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Tackling Youth Unemployment: The Turkish Experience

by Mustafa Aykut Attar





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This working paper was produced for the Legatum Institute's workshop on Economic Reform in September 2013. The workshop was part of 'The Future of Iran' project, which is designed to encourage Iranians to begin thinking about the challenges they will face if, or when, they suddenly find themselves in a position to carry out major political, social and economic reforms. 2013 is the year of youth unemployment. The European Council states in its June 2013 Conclusions note that "urgent action must be taken" to solve the problem of youth unemployment. The theme for 2013's *World Development Report* (World Bank, 2012) is 'Jobs' and the report puts an emphasis on the development issues related with youth unemployment as well.

The subtitle of the International Labour Organization's 2013 edition of *Global Employment Trends for Youth* (ILO, 2013) warns of a "generation at risk". The World Bank organised its first summit specifically for youth with a development case study competition on "Cultivating an innovative spirit to alleviate global youth unemployment."

The 2013 edition of the OECD's *Education at a Glance* brings the issue of youth unemployment to the fore in its editorial introduction (OECD, 2013, p. 13). Earlier in 2013, the Henry Jackson Initiative organised an essay competition on "measures to reduce youth unemployment." And last but not the least, the German Chancellor Angela Merkel very recently stated that "youth unemployment is perhaps the most pressing problem facing Europe at the present time."¹

Figures are indeed alarming for some European countries such as Spain and Greece where the youth unemployment rate currently exceeds 50%, while the problem is entrenched in a majority of countries in the Middle East and North Africa (MENA) region. In the Middle East, the unemployment rates for those in their prime earning years is well above 10%, and the youth-to-prime age ratio of unemployment rates averaged at around 3.8 in 2012 (ILO, 2013).

That the youth unemployment rate remains extremely high is alarming because of the many intertwining consequences of youth unemployment for the individual and to society. First of all, having a stable job is not only the way to achieve a decent standard of living, it also increases the likelihood of moving out of the poverty trap. Next, there

are scarring effects: being unemployed and young has adverse effects on subsequent job market experience and earnings. The depreciation of the existing stock of human capital—coupled with an increasing difficulty to learn new skills on the job—and the negative signals associated with unemployment during youth results in a scarring effect (Arumlamplam et al., 2001, Mroz and Savage, 2006, Morsy, 2012). Another cost of youth unemployment to the individual and to society is that youth unemployment is positively correlated with incidences of criminal activity and drug use. Discouraging further job search, being trapped in informal and temporary or part-time jobs that offer little or no training, and the possibility of social exclusion are other consequences of high youth unemployment (O'Higgins, 2001, Bell and Blanchflower, 2010).

Turkey exhibits a level of youth unemployment that is relatively less serious compared to those of some countries in Europe and many in the MENA region. TurkStat's (2013) 1988-2012 sample indicates that the annual youth unemployment rate did not exceed 25.3% in 2009 and that, after surviving several episodes of macroeconomic instability and local/global crises, it returned exactly to its 1988 level of 17.5% in 2012. At the same time, the difference between youth (aged 15-24) unemployment rates and overall (aged 15-and-over) unemployment rates remained stable. The ratio of youth-to-overall unemployment rates has an average of around 1.96 for the period of 1988-2012 and peaked at 2.13 in 1998. Despite this relative stability, the youth unemployment rate remains significantly higher than that of, for example, Germany and Japan. In addition, skill mismatch figures, discussed below, point to a possibly darker future for youth employment in Turkey. Perhaps the most problematic issue regarding the youth in Turkey is the very high fraction of young people who are neither in employment nor in education and training. This 'NEET' ratio in Turkey for the 15-24 age group has an average of 34.3% for the 2006-2012 period.

Turkey is not in the position of Greece and Spain where the adverse effects of the global financial crisis on youth unemployment rates seem to be very strong. Nor does Turkey suffer from very high rates of youth unemployment as some countries in the Middle East do. Yet, there is a youth unemployment problem, and it lies in the very high NEET ratio, the large population of unemployed youth and the lack of education reforms that would possibly imply a better school-to-work transition in the near future. The skill mismatch in Turkey is a source of considerable concern, and it is possibly the main reason behind the problem of youth unemployment.

This paper provides an account of the problem of youth unemployment in Turkey with special emphases on skills mismatch and policy challenges. Located in-between Europe and the MENA region, Turkey serves as an interesting example of an Islamic country that has experienced a history of Western-style modernisation. How strong and fast this modernisation was is a difficult question. The structural problems Turkey currently faces

may lead to decreases in the well-being of future generations if it is not approached with wise policies. On the other hand, the near future of Turkey looks brighter than many countries in the Middle East from an economic and a socio-political point of view.

