons for believing that the FNE has directly contributed to reducing unemployment.

Lessons learned

The FNE can be considered a success in terms of providing a temporary solution to the problem of unemployment among young people with low levels of education and qualifications. It has been welcomed by its beneficiaries and their families for enabling young people to obtain training while receiving a minimum income grant. These two elements have a beneficial impact both by stimulating a “work culture” and by promoting individuals’ self-esteem.

The FNE has also provided a model for a decentralised, regionally-inspired policy, with strong inter-ministerial cooperation and, above

all, a strong results-oriented focus. Its programmes are flexible both in design and implementation, and can adapt to different types of training and job opportunities. Perhaps most importantly, as a presidential project funded by the national budget and therefore directly supervised by the Head of State, the FNE is the expression of political will at the highest level of government, and therefore benefits from the full commitment of all the parties involved.

Nevertheless, there are ways in which the impact of the FNE could be enhanced further. These include:

- creating a specialist employment and training unit to develop the content and improve the quality of follow-up training courses;
- establishing a monitoring and evaluation unit to measure the impact of the initiative on participants’ success in obtaining stable employment;
- developing more customised training activities for job seekers, in order to guide them more effectively in their search for employment or in setting up a business;
- involving to a greater extent job seekers themselves, and civil society as a whole, in identifying new stable job opportunities;
- extending across the board the recourse to retired entrepreneurs and managers to coach and sponsor job seekers under the FNE scheme.

Among these, a key issue is the relevance of an evaluation of the capacity of the FNE to help job seekers find stable employment. This is the subject of debate among the various institutional actors. A common view is that the FNE, through the allowances it provides to people who have never worked, has a clear moral and material impact on the beneficiaries, and that this dimension of the Fund can hardly be the subject of an evaluation. However, the monitoring and evaluation of FNE operations in terms of permanent jobs is crucial, and should not be overshadowed by the social dimension of the FNE. This is to avoid the FNE becoming simply a means of providing, through the back door, piecemeal financial assistance to the unemployed. This is the case even if creating a significant number of jobs depends importantly on wider economic and growth factors, on which the FNE has no influence.

In terms of future challenges and prospects, the FNE will be assisted by parallel education reforms making education compulsory for all up to the age of 15, and to a standard giving access to at least some forms of vocational training. If successful, such reforms should reduce the numbers of unemployed job-seekers without any qualifications. This means that the main challenge in future will be to find solutions to unemployment, not only among those who have completed basic and secondary education, but also among the holders of vocational training diplomas and higher education degrees.

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