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“Economic and Social Conditions in Tunisia
and their Impact on Social Dialogue”

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“Economic and Social Conditions in Tunisia and their Impact on Social Dialogue”

First: The central role of social dialogue in overcoming economic crises

There is no doubt that economic crises, which have become increasingly frequent phenomena, represent a serious challenge to governments and social partners in various countries across the world. Moreover, their social implications impact significantly on both workers and employers, and are liable to threaten social cohesion.

The ILO emphasizes that "public authorities cannot alone cope with these crises by taking unilateral decisions; on the contrary, the ILO calls for collective responses, based on genuine cooperation between the tripartite partners. The participation of social partners in the design and implementation of necessary actions and reforms to confront such crises is crucial to achieve the necessary balance between macro-economic stability in terms of growth and employment, on the one hand, and to protect the most vulnerable segments of the population, on the other. In critical circumstances caused by economic suffering and hardships, no alternative exists to dialogue as a tool for successfully dealing with crises, and as an important instrument for appropriate management in undertaking change. It can also facilitate the necessary amendments and reforms during crises in a fair and just way."¹

As such, the issue of social dialogue is of extreme importance and possesses a strategic dimension, since deepening consultation between social partners allows for agreements and consensuses to be reached on the broad outlines of a community pattern which allows for the absorption of shocks and social crises through the mitigation of the negative consequences of liberal policies, thus ensuring the social achievement of these economic policies, and perhaps allowing for agreements to be reached on alternatives.

In Tunisia, however, and in spite of the significant role it has played in the country, historically, social dialogue has often been greeted with hostility. One need look no further than the imprisonment of unionists, or the national economy's periodic ailments, which typically strike the public sector the hardest. The revolution, in which trade unionists played a major role, never succeeded to change this reality. Yet, in developed countries, social dialogue witnesses a resurgence in times of crisis. This is further corroborated by an ILO study which states that "the global economic downturn in 2008 emphasized the role of the tripartite social dialogue between governments, workers' organizations and employers' organizations as one of the key components of strategies for recovery from the crisis,

¹ ILO (2014), statement by the Director-General at the ninth European Regional Meeting in Oslo, Norway, April 11 to 8 / April 2013.

whereby social partners cooperate to design suitable responses to the challenges inherent in safeguarding employment and enhancing enterprise sustainability. In many countries, tripartite consultations on ways to respond to the crisis led to national tripartite agreements and other collective arrangements. Measures taken on the basis of these agreements and arrangements helped the concerned countries to mitigate the consequences of the crisis and accelerate the pace of recovery.”

Below we shall review the economic crisis in Tunisia, and its most important social repercussions and impacts on social dialogue.

Second: Major economic issues

Since the early eighties, many Third World countries, particularly in Latin America and Africa, found themselves obliged, under the pressure of severe financial crisis, to relinquish their strategies and national ambitions in self-development, in favor of adopting corrective policies known as "**structural adjustment programs**", under the influence of such lenders as the **World Bank** and the **International Monetary Fund**. These programs, applied in a large number of developing countries, have been similar in nature, in that their prescriptions have commonly fallen within the theoretical bases of the developmental example approved by the Washington Consensus, which favors the adoption of neoliberal policies. In spite of the revolution, this is still the dominant trend in Tunisia. Since the mid-nineties, globalization has made it so that developing countries are often coerced into signing free trade agreements, such as the 1996 Free Trade Tunisian-European Convention.

Below we summarize the most important features of the developmental model which has been applied in Tunisia, and is still in effect to this day:

1. The State's withdrawal from its role in controlling the market and prices, and its reduced employment of mechanisms which allow for the allocation of resources aimed at correcting market imbalances (social protection, pricing, subsidies, etc.).
2. Privatization of public institutions and the establishment of private monopolies in formerly State-controlled sectors (electricity, telecommunications, etc.).
3. Neutrality in investment stimulus regulations (i.e., excluding public choices and sectoral strategies).
4. Liberalization of internal trade through the easing of prices and distribution outlets regulations; the liberalization of foreign trade through the dismantling of tariff protection; liberalization of exchange; the elimination of administrative licenses; the abolition of restrictions on exchange, etc.
5. Abandonment by the central bank of its policy of intervention in the financial market, and its adoption of a policy of financial liberalization through lesser control on interest rates; currency convertibility and freedom of exchange, etc.

This model, which remained in effect even after the revolution, has resulted in several complex dilemmas, which can be separated into economic and social concerns.

