

# How to frame Labor Market Policy for Turkey: Lessons from WDR 2013

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## WDR 2013 Jobs – March 6, 2012 (White Cover)

WDR format: Paint a big picture by distilling the evidence from a massive literature; extract policy implications.

Tools: Minimal theoretical baggage. Lots of conventional wisdom, puzzles, examples and comparisons; figures and tables.

*“What matters, beyond the examples, is to have a clear analytical framework to address jobs challenges at the country level, and to derive its implications for international arrangements and for development assistance.”* (emphasis added)

“The ambition of WDR on Jobs is to articulate such a framework ... and provide answers to difficult questions policy makers face.”

## What WDR 2013 offers

### Manual for policy:

A. Identify where you are

B. Establish objectives

Pick the tools for getting you from A to B.

### Jobs lens to development:

Identify pre-conditions and constraints, policy options, and do cost/benefit analysis to balance options for productivity enhancement against concerns for standard of living and social cohesion.

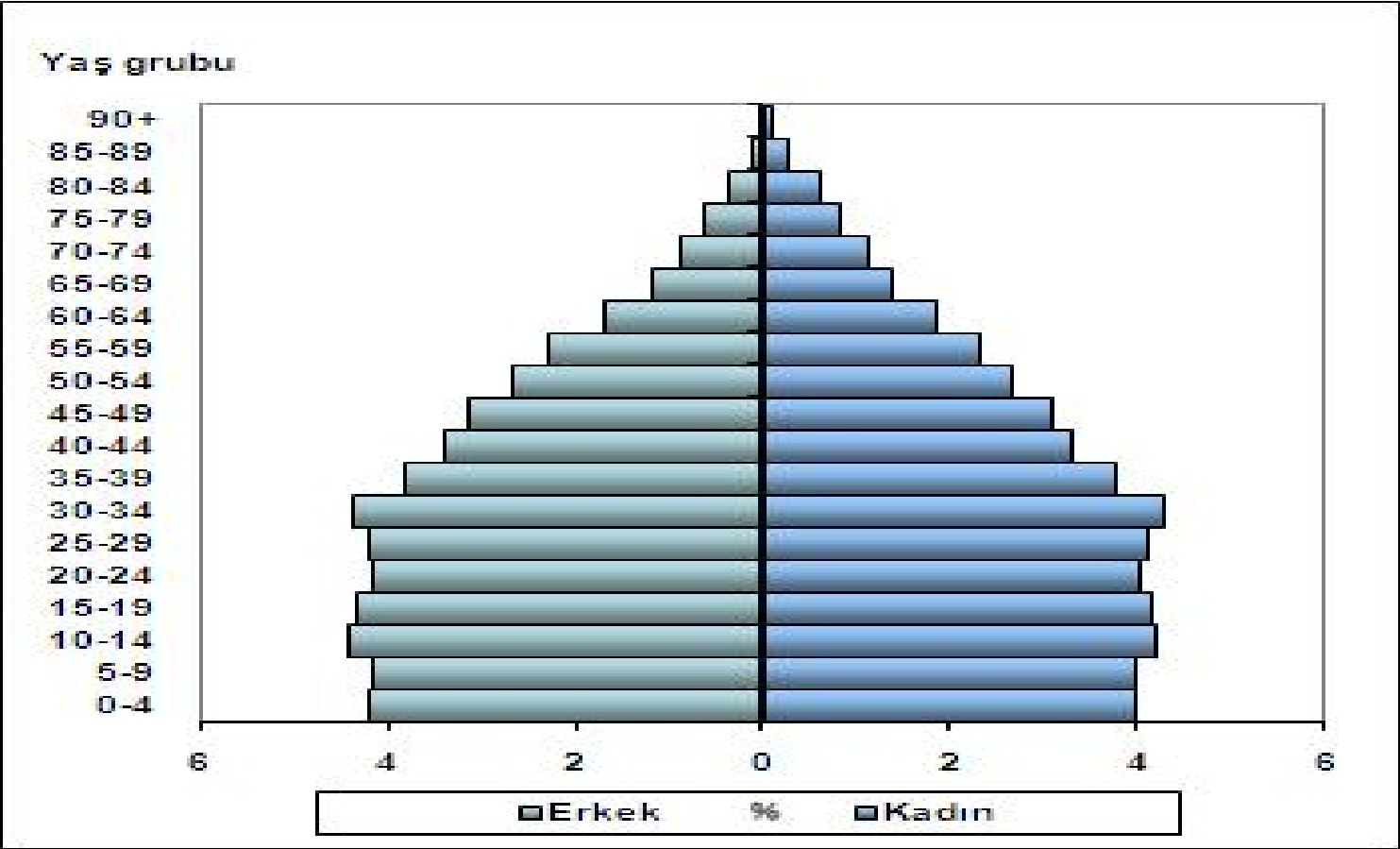
What does the policy manual/job lens offer for Turkey?

