

بحث ميداني من اعداد الشباب العامل

واقع الاقتصاد الغير المنظم في تونس من خلال الناشطين فيه

تشخيص الواقع والحلول الممكنة

كريم الطربلسي



"منشورات قسم المرأة والشباب العامل والجمعيات"

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تشخيص الواقع والحلول الممكنة

Survey prepared by union youth

Current State of the Informal Economy in Tunisia as seen through its Stakeholders: Facts and Alternatives

Reality diagnosis and perspectives

Karim Trabelssi



Foreword

With the rapid growth of Tunisia's informal economy in recent years, our national union has sought effective solutions to ensure decent work for the hundreds of thousands of low-wage workers who receive few, if any, social protections in the informal economy.

The Tunisian General Labor Union (*Union Générale Tunisienne du Travail*, UGTT) encourages economic research that offers workers' perspectives, especially from within the informal economy. Therefore, we greatly value the data and recommendations of this study, which provides a robust platform for identifying solutions that reflect our commitment to ensure informal economy workers have access to decent wages and social benefits.

The study clearly stresses the close link between the informal economy and smuggling activities, making this an even more urgent issue, one that should spark immediate action by nongovernmental organizations and the state in countering smuggling and thereby reducing the professional, social and health threats and risks created by the informal economy.

UGTT is well aware of the considerable impact of tens of thousands of informal economy workers, and is concerned about the economic and social cost of the rapidly expanding informal economy. Because the informal economy neither contributes to the nation's fiscal base, nor offers workers social security protection, it is a serious challenge that must be addressed so as to ensure a national economic recovery and decent working conditions and social justice for all workers.

Finally, I would like to express my gratitude to young workers within the UGTT and to the Solidarity Center, as I acknowledge the outcomes and recommendations of this study and recommend they constitute the base for development of a union strategy toward the informal economy. In the absence of field studies and scientific research, this study represents a major step forward in examining the informal economy in Tunisia and its broad economic, social and cultural aspects.

**Secretary General
Houcine Abbassi**

INTRODUCTION

Young labor union men and women activists recognized that the revolutionary movements that began December 17, 2010, and that led to the deposition of a dictatorial regime on January 14, 2011, clearly reflected “the brittleness and failure of an economic system relying on an inefficient and hybrid model.” This study builds on that awareness and examines Tunisians’ rejection of the neoliberal processes that are “further widening the gap between regions and social categories and creating additional burdens on national companies” resulting in the loss of tens of thousands jobs, the deterioration of decent working conditions and the emergence of temporary jobs, flexible contracts and the exacerbation of subcontracting and informal employment. All these unstable job patterns have worsened unemployment among university graduates.¹

The absence of a strategy to address the growth of the informal economy and its links to smuggling networks stems in large part from a lack of accurate statistical and sociological data. Such information would enable the integration of informal sector into the formal economic cycle, which would enhance the state’s fiscal and tax resources and reinforce decent job conditions and social protections.

Many young people from across the country have worked in conjunction with the Solidarity Center and the Unemployed University Graduates Union on a field survey to analyze this phenomenon and to suggest some realistic approaches to address it.

I would like to thank the young workers concerned about social and national issues for their commitment to develop their economic, social and political capacities. I also want to express my gratitude to the Solidarity Center for support provided to the UGTT Women, Working Youth and Associations Department, best reflected in this study about the Status of Informal Economy in Tunisia through its stakeholders: Facts and Alternatives.

**Deputy Secretary General
In charge of Women, Working Youth and Associations
Samir Cheffi**

¹ General Statement issued by participants in the 22nd Congress held in Tabarka in 2011

Facts and Alternatives

Karim Trabelsi²

Executive Summary

The goal of this study is to explore alternatives for addressing the economic, and social ramifications of Tunisia's informal economy by starting with a thorough examination of the sector's characteristics. A field survey was conducted among 1,128 informal economy workers and was developed and implemented by more than 100 union volunteers from the Tunisian General Labor Union (Union Générale Tunisienne du Travail, UGTT) representing nine Tunisian governorates or regions.

The study is based on a two-pronged methodology: 1) a synthesis of various reports and studies related to the informal economy in Tunisia and 2) an analysis of the outcome of a field survey conducted on the informal economy with the aim of identifying its characteristics.

The first part of the study describes the rapid growth of this phenomenon. In the past three years, the informal economy accounted for 38 percent of the gross domestic product (GDP) in 2013, compared with 30 percent in 2010. This increase is primarily due to a widening gap between income generated by the formal and informal sectors. The study shows that workers in the informal economy on average make 18,725 Dinars annually (this study does not wish to suggest that this income is distributed equally), an amount that is double that of a civil servant's annual income. This wage gap compares workers in the same sector, mainly in construction, where the largest number of informal economy employees are concentrated.

It was also clear through the study that the informal sector is closely linked with smuggling and black market activities, especially in the regions bordering Algeria and Libya. The reinvigoration of smuggling and similar business activities is also due to the considerable price differential of some commodities, mainly tobacco and fuel.

²Union activist and academic, expert for the Studies and Documentation Department at the Tunisian General Labor Union (UGTT).

Our analysis of the field study shows informal economy workers strongly resist moving to the formal sector. Survey participants stated that overall, they are satisfied with their income, even as they are aware of the risks—such as a lack of health insurance, safety and social security. Most informal economy workers try to find the difficult balance between making a living and taking high risks. The analysis has also shown that young workers in the informal economy have unstable employment in tourism and other sectors.

On the other hand, the impact of smuggling activities on the informal economy is obvious, because many self-employed workers purchase smuggled products, mainly in the Kairouan area, strategically located at the crossroads of suppliers of smuggled products and the distribution channels that serve the country's regions. Finally, the analysis shows a growing satisfaction among self-employed workers regarding income generated through smuggled products.

The study also resulted in numerous recommendations classified under the political and institutional category, and a specific programing category.