1. **Growth without development:** Economic growth encapsulates a cumulative action quantifiable via the analysis of production increases; whereas development is a multi-dimensional and long-term action. Excluding post-revolution mishaps, Tunisia went on achieving an average growth rate of 4.5% – 5% basically dictated by internal demand. Such growth rates are strongly associated with the capabilities of the farming sector, which is dependent on climate conditions. In spite of the state-controlled developmental strategies, which were first implemented during the sixties, extended during the outside world-oriented paradigm of the seventies, and even further into the liberal-style institutional adjustment program of the eighties and the nineties’ stress on free exchange, Tunisia’s slow growth pattern was labeled satisfactory by several specialists. Some studies, however, including those prepared by the World Bank, indicated that the absorption of the additional job demand would require a growth rate of at least 8 percent. Notably, required growth rates must be reconsidered if we are to take into account the explosion of unemployment in the wake of the revolution. Besides, economic, social, and cultural development institutions, as well as infrastructure layouts, did not witness any tangible change and remained all reflective of the image of a backward country. Social and economic institutions in Tunisia, a country which was mainly subject to state-planned policies during the sixties, did not keep up with demographic growth and diversity, nor the increase of public needs, or the increasing social demand for various services. It failed, too, in responding to the economic demand for the various administrative and technical services presented to institutions. The state of deterioration of major infrastructure facilities and public facilities (roads, railways, dams, bridges, airports, cultural, educational, and sports institutions), as well as terrible seasonal and structural unemployment, all point to the fragility of the economic pattern in our country; the “pattern of growth without development”.

Forecasts of the five-year plan (2016-2020) for the gross domestic product (GDP) growth by sectors are summarized in the table below:

GDP at constant prices	Share of the GDP	2011-2015	2016-2020
GDP growth		1.5	4
Farming and fisheries	10.5	4.8	3.6
Plant industry	16.7	0.4	3.8
Non-plant industry	11.9	0.4-	4.1
Prompted services	41.1	1.5	4.7
Unprompted services	19.8	4.8	2.9

Source: Ministry of Development (2016), the five-year development Source: Ministry of Development (2016), the five-year development plan from 2016 to 2020, Tunisia

Sources of growth according to the same source as follows: (by percentage)

GDP at constant prices	2011-2015	2016-2020
GDP growth	1.5	4
Import	0.1-	3.6
Export	1.1-	4.4
Private consumption	3.7	3.8
Public consumption	4.2	2.9
Investment	2.9-	9

Source: Ministry of Development (2016), the five-year development plan from 2016 to 2020, Tunisia

2. **A non-integrated, aggressive production system** which is strongly dependent on imports, resulting necessarily in poor added value and a weak operational capacity of industrial production, especially for qualitative employment centers.
 3. **Investments closely linked to incentives** and institutions placed mostly at the bottom of production chains, resulting in a weakness in relations between the domestic production sectors. Weak balancing of internal motives: Investments employed in Tunisia create greater growth and are more important when functioning on behalf of major suppliers of the institutions, especially European.
- * **Private investment:** Since the adoption of the institutional reform program, and since the State began abandoning all productive activities, private investment was not able to counterbalance the decline in public investment, which remained weak, especially in the inner areas. At the national level, this type of investment represented, over the past years, only about 18% of GDP during the 2011-2015 period, compared to 30% in Morocco and Asian countries. Therefore, the ability of private investment to create jobs remained weak.
 - * **Public investment:** In spite of all exerted efforts, public investment in infrastructure has remained generally inadequate, in addition to the fact that it has been relatively pinned down in the capital and coastal areas, while in inner areas claims of infrastructure fragility remained common. This basically explains the weakness of private investment, in view of the motivational effect of public investment, especially in areas such as infrastructure. The percentage of completed public projects did not exceed 36% during the 2011-2015 period.

Estimates regarding the five-year plan from 2016 to 2020 suggest that investment will grow at a rate of 11.8% at current prices, reaching 114 billion TND, compared to the 1.4% growth of 79.6 billion TND during 2011-2015. The investment ratio will rise by two points to reach 22.1% of GDP by 2020, compared to the 19.4% figure in 2015. According to the same estimates, public investment share, which fell from 43.7% of overall investment to 37% between 2011 and 2015, will continue to recede in favor of private sector shares, which are predicted to rise from 56.3% to 63%. The five-year plan forecasts that an amount of 10.7 billion TND in foreign investments will be contracted between 2016 and 2020.

