Abstract

This paper examines private sector job creation in Tunisia over the period 1996-2010 using a unique database containing information on all registered private enterprises (Tunisian Business register), including self-employment. Overall net job creation by firms was disappointing and the firm-size distribution became increasingly right skewed, with 2 out of every 5 net new jobs being in one-person firms (self-employment). The increasing importance of small-scale employment reflects the contributions of new firms and the fact that most entrants start small. Post-entry, however, small firms are the worst performers in terms of job creation, even if they survive; there is no “up-or-out” dynamic. Instead we observe structural stagnation; mobility is extremely limited, with very few firms managing to grow. Moreover, the link between productivity, profitability and job creation is very weak. A simple simulation exercise suggests that if pre-revolution trends continue unabated, by 2025, 90% of firms will be one-person enterprises and 42% of all formal jobs will be in the form of self-employment.