



Tunisian Association  
for Management  
& Social Stability



# Toward Economic Inclusion

Transitioning Tunisia's Informal Workers into the Formal Economy



المبادرة التونسية للعمل الشامل

**TUNISIA INCLUSIVE  
LABOR INITIATIVE**

**INITIATIVE TUNISIENNE  
POUR L'EMPLOI INCLUSIF**



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## Roadmap for the Tunisian Leadership Integrating the Informal Economy

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The Tunisia Inclusive Labor Initiative (TILI), a two-year project supported by the U.S. Department of State, is working to facilitate the extension of rights and protections for informal workers and to enable the transition of Tunisia's informal sector into the real economy. Led by the Tunisian Association for Management and Social Stability (TAMSS), the Global Fairness Initiative (GFI), and Partners for Democratic Change (PDC), Project TILI has brought together representatives from civil society, government, unions, and the private sector; fiscal experts; academics; and informal workers from multiple sectors and regions to discuss their most pressing needs and to generate solutions for breaking the cycle of informality. The multi-stakeholder process offered a highly unique opportunity for informal workers to engage with Government officials on equal footing and around shared goals. The result of this collaboration is a set of recommendations that together form a Roadmap for the economic inclusion of Tunisia's informal sector. The TILI program demonstrates the strength a truly inclusive multi-stakeholder process brings in developing consensus around feasible and effective policy recommendations.

Informal workers, many of them youth and women, account for 48% of North Africa's economically active population (EAP)<sup>1</sup>. In Tunisia, half of all employed workers lack access to social security, and 39.2% of production goes undeclared to tax and regulatory authorities<sup>2</sup>. This Roadmap addresses the economic exclusion of informal workers in Tunisia and presents strategies for incorporating them into the formal economy, with an emphasis on extending social safety nets to workers and expanding the government's core revenue to increase and improve services.

These recommendations, produced through a robust multi-stakeholder process, offer both initial steps and long-term opportunities to reduce informality and extend social services and protections to more Tunisians. Developed by Tunisians for Tunisia, the strategies in this Roadmap provide a tool for the Tunisian Government and CSOs, as well as donors and multilateral organizations, to generate targeted solutions to the problem of informality.



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1. International Labour Organization. "The informal economy in Africa: Promoting transition to formality: Challenges and strategies." Geneva: 2002.

2. Angel-Urdinola, Roberta Gatti Diego F., Joana Silva and Andras Bodor. "Striving for Better Jobs: The Challenge of Informality in The Middle East and North Africa Region." World Bank MENA Quick Note No. 49: December 2011. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2011/12/22/000333038\\_20111222033954/Rendered/PDF/661100BRI0Box30Informality0revised1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2011/12/22/000333038_20111222033954/Rendered/PDF/661100BRI0Box30Informality0revised1.pdf)

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## Acknowledgements

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We would like to extend special thanks to all of the organizations and individuals whose continued partnership has played a vital role in making a TILI a success. Their vision, leadership and engagement in the TILI process was pivotal in the development of this Roadmap, and the opportunity it presents to extend decent work and social protections to all Tunisians.

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## Partners & Participants

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### Ministries, Unions, and Public Institutions

Ministry of Vocational Training and Employment // Ministry of Economy and Finance  
The Directorate-General for Taxation // Ministry of Social Affairs // The Directorate-General for Social Promotion  
Ministry of Development and International Cooperation // Ministry of Trade and Handicraft  
UGTT // UTICA // CRES // CNSS // CNAM // INTES // INS // ANGED

### TILI Coalition of Civil Society Organizations

Massar du développement (Medenine) // Association diplômés chômeurs de Medenine  
Association des Artistes Indépendants Kefois (Kef) // AFTURD (Kef) // Majida Boulila (Sfax),  
FTDES (Kasserine) // ODESK (Kasserine) // RESO (Tunis)

### International Organizations

ILO // UNDP // CAWTAR

### TILI Advisory Committee

Ms. Chema Gargouri – TAMSS // Ms. Raoudha Jaouni – Ministry of Development  
Ms. Aicha Karafi – Ministry of Economy and Finance  
Ms. Emna Arifa – Ministry of Vocational Training and Employment  
Ms. Najet Dkhil – Ministry of Social Affairs // Mr. Bechir Boujday & Mr. Sami Hamada – UTICA  
Mr. Khaled Sdiri – UGTT // Mr. Abdelmajid Jebri – CNAM // Ms. Fatma Ouni – CNSS  
Mr. Mohamed Madhkour – UNDP // Ms. Bouthaina Gribaa CAWTAR // Ms. Samia Chouba – ILO  
Mr. Nidhal Ben Cheikh – CRES // Ms. Aicha Safi – INTES  
Ms. Dalel Krichen – Association Majida Boulila // Mr. Adel Gassoumi – FTDES Kasserine

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Ms. Faiza Kallel & Ms. Emna Arifa – Ministry of Vocational Training and Employment  
Ms. Aicha Karafi – Ministry of Economy and Finance // Ms. Aicha Safi – INTES  
Ms. Samia Baccouche – Ministry of Social Affairs // Mr. Khaled Sdiri – UGTT  
Ms. Meher Fkih – UTICA // Ms. Najet Choura – The Directorate-General for Taxation  
Ms. Jnaina BAHRI – Tax advisor // Mr. Chokri Ouali – Labour Inspection  
All of the informal workers who shared their ideas and experiences with us

The recommendations in this Roadmap were drawn from over a dozen roundtables held throughout 2013 with TILI partners as well as with government officials, academics, fiscal experts, unions, private sector enterprises, civil society organizations, and informal workers. In many cases, people traveled long distances, taking time off work to participate. We want to extend our sincerest thanks to all of those who have supported this process, offering their time, energy, dedication, and commitment.