## A. Identify where you are

1. Demography
2. Female LFPR
3. Agricultural employment
4. Productivity
5. Open questions

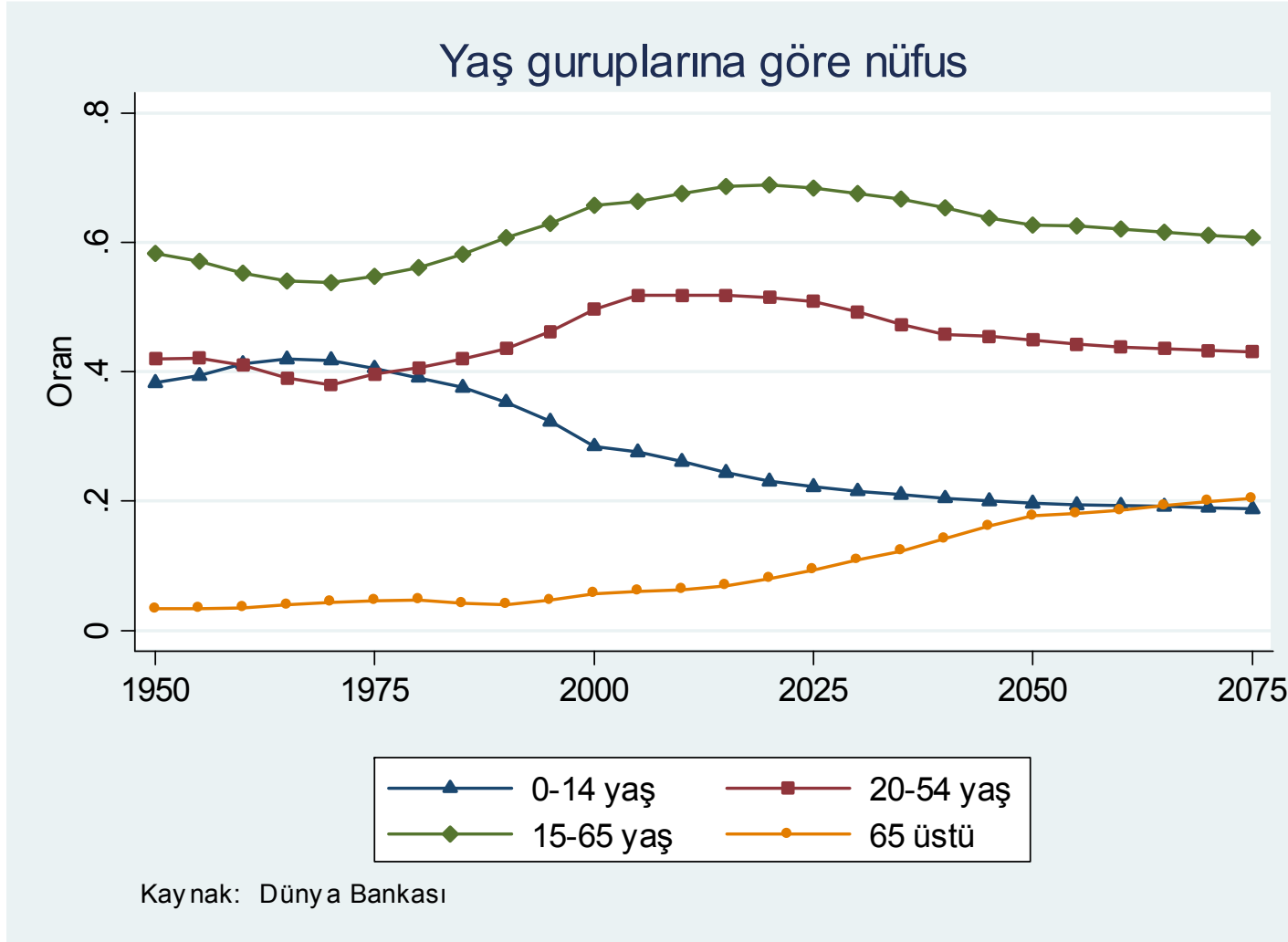
## B. Establish objectives

**Demography:** Working age population increased by 1.5% in 2012 (ADNKS).



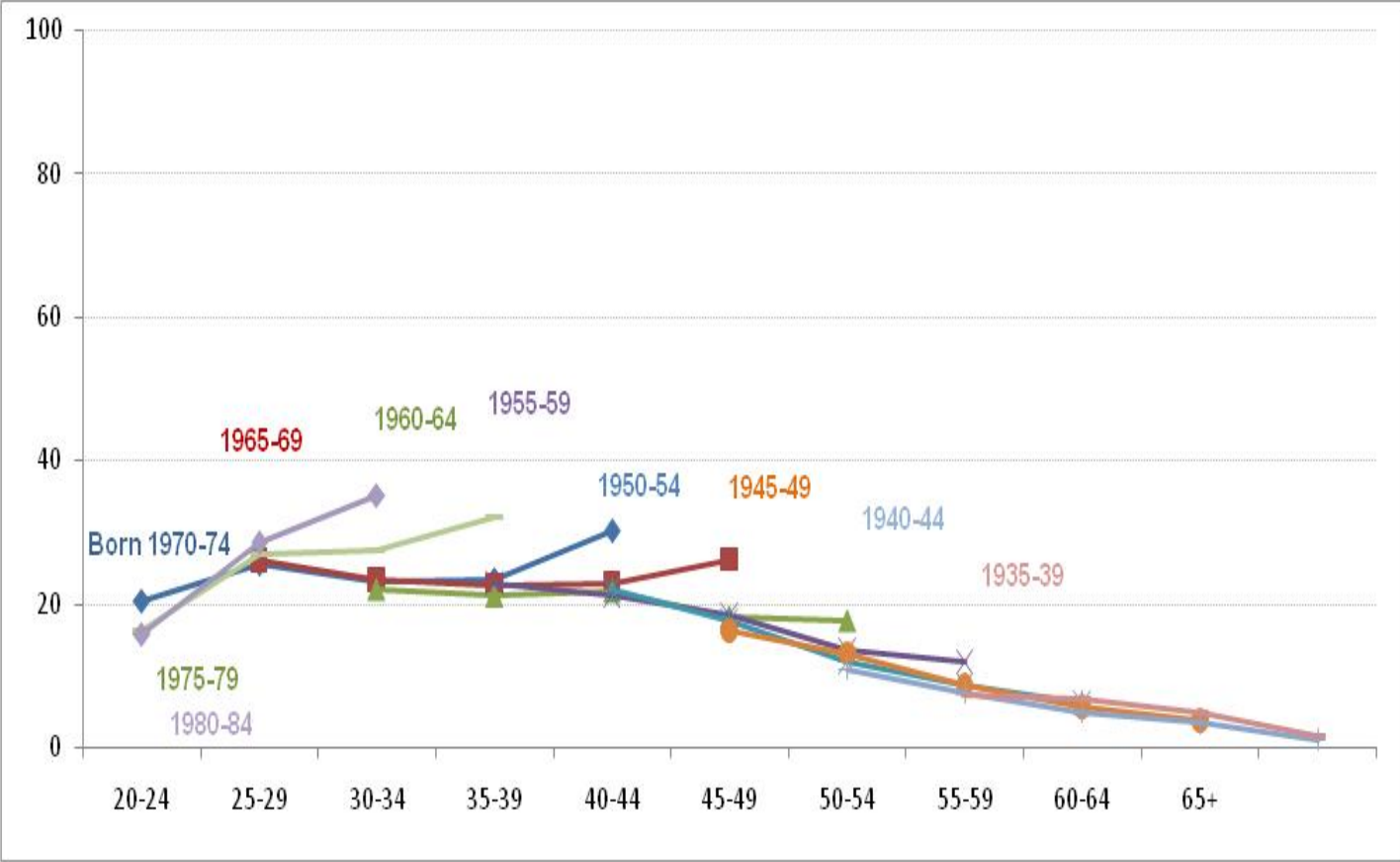
Between 2013-2023, Turkey's population is expected to increase by 10 million.

