

WOMEN HAVE LONGER UNEMPLOYMENT SPELLS

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Executive Summary

Turkish labor market exhibits substantial gender differences in labor-market indicators such as labor force participation and unemployment. These differences are also reflected on durations of unemployment. Data shows that females have longer unemployment spells. One of the main reasons behind the gender gap in unemployment spells is the fact that the women in the labor force are better educated than men. Another important factor is relatively shorter labor market experience of women. Every 3 out of 10 unemployed women have never worked before. Lack of prior labor market experience hampers labor market integration and hence increases unemployment spells. To narrow the gender gap, policies should aim at improving women's capabilities to access the labor market and to find jobs as well as implementing programs such as placement guaranteed training programs. Such efforts should be complemented by providing employers with incentives to hire more women.

Women have longer unemployment spells

The rise in the unemployment rate which began in the second quarter of 2008 accelerated as a consequence of the economic crisis. A decrease in the demand of goods and services caused a fall in production and consequently in employment opportunities. On the other hand, non-agricultural labor force increased above its trend due to the economic crisis and thus contributed to this increase in unemployment. Aside from the current economic crisis, there are other structural factors that affect unemployment. In this research note, we will investigate unemployment spells. Turkish labor market exhibits substantial gender differences in labor market indicators such as labor force participation and unemployment. These differences are also reflected on durations of unemployment.

The most recent statistics on unemployment spells were released by TURKSTAT in May 2009. The data points to these differences as well. According to Table 1, the share of long term unemployment in total unemployment is 44 percent for females while it is only 24 percent for males. In other words, the possibility of being unemployed for more than 12 months is 9 percentage points higher for women. Short term unemployment, on the contrary, is more common among men. Male short term unemployment ratio is 6 percentage points higher than the corresponding female ratio. These numbers indicate a structural difference in terms of unemployment spells.

Table 1 Unemployment spells (May 2009)

	Female	Male
Short term (01-05 months)	45 %	51 %
Medium term (06-11 months)	22 %	25 %
Long term (12 months or longer)	33 %	24 %
Total	100 %	100 %

Source: TURKSTAT

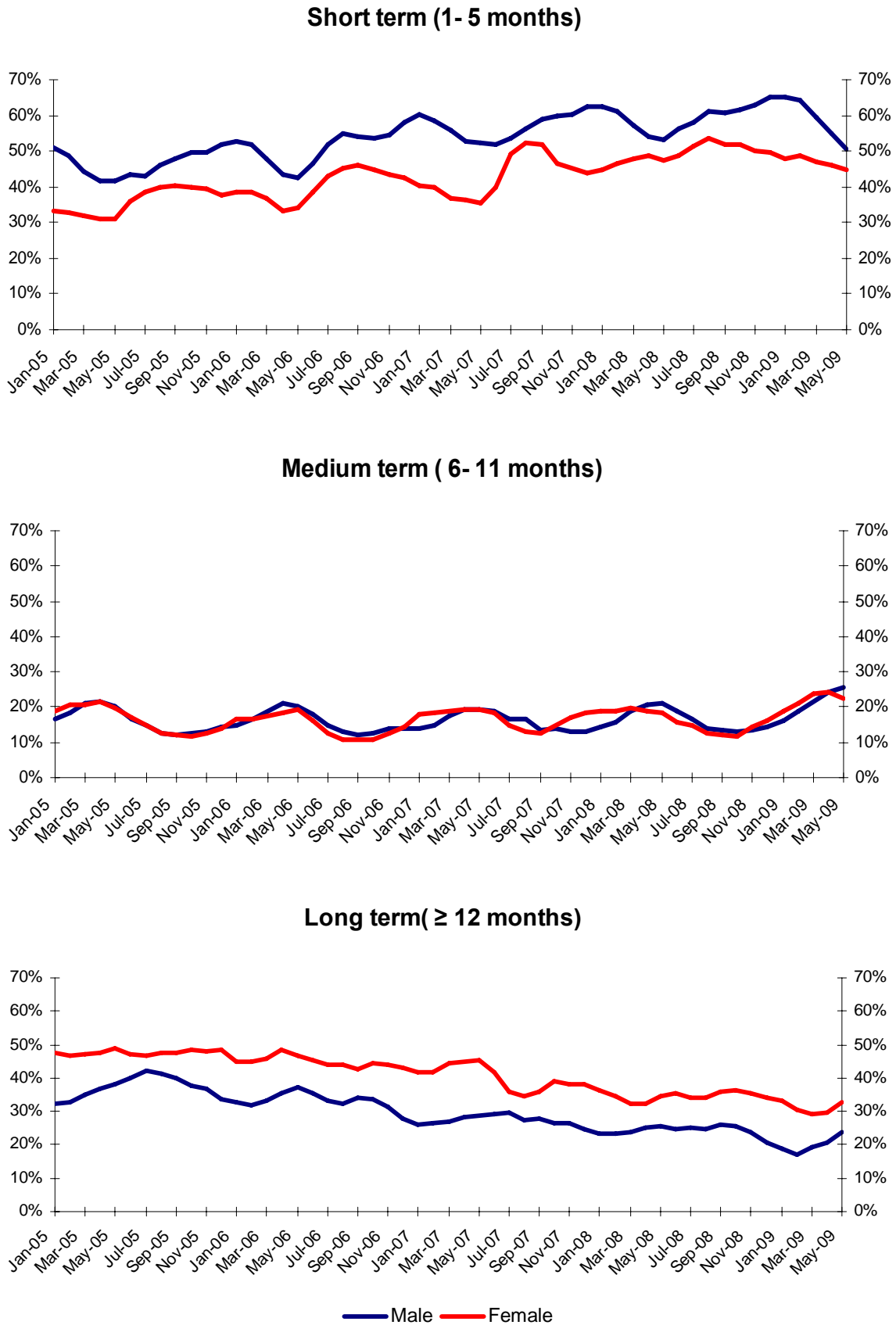
In Figure 1, the shares of short term(1 to 5 months), medium term (6 to 11 months) and long term (12 months or longer) among the total number of unemployed are presented.