4. **Disrupted financing for private investments**, in the absence of a financial market which is able to represent a confluent interface between financiers and potential users of capital. In the cash market, junior banks primarily assume consumption funding, covering mostly imported goods such as automobiles and construction materials, and imposing aggressively high prices, especially since those banks impose interest rates beyond what is applied by European banks as they do not abide by such rules as cautious easing. This was revealed in the form of the financial scandals that came to light after the revolution, and which involved public and private banks alike.

5. **Fragile and weakly structured private sector**, precluding the creation of economies of major scale with the capacity to innovate and the ability to negotiate when making deals: Only 0.7 percent of the economic fabric is made up of institutions which employ more than 50 workers. In manufacturing industries there are 5,500 institutions employing more than 10 workers, representing 5 percent of the economic fabric – half of which is owned by foreigners. Companies lack ambitious productive or commercial strategies; some of them turned into commercial agents between the global and the local markets.

6. **The bankrupt and dominated public sector**, lacking coherent and forward-looking public policies, has been remarkably harmed by the logic of appropriation which followed the revolution. While the financial results of major institutions classified as "complaining of financial difficulties" (46 institutions) were positive before the revolution, with an estimated surplus of 61 million TND in 2010, results for the same institutions deteriorated to a deficit of 1,200 TND million in 2013. Moreover, deficit among the remaining public institutions, labeled "accumulated losses" (39 institutions), increased from 1,683 million to 3,002 million TND within the same period.

7. **Competitively weak exports sector**, dominated by foreign institutions that operate under the free zone system (offshore), making them completely separated from the national economy. It is an artificially tonic sector with generous incentives and rigid preferential advantages based on low wages.

8. **Excessive public debt**, estimated in 2015 at more than 46 billion TND, over 60 percent of which external in origin, reaching 52.7% of GDP. This jeopardizes future generations' chances of development due to the ill-fated effects necessarily caused to the total developmental performance of the State. This began to emerge through the amount of deficit in the State general budget, reaching about 4.5 percent for the year 2015. It is also worth noting that three of the four major international sovereign rating agencies proceeded to lower their classification of Tunisia, which opens the door to more unfair lending terms.

Estimates regarding the five-year plan for 2016-2020, however, forecast that the state budget deficit will decrease to 3.3% per annum, compared to the 5.2% registered during the 2011-2015 period. In turn, public indebtedness is also thought to decrease, reaching 52% of GDP in 2020 – down from the 2015 figure of 54.1%.

9. **A record external public debt** amounted to 26,416 million TND in 2015, of which 22 percent correspond to two party debt, representing 45.1 percent of available income.

10. **Irrational governance** in the state departments has hindered the emergence of a rule of law-governed state, the activation of business freedom and respect for the rules of the game: The departments of finance, customs and taxes come in first place as the most vulnerable to denouncement, simultaneously being the most vulnerable to interventions and disgraceful practices by the regime. Not even banks have been spared such unjust actions.

11. **Dominance of the parallel economy:** in spite of the lack of statistical figures regarding the informal sector, it is quite clearly growing. In the absence of clear and genuine job opportunities, a large number of the working population has turned to the informal economy. Most activities involve trading in goods coming from neighboring countries, such as Libya and Algeria. Informal sector activity seriously damages the formal economy, as well as decent work standards, and decreases individual income and tax revenues.

12. **Corruption of the business environment:** Before January 14, 2011 the Tunisian economy was characterized by the existence of legal provisions which are equivalent to, if not higher than, those in developed countries. The problem remains on the table mainly with regard to the level of effectiveness of these laws, which generated a lot of uncertainty and negatively impacted private investment; as a result of lack of separation between the legislative, executive and judicial authorities. The confusion between the State and the ruling party contributed to the distortion of the rules of the game, and led to a deterioration of the business environment. This deterioration has been manifested in:

- A lack of transparency and equity at the level of the rules of the game; for instance, nepotism prevailed in all the qualification criteria pertaining to public hiring processes.
- The slow organizational structure of the administration, which prompted some officials to engage in a corruption system which has brought in additional institutional cost.
- The complexity and ambiguity of the tax system, which have encouraged tax evasion and corruption.