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I. General Introduction

The study directly addresses three significant issues that characterize the informal sector in Tunisia with regard to trade union activities:

- 1- **The scarcity of studies and statistics concerning informal economy workers and their role in the overall economy after the revolution.** Only three studies can be referenced: the first was made by the Industry, Trade and Handcrafts Federation in 2012,³ the second by the World Bank⁴ in 2013 and the last by the Center for Social Research and Studies in 2013.⁵ The three studies included important information that will be used later in support of the survey's findings.
- 2- **The rapid proliferation of the informal economy in the past three years.** The World Bank's most recent study shows that the informal economy results in 1.2 billion Dinars in annual losses to the Tunisian budget, which represents 7 percent of the government's fiscal revenues. This badly impacts public spending in terms of investments and impedes the realization of the economic and social rights sought by the UGTT, a national organization striving to defend the rights of workers and underserved social categories. The informal economy also results in considerable financial losses for social security funds that are now facing structural deficits that must be covered by the national community working mainly in the structured and formal sectors.
- 3- **Workers in the informal economy lack basic decent work conditions such as social protection, health insurance, professional security and union rights and freedoms.** This sector represents an incubator for precarious work that poses risks and threats for informal economy workers and their families. In this regard, the study has taken into consideration the significant economic role played by informal workers and their efficient contributions in improving the living conditions of tens of thousands of Tunisian families. It also stresses the need to break negative stereotypes about workers in the informal economy because they are full citizens and should therefore fully enjoy their social, economic and civil rights as provided for by the new Constitution.

³Hernando De Soto (2012), "L' 'économie informelle' comment y remédier?," UTICA.

⁴World Bank (2013), "Estimating Informal Trade across Tunisia's Land Borders."

⁵Nidhal Ben Cheikh (2013) "L'extension de la Protection Sociale à l'économie informelle à l'épreuve de la Transition en Tunisie," Centre de Recherches et d'Etudes Sociales.

Based on these facts, it is clear that “regulating the informal economy” represents a major economic and social challenge and may offer key solutions to the economic and social problems faced by Tunisia since the revolution.

Several international organizations and institutions have suggested practical policies and mechanisms to ensure a progressive shift from informal economy to a more structured one. While these recommendations should be considered when developing strategies and policies to address the issues raised by the informal economy, any efficient solution must also take into consideration the specific Tunisian context because as we will see later in the study, it differs from many other experiences. Consequently, any solution must be based on a thorough examination of the informal economy sector in Tunisia, in cooperation with its stakeholders who best know and understand their own conditions, challenges and governing factors.

II. Issue and Research Methodology

The study, in part based on a field survey among 1,128 informal economy workers, raised a number of research questions: What characterizes informal sector workers in Tunisia? How can we overcome the challenges that prevent workers from moving to more structured economic activities? Is working in the informal sector done by choice or is it a necessity? What is the relation between the informal economy and smuggling or underground trade activities? What can be the role of civil society organizations, such as the UGTT, to help address the phenomenon of the informal economy?

To answer these questions, this study is based on a two-approach methodology: 1) a synthesis of various works and studies related to the informal economy in Tunisia; and 2) an analysis of the outcome of the field survey conducted on informal economy with the aim of identifying its characteristics.

The study is made up of three main parts. The first includes a general description of the informal economy sector in Tunisia. The second part analyzes and interprets outcomes of the field survey conducted among informal economy workers. The third part lists recommendations and alternatives suggested in light of the survey.

III. General Description of the Informal Economy in Tunisia

It is difficult to accurately define the informal economy. The concept, first used in the early seventies by the International Labor Organization (ILO) in K. Hart's 1972 study of Kenya, has been called an "unstructured economy," a "parallel economy," and an "underground economy," among other descriptions. The ILO's definition, examined below, is most commonly used by experts and researchers in this field.

III-1 Definition of the Informal Economy

According to the ILO, the informal economy refers to "all economic activities performed by economic workers and companies not covered by legal and regulatory procedures, i.e., they work beyond the legal formal structure and are not registered or organized according to work legislation and social security regulations."⁶

The ILO links the informal economy with precarious employment marked by low wages, absence of social security and safety conditions and a lack of healthcare. Workers in informal economy in countries throughout the world are more exposed to all forms of discrimination, violence, exploitation and sexual harassment than are workers in the formal economy.

Although many factors are behind the growth of the informal economy, experts agree that the failure of countries' economic and social policies have reduced job opportunities in the formal economy. As the ILO report states, "the main reason leading to the informal economy is the failure of different policies to create formal job opportunities and hence absorb newcomers to the job market, and also the failure to offer alternatives to workers trapped in informal economy activities."⁷

This assessment indicates that working in the informal sector is not a choice but a necessity. This theory is important to consider in our study of the informal sector in Tunisia.

III-2 Outline of the Informal Sector in the World and ILO Approaches

The informal economy is a worldwide phenomenon, as shown in Table 1, which highlights the considerable scope of the problem, especially in Southeast Asia,

⁶ ILO (2014): "The Move from Informal to Formal Economy," ILO Conference 2014.

⁷ Motto.

where informal workers represent more than 82 percent of nonagricultural workers.

Table 1 – Informal (Non-Agricultural) Workers Compared with the Formal Labor Force

Country/Region	Rate
Southeast Asia	82 %
Sub-Saharan Africa	66 %
Latin America	51 %
Eastern Europe	10 %
North Africa & Middle East	42 %

ILO (2014)

We note that the most developed countries are also concerned by the surge the informal sector, which accounts for about 9 percent of the GDP in the Europe-28 region.