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## Acronyms & Abbreviations

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<b>CNAM</b>	// Caisse Nationale d'Assurance Maladie (National Health Insurance Fund)
<b>CNRPS</b>	// Caisse Nationale de Retraite et de Prévoyance Sociale (National Pension and Social Welfare Fund)
<b>CNSS</b>	// Caisse Nationale de Sécurité Sociale (National Social Security Fund)
<b>CRES</b>	// Centre de Recherche et d'Etudes Sociales (Center for Research and Social Studies)
<b>CSO</b>	// Civil Society Organization
<b>ILD</b>	// Institute for Liberty and Democracy
<b>IMF</b>	// International Monetary Fund
<b>ITCEQ</b>	// Tunisian Institute of Competitiveness and Qualitative Studies
<b>MFI</b>	// Micro-Finance Institution
<b>NIS</b>	// National Institute of Statistics
<b>OECD</b>	// Organization for Economic Cooperation and Development
<b>ONEQ</b>	// National Observatory of Employment and Qualifications
<b>TD</b>	// Tunisian Dinar
<b>TILI</b>	// Tunisia Inclusive Labor Initiative

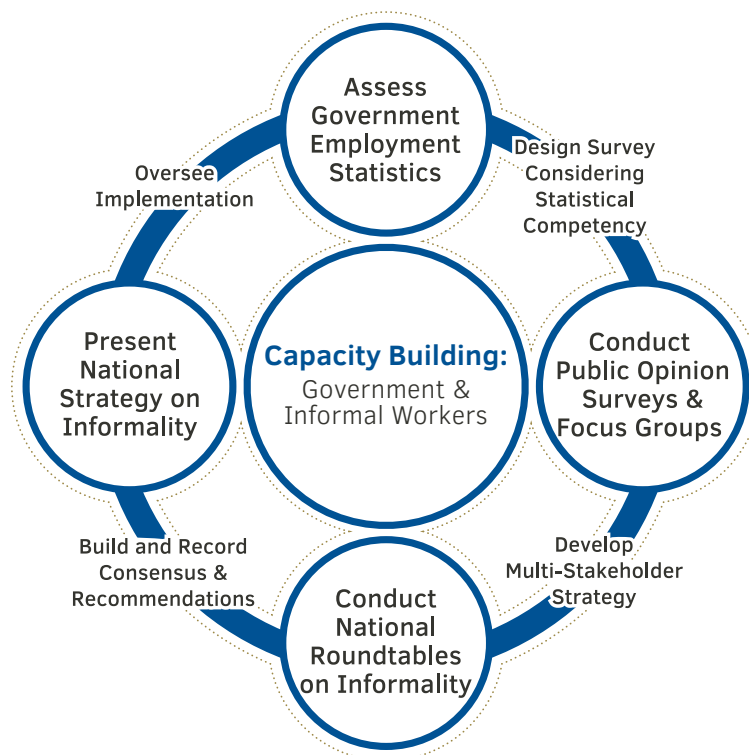
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## The Tunisian Inclusive Labor Initiative

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Beginning in September 2012 with a grant from the U.S. Department of State, the Tunisia Inclusive Labor Initiative (TILI) set out to create a more inclusive legal and economic framework for informal Tunisian works, enabling them to access decent work and government-mandated protections. Project objectives included improving the government’s ability to measure the informal sector’s contributions and conditions; empowering informal workers to better understand and exercise their rights; and increasing government capacity to promote formalization with improved programs, policies, and services. Through a multi-stakeholder approach, TILI engaged workers, the private sector, civil society, and government in a three-phase process.

### Multi-Stakeholder Engagement Methodology:



TILI’s first phase generated the information and stakeholder base essential to understanding informality in Tunisia and to moving forward with the subsequent phases. Through comprehensive mapping of CSOs and government agencies, TILI identified key stakeholders, documented the multiple and various definitions and perspectives on informality, and outlined CSO initiatives and government programs and policies relating to informal work. Focus groups with informal workers from a variety of sectors provided necessary input for evaluating the realities, scope, and demographics of informality. Information from these focus groups guided the creation of Tunisia’s first national survey on informality—which included interviews with 1,200 informal workers from six different regions<sup>3</sup>.

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3. TAMSS, GFI, PDC, ISTIS Bureau. “Survey of Informal Workers in Tunisia.” Washington, DC: June 2013. <http://www.globalfairness.org/tilisurvey>

The project then advanced to its second phase, expanding engagement with stakeholders identified in the first phase. Through a dozen multi-stakeholder roundtables, representatives from the informal population, government, civil society, the private sector, and unions debated and established the challenges and opportunities for formalization, building consensus on the best approaches to dealing with informality. During this second phase, TILI also facilitated the formation of a CSO coalition—seven organizations from five different regions—and provided trainings on organizational governance, coalition building, conflict mediation, advocacy, moderating dialogues, and media campaigns, so CSOs can play a lead role on formalization efforts in their communities.

With this Roadmap TILI enters its final phase: the creation of a national formalization strategy based on the recommendations generated during the multi-stakeholder process. Aligned with this proposed strategy, two pilot programs have been launched to train informal workers on formalization, labor rights, social security, taxation, access to finance, and business development. The first pilot program is being implemented in partnership with the Tunisian Ministry of Vocational Training and Employment, and the second by TAMSS with their corporate partner Philip Morris. TILI is also developing a media campaign with the government and CSO coalition, and collaborating with local organizations and officials to create community dialogues around informal work. In this final phase, as TILI begins the process of Roadmap implementation, the partnership of local and international NGOs and donors will transition to become a fully local initiative, led and sustained by the Tunisian government and domestic organizations.