Third: Major social issues

1. **A two-sided, exclusionary development model.** **Firstly**, at the social level, it excludes fragile social strata by means of low wages and scarce stable job opportunities, on the one hand, and the decline of social transfers, on the other. **Secondly**, on the provincial level, it has excluded inner areas, largely leaving them to fend for themselves, as opposed to applying direct, objective measures aimed at attracting private investment, or encouraging citizens to remain in those areas. Furthermore, the areas are also excluded from public investment programs in favor of the coastal areas. The only attention given to these areas has come through the "Presidential Programs" to build some small mountain lakes or temporary agricultural tracts, or through ad hoc interventions and other scattered

subsidies. All such projects perpetuate fragility and represent a social and non-economic handling of the marginalization issue. For its part, **exclusion affects women** on more than one level. **Firstly**, at the labor market level, women are modestly represented (25.7% in 2015), due to the persistence of such discriminatory practices as the singling out of women in light of their traditional homemaking and childrearing roles. **Secondly**, in what concerns access to jobs, it is pertinent to underline how unemployment rates among women largely exceed those among men. It is also worth mentioning how women's professional status suffers from particular fragility, and how they are more exposed to substandard working conditions, especially in such sectors as farming, cleaning, and housekeeping where they are commonly subject to exploitative practices. Lacking social security coverage, representative workers' organizations, and wage standards, such women live in extremely precarious professional situations. Lastly, it is important to mention the exclusion of women from the higher-rank administrative positions, which account for 12% of all public occupations. A greater representation of women was found among lower and middle-rank positions.

2. **Unjust tax collection:** This is represented in the dysfunctional structuring of the State's taxation of consumers and civil servants, on the one hand, and, on the other, in the exacerbated tax evasion, and the breaches of tax duty, which result from an estimation system which benefits luxurious categories. About 68 percent of the own resources in the public budget for the year 2015 were derived from collection resources. The privatization of public institutions over the years deprived the State from other constant resources. Directly collected taxes for the year 2015 totaled 7,775 million TND, split into 4,655 million TND (59.9 percent) in income tax, and 3,120 million TND (40.1 percent) in company taxes. Of these, 14.1 percent was paid by oil companies and 26.0 percent by the Tunisian private and public companies. This unfair tax structure can only be found in underdeveloped countries.
3. **Endemic structural unemployment:** As of May 2015, the number of unemployed had reached 605.1 thousand people, up from May 2009's figure of 491.8 thousand people. This increase has seemingly been the consequence of the phenomenon of awakening dormant unemployment, which exploded and expressed itself after the revolution.
 - a. **By gender:** In May 2015, unemployment affected women (22.2 percent) more than men (12.4 percent), a structural factor which has been worsening over the years: In 2005, the rate of unemployed females was 15.2 percent versus 12.1 percent for males. The proportion of unemployed university graduates rose by about 16 points within the same period, from 14.4 percent to 30.0 percent.
 - b. There are also stark differences at the provincial level: 8.9 percent in May 2015 in the East-Central region, versus 26.1 percent in the Southwest, and up to 27.9 and 30.0 percent in Tataouine.

4. **Severe provincial imbalance:** a product of the exclusionary development pattern, which focused on the major urban areas and consumption basins, following the example of infrastructural institutions mostly inherited from the colonial period. The Provincial Development Index for 2015, ranging between 0 and 1, showed that the Tunis province recorded the best index value, of 0.76, against 0.250 in Kairouan, 0.234 in Jendouba and 0.231 in Kasserine.

5. **Damage to the ecological balance and sustainable development kits:** It should be noted how the environment in Tunisia has suffered the painful consequences of imprudent policies and a developmental pattern which largely disregards the preservation of the environment and the conservation of scarce resources. The major issues related to environmental deterioration may be monitored in the following points: The over-exploitation of limited water resources, the endangerment of marine biodiversity, pollution caused by industrial production, and the increased production of waste, along with the weak destruction and recycling thereof, in spite of efforts made to the contrary. Moreover a number of specialists believe that the environment has become the first victim of the post-revolution Tunisia, mainly due to the decline in administrative control. An alarming diagnosis has shown that, out of 121 industrial areas in the country, only 15 abide by acceptable ecologic standards. The "National Agency for Environmental Protection," has only 24 observers spread throughout the country, and the "Environment Magazine" has yet to be issued.

5. **Poverty:** According to studies on the public budget, and consumption and living standards for families in the year 2010, the poverty rate at the national level had reached 5.15% (the extreme poverty rate, in turn, reached 4.6% in 2015), against 4.32% in 2000. Furthermore, these figures fail to illustrate the disparities to be found between groups and factions. Namely, poverty (especially extreme poverty) has been found to be more prevalent in non-urban, i.e., rural, communities. Regions in the North-West, the Mid-West and the South-West remain among the poorest areas. Less poor regions, however, are not immune to the existence of pockets where high levels of poverty are present. We note that, as a result of this social regional disparity, poverty has become cyclical. In other words, the poor pass poverty on to their children, insofar as their social mobility is restrained. This is particularly true seeing how education has lost much of its role in social mobility (higher unemployment rate among graduates).