As a leader in the study of this phenomenon, the ILO introduced a report to the agenda of the 113th Session of the 2014 ILO Conference discussing how to facilitate transition from informal economy to the formal one, including numerous solutions for discussion between social stakeholders, listed as follow:

- Improve work legislation and social security systems in order to enhance decent work conditions.
- Reduce transition costs to the formal economy and remove administrative procedures and impediments.
- Reinforce the formal sector by implementing the minimum wage system and increase work performance.
- Encourage informal entrepreneurs to join efforts in forming associations and alliances in what is referred to as the social economy (mutual companies, cooperatives) to ensure progressive transition to the formal sector.

These recommendations aim at implementing a comprehensive international policy, one that takes in consideration the specific characteristics of each country and the growth and complexity of informal activities.

III-3 Comprehensive Economic Vision for the Informal Economy in Tunisia

As previously stated, a few papers have examined the informal economy sector in Tunisia and they provide the following key data and information:

- ✓ The informal economy represented 30 percent of the Tunisian GDP in 2010,⁸ which then increased to 38 percent in 2013.⁹ In 2012, some 524,000 out of 616,000 businesses (85 percent) operated in the informal sector.¹⁰
- ✓ In 2010, there were 961,275 workers in the informal sector, representing 37 percent of the private-sector workforce. This rate increases to 52 percent in the agricultural sector.¹¹
- ✓ The informal economy results in an estimated 1.2 billion Dinars annual loss of budget revenue (World Bank 2003).

These are the main data points provided by studies that address the informal sector in Tunisia. However, these studies do not take in consideration other secondary factors, including:

- a) Dual employment, i.e., individuals employed by the formal sector but who also simultaneously undertake activities in the informal sector.
- b) Formal or structured sectors that acquire services and products from the informal sector, which may imply that the informal sector is far bigger than the data would suggest. The National Statistics Institute will conduct a poll in 2014 that offers a major opportunity to identify the scope of informal activities within the national economy.

These data, although limited, show the importance of the informal economy and its rapid growth, and impel us to look further into the reasons that account for this phenomenon. To do so, we synthesized the three studies.

III-3-1 Interference and Connections between the Informal Economy and Smuggling Activities

There is an obvious strong linkage between the informal economy and smuggling and underground activities, particularly in regions along the borders

⁸ Report of the International Monetary Fund about Informal Economy in Tunisia (2010), reported by Kapitalis, Businessnews and other specialized sites.

⁹ World Bank (2013), op. cit.

¹⁰ H. De Soto (2013), op. cit.

¹¹ Nidhal Ben Cheikh (2013), op.cit.

with Algeria and Libya. Smuggling has become popular mainly because of the large price differential between numerous commodities (Table 2).

**Table 2: Comparison between Prices of Some Commodities in Tunisia, Libya and Algeria
(Tunisian Dinar, 2010)**

Product	Unit	Price in Tunisia	Price in Libya	Price in Algeria
Diesel fuel	1 liter	1.57	0.19	---
High quality tobacco	1 pack	5	---	1
High quality cheese	1 kilo	30	15	10
Banana	1 kilo	3	1.5	---
Air-conditioner	12000 btu	900	560	---

World Bank (2013) edited

The big gap in prices, especially that of fuel, represents a significant incentive for informal workers as it enables them to generate considerable profits: Truck drivers, for example, may receive between 300 Dinars and 1000 Dinars for one trip between Ben Guerdane and Tripoli, in addition to other profits on logistics. Significant financial incentives and the absence of development activities in their regions that could offer decent work in the formal sector push informal workers to take important risks and face threats associated with smuggling and underground activities.

It is important to note that the informal sector is well interconnected with the formal economy, as a large number of smuggled products are sold in regular commercial shops in around the country, in addition to well established industries that acquire smuggled diesel brought in from Libya and Algeria. Latest data show that nearly 20 percent of diesel and gasoline used nationwide in Tunisia is acquired from such underground networks.¹²

III-3-2 High Personal Income in Informal Economic Activities

In support of what was said previously regarding high income generated by informal activities, we will now try to estimate the annual income generated by informal sector workers based on 2010 economic data.

¹² According to statements of the CEO of the Tunisian Oil Activities Company, Al Magheb Paper, April 19, 2014.

Nidhal Ben Cheikh, a researcher, has estimated there are 961,275 informal economy workers in Tunisia, as shown in the following table:

Table 3: Workers in the Informal Sector by Activity – 2010

Type of informal activity	Number	Rate of private sector workers by activity
Employee	393,958	25%
Employer	567,317	55%
Total	961,275	37%

Cheikh based his estimates on R. Hussmanns’s cognitive framework by comparing data available at the National Statistics Institute and the National Social Security Fund. Table 3 shows a 55 percent increase in the number of employers compared with only 25 percent in the number of employees.

On the other hand, a 2011 IMF study found that the informal sector represented 30 percent of the GDP in 2010. Using a global economic approach, we may consider the share of informal sector workers to also represent 30 percent of the GNI (Gross National Income) in 2010, i.e., nearly 18 billion Dinars. Consequently, the personal annual income of informal economy workers averages 18,725 Dinars per individual (dividing the overall GNI by the number of workers (this study does not wish to suggest that this income is distributed equally). To better explain this calculation, Table 4 compares the income of informal sector workers with other job categories in the structured economy and stresses the considerable difference between them.

**Table 4 - Differences in Personal Income between Informal Sector workers and Other Jobs
(Tunisian Dinar – 2010)**

Average annual income of an informal sector operator	Tunisian household’s average annual expenditure	Civil servants’ average annual income	Average annual income of a private sector employee
18,725	11,100	9,960	6,684
Difference	68%	88%	180%

Allowing that this income is not distributed equally, table 4 shows the considerable difference between personal income of workers working in the informal sector and other job categories, a difference that may rise to 180 percent compared with employees working in the private sector.