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## Introduction to Informality

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The ILO first introduced the concept of “informality” to the global development community in a 1972 report in Kenya<sup>4</sup>. This report found that, in developing countries, the major barrier to economic growth was not unemployment but was instead a massive population of “working poor”—individuals (today numbering in the billions worldwide) who produce goods and services outside formal economic structures and markets. Informality encompasses the terms “informal sector” and “informal employment” and includes unregistered and unregulated enterprises and workers such as small-scale farmers, domestic workers, home-based workers, and wage employees. What unites these informal workers and enterprises across their varying sectors of economic activity is the lack of social protections, contractual guarantees, security, and other legal rights.

In 2010, the World Bank published estimates on informality drawn from surveys in 162 countries, concluding that the informal economy comprises an average of 38.7% of GDP in developing countries<sup>5</sup>. ILO statistics gathered through regional surveys and government questionnaires put informal employment rates at 72% in sub-Saharan Africa, 65% in Asia, 51% in Latin America, and 48% in North Africa<sup>7</sup>.

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4. International Labour Organization. “Employment, incomes and equity: a strategy for increasing productive employment in Kenya.” Geneva: 1972.

5. Schneider Friedrich, Andreas Buehn and Claudio E. Montenegro. “Shadow Economies All Over the World.” Policy Research Working Paper 5256. The World Bank Development Research Group Poverty and Inequality Team. Washington, DC: July 2010.

6. Schneider Friedrich, Andreas Buehn and Claudio E. Montenegro. “Shadow Economies All Over the World.” Policy Research Working Paper 5256. The World Bank Development Research Group Poverty and Inequality Team. Washington, DC: July 2010.

7. International Labour Organization. “Women and Men in the Informal Economy: A statistical picture.” Geneva: Jan 2002.



Women and youth are overwhelmingly vulnerable to informal work. In over half of the countries considered in a 2011 ILO report, women outnumbered men in informal employment statistics<sup>8</sup>. Meanwhile, in a publication released in 2014, Work4Youth surveyed young workers in developing economies, finding that 75.4% of workers aged 15-29 are employed informally<sup>9</sup>.

Evidence indicates that the informal sector is largest in developing countries and that it continues to grow<sup>12</sup>. Despite some positive short-term effects—in developing economies it can boost production, create jobs, and generate income for the otherwise unemployed—informality is linked to long-term economic instability<sup>13</sup>. Informal workers may exhibit the true spirit of entrepreneurship, the innovation and ingenuity of those who build enterprises and accrue income with limited resources; but few informal workers earn enough to move themselves and their families out of poverty. Informality remains a significant problem in developing economies, perpetuating poverty, poor employment conditions, a lack of protection for workers, and a weak tax base for governments.

Ongoing research has sought to document the causes of informality in order to more appropriately develop and implement policy responses. Three primary theories have emerged. First, the Dualist approach proposed by Keith Hart suggests that informality derives from a labor supply that exceeds the employment needs of the formal sector<sup>10</sup>. Next, the Legalist perspective of Hernando De Soto describes entrepreneurs driven to—or stuck in—the informal sector to escape the arduous and complex process of registration<sup>11</sup>. The third is a Structuralist analysis by Alejandro Portes, which contends that informality is a result of capitalist development and the cost-optimizing strategies of outsourcing multinational firms<sup>12</sup>.

The causes of informality and the reasons for its growth vary from country to country, but in all cases the existence of a large informal sector undermines social and economic development. In order to address the challenges of informality, each country needs accurate data on its informal population, as well as on the barriers to formalization and inclusion. Comprehensive integrated regulatory and policy packages—emphasizing efficiency, accountability, and transparency—can ensure that more workers transition into the formal economy and have access to its rights and protections.

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8. International Labour Organization. "Statistical update on employment in the informal economy." Geneva: June 2012.

9. Shehu, Erin and Bjorn Nilsson. "Informal employment among youth: Evidence from 20 school-to-work transition surveys." Work4Youth Publication Series No. 8. via the International Labour Organization. Geneva: Feb 2014.

10. Hart, Keith. "Informal Income Opportunities and Urban Employment in Ghana." *The Journal of Modern African Studies*. Vol 11 Issue 1. March 1973.

11. de Soto, Hernando. "The Other Path: The Invisible Revolution in the Third World." Basic Books. New York, NY: Jan 1989.

12. Castells, Manuel and Alejandro Portes. "World Underneath: The Origins, Dynamics and Effects of the Informal Economy." *The Informal Economy: Studies in Advanced and Less Developed Countries*. John Hopkins University Press. Baltimore, MD: Jan 1989.

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## Informality in Tunisia

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On December 17<sup>th</sup>, 2010, Mohammed Bouazizi, a vendor in Sid Bouzid, Tunisia, approached the local government to protest the confiscation of his unregistered vegetable cart. Rejected by officials, Bouazizi doused himself in gasoline and lit a match, generating a wave of revolution across the region<sup>13</sup>. Bouazizi not only provided a catalyst for the Tunisian Revolution but also embodied the overwhelming frustration and powerlessness felt by unemployed and informal workers—those excluded from the mainstream economy, unrepresented within the political and legal frameworks of their country, and unable to benefit from the social protections and benefits afforded to the formal sector. Informality is of course part of a large set of challenges facing post revolution Tunisia, including core institutional reforms; access to quality education and job skills training; a stronger climate for international investment; and a host of social challenges and frustrations that are widely acknowledged. All of these, however, have some basic roots in the issue of informality and the need to both acknowledge and understand the central role of the informal sector in Tunisia is essential.