Fourth: A reflection on social dialogue

There are several institutions in Tunisia for national dialogue, in form of supreme councils of an advisory nature, relating to several fields such as vocational training, employment and planning. Social dialogue institutions in the narrower sense are virtually nonexistent; even the National Committee for Social Dialogue, created in the 1996, did not issue bylaws until 2000 and has not even met to this day. But social dialogue in its broader sense has evolved in Tunisia since 1973, when negotiations on common social contracts were launched.

Despite its limitations, social dialogue has allowed for the achievement of numerous results, commonly in the form of general agreements on certain sectoral or public policies, such as the common framework for contracts, the outlining the bilateral dialogue, the amendment of the labor code in 1996, and some social reforms, such as reform of the health insurance system in 2004. The policy of agreements started since 1973 and the agreement was signed between the social partners since 1990 to review the joint agreements every three years. In the last round of negotiations, 52 collective agreements and 20 institution contracts were signed.

Independent social dialogue between workers' and employers' organizations, however, is nonexistent, and there are no institutions to carry out such dialogue or legal texts to organize it. Representatives of these organizations meet exclusively to negotiate major revisions of wages and some other organizational issues such as professional classification, which is organized and supervised by representatives of the State.

The main characteristics of social dialogue in Tunisia are as follows: A comprehensive centralization and an intense governmental supervision in the private sector; the absence of independent dialogue between social partners; absence of a legislation to ensure sustainability; compulsory and ineffective social dialogue; the ineffectiveness of partner parties in social dialogue, and their failure to extend social dialogue to include a significant number of the workforce, particularly in the agricultural sector, the informal sector, and many services and activities which still lack professional frameworks and trade union representation. It should also be noted that the substance of social dialogue is inadequate and overwhelmed by objective demands and, in some cases, work conditions and related issues. It does not, for instance, touch on such key issues as vocational training policy, employment strategies, or collection and distribution policies, which are among the most relevant topics of social dialogue in developed countries. It is hoped, though, that the social contract signed between social partners will enable the parties to overcome this deficiency in view of its comprehensive dimensions.

Social dialogue in Tunisia is beset by several obstacles stemming from a lack of political will, the absence of tripartite or bipartite social structures, a weakness in effective cooperation between social partners, and the economic difficulties enshrined in the State budget and in the insufficiencies of the private sector.

Following the revolution, social dialogue recovered and achieved significant results, including the abolition of subcontract methods in the public sector, the revival of several frozen agreements, and the conclusion of a social contract between the parties, with a liberal content (see box of text below).

However, social dialogue relapsed into a crisis shortly thereafter, particularly in the private sector. The economic dialogue declined following the launch of the national dialogue in 2014, due to the Government's refusal to incorporate the issue of tax evasion under the influence of the Tunisian Union of Industry, Trade and Handicrafts, the union did not join the committees until after having protested against this issue. Several ministries did not comply with the agreements signed with the unions, even after their publication in the Official Gazette. This prompted unions to carry out protests, which inflamed

public opinion against unionists. The situation in the public sector remained critical until the beginning of 2016, when a three-year agreement was concluded. However, the revival of social dialogue by the National Council, as stipulated in the social contract, remains marred by uncertainty. With regard to the private sector, social dialogue is going through a period of severe crisis, due to the refusal by the Tunisian Union of Industry, Trade and Handicrafts to negotiate. Furthermore, it has refrained from implementing the agreements in some sectors.

In 2014 the Ministry of Social Affairs recorded 451 strikes, compared to 255 in 2010. These protests resulted in the loss of 255 thousand working days – a steep rise from the 134 thousand working days lost in 2010.

The pressures caused by the global financial policies on the State budget, particularly conditional loans and the consequences of global trade agreements on the balances of the private sector, put social dialogue under constraints and impasses. It remains limited to objective demands, and does not address broader national issues and the impact of international policies.