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Figure 1 The share of short term, medium term and long term unemployed



Source: TURKSTAT, betam

We will examine unemployment spells using a more detailed data set, namely the Household Labor Force Survey (HLFS) 2006 raw data¹. The reasons causing women to have longer unemployment spells could be categorized into two main groups namely supply (reservation wages) and demand (possible discriminatory labor market structure) side factors. However, since it is impossible to determine a possible discriminatory hiring attitude using this particular data set, we will limit this study to supply side factors' possible effects on unemployment durations.

BOX 1: What is the reservation wage?

People in labor force evaluate the job offers they get through a cost- benefit analysis. The cost of accepting a job offer is measured by the utility obtained from not working and/or from doing household chores, while the utility of accepting an offer is simply measured by the wage/salary it provides.

The opportunity cost of accepting a job offer is described as the utility that individual will enjoy in case he/she rejects that offer. The opportunity cost could be the economic value of home production for a housewife or it could be unemployment insurance payments for someone who could receive unemployment benefits, it could as well be the expected wage/salary of a possible job in the future.

If the benefit of that job offer exceeds the opportunity cost of being employed at that particular job, one will accept the offer. Otherwise, one will reject the offer and continue to search for another job. Consequently, the minimum utility one will require to accept a job offer must be equal to the opportunity cost of being employed. This threshold value is called the "reservation wage".

Reservation wage also determines unemployment spells. Consider two unemployed people with identical human capital endowments. The one with a higher reservation wage will be more demanding when evaluating job offers. Since the possibility of being employed is lower for those with higher reservation wages, their unemployment durations will be longer.

Women in labor force are more educated

One of the crucial determinants of reservation wages is the human capital endowment. We measure human capital endowment by education and labor market experience variables available in HLFS. Education is a major determinant of labor supply², that is, higher education levels increase both labor force participation and the level of reservation wage. Therefore, it might be the case that women have higher education levels, hence look for jobs that require higher education levels. If so, women might have longer unemployment spells given that they have higher reservation wages.

Table 2 represents education levels of those who are employed and unemployed. Note that the average education level of unemployed women is higher than that of unemployed men. The share of university graduates within unemployed women is sizeable. The share of university graduates in unemployed women is 21.3 percent, while the same share is quite low (9.4 percent) for men. Moreover, the share of high school graduates is also higher for women at 39.6 percent compared to men's at 25.4 percent. Similarly, the share of university graduates within the employed is much higher for women compared to men; 30.5 percent versus 13.8 percent. Higher levels of education increase the level of reservation wages.

¹ The analysis covers non-agricultural labor force and uses 2006 HLFS. Those who are/ had been employed in agriculture/ agricultural occupations and who are looking for a job in one of this areas are excluded from the sample.

² Labor force participation rate increases parallel to higher educational attainment, but this increase is more dramatic for women as seen in the table below.

Labor force participation rate	Male	Female
Less than high school	72.6 %	12.9 %
High school	73.1 %	31.1 %
More than high school	86.0 %	70.9 %

Table 2 Levels of Education

	Male		Female	
	Employed	Unemployed	Employed	Unemployed
Less than high school	59.9 %	65.2 %	41.7 %	39.1 %
High school	26.3 %	25.4 %	27.8 %	39.6 %
More than high school	13.8 %	9.4 %	30.5 %	21.3 %
Total	100 %	100 %	100 %	100 %

Source: TURKSTAT, **betam**

If university graduates are more likely to be unemployed, women’s higher university graduation rate could be the reason behind their longer unemployment durations. However, Table 3 does not support this argument and shows that long term unemployment is more common among women for all education levels. Although, educational attainment differences explain the variation in unemployment spells to some extent, it falls short of accounting for the entire gap.