The informal economy constitutes 30% of Tunisia's GDP, according to the IMF<sup>14</sup>; and the World Bank estimates that 39.2% of Tunisia's production is not declared to tax or regulatory authorities<sup>20</sup>. CRES projects the number of workers in the informal sector to be 960,000<sup>16</sup>. Although these numbers clearly show the high rate of informality in Tunisia, informal employment has not been a central focus in discussions of Tunisia's economic or social challenges. It has, instead, been viewed as disguised unemployment; a deviation from the labor market; or a transitional state for individuals, particularly youth, waiting for better employment opportunities<sup>17</sup>.

The prevalence of informality in Tunisia arises in large part from informal workers' lack of access to information and their resistance to engaging with government. As reflected in the results of TILI's focus groups and surveys, an overwhelming majority of informal workers—more than 90%—are unaware of procedures to formalize employment. Eight out of ten informal workers are unaware of how to register for social security. Informal workers are also vastly uninformed about government work programs and opportunities for formal employment. This lack of accessible information has undermined the transition of informal workers into the formal economy and has allowed for the perpetuation of informal employment. As a result, Tunisia's informal workers have limited access not only to services and economic opportunity but also—and perhaps most important—to legal protections, support systems, and the fundamental rights afforded under Tunisian law.

Even with information on the protections, services, and opportunity formalization brings, developing the trust and confidence of informal workers in Tunisia's legal and administrative systems remains a fundamental challenge. One-third of informal employers and independent entrepreneurs listed bureaucracy, nepotism, and corruption as major obstacles to formalization. This mistrust inevitably fosters doubt and, often, deep frustration, as evidenced by Bouazizi's tragic self-immolation and the revolution that followed. In addressing informality in Tunisia, a focus on public policy that increases accessibility and demystifies legal procedures will build confidence in the Tunisian administration. Recent reforms and the drafting of a new constitution encourage this transition, generating hope for Tunisia's economic future.

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13. Abouzeid, Rania. "Bouazizi: The Man Who Set Himself and Tunisia on Fire." *Time Magazine*. 21 January 2011. <http://content.time.com/time/magazine/article/0,9171,2044723,00.html>

14. International Monetary Fund. "Regional Economic Outlook: Middle East and Central Asia. Washington, DC: November 2012.

15. Angel-Urdinola, Roberta Gatti Diego F., Joana Silva and Andras Bodor. "Striving for Better Jobs: The Challenge of Informality in The Middle East and North Africa Region." *World Bank MENA Quick Note No. 49: December 2011*. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/12/22/000333038\\_20111222033954/Rendered/PDF/661100BRI0Box30Informality0revised1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/12/22/000333038_20111222033954/Rendered/PDF/661100BRI0Box30Informality0revised1.pdf)

16. International Conference on the Extension of Social Protection. Skhirat, Morocco: 8-19 October 2012

17. TILI Government Mapping interviews. Tunis, 2013.

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## Multi-Stakeholder Methodology

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In order to acknowledge and address the varied perspectives of stakeholders in Tunisia, TILI used a roundtable approach to strategy development. Roundtable discussions conducted in two phases, first separately among individual stakeholder groups and later at a multi-stakeholder level, allowed participants to initiate an inclusive dialogue and explore the many dimensions of informality.

On December 10<sup>th</sup>, 11<sup>th</sup>, and 12<sup>th</sup>, 2013, informal workers and representatives of public institutions, unions, and civil society came together to discuss the recommendations proposed in the initial 12 individual stakeholder roundtables. Government officials sat across from informal workers and exchanged experiences and insights. Under the moderation of Partners for Democratic Change, stakeholders built consensus around recommendations and discussed feasibility, the distribution of responsibilities, and next steps.

The following recommendations are a direct result of these multi-stakeholder roundtable discussions, a culmination of conversation and compromise. The consensus built during this ongoing dialogue is reflected in this Roadmap Toward Economic Inclusion, a compilation of joint recommendations reflecting the challenges and opportunities identified through TILI's roundtable process.

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## Summary of Recommendations

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The Roadmap's overarching goal is to help Tunisia move toward economic inclusion—with social and legal protections for all workers—by providing specific strategies that encourage formalization through greater awareness, targeted incentives, and stronger government capacity.

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## Raising Awareness & Improving Access

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### 1. Implement a comprehensive awareness raising strategy (including media campaign) to explain the value and process of formalization

#### Objectives:

- Increase public awareness on informality through public forums and engagement of the national media
- Improve outreach to key audiences, particularly youth, on the process and benefits of formalization
- Engage informal workers and enterprises on the importance of formalizing as a central component of Tunisian citizenship

Stakeholders unanimously recommended a campaign to address the overall lack of understanding among informal workers, independent entrepreneurs, and the Tunisian society at large of the laws, processes, benefits, and mechanisms related to formalization. Encouraging more Tunisians to take the initiative to transition from the informal to formal economy requires that they become more aware of and knowledgeable about the benefits requirements, and process.

TILI conducted Tunisia's first national survey on informal employment in the spring of 2013. This survey revealed that 90% of informal workers do not know the steps to formalize their activities; 68.6% of informal workers have no information on government training and employment programs; over 90% of the surveyed population has no information on minimum wage, contracts, and other labor rights; 88% are unaware of the procedures and steps to access social security; and 59% of surveyed entrepreneurs have not tried to register their businesses because they do not feel that their activities require a license<sup>18</sup>.

These statistics highlight the need for a robust public information campaign that sensitizes and increases awareness of the benefits and process of formalization, emphasizing the relationship between formality and citizenship. Acting on the recommendation that CSOs and government work collaboratively to develop and conduct the campaign, TILI has initiated trainings with CSOs and government on strategies for media engagement and public awareness campaign development.