The social contract between the social parties in Tunisia

The idea of a social contract rose during a tripartite seminar conducted with support from the International Labor Organization (ILO) and the Belgian Ministry of Labor, in Tunis, on 24 and 25 May 2013, to launch the social dialog promotion project. An agreement was signed providing for the formation of a tripartite working group composed of the Tunisian Government, the Tunisian General Labor Union (“**UGTT**”) and the Tunisian Confederation of Industry, Trade, and Handicrafts (“**UTICA**”) to host periodic meetings in order to draft a project paper covering the logistic aspects. Many weekly sessions were held between the parties, which were able to overcome many difficulties and reach a consensus on commonly controversial issues. The contract was signed between the social partners at a formal ceremony held in Parliament on 14 January 2014, corresponding to the third anniversary of the revolution. Despite the insistence the UGTT on inserting social contract into the country's new constitution, this did not occur due to opposition from some influential political parties in Parliament; however, the legal wording of the social contract has not been issued until today.

Social Contract Provisions (an extract of the contract)

1. Economic growth and regional development

"The three partners agreed on the need to build a national consensus on the importance of establishing a new pattern of development in the context of a participatory approach between the government and the economic and social actors to be based on the following grounds:

- * Developing a more efficient, more competitive and knowledge and innovation based economy.
- * Achieving comprehensive growth by promoting high operational economy especially in the inner areas to support the social cohesion and reduce the disparity between the groups.
- * Drawing regional development plans which appreciate in particular capabilities of actors and their wealth and preferential advantages, as part of a new approach dedicated to decentralization and local democracy.
- * Maintaining the sustainability of the environment in order to achieve sustainable development that benefit the present and future generations

2. Employment and vocational training policies

- * Undertaking a comprehensive reform of the education system in various stages in order to produce outputs that fit with the needs of the economy in terms of skills and competencies.
- * Establish a participatory national system of foreseeing and media in the field of human resources preparation.
- * Abiding by the principle of actual participatory between the social partners to set and implement a national strategy for the employment, monitoring and evaluation thereof, and activating the principle of participatory in handling the basic and continuous vocational training sector in accordance with good governance standards which imply a periodic evaluation, in addition to respecting the tripartite principle and an equal number of representatives of the parties in the composition of the concerned institutions.
- * Creation of a system to upgrade competencies who are able to maintain the continuity of the institution and jobs and to secure career path for workers enabling the re-integration of the unemployed in the professional life.
- * Creation of a national system for evaluating professional skills and competencies.
- Establishing a national system to encourage the acquisition of basic competencies.
- Reforming mechanisms of briefings and escort for job seekers.
- Encouraging the gradual transition from the informal sector to the formal sector.

3. Labor relationships and decent work

Adoption of a new pattern of labor relations based on four elements:

- Labor legislation that supports employment and promotes the delegation and achieves optimum employment of human resources taking into account institutional variables and supports institutional sustainability and competitiveness and devotes decent work with its four strategic objectives in accordance with the concept of the International Labor Organization and ensure social protection for all workers.
- Adoption of a continuous training system throughout the professional life as a right and duty of the worker and the institution alike.
- Creation of a three parties financed insurance system to cover the loss of jobs within an independent fund involving laid-off workers for economic or technical reasons as well as job losers for reasons beyond their control as a result of the sudden closure of the institution. This system is a three-finance
- Further advancement of occupational health and safety

4. Social protection

- A comprehensive review of the social security systems of various branches in the light of a study to be conducted under the supervision of a steering committee, comprising the signatory parties to the social contract.
- The need to rehabilitate the public and the private health sector.
- maintain the financial balances of the social security systems while improving the profitability of investments and to diversify funding sources.
- The need to establish a rational system of governance in the management of social funds and action to alter boards of directors on regular basis among the social partners.

5. Tripartite social dialogue institution:

The parties to this contract agreed on the creation of the National Council for Social Dialogue. The council shall enjoy administrative and financial autonomy and shall have tripartite equal representation; composition of this council and mechanisms to appoint its members shall be agreed between the parties to this contract. Among its most important tasks:

- Ensure the continuation of dialogue, regularity and comprehensiveness of the issues of concern to the three parties.
- Follow-up of the general social climate and monitoring the extent of respect for social legislation.

- Consider all matters relating to trade union organizations of workers, employers and the extent of their representation.

The council shall be consulted mandatorily in all legislation drafts that have a direct or indirect relationship with the social domain. The Council may automatically assume economic and social issues related to labor affairs and professional relationships that it deem suitable to raise them and make proposals to the competent authorities accordingly.

Fifth: Major economic and social priorities in the short and medium term

Given the worsening economic crisis, which has caused high unemployment, and since the swearing in of a new Prime Minister and several Ministers, social dialogue is today absent from Tunisia. In order for economic activity to regain its vitality, a reorganization of priorities is urgent, in order to prevent fragmentation and the dispersal of capabilities.