## Demographic bulge: Is a reassessment needed?



# Female Labor Force Participation: Sharp LFPR rises for young cohorts

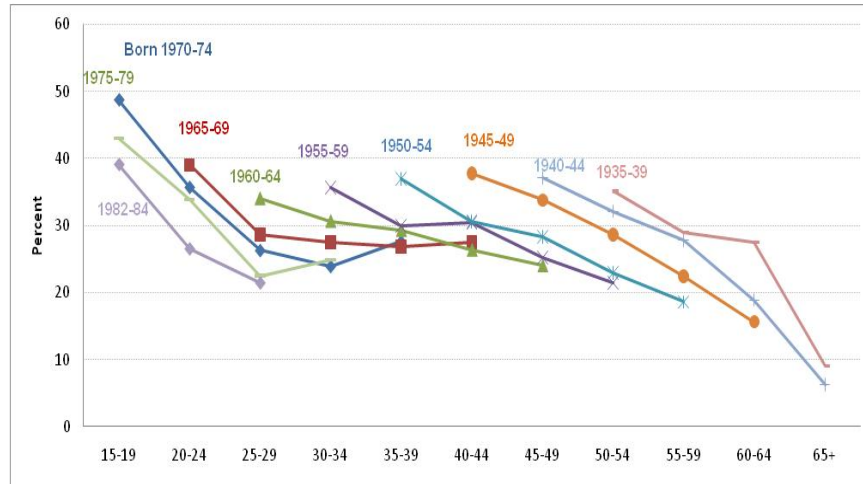
## Urban Turkey



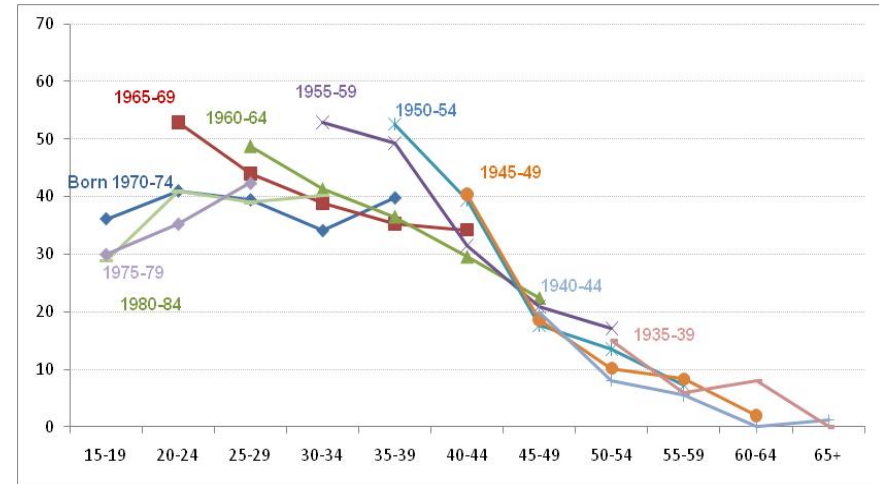
Source: HLFS (1989, 1994, 1999, 2004, 2009).

# Female LFPR by education – All Turkey

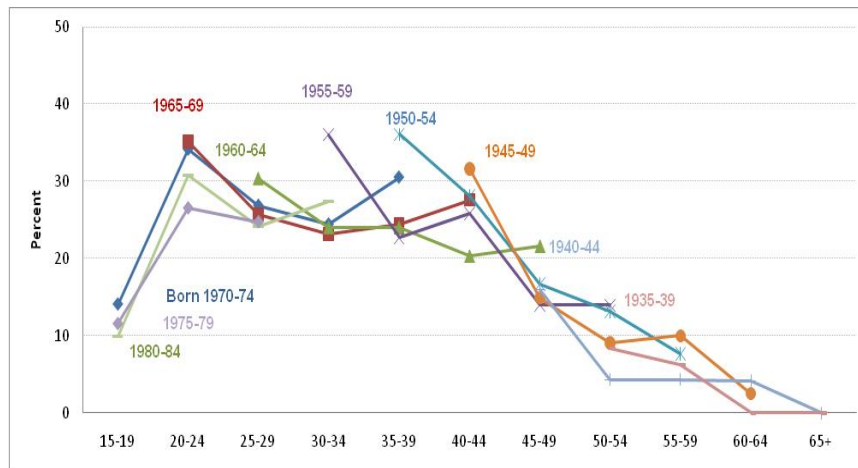
**Primary (5 yrs or less) (Rural areas dominate)**



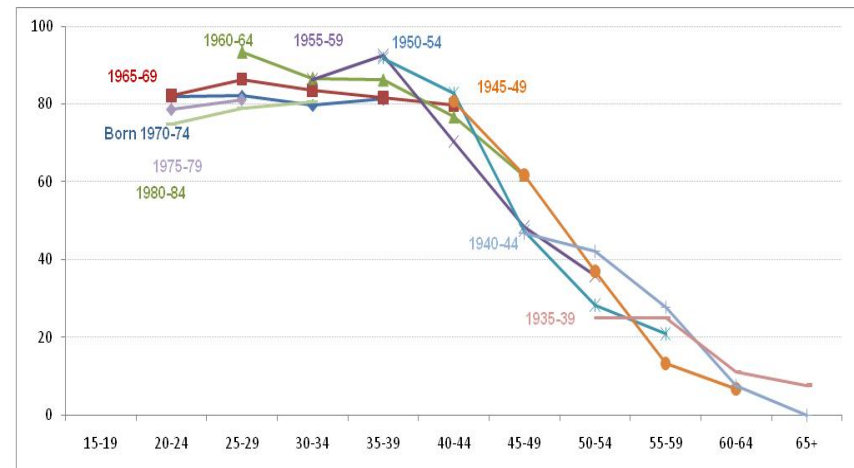
**High school (11-12 yrs) (Urban areas dominate)**