We note that the calculation of personal income of workers in the informal sector simply represents an average and does not take into consideration differences between employers and employees. To better understand income within the same sector, Table 5 shows the monthly income of construction workers in the formal and informal sectors, knowing that the construction business monopolizes 72 percent of informal employees or 283,650 workers.¹³

Table 5 – Monthly Income of Construction Workers in the Formal and Informal Sectors in 2013

(Based on 26-working days per month)

Monthly income of workers in the formal sector (Tunisian Dinar)	Monthly income of workers in the informal sector (Tunisian Dinar)	Difference
360	570	58%

Based on data provided by the UGTT General Construction and Carpentry Federation

Table 5 shows that the personal income of informal construction workers was 58 percent higher in 2013 than the income of workers of the formal sector. This means that the informal sector generates better income, which leads workers to forgo the social benefits offered by the formal sector, including social security and health insurance.

The national social security fund offers its members benefits unavailable to informal economy workers who, as a result, may experience considerable losses for themselves and their families. Some of the basic social benefits—in addition to retirement pensions—include death benefits, single wage benefits, family allowances, child care and kindergarten allowances, benefits provided to divorced women, severance pay for employees losing their jobs for economic reasons and credits or loans with preferential rates. As a result, the higher income generated in the informal sector does not compensate for the insecurity of informal economy workers and that of their families.

IV- Analysis of the Situation of Informal Sector Workers through the Field Survey

More than 100 UGTT volunteers conducted the field survey in the first phase of our research on the informal sector. Due to the voluntary aspect of this research and the lack of resources, the survey was limited to questions

¹³ Nidhal Ben Cheikh (2013), op.cit.

concerning: 1) satisfaction about income and perspectives for development of their activity; 2) awareness about health care risks, professional safety and access to medical care; and 3) the interface between informal activities and smuggling. The conclusions of this survey are limited to the questions asked.

The survey covered 1,128 informal workers and the sample was chosen based on the following criteria:

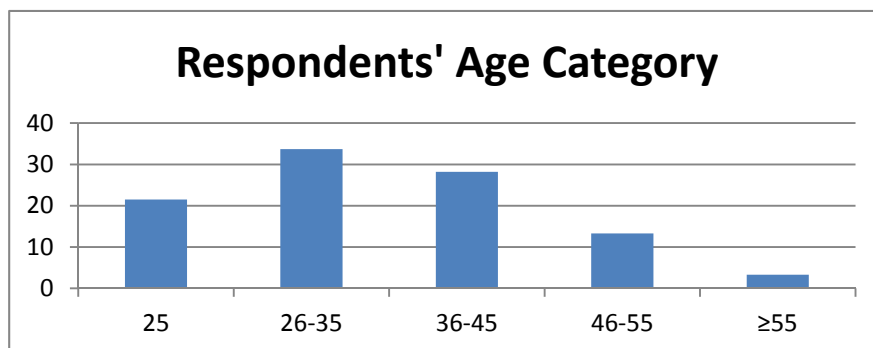
- **Gender distribution:**

Table 6 shows that the gender distribution of the sample corresponds to the labor market's characteristics in Tunisia, as women represent 36 percent of Tunisia's total workforce.

Gender	Number	Rate
Men	748	66.2%
Women	380	33.7%
Total	1,128	100%

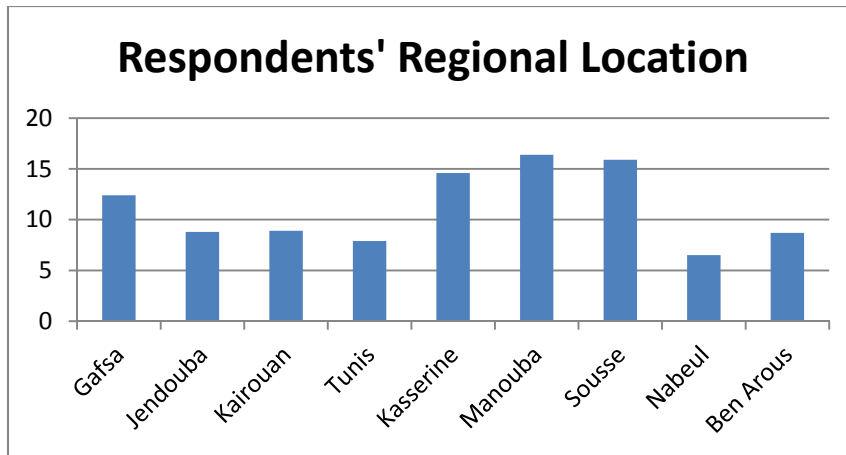
- **Distribution by age range:**

The selected sample includes 62 percent between age 26 and 45, corresponding to the national rate of workers of this age category (64 percent).



- **Distribution by region**

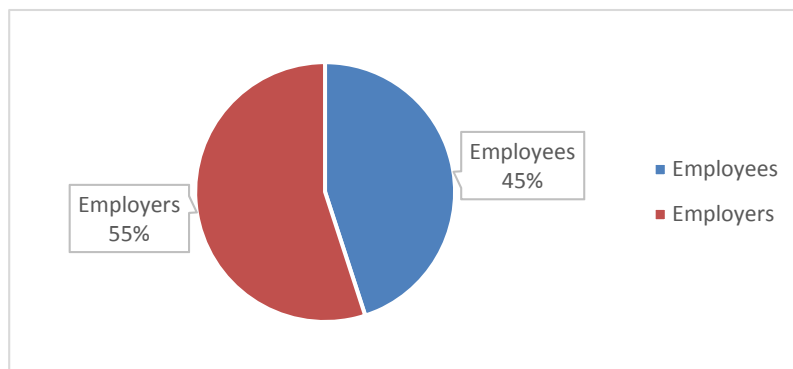
The survey was conducted in nine Tunisian regions located in the country's north, center and south) as shown in the following figure.



The large number of respondents in the Greater Tunis area (32 percent in Tunis, Manouba and Ben Arous) reflects the high population and workforce density, and ranged between 25 percent and 30 percent, according to data provided by the National Statistics Office.

