



türkiye ekonomi politikaları araştırma vakfı

Turkish unemployed people are older than ever

Esen Çağlar, Ozan Acar, Haki Pamuk | March 2007

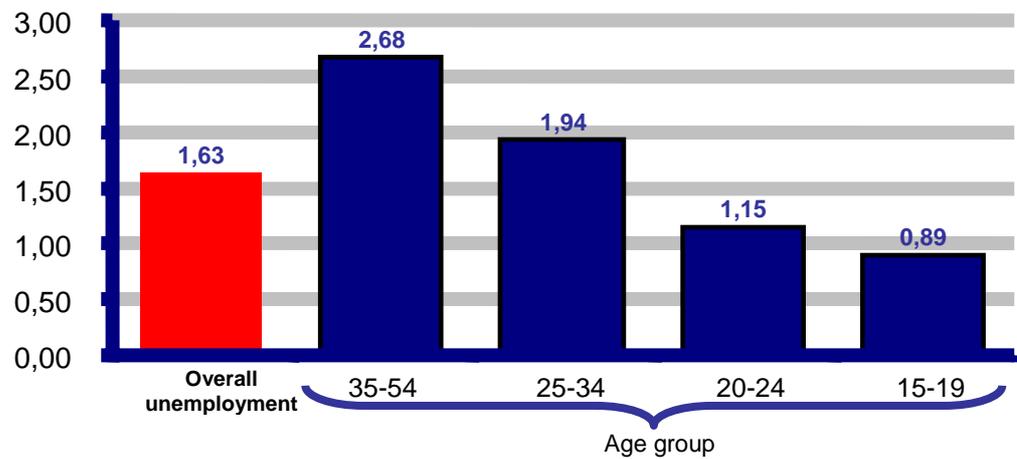
Turkish economy has experienced two important structural changes since the 2001 crisis. The macroeconomic climate has become relatively more stable on the one hand, and significant changes have occurred in the production pattern of our economy, parallel to increasing integration with the global economy and technological advances on the other hand.¹ It is inevitable that such structural changes in the economy and production spheres have had reflections on the labor market.

Recently in Turkey, it is not the unemployment that has been increasing, but also average age of unemployed people has significantly increased. It is necessary to conduct comprehensive studies regarding employment and unemployment dynamics, which comprise many elements. Nevertheless, at the first glance one would see that there has been a noticeable qualitative change concerning unemployment. Unemployment among middle-age population has been increasing more than that of other age groups. And, this is the first time that Turkish economy has been experiencing such trend, which may have heavy social consequences. Although unemployment among younger population was more noticeable during early stages of the stable economic growth unemployment among middle-age population has become more common as the growth progresses.

¹ Findings regarding asymmetrical effects of the new economic climate on different sectors are elaborated in TEPAV's policy note "Developments regarding Importation of Intermediate Goods by Expanding Sectors and Current Account Deficit". Please refer to TEPAV's policy note # PN-ES 2006-206 at the following URL: www.tepav.org.tr

In Turkey number of unemployed population has increased by 1 million to 2.4 million from 1.5 million during 1996-2006 period.² In addition to significant increase of unemployment, both share and absolute number of unemployed population between 35 to 54 years of age has increased. Figure 1 shows unemployment increase rates by different age groups in 1996-2006 period. In that period overall unemployment rate has increased 1.63 times while the unemployed population between 35 to 54 years of age has had relatively the most significant increase which was 2.68 times. It is seen that younger age groups have had lower unemployment increase rates.

Figure 1: Unemployment increase rate by age groups in 1996 – 2006 period
(Number of unemployed persons in 2006/ Number of unemployed persons in 1996)



Source: Household Labor Survey, Turkish Statistical Institute

Table 1 provides details regarding unemployment data by age groups in Figure 1. Significant changes have been observed in shares of different age groups in overall unemployment. Changes in their shares confirm the finding that composition of the unemployment has been changing. Although population aged between 20 and 24 had the largest share (33%) in total unemployment in 1996 the population aged between 25 and 34 has the largest share (36%) in 2006. Share of the population aged between 35 and 54 in total unemployment has increased to 27% in 2006 from 16% in 1996. Although absolute number of unemployed individuals, who are younger than age of 34, has decreased in 2006 compared to 2005 it is a noticeable development that number of unemployed individuals, who are at the age of 35 and over, has increased in the same period.

² As of 2006 data, number of employed population among 51.7 million working-age population (between ages of 15 to 65) in Turkey with 72.6 million total population, is 24.7 million.

