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MYTHS & REALITIES  
OF THE TURKISH LABOR MARKET

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# Myth 1: Growth without employment

**Right, but this was only the case in 2003.**

Table 1

Non agricultural growth (%) and  
non agricultural employment (thousands): 2000-2003

	NA Emp.	Change	Growth
<b>2000</b>	13.812		
<b>2001</b>	13.435	- 2,7 %	- 8,0 %
<b>2002</b>	13.896	3,4 %	7,9 %
<b>2003</b>	13.982	0,6 %	6,8 %

2000/2003 Increase of employment 1,2 % / GDP growth 6,0 %  
Growth elasticity of employment = 0,2

# Myth 1: Growth without employment

Table 2

Non agricultural growth (%) and  
non agricultural employment (thousands): 2003-2005

NA Emp.

**2003** 13.982

**2004** 14.391

**2005** 15.553

Change (03/05) **11,2 %**

Growth (03/05) **18,2 %**

Increase of employment 11,2 % / GDP growth 18,2 %

Growth elasticity of employment = 0,6

(Long term elasticity estimation = 0,5 TÜSIAD, 2004)

# Myth 2: Unemployment does not decrease despite growth

Yes

Yes, if one takes into consideration the number of unemployed people and the global unemployment rate.

Table 3  
The unemployment rate: 2000-2005

	Unemployed Rate	Global U.
<b>2000</b>	1.433.000	6,8
<b>2001</b>	1.964.000	8,7
<b>2002</b>	2.456.000	10,3
<b>2003</b>	2.471.000	10,5
<b>2004</b>	2.481.000	10,3
<b>2005</b>	2.449.000	10,3

# Myth 2: Unemployment does not decrease despite growth

**No**

No, if one takes into consideration the nonagricultural unemployment rate.

Table 4  
The non agricultural unemployment rate: 2000-2005

<b>2000</b>	9,3
<b>2001</b>	12,7
<b>2002</b>	15,0
<b>2003</b>	15,0
<b>2004</b>	14,7
<b>2005</b>	13,6

# Why Does Not the Number of Unemployed Decrease Despite Growth?

**Because Labor Force is very flexible.**

Table 4  
Non agricultural employment  
and labor force (thousands): 2000-2005

	Employment	Labour force
<b>2000</b>	13.812	15.245
<b>2001</b>	13.435	15.399
<b>2002</b>	13.896	16.352*
<b>2003</b>	13.982	16.453
<b>2004</b>	14.391	16.872
<b>2005</b>	15.553	18.002

\*Strong *added worker effect*: Increase from 2001 to 2002 is 6,2 %.

# The flexibility of the labor force



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From 2003 to 2005 employment increased by 1.571.000 while labor force increased by 1.549.000. The elasticity of the labor force to job creation is close to 1,0 while it is estimated around 0,3 in an unflexible labor market like France.

# Myth 3: Participation rate(s) decreases

Yes

Yes, if one takes into consideration the nation wise aggregate level.

	LFPR
<b>2001</b>	49,8
<b>2002</b>	49,6
<b>2003</b>	48,3
<b>2004</b>	48,7
<b>2005</b>	48.3

The main reason of this decrease is the decrease of the female LFPR

	LFPR
<b>2001</b>	27,1
<b>2002</b>	27,9*
<b>2003</b>	26,6
<b>2004</b>	25,4
<b>2005</b>	24,8

\*Strong *added worker effect*

# Myth 3: Participation rate(s) decreases

**No**

No, if one takes into consideration the nonagricultural LFPR (approx. by the urban rate).

	LFPR
<b>2001</b>	43,3
<b>2002</b>	43,8
<b>2003</b>	43,8
<b>2004</b>	44,5
<b>2005</b>	45,5

The main reason of this increase is the increase of the female LFPR.

	LFPR
<b>2001</b>	16,8
<b>2002</b>	18,7*
<b>2003</b>	18,5
<b>2004</b>	18,3
<b>2005</b>	19,3

\*Strong *added worker effect*

# Myth 3: Participation rate(s) decreases



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The story can be simplified as follows:

At the aggregate level LFPR is basically driven by two adverse effects related to the female labor:

- **While the female labor decreases in Agriculture, where the participation rate is high,**
- **it increases outside the Agriculture where the participation rate is low (this increase is due to the effect of educational level).**

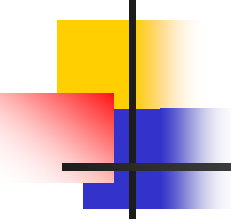
# Myth 3: Participation rate(s) decreases



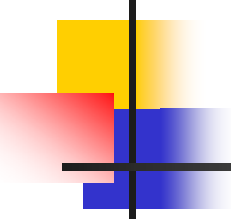
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- **Finally we are facing a double composition effect.**
- **I am expecting an equilibrium around 47,5 in 3-4 years, then the LFPR will start to increase steadily.**

# The unpleasant reality

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- **Non Agricultural Labor Force is driven by a trend increase of more than 3 %. Our estimation is 3,3 %; (TÜSIAD, 2002). From 2000 to 2005 non agricultural LF increased by 3,4 %.**
  - **The minimum number of net jobs to be created outside of agriculture in order to keep constant the unemployment level at 2.500.000 equals 550.000.**
  - **In this case the unemployment rate will be steadily decreasing.**

# The unpleasant reality

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- **This level of job creation means an increase of 3,5 % in the non agricultural employment.**
  - **If we consider the growth elasticity of employment as 0,5, the required growth rate of non agricultural GDP equals 7%.**



# The unpleasant reality

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**Turkish economy outperformed this threshold during the past two years.**

**But shall it be capable to perform such an ambitious growth rate in the future?**