Stakeholders strongly believed that media should play a central role in this strategy. The campaign would provide an opportunity to educate the media on informality and to engage them over the long term in raising awareness of the rights of informal workers and the pathways to formalization.

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18. TAMSS, GFI, PDC, ISTIS Bureau. "Survey of Informal Workers in Tunisia." Washington, DC: June 2013. <http://www.globalfairness.org/tilisurvey>

## **2. Simplify legal texts, information, and instructions regarding the formalization process.**

### **Objectives:**

- Increase public access to information on formalization
- Ensure comprehension by informal workers of relevant regulations and processes

The laws as currently written are often complex and confusing. All stakeholders agreed that simplified descriptions of existing legal texts and regulations to formalization will allow for a better understanding and, consequently, a better application of the law. This will increase Tunisians' knowledge of the social security system, tax structures and regulations, business registration, medical coverage, and other social services that would enable many to take the necessary steps toward formalization.

Stakeholders recommended that CSOs and relevant ministries work together with the media to make the legal framework more comprehensible and accessible for all citizens. As a start, TILI has created a Guide to Formalization, which explains many of these requirements and processes in clear and accessible language. The material in the guide has been approved by the relevant ministries that now have the opportunity to further the initiative by incorporating additional legal codes and disseminating them more broadly.

## **3. Establish technical and legal mechanisms for ensuring public access to data and information from government ministries.**

### **Objectives:**

- Increase public access to information
- Improve overall transparency
- Increase the public's trust in government to better legitimize and enable the formalization process.

In the multi-stakeholder roundtables, CSOs and informal workers stressed that access to information is a priority for their communities, and that lack of trust in the government is an obstacle to formalization. Access to information empowers citizens, increases transparency, and generates trust between the government and general population. Stakeholders recommended that ministries develop individual initiatives to share their data with the public.

Decree 41, ratified in 2011, states that citizens have the right to access official information. The presidency has created a “national consultation” that provides a platform to gather recommendations on ways the law could better serve the needs of citizens and to solicit input from concerned stakeholders for drafting a law to transform this decree into institutional law<sup>19</sup>. This consultation is an important step toward increasing public dialogue, but broader and more diverse mechanisms are needed to expand access to information, particularly for the more than 50% of Tunisians who have no access to the internet<sup>20</sup>.

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## Data Analysis & Sharing

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### 4. Strengthen the capacity of government to collect and analyze data on the informal economy

#### Objective:

- Improve the government’s ability to develop effective policies and programs related to informality.

In the first phase of TILI, more than 40 interviews with government officials were conducted in an effort to assess definitions, perspectives, programs, and policies related to informality. The government mapping identified many gaps in knowledge on both informal work and the informal sector in Tunisia. Data published by international organizations—the World Bank, OECD, the IMF, and the Institute for Liberty and Democracy—offer some points of reference, but developing a strong data collection system is essential for the Tunisian government to gain a clear picture of the country’s informal population in order to inform specific policy prescriptions. All stakeholders agreed that a national survey on the informal sector should be carried out annually.

The quarterly household employment survey by the National Institute of Statistics (NIS) could also be expanded to include more information on informal employment. Three new indicators have already been incorporated into the second quarterly employment survey of 2013 in an effort to understand informal work. These indicators are affiliation to social security, medical coverage regime, and the number of workers in the work place. Additional indicators—payment of social contributions; existence of a labor contract; the right to annual, sick, and maternity leave; business registration, etc.—can further provide valuable information on informal work and the informal population.

Because the informal population consists of diverse sectors with their own unique opportunities and challenges, additional research on specific sectors can provide data for the development of more targeted formalization strategies. Public institutes such as CRES, the National Observatory of Employment and Qualifications, the Tunisian Institute of Competitiveness and Qualitative Studies, universities, CSOs, and unions are all well positioned to take the initiative.

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19. Tunisian Government Public Consultation Site. “Consultation on the draft basic law concerning the right to access information.” 26 May 2011. <http://www.consultations-publiques.tn/index.php>

20. Freedom House. “Tunisia Freedom on the Net.” 2013. [http://www.freedomhouse.org/report/freedom-net/2013/tunisia#\\_UxR\\_uvRdWy8](http://www.freedomhouse.org/report/freedom-net/2013/tunisia#_UxR_uvRdWy8)

## **5. Establish a single database for the collection and sharing of data between ministries.**

### **Objectives:**

- Improve government's ability to make informed policy decisions through access to the complete profiles of its citizens
- Improve government efficiency and effectiveness
- Reduce fraud

Each government institution has its own database, and there is no information sharing between the different ministries except in special cases. The creation of a single database would benefit the government in a number of areas, including the development of better-informed policy action. A single database would provide institutions with more detailed and comprehensive data on the Tunisian population, including informal workers. It would also enable government to cross check information, ensuring consistency and preventing fraud. The creation of a single database requires fully developed information systems within each institution and strong measures for protecting personal information.

## **6. Create one social identifier that allows all ministries to access information on citizen's demographics, employment status, and participation in various plans and programs.**

### **Objectives:**

- Reduce fraud
- Improve government efficiency, communication, and ability to identify and support those eligible for assistance programs.

Currently, Tunisians have multiple identifiers, including the national identity card, the CNSS or CNRPS number for public servants, the tax identification number, the customs code, the trade register number, and separate medical file numbers. Creating a single personal identifier that can be used to access a person's complete social, financial, medical, and employment history in one database will help to better identify individuals and their families in order to deliver social services and assess impact.

As with the recommendation for a single database, the implementation of this recommendation requires alignment with laws protecting personal information and coordination by the Council of Ministers since it involves several structures and administrations.