- **Distribution by type of activity**

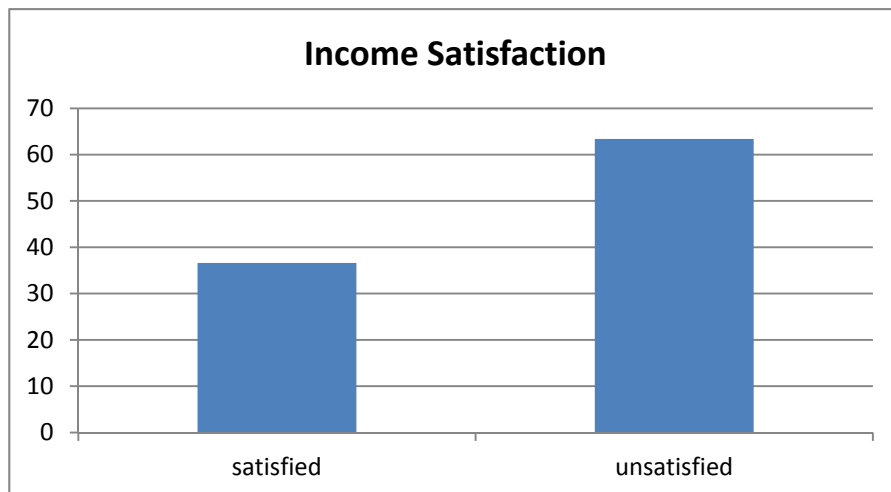
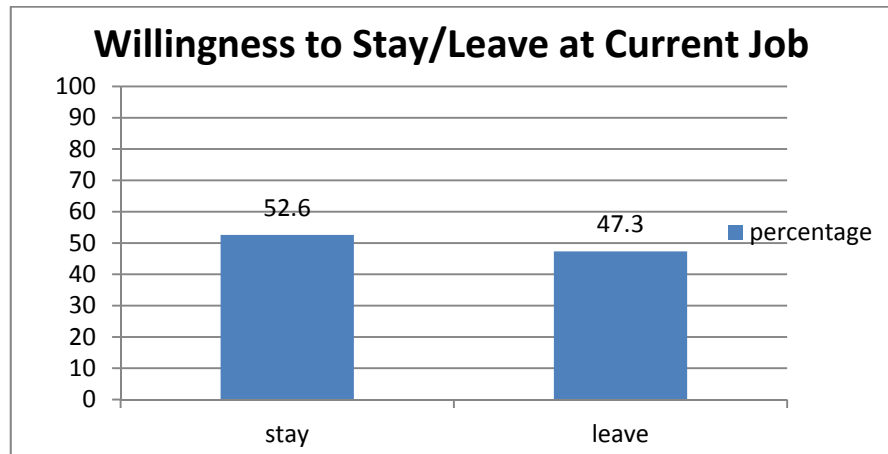
A study by the Center for Social Studies and Research finds that 59 percent of workers in the informal sector are employers and 41 percent are employees. We observed similar rates for the distribution of respondents according to the type of their activity.

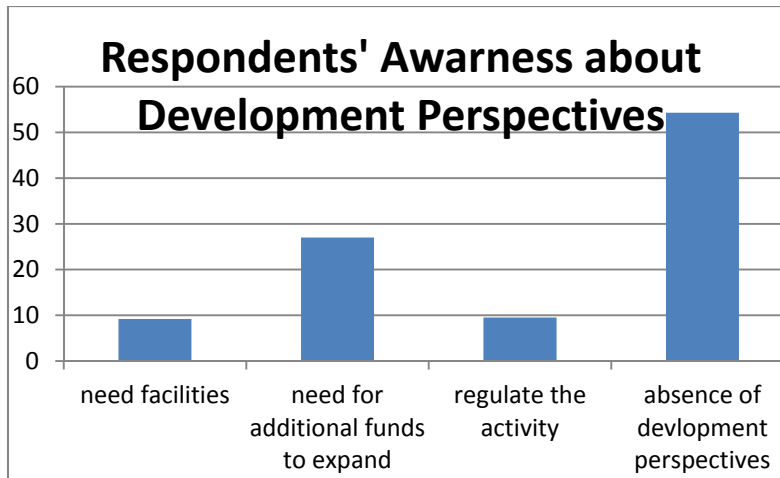


IV-1 Evaluation of the Rate of Satisfaction about Income and Activity Development Perspectives

The three charts below show numerous key indicators about the relatively high satisfaction rate, with nearly 36 percent of respondents saying they are satisfied with their income versus 64 percent who are not. Results of a

comparative analysis reflect differences in terms of satisfaction between sectors, and more than 54 percent of employers in the informal economy say they are satisfied, while only 17 percent of informal economy workers express satisfaction with their income. On the other hand, more than 50 percent of informal sector workers' state they would not be willing to give up their current jobs, which indicates a resistance to shifting into the formal sector. The figure illustrating business development perspectives clearly shows that only 10 percent of all respondents hope to formalize ("regulate") their informal activity, while 53 percent say they do not have specific views about developing their activities.





The above three charts confirm previous statements concerning the increased income of informal workers, offering factors that could explain the high degree of satisfaction workers in the informal economy express about their conditions as well as the intention of most of them to continue in the same process. This reflects a specificity of this sector in Tunisia and the existence of a “resistance force” against any move to the structured and formal sector.

IV-2 Risk Assessment

- **Healthcare and professional safety**

The table below shows that more than 68 percent of respondents are aware of the health and safety risks they face. If we relate this data with the degree of satisfaction about income and the lack of interest in dropping out of the informal economy, we can say that many informal workers would voluntarily choose to continue their activities—despite the risks—because they generate considerable financial gains and do not have to bear high costs of regulations, tax duties and social security contributions.