Table 3 Unemployment durations by education levels

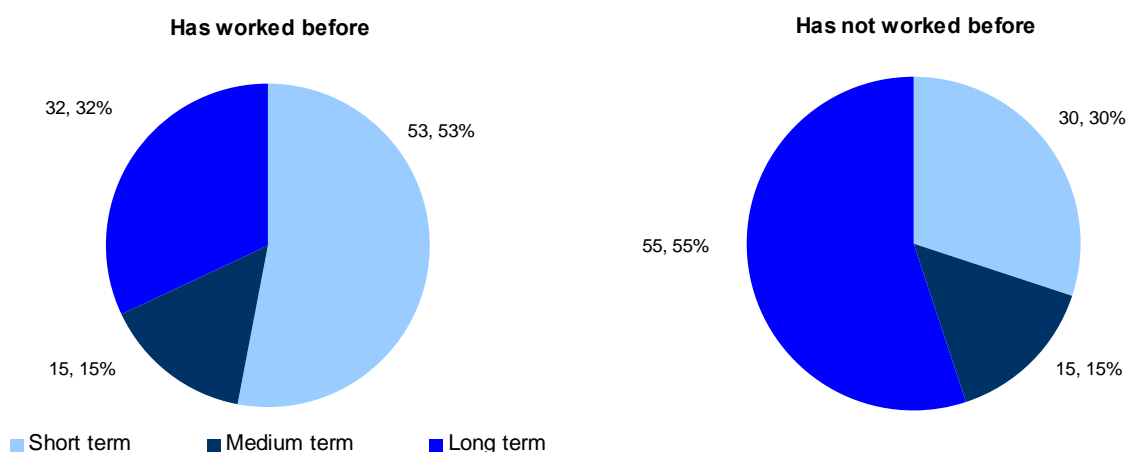
	Less than high school		High School		More than high school	
	Male	Female	Male	Female	Male	Female
Short term (01-05 months)	54.9 %	42.1 %	41.8 %	37.9 %	45.2 %	39.6 %
Medium term (06-11 months)	15.3 %	15.2 %	16.6 %	12.8 %	16.7 %	15.9 %
Long term (12 months or longer)	29.9 %	42.6 %	41.7 %	49.3 %	38.1 %	44.5 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Source: TURKSTAT, **betam**

Women have less labor market experience

Labor market experience is another important determinant of reservation wages. The data set used for this note does not allow for a precise measurement of labor market experience. However, there is a variable that indicates whether the individual has worked before. As shown in Figure 3, unemployment spells are shorter for individuals who have worked before. The share of short term unemployment for those who have worked before is 53 percent. In this group, the possibility of being unemployed for more than 12 months is only 32 percent, while the same possibility is 55 percent for those who have not worked before.

Figure 3 Unemployment durations by previous labor market status



Source: TURKSTAT, **betam**

We see in Table 4 that the share of those who have not worked before is 36 percent for women and only 16 percent for men. Given that women are less likely to have worked before and that those who have not worked before have longer unemployment spells, we conclude that the lack of previous labor market experience is a major determinant of the gender gap in unemployment spells.

Table 4 Labor market experience

	Female	Male
Has worked before	63.7 %	84.0 %
Has not worked before	36.3 %	16.0 %
Total	100 %	100 %

Source: TURKSTAT, **betam**

In this context, policies targeting labor market integration of women who have not worked before are crucial. Women's long unemployment spells can be shortened by projects that improve their job search abilities, provide job guaranteed trainings and/or stimulate employers to employ women.

Another explanation could be that women do not become discouraged and drop out of the labor market easily as they are more determined to find a job and therefore remain in the labor market for longer periods. However, this channel is ruled out by the following. Discouraged women to total unemployed women ratio is 32 percent. This is above the corresponding ratio of men, which is 18 percent. It is clear that becoming discouraged is relatively more common for women. In other words, longer unemployment durations are not caused by women being more persistent.

The social roles

On the other hand, even if the sample is restricted to those who have worked before, the gender gap in unemployment spells do not disappear. The unemployment duration is still longer for women and this holds at all education levels. We conclude that education and labor market experience can not fully account for the gender gap in unemployment spells.

Socio-cultural structure is another key aspect that shapes women's labor force participation and thus employment or unemployment. Social roles and the perception of gender affect reservation wages of women through making home production a major alternative to women's employment. In this case, these roles also affect unemployment durations as well as labor market attachment.

In patriarchal family structure, female earnings are considered as additional income since men are the primary bread earners of the family. Home production becomes the women's main responsibility. This belief further restricts women's labor market attachment. In other words, when evaluating a possible job opportunity, women take into account the value of their domestic work as an alternative, which might even be socially preferred to working. This will imply a discrepancy in the reservation wages of men and women since home production is not a socially acceptable alternative for men. In this case, a higher reservation wage will imply that the women are less likely to accept a job offer, and hence will experience longer unemployment spells. In this regard, socio-cultural factors may be one of the most significant barriers to women's employment.

We should also point out that even when all supply side factors such as education, job experience and home production are taken into account, demand side factors may still be important. Demand side discriminatory labor market conditions will imply similar outcomes. Women's unemployment spells will be longer if employers prefer to hire males when they have to choose between a male and a female candidate with identical productivity levels. Unfortunately the data set used for this note does not allow us to identify demand side factors separately. Such analysis is needed to measure affects of labor market discrimination on the gender gap in unemployment spells.