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## Support & Organization of Informal Workers

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### 7. Create a national association of informal workers.

#### Objective:

- Strengthen the capacity of informal workers to organize
- Advocate for their rights through a unified voice.

Informal workers expressed the desire for a body that brings them together and facilitates the extension of rights and social protections through formalization. Informal workers and civil society organizations discussed having both a national association with regional branches and separate associations for the various sectors (e.g., construction workers, waste pickers, farmers, and artisans).

Roundtable participants recommended that the new body be independent of government and not formally associated with existing worker organizations or unions. Still, CSOs and unions can and should play key supporting roles. Among these are building the capacity of informal worker groups to organize themselves and increasing their awareness on the importance of collective representation.

### 8. Encourage and support ministries in providing trainings to local authorities on informality, public engagement, key regulatory considerations, and responsibilities.

#### Objectives:

- Improve capacity of local authorities to address the unique conditions and challenges of informal workers
- Strengthen their ability to communicate accurate information on patents, taxes, registration, benefits, etc.

During TILI's many focus groups and roundtables, participants noted that public officials often provide incomplete information and, in doing so, create confusion among citizens. A commonly cited example was the process for obtaining a patent: local authorities tend to require a rent contract without explaining the other options for providing proof of address<sup>21</sup>. Because each person who receives unclear or incomplete information is unlikely to complete the formalization process, it is essential to provide regular trainings for regional officials and give them the tools to provide up-to-date, accurate, and complete information to the public.

Another widely reported problem with local service is that authorities are often dismissive or even hostile when engaging with citizens. For this reason, stakeholders recommended targeted trainings on service delivery and public engagement skills. Because vulnerable populations are already hesitant to approach authorities, a sympathetic, supportive, well-informed civil servant can make all the difference in a worker's decision to complete the formalization process. A thorough needs assessment is important in order to identify the key training gaps. Technical trainings should be done internally, while training in service and communication skills can be performed by external firms.

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21. The actual requirement specifies that address must be proved by a residence certificate, rent contract, or title of a house.



## 9. Create specific government mechanisms to support and guide informal workers through the formalization process.

### Objectives:

- Improve government services
- Strengthen the ability of informal workers to navigate formalization and registration processes

Two commonly cited reasons Tunisians don't formalize their activities are lack of information and support and difficulty in accessing relevant administrative offices. The survey, focus groups, and interviews conducted throughout the TILI program revealed that the procedures of formalization require a lot of back and forth between various offices, which ultimately discourages people from completing the process.

There are many different approaches by which the government can support informal workers navigating the formalization process; participants in the multi-stakeholder roundtables recommended the following:

- Set up legal advisors/formalization coaches in private offices under the supervision of the Ministry of Finance. These advisors can walk informal workers through the process of registering a business, setting up and making tax payments, and obtaining social security and medical coverage. By explaining requirements and different options for coverage, advisors can help informal workers find the plans that work best for them. Fiscal experts have already presented this concept to the Ministry of Economy and Finance, and the Ministry has expressed interest in exploring it further.
- Train officials in all 264 delegations to provide adequate formalization services. Recommendation 8, above talks more about the importance of training local authorities on service and communication in order to support informal workers through the formalization process.
- Conduct feasibility analysis of utilizing Tunisia's one-stop window to register informal workers and enterprises, a strategy implemented successfully in other countries with large informal populations.
- Government and CSOs work together to develop the capacity of informal workers. According to the TILI survey 60% of informal workers have limited education and skills, keeping them from stable and well-paid jobs. Stakeholders unanimously recommended creating a strategy for increasing employability and developing entrepreneurial skills through trainings and apprenticeships. The Ministry of Vocational Training and Employment can develop curriculum in collaboration with technical and vocational training centers and civil society.

## **10. Allocate public spaces at the local level for the commercial activities of small businesses and vendors who formalize.**

### **Objectives:**

- Increase incentives for formalization
- Improve transparency, security, and regulation of trade activities
- Improve relationships between informal workers and local authorities

Conflict between street vendors and local authorities has created discord in several municipalities throughout Tunisia, and many local communities have identified the need to move street vendors into designated areas. Registered shop owners have expressed anger about the unfair competition brought by illegal vendors conducting business in front of their shops. In addition, traffic congestion is a growing problem, which the general public often attributes to the presence of informal stalls. In turn, informal vendors contend that they suffer from regular harassment by local authorities, which threatens their livelihoods. Providing artisans and street vendors a space to do business would increase the security of workers, improve transparency, provide incentives for formalization, and create opportunities for better organization and collective action among vendors. The following recommendations were proposed by informal workers and received a positive response from the public administration.

- **Create and provide dedicated commercial spaces for independent vendors and small businesses.**
- **Expand collaboration between municipalities, regions, the Ministry of Labor, and vendors themselves to provide formal market areas (i.e. flea markets).**
- **Create free trade zones in border areas for businesses and traders who want access to a formal activity or formal status. Free zones would be under the jurisdiction of the Ministry of Commerce in conjunction with the Ministry of Economy and Finance, customs officials, and regional local authorities.**

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## **Financial Incentives for Informal Workers**

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## **11. Facilitate loan acquisition with preferential interest rates and flexible repayment periods for informal workers who formalize**

### **Objectives:**

- Strengthen the capacity of informal workers to build viable enterprises
- Increase incentives for formalization

Sixty percent of the informal workers surveyed declared that access to finance would be the number one incentive for them to formalize. This population tends not to have access to financial services offered by banks and instead relies on microloans offered by microfinance institutions. Unfortunately, even microloans are not available to the vast majority of informal workers and enterprises.