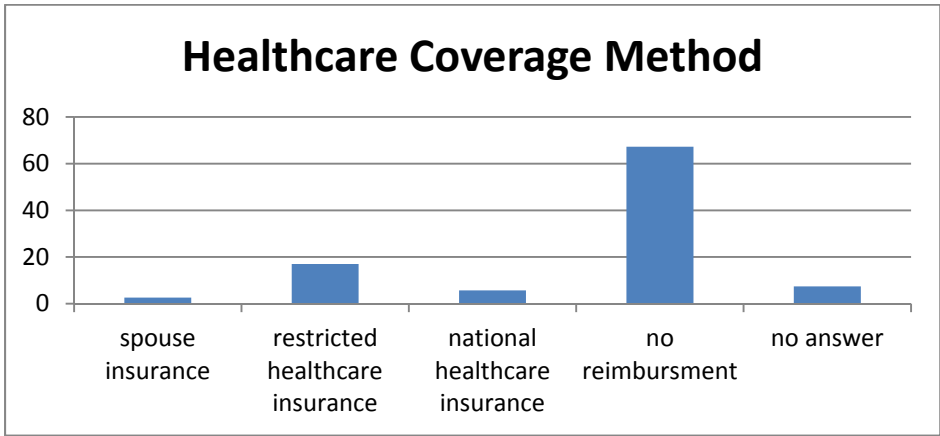
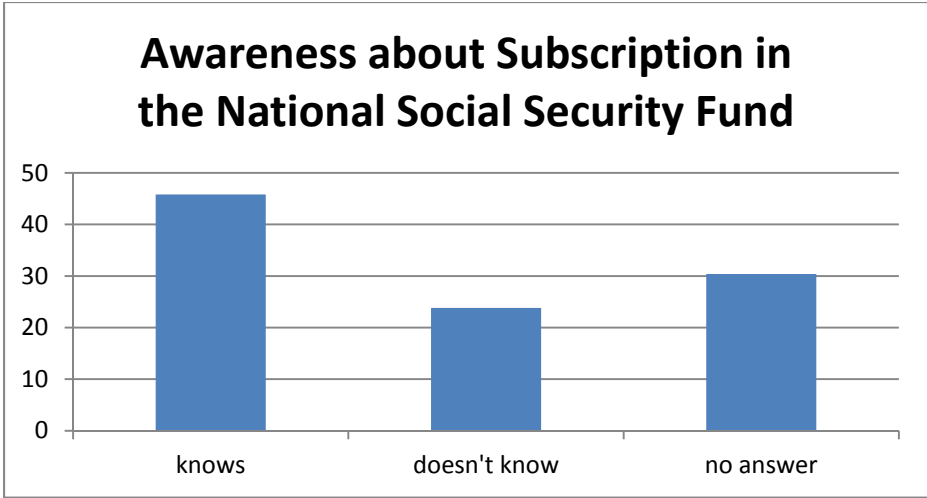
Awareness about Risks Related to Professional Health and Safety by Type of Job

Sector	Scope of risks	
	High	Low
Agriculture	70.6%	29.4%
Tourism	3.33%	66.7%
Construction	95.2%	4.8%
Trade	61.9%	38.1%
Education	66.7%	33.3%
Textile industry	29.5%	70.5%
Transport	72%	28%
Various activities	70.9%	28.8%
All sectors	68.4%	31.6%

This paradox is clearly obvious for construction workers, since 95 percent of them admit that their occupation presents high risks in terms of health and security. Nevertheless, the construction sector attracts 72 percent of informal economy workers at the national level. As for other sectors, the table above shows that the perception of risk is rather high and exceeds 70 percent in the transport, textile industry and agricultural sectors, which are known for their precarious health and safety conditions.

- **Access to medical care and social protection**

In addition to the fact that informal workers are not covered by any retirement system, the analysis of our survey shows that workers in the informal economy also lack medical coverage: 67 percent of total respondents stated they did not have any system to reimburse their medical expenses, while 17 percent hold the national healthcare card (white register). On the other hand, 8.3 percent said they were otherwise covered, either through a family member's health insurance such as a spouse (2.7 percent), or a family member subscribed to the National Healthcare Insurance Fund (5.7 percent).

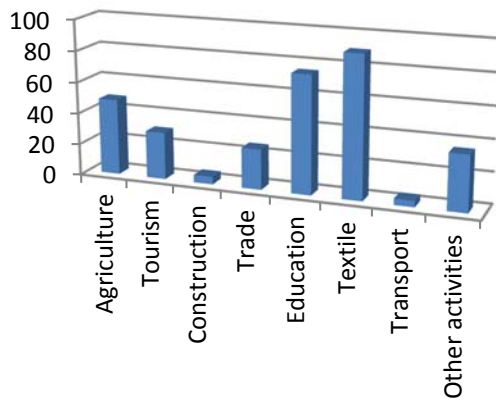


As for subscription in the National Social Security Fund, 45 percent of all respondents say they are aware of the option to join the system yet are not covered by any social protection. This may be due to the high costs of subscribing to the fund, which costs employees roughly 8.47 percent of salaries and costs employers roughly double that amount (16.57%) in expenditures. These rates are relatively high with regard to salaries and Small & Medium Enterprises' (SME's) capabilities, and may result in employers' making false declarations about the real number of their staff.

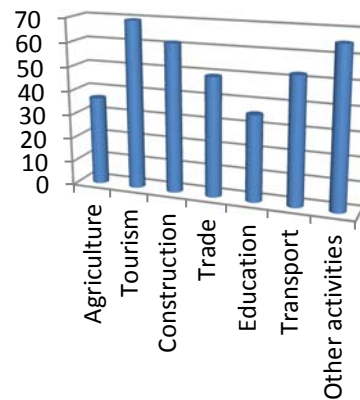
IV-3 Sector Distribution of Activities Performed by Women and Youth

The cross-analysis of data did not reflect the opinions of women and young workers regarding their income or development perspectives, or their awareness about risks. On the other hand, the analysis shows interesting results about the sectoral distribution of activities performed by women and youth¹⁴ in the informal economy as illustrated in the two following figures.