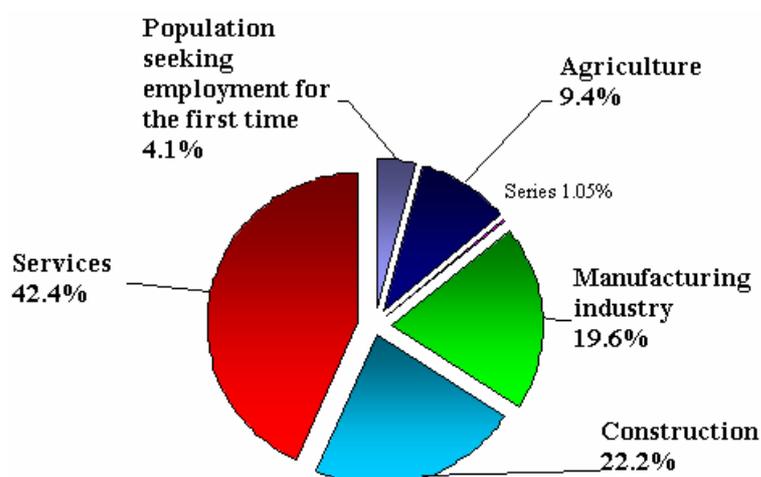
Table 1: Number of unemployed individuals by age groups (thousand persons) and shares in the totals

	<u>15-19</u>		<u>20-24</u>		<u>25-34</u>		<u>35-54</u>		<u>55+</u>		Total
	number	share	number	share	number	share	number	share	number	share	
2006	286	12%	572	23%	869	36%	661	27%	58	2%	2447
2005	301	12%	609	24%	899	36%	657	26%	53	2%	2519
2000	247	16%	458	31%	439	29%	318	21%	35	2%	1497
1996	321	21%	499	33%	406	27%	247	16%	29	2%	1502

Source: Household Labor Survey, Turkish Statistical Institute

Distribution of unemployed individuals between ages of 35 and 54 by economic sectors at which they were employed before they lost their jobs is shown in Figure 2. It was determined that 67% of unemployed individuals in the said age group (440,000 persons) were employed in construction and service sectors before they lost their jobs while share of those unemployed individuals previously employed in manufacturing sector was around 20% (131,000 persons). In Turkey where there has been significant migration from rural areas to urban only 10% of unemployed individuals at ages between 35 and 54 (65,000 persons) was from the population, which was previously employed in agricultural sector. These data indicate that decrease in employment in the agricultural sector cannot be the sole reason to explain changing unemployment dynamics, as this is closely related with developments in other sectors also.

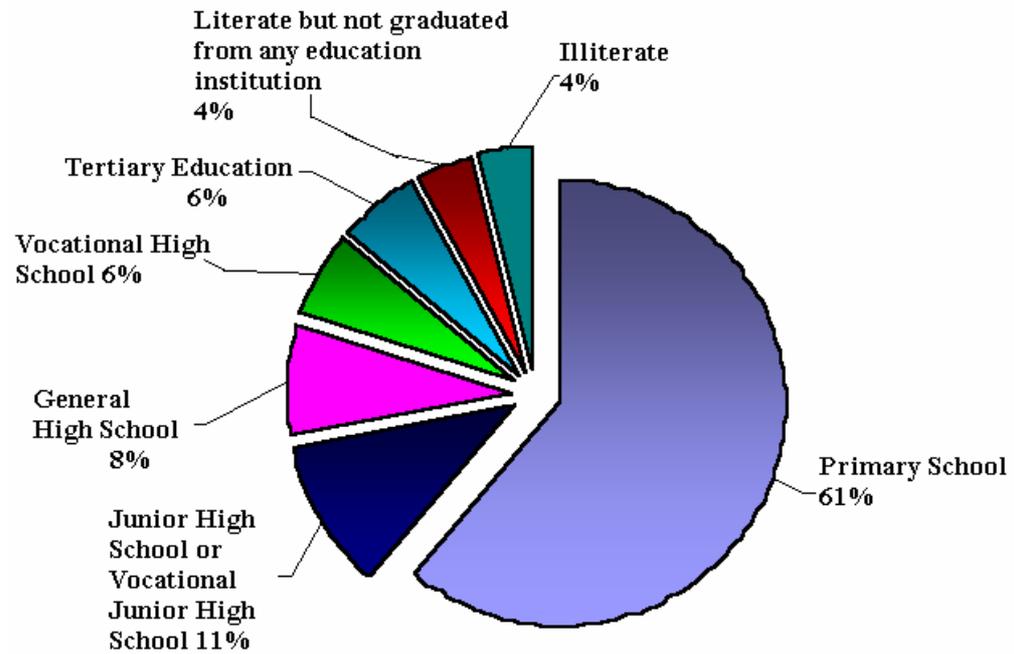
Figure 2: Distribution of unemployed individuals between ages of 35 and 54 by economic sectors at which they were employed before they lost their jobs.