Stakeholders strongly recommended the creation of a clear link between formalizing and access to finance. Microfinance institutions and associations should be encouraged to consider offering preferential interest rates and flexible reimbursement periods in exchange for borrowers' commitment to formalize.

## 12. Grant a tax amnesty for informal workers who formalize.

### Objectives:

- Increase the number of tax-paying enterprises while providing flexibility for new registrants
- Increase incentives for formalization.

Encouraging informal workers to begin the process of formalization requires a flexible fiscal policy based on incentives. A tax amnesty program that forgives the payment of back taxes for previous informal activities will remove a key barrier to formalizing by greatly reducing up-front costs for informal workers. Amnesty is particularly important for workers who are just making ends meet and will ultimately increase the number of registered businesses and tax-paying citizens.

The 2013 tax reform project spearheaded by the Ministry of Economy and Finance made the same recommendation, stipulating that—in order to integrate the informal sector—the government should grant a tax amnesty to newly formalized workers<sup>22</sup>. Under this recommendation, informal workers who formalize would be considered new entrepreneurs and carry no liability for prior economic activity.

## 13. Introduce a grace period for new CNSS affiliates and taxpayers.

### Objective:

- Increase contributions to social security—as well as the number of citizens eligible to receive benefits and contributing to the tax base—while providing flexibility for new registrants and increase incentives for formalization.

Law 2007-69<sup>23</sup>, which aims to encourage entrepreneurship, grants a grace period of up to two years for CNSS contributions by new entrepreneurs (as mentioned in article 44 of the investment code). After the initial grace period, eligible entrepreneurs—new graduates under 40 years old— pay back the deferred amount through monthly installments over three years. This benefit allows newly registered entrepreneurs time to improve and invest in their businesses before beginning CNSS payments.

During the multi-stakeholder roundtables, participants recommended the extension of this incentive to independent informal workers wishing to formalize their activities. They also recommended allowing informal workers to delay making tax payments—as well as CNSS contributions—upon formalization. Providing a grace period to newly formalized workers would go a long way in easing their transition to formalization.

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22. Government of Tunisia, Ministry of the Economy and Finances. Tax Reform Report. 2013.  
[http://www.finances.gov.tn/images/presentation\\_revision\\_du\\_r%C3%A9gime\\_forfaitaire.pdf](http://www.finances.gov.tn/images/presentation_revision_du_r%C3%A9gime_forfaitaire.pdf)

23. "Relative à l'initiative économique." Journal Officiel de la République Tunisienne. Loi n° 2007-69 du 27 décembre 2007.  
[http://www.impots.finances.gov.tn/actualites/LF2008/Loi\\_initiative\\_economique\\_FR.pdf](http://www.impots.finances.gov.tn/actualites/LF2008/Loi_initiative_economique_FR.pdf)

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## Strengthening Institutions

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### 14. Form a technical committee to review and simplify the regimes and procedures for social security affiliation.

#### Objective:

- Improve CNSS's capacity to extend benefits to informal, low-income, and vulnerable workers

Extending effective social protection to its labor force has always been a major concern of the Tunisian government. The social security system in Tunisia offers a variety of plans for affiliation and continues to find ways to extend new services and regimes to its beneficiaries and to provide coverage to more people. Some sectors, however, continue to have membership well below the average overall coverage rate. Under the regime for independent agricultural and non-agricultural workers, there are many categories of affiliation determined by income. Unfortunately, for the first category—those with the lowest income—affiliation is still extremely limited. The main causes are:

- **Lack of information on the procedures of affiliation**
- **The patent requirement of an official address (rent contract or a certificate of residence), which many of informal workers do not have**
- **The loss of certain social benefits (scholarships for children, free care, etc.) and the requirement to buy into the tax system when opening a patent**

The activities and characteristics of specific sectors also make it difficult to accommodate workers under the current social security system. Although law 32 in 2002 established specific regimes for agricultural workers, fishermen, domestic workers, and self-employed artisans, membership of these groups is low due to their precarious and seasonal nature<sup>24</sup>. These workers tend to change their activity and employers frequently, are often located in rural areas, have weak fiscal capacity, and have not traditionally bought into social security.

During the roundtables there was debate around the perceived difficulty of registering for CNSS. Stakeholders unanimously recommended simplifying affiliation to CNSS and improving regime options. A technical committee—comprising representatives from the Ministry of Social Affairs, the Ministry of Economy and Finance, CNSS, and labor inspectorate—tasked with researching and analyzing institutional barriers and opportunities could develop a system much more responsive to the realities of diverse sectors. Among the possible reforms, the stakeholders suggested the following:

- **Revise patent requirements. Receiving a patent requires a rent contract, a property title, or a certificate of residence, which informal workers often don't have. The Ministry of Economy and Finance agrees, and the 2013 tax reform report recommends that the patent could be substituted for some informal workers (those earning minimum wage or less) by the declaration of existence. The objective is to encourage people to register themselves with CNSS as self-employed without obliging them to buy into the tax system and depriving them of social benefits that many of their families need.**
- **Create a unique fiscal regime for low-income informal workers that obliges them to pay only once per year for both CNSS affiliation and taxes.**

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24. Government of Tunisia, Ministry of Social Affairs. "Legislation and Regulations for Social Security in the Private Sector." Tunisia, 2007. <http://www.cnss.nat.tn/fr/images/pdf/F2.pdf>

## **15. Create a technical committee to examine government delivery of social services.**

### **Objective:**

- Improve the quality and delivery of health care, social security, and other benefits.