Women's Jobs by Sector



Young Worker Jobs by Sector



The figure on the right shows that youth tend to work more in tourism (69 percent) and in other sectors that do not require specific skills (65 percent), which reflects professional instability among youth. We also note that data generated by the survey confirm that tourism activities are mostly seasonal and offer low wages, which have been further impacted from the deterioration of security conditions over the past two years which badly impacted tourism.

On the other hand, the figure on the left shows that women extensively work in the textile sector where they represent more than 80 percent of the labor force. High numbers of women also work in education, where they constitute 73 percent of the workforce.

¹⁴ Age 35 years or younger, per UGTT's standards.

IV-4 Interference between the Informal Sector and Smuggling

The close links between informal economy activities and smuggling have been confirmed through data yielded by the field survey. The following table shows that 27.5 percent of informal economy employers rely on smuggled products in their activities, compared with 66 percent who utilize the formal market and 6.4 percent who access only use home-made products.

Supply of Workers' Informal Activities

Supply mode	Number	Rate
Smuggled products	171	5.27%
Structured economy	410	66%
Home-made products	40	4.6%
Total	621	100%

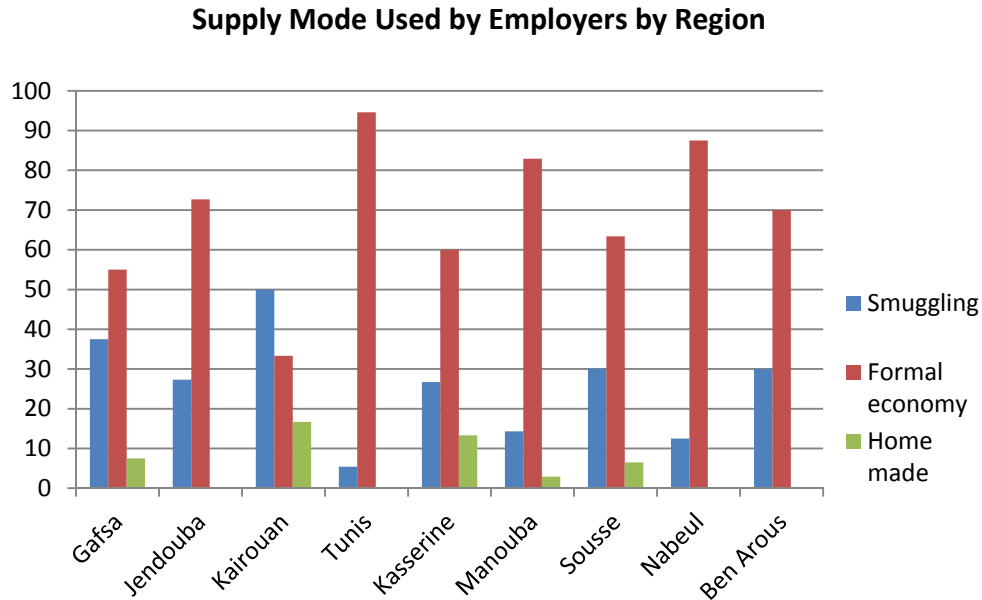
As stated above, the income satisfaction rate among informal economy employers (54 percent) exceeds that of informal economy employees (17 percent). This rate is even higher for informal workers who trade in smuggled products, because it enables them to further increase their income in comparison with other informal workers.

Satisfaction Rate about Income According to Supply Mode Used by Employers

Supply Mode	Satisfaction rate	
	Satisfied	Not satisfied
Smuggling	67.7%	32.3%
Structured economy	51.1%	48.9%
Home made products	65.2%	34.8%

Finally, the cross-analysis between supply modes and regions reflects a clear discrepancy between the regions in terms of activities that rely on smuggled products. The following figure shows that that nearly 50 percent of informal economy employers in Kairouan are supplied from underground smuggling channels for their activities. Despite the distance from the Libyan and Algerian borders, Kairouan enjoys a strategic location, is close to most important areas

such as the Sahel, the North and the West, and hence may represent a crossroad for smugglers and trade circuits. This can be seen clearly in Bouhajla, home of the majority of underground workers due to the absence of development projects and decent jobs in the structured sector.



V- Main Results and Recommendations of the Study

V-1 Summary of the Study's Findings

The first part of this study resulted in a number of findings, the most important of which are listed below:

- In our review of the most important reports on Tunisia's informal sector, we note that it has significantly expanded over the last three years, accounting for 38 percent of GDP in 2013 compared with 30 percent in 2010. Reasons for this growth can in large part be attributed to a wider gap between income generated by the formal and informal sectors. The study has shown that the informal sector generates an average annual income of 18,725 Dinars for a worker in the informal economy, which represents double a civil servants' annual income (this study does not wish to suggest that this income is distributed equally). This gap also concerns workers in the same sector. For instance, the monthly income of construction workers in the informal economy is 50

percent higher than the income of their counterparts in the structured economy. Further, the construction sector attracts 72 percent of all informal workers nationwide.

- The study of the informal sector in Tunisia stresses the difficulty of measuring the full scope of the informal economy due to its intricate overlapping with the formal economy, for instance, because of dual employment, or use of smuggled products used by companies in the formal sector. The poll that will be carried out by the National Statistics Office (in June 2014) constitutes an important opportunity to measure the scope of the informal economy and the precise number of informal workers and workers.
- The study has also confirmed the big impact of smuggling on informal economic activities. Smuggling is mainly due to the large difference between prices of some commodities in Tunisia, Algeria and Libya. This is particularly true for fuel, as smuggled diesel represents 20 percent of fuel used by the national economy, according to the Tunisian Oil Activities Company.