**Middle school (8 yrs) (weight still small)**



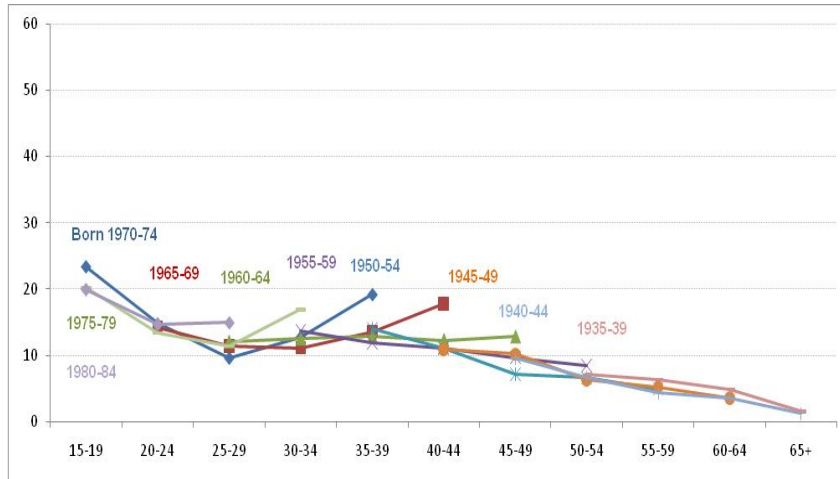
**University (Urban areas dominate)**



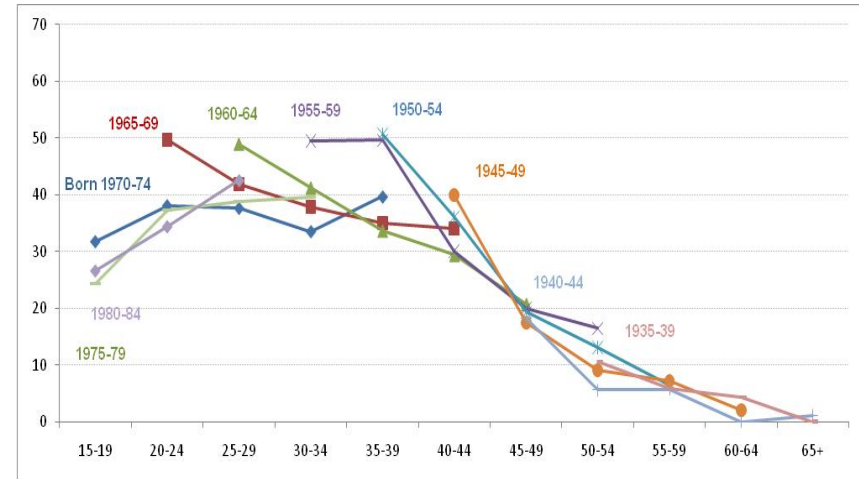


# Female LFPR by education – Urban Turkey

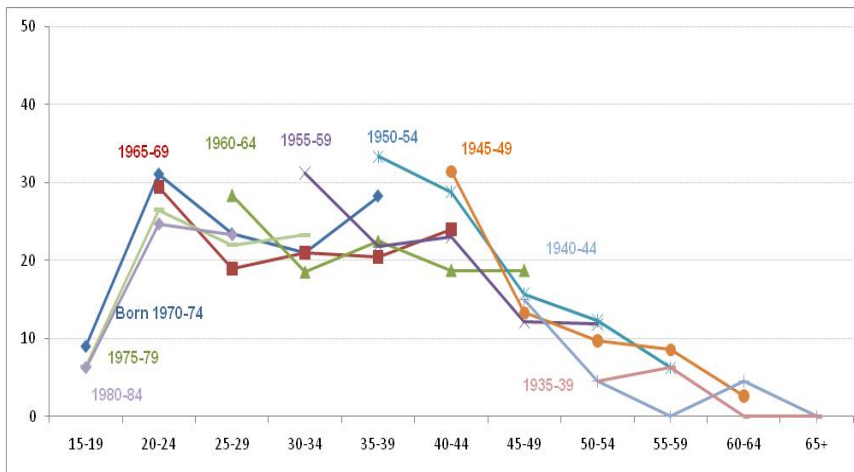
## Primary (5 yrs or less)



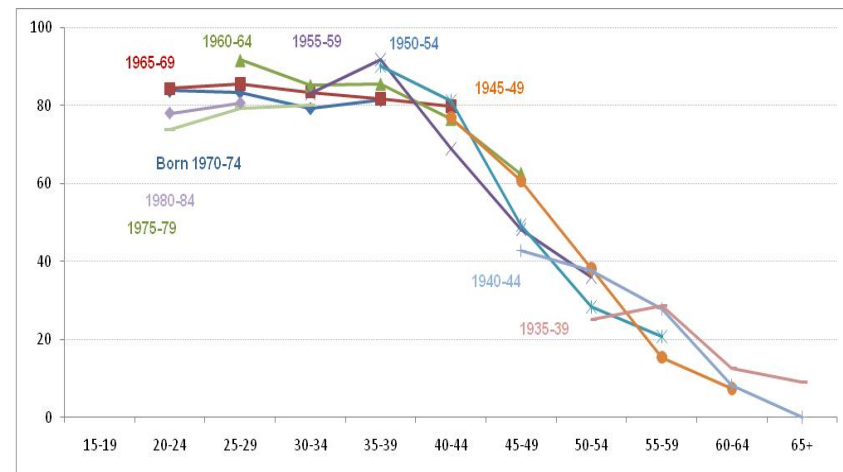
## High school (11-12 yrs)