Source: Household Labor Survey, Turkish Statistical Institute

As for distribution of unemployed persons by educational status, 69% of unemployed individuals between ages of 35 and 54 (454,000 persons) were primary school graduates or lower (Figure 3). Considering that share of those unemployed persons, who were employed in the agricultural sector before they lost their jobs and who are still unemployed, is 10% of the said age group it is understood that considerable number of those unemployed persons, who were previously employed in industry or service sector, was primary school graduates or lower.

Figure 3: distribution of unemployed persons by educational status between 35 and 54, percentage, 2005



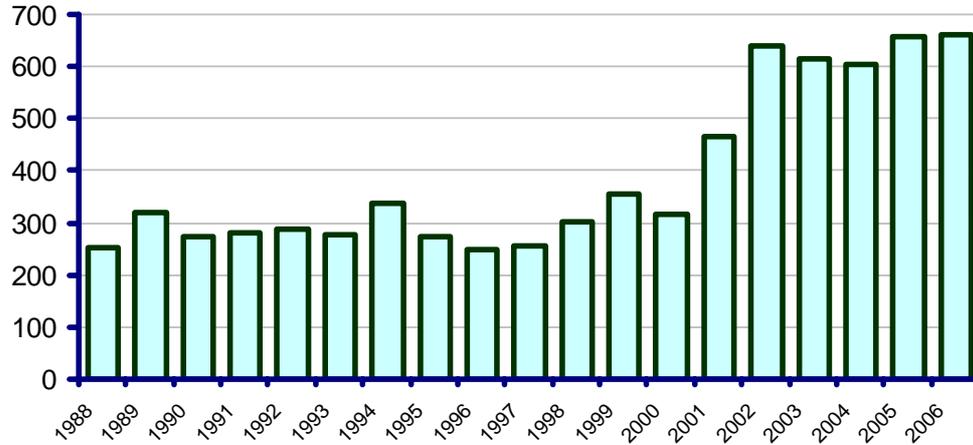
Source: Household Labor Survey, Turkish Statistical Institute

Significant changes in shares of age groups indicate that there may be important links between reasons for unemployment and changes in the economic production pattern. Similar trends have been observed in other countries, which have increased their pace in integration with the global economy and transformed the technological infrastructure of their production, also. For example, significant qualitative changes occurred in the structure of unemployment in the 1990's when use of information technologies increased rapidly in the same period.³ Deeper analyses need to be conducted to determine impacts of pattern of integration of Turkish economy with the global economy and transformation in Turkish economy on the labor market and structure of the unemployment. However, the first observations point that the relation is strong.

From an economic performance point of view; whilst the rate of unemployed persons to total workforce is an important indicator from a social peace point of view the basic indicator is the absolute number of unemployed persons. It is a matter of concern that the number of unemployed individuals between ages of 35 and 54 has increased to 661,000 in 2006 from 280,000 in the 1988-1996 period (Figure 4). Although younger unemployed population has the opportunity to get support from their families it is highly likely that those unemployed individuals between ages of 35 and 54 are the primary maintainers for their families. It is inevitable that such a high unemployment rate among the said age group would have critical political and social consequences. And, political consequences resulting from reactions from that group may hinder the sustainability of any structural adjustment program.

³ "Reforming Unemployment Insurance for the Twenty-First Century Workforce", Policy Brief No: 2006-06, The Brookings Institution

Figure 4: Progress of unemployment between ages of 35 and 54, thousand persons in 1988-2006 period



Source: Household Labor Survey, Turkish Statistical Institute

Conclusion

Although some sectors may grow rapidly in Turkey this is not the case for our traditional sectors or some sectors, which are unable to increase their productivity sufficiently enough. In a climate where employed and unemployed population are together Turkey needs not only to have those sectors, which have had modest but constant growth, maintain their growth rate, but also to figure out the creative ways to support those sectors, which have had issues in their performances in generating new employment. Although with avoiding populism and maintaining fiscal discipline it would not be easy to make the desperate population happy in the short term this way it may be possible to make larger segments of the society to have positive expectations for the future. In this context, utmost priority should be given in the economic policies for urgent design and realization of the mechanisms allowing those unemployed individuals to recover their jobs in the economy more efficiently. Otherwise, ability to sustain the structural reform program required to improve competitive power of Turkish economy and to rectify the investment climate would become limited due to increasing political risk.

Policies to be implemented for restitution of those 650,000 unemployed individuals, who have at least 10 years of professional experience compared to younger population, significantly differ from employment policies designed for younger population. Deeper analyses need to be conducted to design such policies. Studies on this matter will become one of the priorities in TEPAV's research agenda in the near future.