- If we take into account the composition of the prevailing political scene today, it would be unrealistic to expect an agreement on an alternative developmental model or on a strategic vision about the economic future of Tunisia on the horizon for the medium-long term.
- Accordingly, it is of no importance to discuss a comprehensive economic project; pragmatism and realism dictates the need to agree on a two-stage economic rescue plan: **urgent priorities** need to be drawn and implemented in under two years, maximum, and **subsequent measures** must be correspondingly implemented, beginning now, with a medium term deadline, or about four years at the most.
- Instant formation of the National Council for Social Dialogue is an essential sine qua non and an ideal framework for the optimal design of participatory policies, capable of responding to the country's various priorities. The broad acquisition of programs and plans, along with their collective implementation, is likewise urgent.

Below we briefly list a number of priorities, and certain strategies and mechanisms to be implemented for effective response:

2/ Urgent priorities of today

1. Youth Employment

- * Remove procedural, real estate, and other barriers preventing the establishment of structured private companies with great employment capability.
- * Graduate training on professions in demand.
- * Review applicable employment policies.
- * Strengthen the provincial public sector with suitable structures.

- * Revive the Private Projects Bank both nationally and provincially.
- * Include the free movement of persons in the trade negotiations with the European Union.

2. Development of inner regions

- * Provide local authorities with a more active role.
- * Creation of public projects to counteract isolation, and support the attraction of investments (qualitative rehabilitation of the two types of networks, roads and railways; provide administrative and technical guidance for investors), promote the capabilities of institutions and families (public projects in education, health, and culture to be implemented, in a push to improve lifestyle).
- * Adoption of positive differentiation in public investment and in the incentives system for private investment.
- * Determine the comparative advantages of each party and propose economic projects to be supported and valued.
- * Local exchange of agricultural and natural resources between parties.
- * Investment in eco-tourism (antiquities, forests and desert).
- * Qualitative rehabilitation of the traditional industries sector.

3. Preserving the purchasing power of citizens

- * Review of prices and reconsideration of the organizational role of the State, particularly in sensitive items.
- * Adoption of a modern competition policy to combat speculation and the forming of monopolies, and strive to reduce the number of intermediaries.
- * A bold reform of the distribution paths.
- * Periodic review of wages within social dialogue.

4. Eliminating severe poverty, afflicting about 5% of the population, as part of the minimum social protection floor (socle social minimum), increase minimum wage rate, and promote basic health coverage for all. Seek to support the creation of income, rather than consumption.

5. Combating smuggling and the parallel economy

Reconciling of the security approach with the gradual and non-confrontational socioeconomic approach.

- * More firm role for the concerned institutions.
- * Turn organized trade into a more profitable alternative to parallel trade.

- * Limit parallel trade in local products.

6. Eliminate tax evasion and social evasion

This depends on the modernization of the tax administration as a top priority for increasing the value of extracted receivables for the State and the social security funds; in addition to requiring access to markets and public services for tax clearances.

7. Reducing the fiscal deficit and public debt

- * Increasing the amount of income tax on high income.
- * Increasing collection of other dues, such as royalties, and breaches and violations fees (about 5 thousand billion TND), which balances debt and supports the budget.
- * Scrutiny of real expenses of subsidies.
- * Prevent the misuse of subsidies.
- * Reduce the cost of the poor efficiency of the institutions concerned with subsidized items. (Clearer formulation.)
- * End legal and illegal tax evasion. (Export, farming, fishing.)
- * Reduce the cost of maintaining the administration structure.
- * Limiting external indebtedness to finance major public projects.

8. Sustainability of the social security system

- * Adoption of reforms within the framework of a participatory and progressive approach.
- * Begin with flagrant cases, such as the retirement earnings of members of the House Representatives and Government members in order to bring about positive impact and equitable conviction in shared sacrifices.
- * Disengagement between the concepts of social security and social solidarity.
- * Activate collection of dues of social funds with private and public employers by combating social evasion.
- * Ensure the independence of social security funds and the adoption of principles of good governance.

9. Control the discrepancy in foreign balances

- * Limit the deterioration of the Tunisian Dinar exchange rate by adopting effective monetary policy, contrary to the recommendation of the International Monetary Fund to reduce central bank intervention in the foreign exchange market.