## Middle school (8 yrs)



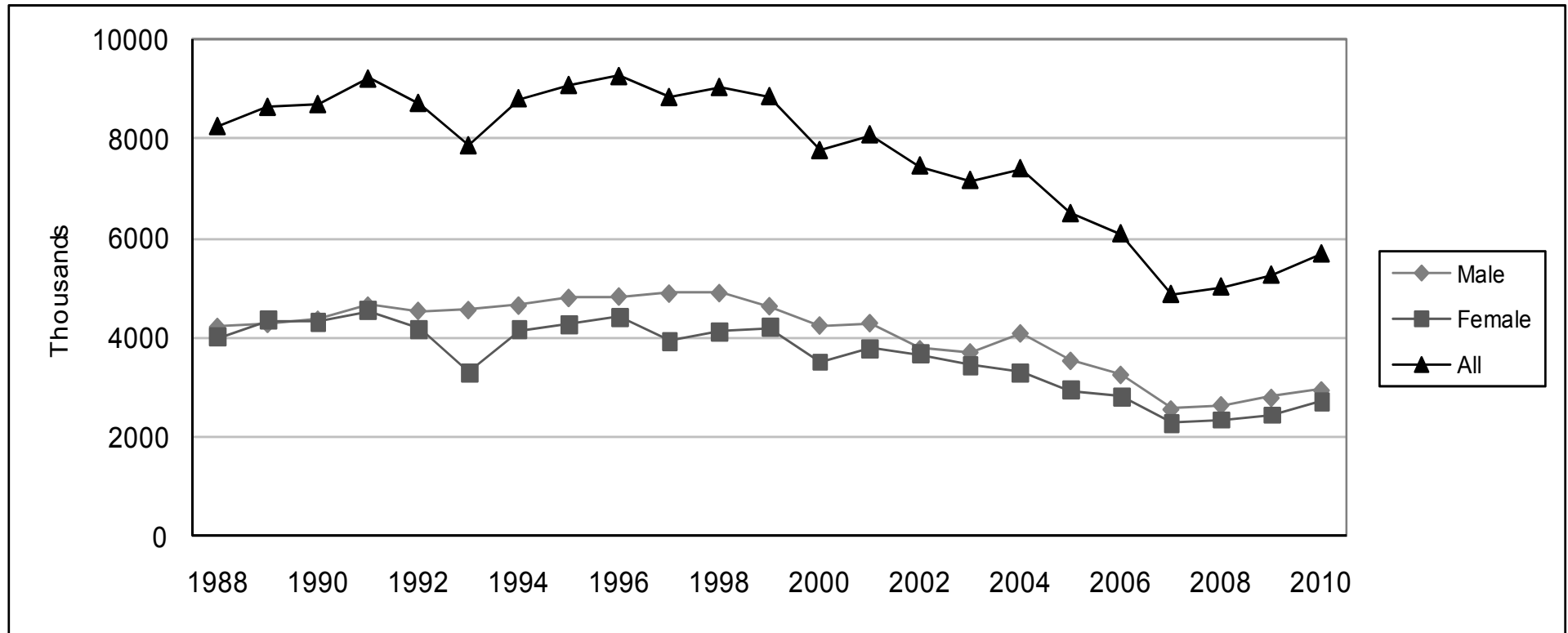
## University





# Dramatic rise in agricultural employment after 2007 – Anachronism?

## Agricultural Employment by Gender, 1988-2010

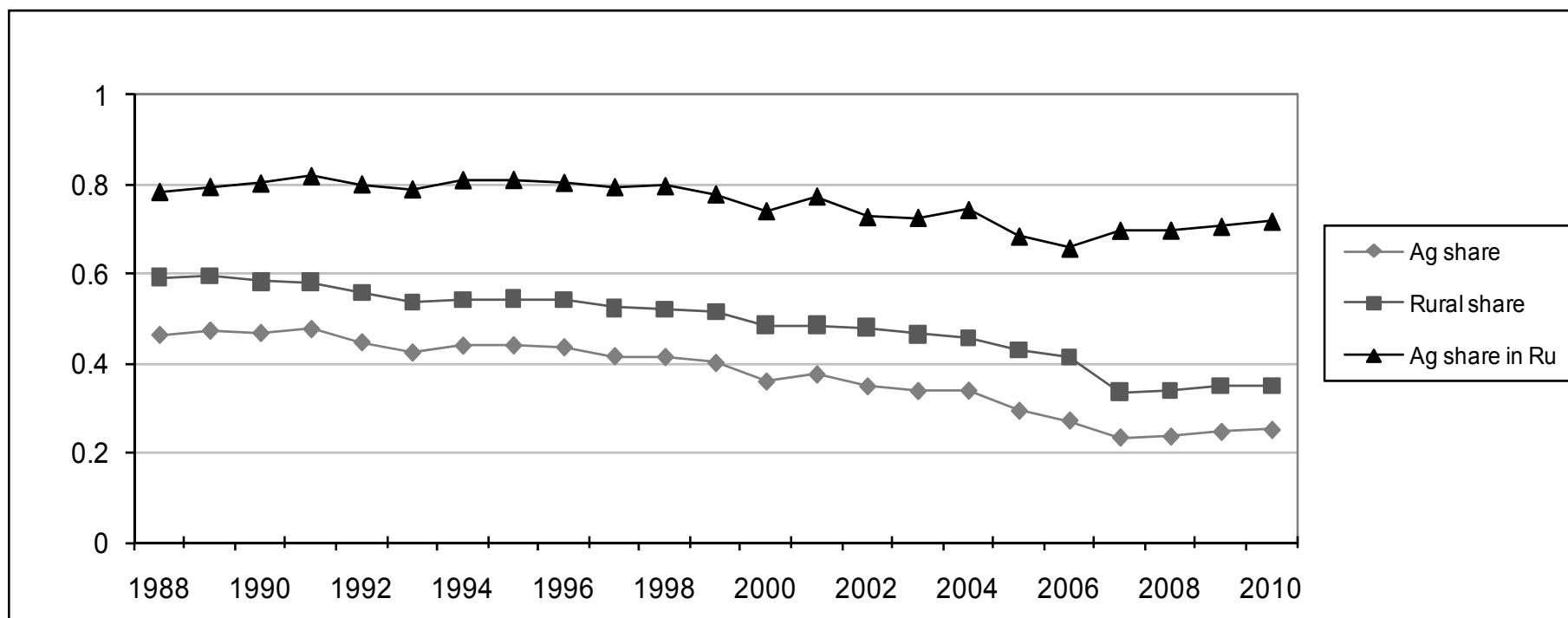


Source: HLFS database, TURKSTAT. \*\*\* Old HLFS: 1988-99; New HLFS: 2000-10; Revised estimates: 2004-10.

This trend continued in 2011-12.

# Agriculture's dominance in rural employment was restored after 2007

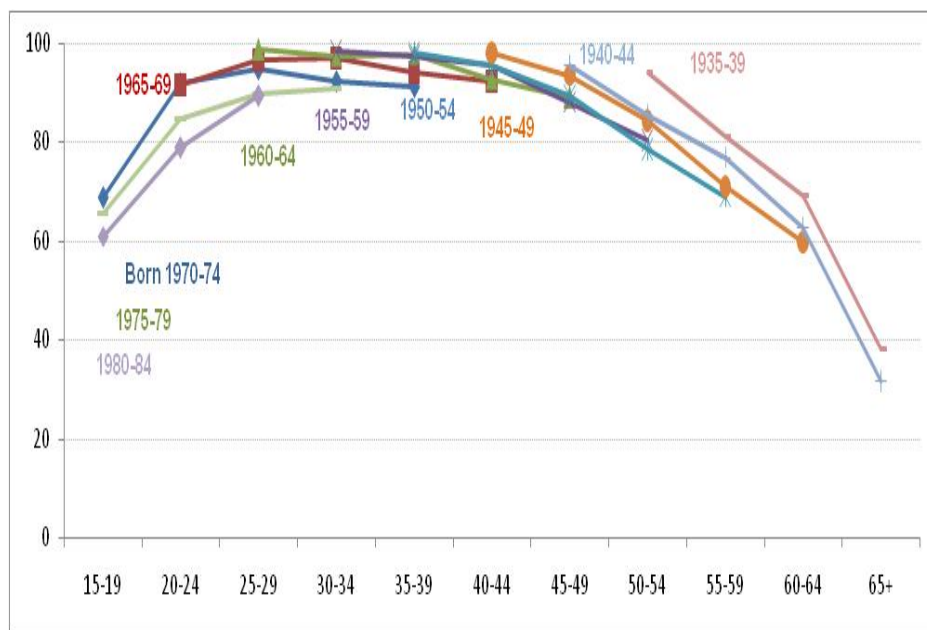
## Shares of Agricultural and Rural Employment in Total, and Share of Agricultural Employment in Rural Employment