The second part of the study revealed results of the field survey as follows:

- A high satisfaction rate about income, mainly by informal economy employers (54 percent). The survey also revealed a strong resistance on the part of many informal workers to move to the formal sector including employees, as more than 50 percent say they plan to continue doing their business while 10 percent only of all responders expressed their hope to start new careers in the formal sector;
- Most informal sector's workers are aware of risks they face in terms of health and professional safety (65 percent). However, the level of awareness varies according to the sector, with the highest rate in construction (95 percent) followed by the transportation sector (70 percent). The survey also showed that 67 percent of informal workers lack medical insurance, and only 17 percent hold medical cards (white register), while 8.3 percent benefit from health care coverage provided by a family member.
- A new attitude has now emerged among a large portion of workers in the informal economy—the search for balance between generating income and the level of risk of their activities. This shows that informal activities can generate considerable income, which encourages workers

to give up social benefits offered by the formal economy, such as social protection, health insurance and professional safety.

- Resistance by informal workers to join the national social security fund, although a large proportion (45 percent) are aware they have the option to register in the system. This may be due to high subscription fees, discouraging employers to declare their staff and their wages.
- Lack of stability for young workers in the informal sector. Young workers are largely present in tourism (69 percent) and in related work (65 percent). Tourism activities in Tunisia are seasonal, while other related work typically requires specific skills, making it difficult for young workers to find permanent employment.
- Confirmation of the large impact of smuggling on informal economy, with 27.5 percent of informal workers obtaining their products through smuggling channels. This rate varies according to the region, and may go up to 50 percent in Kairouan due to its strategic location which makes it a crossroad between smuggled and underground channels from various parts of the country.

V-2 Recommendations

The growth of the informal economy is a global phenomenon affecting a variety of countries, including the most developed. Growing the security forces to combat it cannot be the only way to address the issues raised by a thriving informal sector. Solutions must stem from a global analysis of society, one that takes into account local economic characteristics, especially the contextual needs and conditions of informal sector workers.

With this in mind, and based on our analysis, the study recommends the following:

- ✓ At the level of institutions and policies:
 - Initiate a tripartite dialogue among social partners to find solutions to address this phenomenon in a consensual and participatory way. The first part of the study has shown that the three social parties are negatively affected by informal economic activities. The “National Council for Social Dialogue” created within the 2013 Social Contract may constitute the most suitable vehicle, as parties try to define the new development model for Tunisia. This model will rely on new investments and on high-value added sectors that will bring growth to

underserved areas and offer job opportunities and decent work conditions in the formal sector.

- Improve the legal framework, regulating professional relations by reviewing the Labor Code, reinforcing workers' social protections and consolidating insecure jobs in the formal sector. The study also recommends adoption of standards to offer fiscal benefits to new investors complying with decent work requirements.
- Reform the fiscal system to reduce fiscal pressure on workers and employees in the formal sector and reduce income gaps between the formal and informal sectors. Wages in the formal sector continue to be very low and do not exceed 30 percent of the GNI. On the other hand, in 2013, "formal sector employees" contributed about 47 percent of direct taxes (including taxes on profits made by public and private companies). Formalized workers (medical doctors, lawyers, restaurants, chartered accountants, hairdressers, et al.) contributed 8 percent through direct taxes, putting the larger fiscal burden on formal sector employees.¹⁵ In this regard, we consider fiscal reform to be a key element to solve the informal sector problem.
- Reform of the social security system in the private sector, which will encourage employers to fairly declare their staff and support the fund's resources by adding to the number of subscribers. The study also recommends improving the quality and diversity of services provided by the fund to encourage informal employers and workers to join the structured system.
- Adopt a law preventing cash payments for some business deals (exceeding 2,000 Dinars or 3,000 Dinars, for example). The UGTT Studies Department made this recommendation when the government was preparing the 2014 Financial Law, but this suggestion was not adopted. If enacted, this law would push a large number of informal economy workers to open bank accounts, which will help channel their income into the national economic cycle, enhance savings in banks suffering from liquidity problems and better facilitate control of some of the suspicious activities in the informal sector.

¹⁵ Calculations made by the author of the study based on the 2013 Financial Law.

- Create two free trade areas, one on the Libyan border and one on the Algerian border, to regulate commercial exchanges with these countries, while enhancing conditions of local populations, a large portion of which relies on underground channels. This must of course be done with consideration to state sovereignty and national legislation.
- ✓ At the level of awareness-raising and specific programs
- Reinforce the “citizenship feeling” among informal economy employers and workers by raising their awareness about fiscal duties and civic belonging to the homeland. The role of civil society organizations and political parties is crucial to achieving this goal by increasing the number of awareness campaigns in the sectors and regions most affected by informal activities and to disseminate the culture of civic state and supremacy of the law. The government should also play a key role in reaching out to the public when preparing and implementing the public budget. A participatory approach will further reinforce people’s civic responsibility and change their perception of taxes.
 - Increase the number of campaigns to raise the awareness of informal economy workers about the importance of joining the national social security fund and the benefits the formal sector offers them and their families. These campaigns may constitute opportunities to open a dialogue activist-workers in their to better know their concerns, their working conditions and the reasons preventing them from shifting to the formal economy.
 - Initiate partnership programs between social stakeholders to reinforce social dialogue at the level of SMEs, hence reinforcing worker rights, improving their work conditions, enhancing their performance and reducing social stress and pressure in these companies.
 - Insist on the role of the UGTT in coaching informal economy workers to join or form social economy associations (cooperatives, mutual organizations). The “Wholesale Market workers” experience in the UGTT’s work represents a historical and interesting example that may shows how unions can address some informal economic activities.

- Support and increase the number of field surveys about smuggling and underground activities to draw an accurate map of the varied supply and distribution networks, their stakeholders and funding sources.
- Network relations between civil society organizations and increase onsite awareness-raising campaigns targeting the most vulnerable populations at risk of threats and instability, especially for construction workers, who make up more than 70 percent of informal economy workers. The study recommends the implementation of specific training programs targeting women working in the textile industry and youth working in tourism to raise their awareness about the economic and social rights under the new constitution.

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