Workers have little incentive to formalize if they do not trust state services or feel their quality is not worth the expense. Stakeholders noted that dissatisfaction with medical services at public hospitals often deters people from becoming affiliated with CNSS. Citizens are also hesitant to buy into what they see as a bankrupt social security system. Stakeholders, specifically informal workers and civil society, felt it was necessary to evaluate the different social services offered and find ways for improvement. They stressed that extra attention be given to services for low-income peoples and for the CNAM affiliates in general.

Participants recommended evaluation by a mixed committee including the Ministry of Social Affairs and the Ministry of Health. After a diagnostic phase of surveying beneficiaries and direct observation in the field, this committee will be responsible for developing real and implementable solutions.

## **16. Provide specific trainings to labor inspectors on realities of informality, labor rights, communication skills, and the formalization process.**

### **Objective:**

- Strengthen the capacity of labor inspection services to monitor and enforce labor laws.

The TILI survey found that the most vulnerable category of informal workers is that of employees at formal enterprises; they tend to be the poorest and face the most labor right abuses. Labor inspection can play a unique role in ensuring government-mandated protections to these workers. Sensitizing inspectors to the issues of informal work will help them recognize and handle it when they confront it in the field. Stakeholders recommended specific trainings on labor rights, communication, low income activities, and the formalization process to build the capacity of inspectors and ensure proper implementation of the laws regarding labor contracts, minimum wage, the right to leave, etc. Increasing the number of labor inspectors and providing them with adequate logistical support, including access to vehicles, will also increase effectiveness and efficiency.

Labor inspectors deal mostly with issues around informal employees in formal firms but have expressed interest in trying to penetrate the larger informal sector. They have recently initiated a survey on domestic workers as an effort to engage the informal sector. With more initiatives like this, labor inspection can play an increasingly strong role in supporting the formalization process.

## **17. Create a formal partnership between the labor inspectorate and CNSS for joint field visits.**

### **Objective:**

- Increase control mechanisms to ensure decent working conditions and to support formalization efforts.

There already exists a kind of collaboration between labor inspectors and CNSS inspectors, especially on field missions, but this collaboration is not systematic or codified. Solidifying this partnership will increase control mechanisms; ensure more comprehensive inspections; and allow for sharing, reporting, and verifying information.

Recommendations from stakeholder discussions and interviews with government officials include:

- **Developing an exchange system for sharing information between organizations and ensuring necessary follow-up**
- **Designating control teams with representatives from the different organizations**
- **Expanding the collaboration to include tax administration officials, customs officials, and representatives from the Ministry of Employment and Vocational Training**

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## Moving Forward

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Informality is a complex and destructive economic condition impacting the majority of developing countries. In these countries, the existence of a large informal sector is often the result of failed economic policies or systematic exclusion. Left unaddressed, informality self-perpetuates and expands, no longer serving as a stop-gap for unemployment or other economic challenges but instead leading to economic stagnation, decline, and even social upheaval.

This Roadmap is an important first step in the crucial process of integrating informal workers into Tunisia's formal economy. As this process transitions from ideas to action, its success depends upon our shared commitment to a unified strategy and the continuing active participation of stakeholders at all levels. This Roadmap, and the aspirations it represents, is the product of many talented Tunisian leaders from diverse sectors. It has been our honor to engage with and learn from them. These leaders—and the many more we hope will join them—must tackle a challenge that has stymied emerging economies around the globe, but on which progress is central to advancing Tunisia's prosperity and economic aspirations in the world.



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## Partner Profiles

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Launched in 2006, the **Tunisian Association for Management and Social Stability (TAMSS)**'s, mission is to increase the economic and social inclusion of Tunisian citizens living in poverty by providing them opportunities to build managerial and technical skills, secure an income, enhance their citizenship, and strengthen their voices to have greater impact in their communities.

Our work focuses primarily on four major pillars:

- Institutional capacity building, mostly of women-led NGOs and organizations
- Women and youth entrepreneurship and enterprise development
- Direct services within communities targeted mainly to women
- Strengthening citizenship and political participation, primarily of women

TAMSS's services include low or no-cost trainings in basic and financial literacy, vocational, and managerial skills, life skills and leadership, entrepreneurship, and civic and political participation. These short, medium, and long-term programs are designed and delivered in partnership with private sector and government institution, a wide network of development professionals, international development organizations and foundations, local NGOs who provide on-the-ground knowledge and efficiency (particularly in remote regions), and beneficiaries themselves.

The **Global Fairness Initiative** promotes a more equitable, sustainable approach to economic development for the world's working poor by advancing fair wages, equal access to markets, and balanced public policy to generate opportunity and end the cycle of poverty. Founded in 2002, GFI aims to change the global poverty cycle and enable market-based solutions that benefit the world's poorest workers and producers. Through community-based and international engagements in Asia, Africa, and Latin America, GFI brings a unique strength and value by managing strategic partnerships and interventions that focus on bottom-line issues for the poor—namely, improving livelihoods by increasing wages and market access, enabling more secure and decent work, and facilitating investment to make communities of poverty become centers of prosperity.

**Partners for Democratic Change**, established in 1989, is an international, non-governmental organization committed to building sustainable institutions and strengthening civil society worldwide. Partners has a vision for the world where all of us—communities, governments and businesses work together to peacefully manage change. We believe in the power of local leadership and global collaboration to achieve inclusive, sustainable and prosperous societies. In 25 years of building local capacity in core democracy and peace-building skills, we have established a global network of local sustainable centers specialized in civil society leadership, peaceful conflict resolution, accountable governance, inclusive communities, and sustainable environmental and economic development. From our Washington D.C. headquarters and through the Centers, we have significantly enhanced the capacity of thousands of individual leaders, civic organizations, NGOs, municipal and national government and universities in over 60 countries.





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