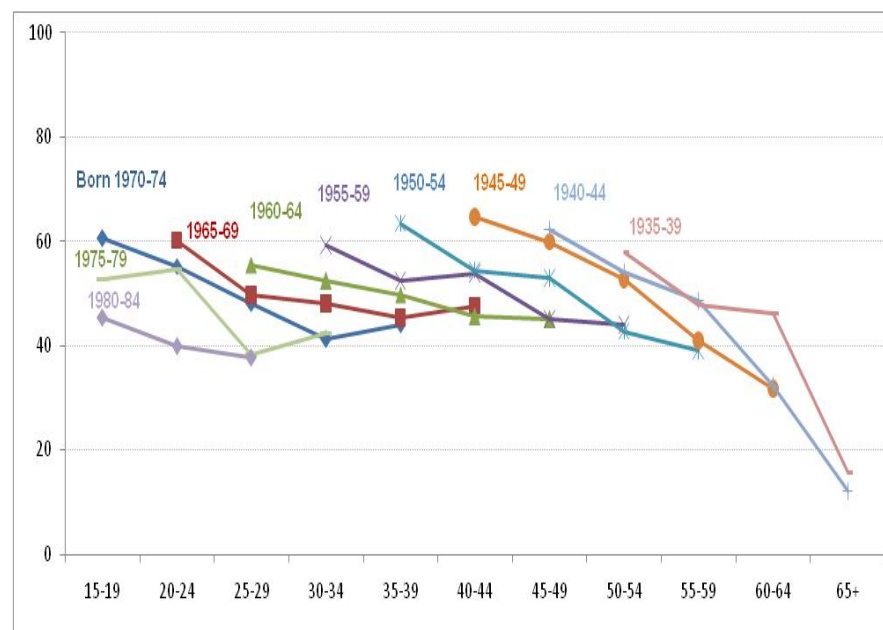
The young appear to have returned to agriculture (esp. females)

## Rural Turkey

### Males



### Females



Source: HLFS (1989, 1994, 1999, 2004, 2009).

## Sector specific productivity trends

We study aggregate productivity and four sectors:

Agriculture, Manufacturing, Services and Construction.

Average Productivity in sector  $j = AP_j$

$AP_j = GDP_j / \text{employment}_j$  (1998 prices)

Technical note:

Total GDP includes the main sector contributions plus two other items:

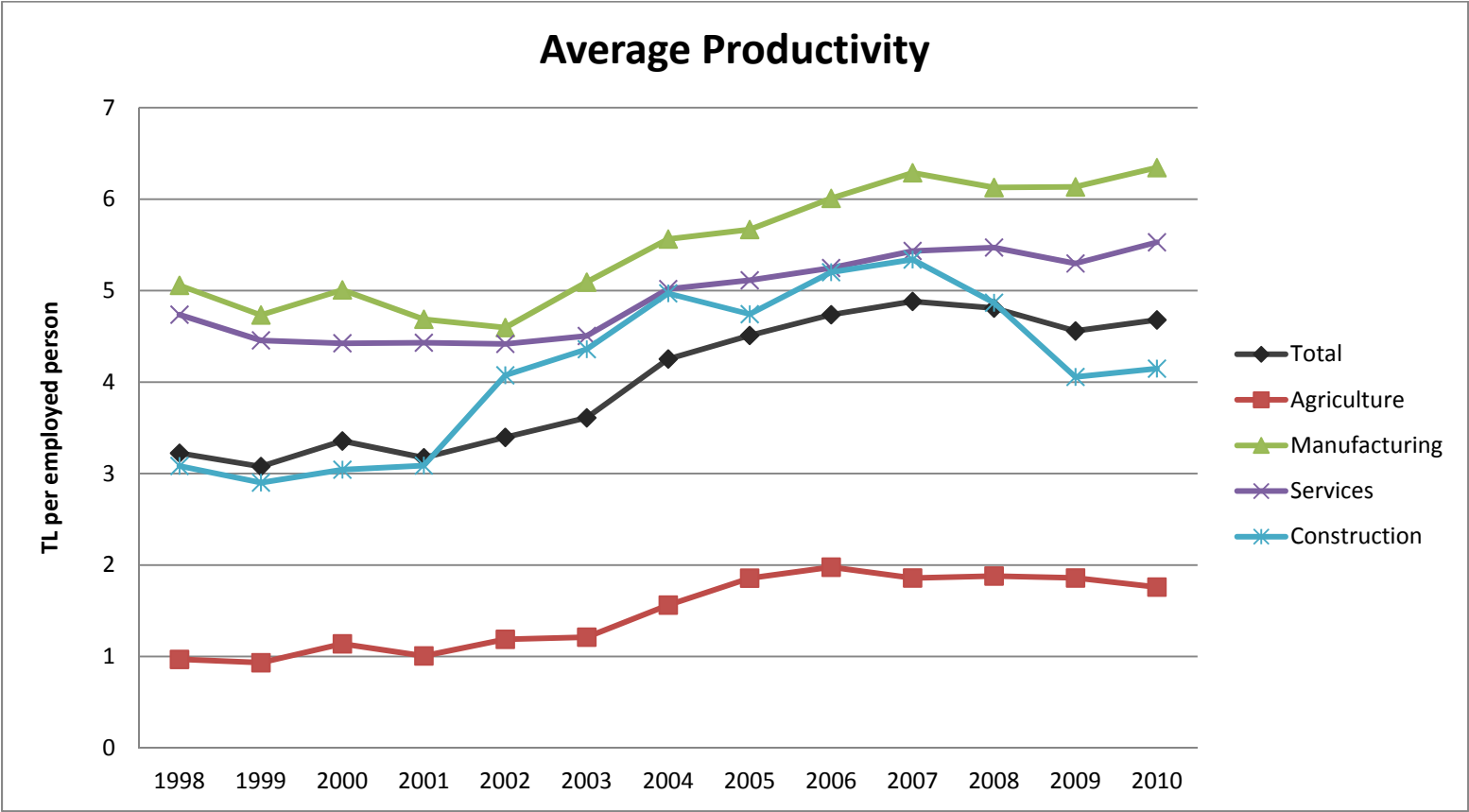
Indirectly measured Financial Intermediation Services <sup>(\*)</sup>

Taxes and Subsidies

These two items have an increasing share in GDP over time.

