

# Inequalities in Tunisia: what role for inherited human capital and social capital?

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### MAIN MESSAGE

Regional inequalities are substantial in Tunisia. In the rural western regions, the poverty and unemployment rates are almost three times those of the more advantaged eastern regions.

Several factors explain these disparities, in particular the spatial distribution of infrastructure and the level of education. Our hypothesis is that historical factors also matter, including historical heritage in terms of skills and know-how, which we call inherited human capital, and social capital.

Our research shows that inherited human capital is one of the major explanatory factors of inequalities between regions in Tunisia. It is therefore essential that development policies take this into account and that an inventory and valuation of each region's heritage be carried out.

### CONTEXT & MOTIVATION

To explain the genesis of regional inequalities, some theoretical and empirical work has shown the importance of factors linked to geographical differences (availability and access to natural resources, markets, and means of

communication) and human capital (Gennaioli et al., 2013).<sup>1</sup> Other authors have focused on the differences between regions in terms of social capital and their origin, showing how social capital generates regional disparities, for example between northern and southern Italy (Putnam, 1995; Guiso et al., 2008)<sup>2</sup>. In Tunisia, such an empirical and scientific historical social approach has not yet been used to understand the strong social and regional inequalities in terms of income and access to essential services, especially education and health (Boughzala et al., 2020a)<sup>3</sup>.

This study draws upon the history of Tunisia and upon research on the location and history of growth poles around the world. Historically, the Tunisian regions have not in fact had the same socioeconomic structures and the same levels of urbanization and diversification of their production.

The study focuses on the impact of inherited human capital and social capital on inequalities between regions. Inherited human capital reflects the skills and know-how transmitted by previous generations; it is measured by an index summarizing the grandfather's level

of education, his level of competence, and the complexity of his profession. A community's social capital results from the beliefs and values shared by its members. These values determine the level of cooperation and trust among them and with others. Social capital is proxied by three variables providing information on the level of cooperation and perceived trust.

The aim of the study is to explore these two long-ignored factors and to examine their effect on income inequalities in Tunisia, especially between regions.

### METHODS

The study<sup>4</sup> is based on a model of the behavior of household heads and entrepreneurs to determine the use of resources (labor, physical capital, and human capital), and hence productivity, income, and its distribution.

The resulting econometric model estimation is based on original data collected in July-August 2019 in four regions: two of them among the more disadvantaged, Jendouba and Kasserine in the west, the other two in the more prosperous coastal area, Monastir and Nabeul.

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**Geography** Tunisia

**Find out more about this project:** <https://www.afd.fr/fr/carte-des-projets/analyser-les-inegalites-economiques-sociales-et-regionales-en-tunisie>

**Key words** Regional inequalities, education and training, social capital, human capital.

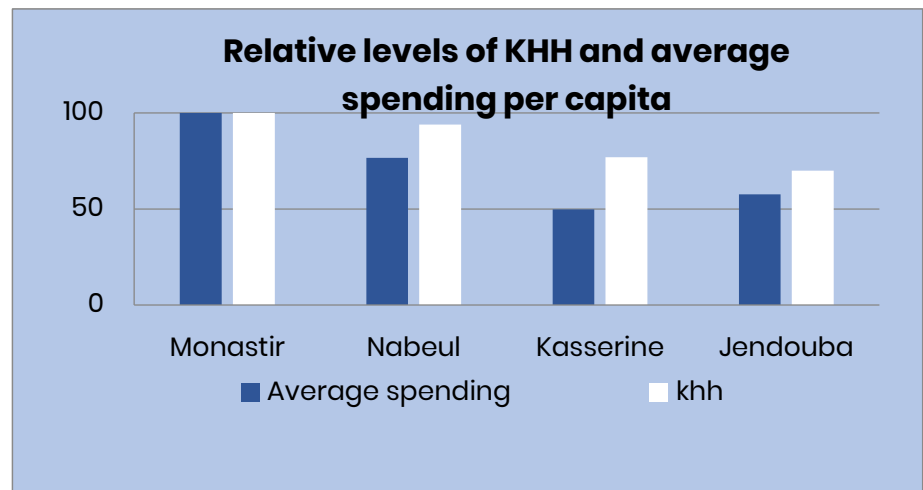
**Themes** Economics

## RESULTS

The data clearly confirm the importance of inherited human capital as an explanatory factor for inequalities. The standard of living is higher where the inherited human capital is higher (see graph). The same goes for entrepreneurship. In the regions of Monastir and Nabeul, two thirds of the population is in the quintiles best endowed with inherited human capital, while this share corresponds to less than 25% in the regions of Jendouba and Kasserine.

The data also show that physical capital and human capital in all their forms remain the main sources of productivity, despite the unemployment rate of young graduates. Tunisia must therefore continue to accumulate physical and human capital, but in a more appropriate and better targeted manner. It is essential to promote productive investment, especially in disadvantaged regions through major flagship projects.

The key and novel message is that it is essential to take inherited human capital into account in development policy making and public investment



planning, especially in regions where it is relatively low. Specific upgrading measures should accompany the development of new industries, techniques, or cultures in the regions least endowed with inherited human capital. An inventory of the heritage and historical know-how of all the regions would make it possible to better appreciate their productive and entrepreneurial potential.

With regard to social capital, the data suggest that Tunisians remain confined within too narrow communities that tend to be limited to the family, which reveals a structural weakness of social capital.

It also appears that i) social capital is not weaker in disadvantaged regions and that it is therefore not the source of regional disparities, and ii) that it has deteriorated everywhere over the past decades.

The insignificant effect of social capital on income indicates indeterminacy rather than a definitive result, which arises from imperfection in the data provided by the survey. A more in-depth exploration of social capital in the field should therefore be carried in order to obtain more complete data and to better understand its complexity and effect on income inequalities in Tunisia.

## RECOMMENDATIONS

- ▶ A systematic inventory of the inherited human capital (know-how and intangible heritage) of each region should be carried out in order to develop it.
- ▶ The education system should be restructured to ensure equal opportunities for all and effective universal access to educational opportunities for all children and young people.
- ▶ Schools should also devote more resources to civics and to the dissemination of socially beneficial values, which are essential to the development of social capital.

<sup>1</sup> Gennaioli, N., La Porta, R., Lopez-de-Silanes, F. & Shleifer, A. (2013), Human capital and Regional Development, *The Quarterly Journal of Economics* (2013), pp.105–164.

<sup>2</sup> Guiso, L., Sapienza, P. & Zingales L. (2008), Long-Term Persistence, *Journal of European Economic Association*, December 2016, Vol. 14(6), pp.1401-1436.  
Putnam, R.D. (1995), "The Case of Missing Social Capital," Harvard University Working paper.

<sup>3</sup> Boughzala, M., El Lahga, A., Bouassida, I. & Ferjani, M. (2020a), Les inégalités en Tunisie, *Papiers de Recherche AFD n144-2020*.

<sup>4</sup> Boughzala, M., El Lahga, A., Bouassida, I. & Ferjani, M. (2020b), Les inégalités en Tunisie : Quels rôles pour le capital humain hérité et pour le capital social ?, *Papiers de Recherche AFD n145-2020*.