- * Reducing the excessive resorting to external debt and considering domestic borrowing as an alternative (the success of the Regional Development Fund provides a valuable example).
- * Halt the importation of prestigious goods.
- * Adopt a compensatory trade regime (commerce de compensation) by requiring Tunisian exports of goods secured by suppliers in exchange for their imports (50% in the automotive sector, for example).
- * Independence vis-à-vis the International Monetary Fund, to resort to domestic debt rather than foreign borrowing.
- * Activating protective items included in international trade agreements. (Clauses de sauvegarde.)
- * Removing obstacles and complications for exporters' access to non-European markets.

3/ Future challenges (within four or five years and is assumed to commence immediately in parallel with the immediate priorities)

1. Modernization of public administration

- * Digitization of management and adoption of good governance mechanisms.
- * Ensuring access to information.
- * Orientation and training of assistants in fields of pioneer international experiences; encourage the promotion of outstanding competencies.
- * Remedying the serious lack in certain sensitive departments such as extraction, monitoring and technical briefing.
- * Provincial coverage with numerous departments.
- * Independence from political pressure centers.

2. Restructuring of the production system both in the public and private sectors

- * Adoption of ambitious sectoral policies by the State in fields such as industry, energy, agriculture, tourism, financial services and other areas.
- * Integrate the private sector in these policies through the adoption by companies of bold and State-subsidized local and global production and marketing strategies. (Clearer formulation.)

- * Advancing strenuously towards an economy based on three main sectors (strategic public sector, competitive private sector, and social solidarity sector).
- * Promotion of foreign investment attractiveness by providing skills instead of lower costs.
- * Gradually achieving an integrated, comprehensive, competitive and non-dependent industry; as well as a diversified, biological, and modern agriculture, using exploitative methods which ensure self-sufficiency; achieve high quality and competitive services; develop more diverse and innovative tourism (environmental), in order to attract hard currency.

3. Restructuring strategy for public institutions and bureaucracy consistent with the restructuring of the productive system

- * Purging of public banks in the context of maintaining a large public bank with majority of public capital and the adoption of market principles in management.
- * Restructuring of public institutions undertaking marketing activities in the direction of adopting competitive rules.
- * Rehabilitation of public services in order to reduce the cost of poor efficiency, particularly in sensitive sectors such as energy and transport, which is borne by the rest of the institutions and beneficiaries.
- * Applying good governance rules, particularly the accountability of managers.
- * Adopting rules of conditional incentives to be linked with results in order to increase competencies.

4. Encouraging social economy and economy solidarity

- * Areas: Minor professions, sailors and small farmers, traditional industries.
- * To ensure interests coordination through collective potentials and to facilitate access to the supply, promotion and funding markets.
- * The National Conference on Employment produced a number of consensus proposals and perceptions.

5. Qualitative rehabilitation of the vocational training system: implementation of the set strategy after review and actually frozen since three years:

- * Adopting a professionally and socially sound rewarding training policy (*promouvante*).
- * Qualitative rehabilitation of the training centers in the direction of technological upgrading.
- * Rehabilitation of trainees.

- * Improve the residential conditions of young trainees.

6. Reform of higher education and scientific research system: Implementation of the reform ready a year ago, which was a subject of a social consultation. Major features:

- * Defending the sustainability of free higher education and the credibility of private education.
- * Application of evaluation system easing measures.
- * Reform training courses.
- * Establish credible partnerships between the public and private sectors with regard to the form of the joint construction of tracks and applied research.
- * Enhance employment.
- * Improve living conditions and scholarships for students and improve the working conditions of the teaching staff.
- * Reconsidering the university map (designated, regional, assembling, redeployment).
- * Adopting a national strategy for national scientific research allowing sufficient room for cooperation with the economic fabric.

7. Reconsidering international trade relations:

- * Conclude comprehensive, not just commercial, economic agreements.
- * Negotiate the freedom of movement for individuals, transfer of technology and scientific cooperation.
- * Reduce the emphasis on relations with the European Union and diversify international markets.

8. Completion of reform of the tax system:

- * Increase the extraction and not the tax.
- * Encourage efficient income declaration (many measures are possible).
- * Reconsider tax exemptions for some sectors (agriculture and export).
- * Gradually phase out the lump purchase system.
- * Creation of a special system for the parallel sector.

9. Adopt a sustainable future policy for urban planning:

- * Address the isolation issue through the qualitative development of infrastructure and connectivity with major cities.

- * Improve attractiveness for investors.
- * Improve the ability of attracting people through the improvement of life quality.

10. Collective ownership of a system of values and references that can promote respect for human rights, good performance of duties, work culture, citizenship, integrity and impartiality of institutions, accountability of officials, permanent and regular dialogue in an institutional framework which deepens the work culture and the culture of institution.

References

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