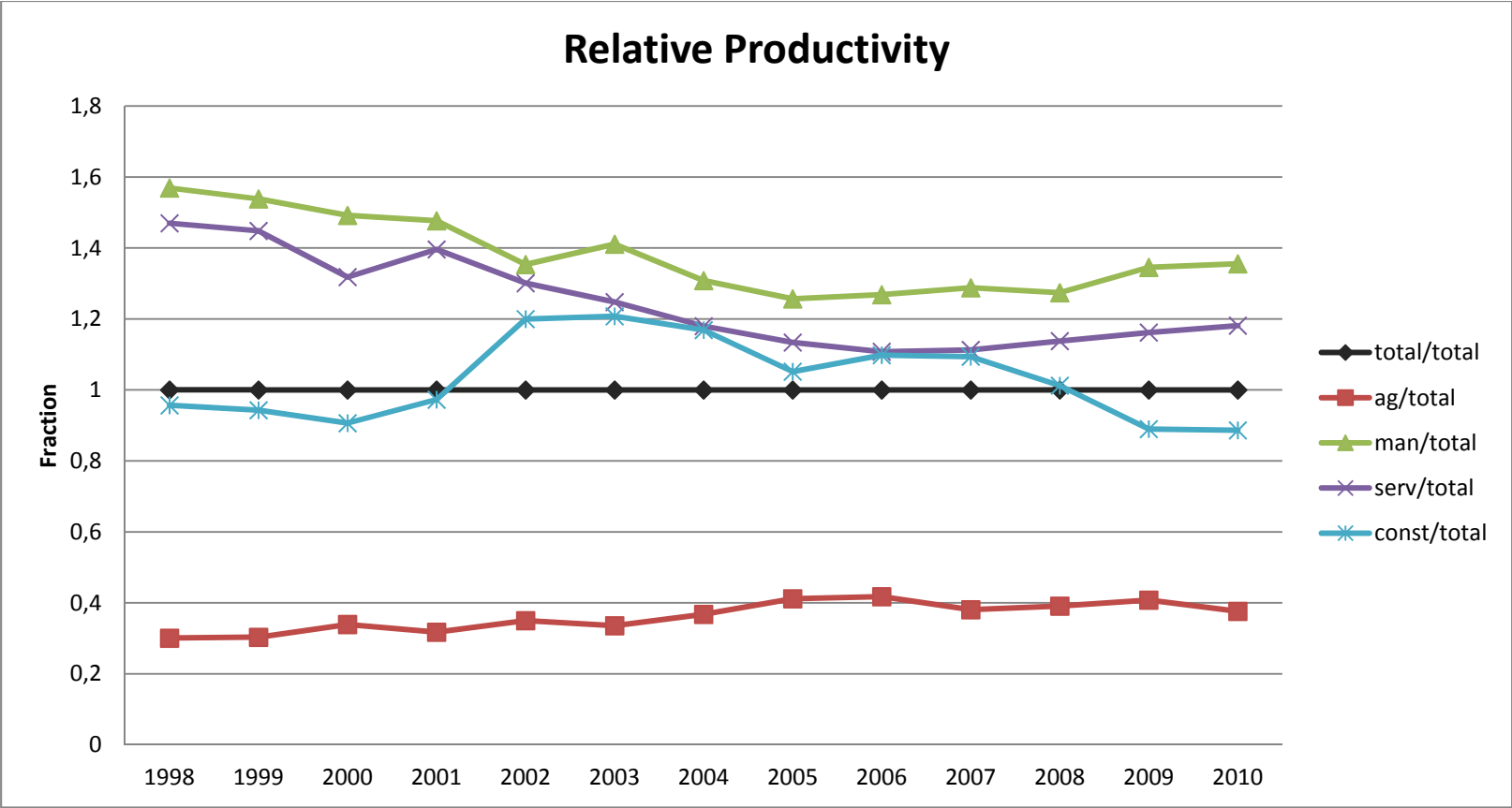
<sup>(\*)</sup> What are these? Repatriated profits of Turkish firms?

Note the initial boost in Ag-AP during the post-ARIP period, and the leveling off starting with 2007. Note, also, the recent decline in Const-AP.



Source: Ministry of Development

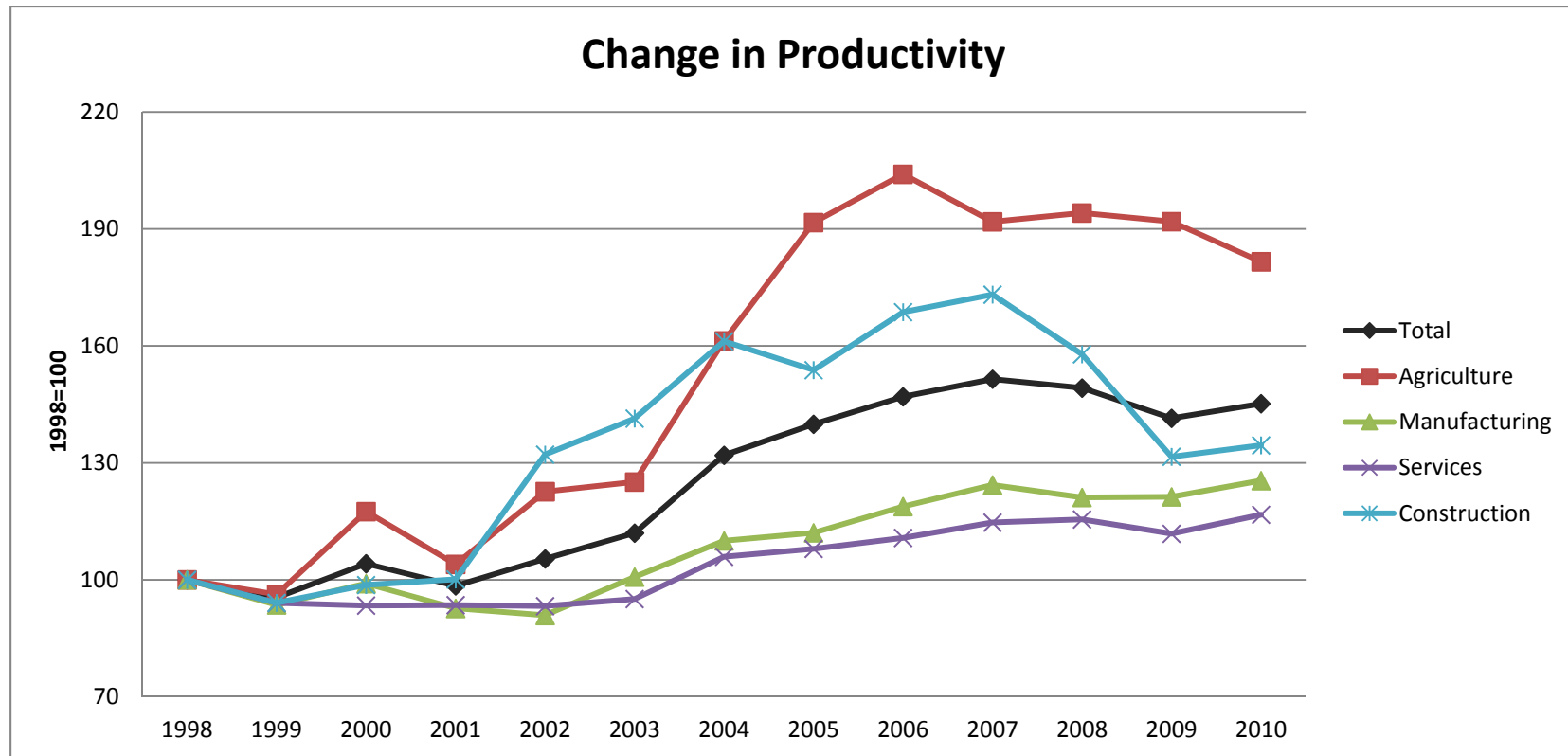
Next, we examine sector-specific AP relative to Total AP.



Note how AP-Ag rose relative to AP-Total up until 2006 while AP-Man and AP-Serv declined. **This suggests that agriculture became relatively more attractive.**

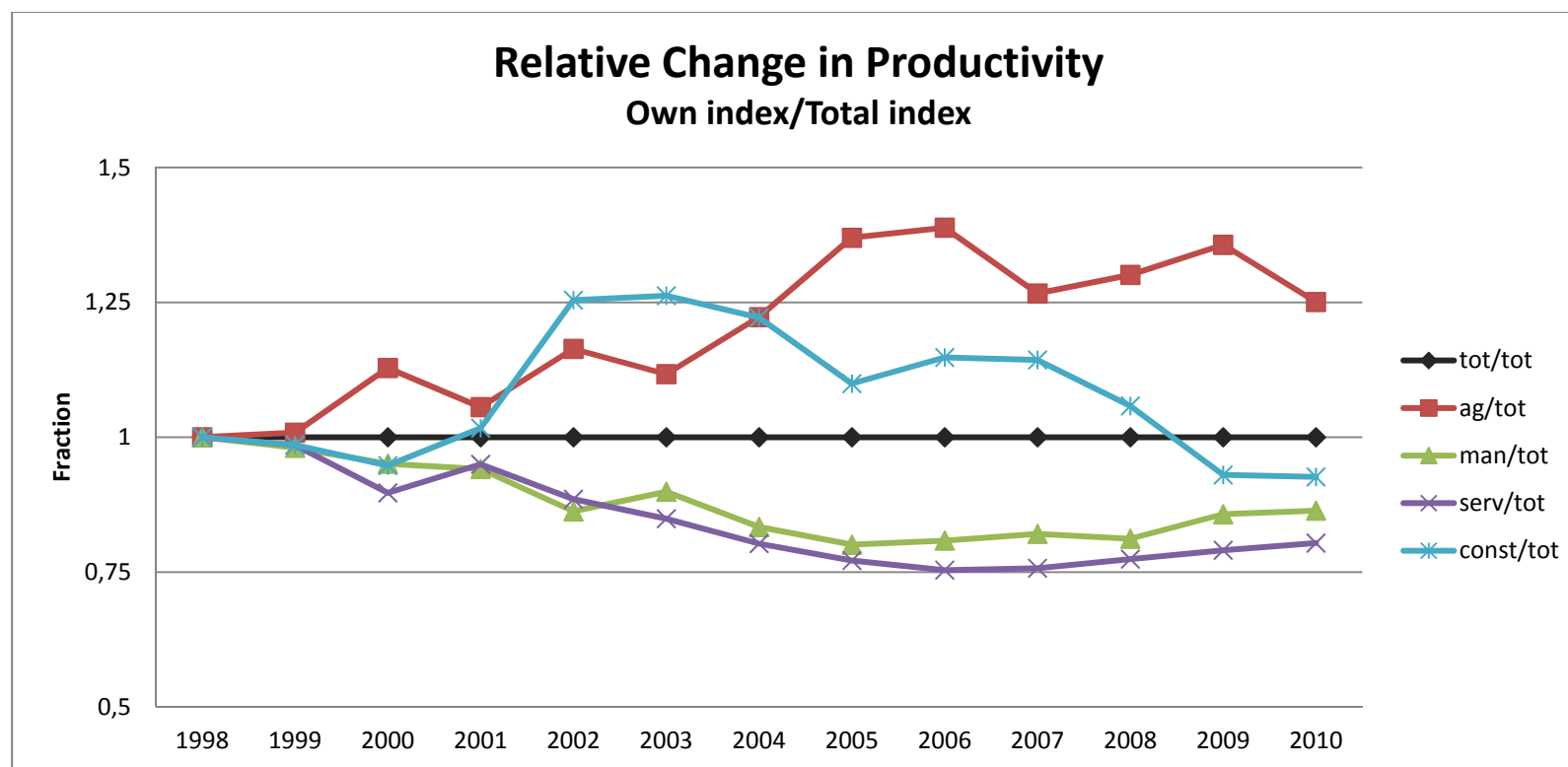


Next, we examine the rates of increase of sector-specific APs.



Note the remarkable gains in AP-AG between 2001-2006. The slope is steeper than AP-Total! **Once again, 2006/7 is a turning point.**

Finally, we examine the sector-specific rates of increase in AP relative to the rate of increase of AP-Total.



While relative attraction of Agriculture rose, Manufacturing and Services declined. **Agriculture did well by this measure over 2007-9 as well.**

## Other open questions:

Growth-employment elasticity – where do we stand?

Is extraordinary rise in employment export driven or domestic demand driven?

Sectors: Textiles – did reallocation happen?

Construction – when will the bubble burst?

Services – sky is the limit! Are these “good” jobs?

Retirement rates – is the exit rate slowing down? Is this good?

3-children per family – who will bear the additional kids?

Usual suspects?

Kurdish settlement – is there a peace dividend?

Occupational safety – time to reprioritize?