There is of course no unique and well-specified way of modernisation, Western-style or other. No serious development economist, however, can ignore that there exist certain regularities and patterns associated with the process of sustained human development such as the decline of agriculture, the rise of education, the demographic transition, and the expansion of civil liberties and political participation. Turkey is a country that shows signs of successful development as an Islamic country. The Turkish experience, with respect to the problem of youth unemployment, with its rights and wrongs and its opportunities and challenges, should be informative for countries in the Middle East, if not also for Mediterranean countries such as Greece and Spain.

The outline of the paper is as follows: Starting with a very brief description of the economy and society in Turkey, the paper presents figures on the historical level of youth unemployment and youth inactivity. Following this is a short discussion of supply and demand factors related to youth unemployment. Next comes an analysis of the skills mismatch, attempting to find answers to how education from the supply-side affects the employment prospects for the youth. Then, building on this analysis, is a discussion of the policy challenges that emphasise the difficulties that Turkey faces. The paper concludes with remarks on Turkey's advantages in the near future.

Economy and Society in Turkey

Turkey is a typical emerging market economy with a persisting shortage of domestic savings (van Rijckeghem, 2010). The periods of fast economic growth in the short run, with around 4 to 7% annual rates, are interrupted with episodes of financial crises and/ or sudden stops. The long-run (trend) rate of economic growth of real GDP per capita in constant international dollars remains between 2 to 3% per annum (Attar, 2013a).

Having experienced a fast demographic transition throughout the post-Ottoman era, Turkey's current total fertility rate and life expectancy level, being around 2.0 and 75 respectively, are closer to those of more developed countries. Despite the fast demographic transformation of the last 50 to 60 years, population maturity is just gaining its full momentum, and the demographic window of opportunity in Turkey is predicted to remain open until 2040 (see, e.g., Tansel and Hoşgör, 2010). Studies show that technological progress is the dominant source of long-run economic growth in Turkey (see, e.g., Çiçek and Elgin, 2011). The rate of technological progress, however, may not be fast enough to undo the adverse welfare effects of population ageing in the near future (Attar, 2013b). There is little or no evidence indicating that technological progress in Turkey is based on genuine innovative activities or resulting from a serious research policy attempt to establish a national innovation system.

Turkey's development has witnessed a slow but persistent increase in schooling at all levels. The concerns with regards to the quality of education and how the rise in education contributes to the alleviation of skill mismatches, however, remain. There has been a huge increase in the number of universities in the last decade, but how these new universities will become the engines of faster and more stable economic growth and create new jobs is an open question.

The transformation of the economy during the post-Ottoman era was accompanied with the slow decline of the agricultural sector's shares of GDP and employment, but even the slow rate of rural-urban migration corresponding to this transformation was fast enough to create large pools of young and unskilled workers in big cities. Construction is now one of the fastest growing sectors in Turkey, and it is commonly accepted that the share of the services sector has grown in an unbalanced fashion before the manufacturing sector gains its technological maturity and full export potential (see, e.g., Kepenek and Yentürk, 2000).

A very large percentage of Turkey's population is Muslim, and a large fraction of this Muslim population is of Sunni denomination. The tension between secularist republicans and Muslim democrats has traditionally been one of the central features of the power struggle in politics, and Turkey's democratisation has been interrupted several times by military coups in the past.

According to the Hofstede Centre's survey data on cultural dimensions, Turkey is a collectivistic society suffering from nepotism and low levels of trust where the ideal boss is a father figure and uncertainty avoidance is very high.² On the gender dimension, most women in Turkey are trapped within the traditional roles of mother and housewife.

Youth Unemployment and Inactivity

FIGURE 1. YOUTH UNEMPLOYMENT RATES IN TURKEY, 1988-2012

Source: TurkStat (2013)



What one can know about the pre-1988 dynamics of youth unemployment in Turkey is limited by the absence of reliable data sources—1988 was the first year in which a labour force survey with a satisfactorily large coverage was conducted.³

Figure 1 shows the unemployment rates for the 15-24 age group from 1988 to the present. Clearly, Turkey has a problem with youth unemployment since the rates remain higher than 10% for the entire sample. Notice, however, that the youth unemployment rates do not exceed 25.4%, even during the global financial crisis of 2008 and its aftermath. In fact, after the peak of 2009, all rates exhibit continuous declines from 2010 to the present. This is certainly good news for Turkey in the short run.

The two other messages taken from Figure 1 are the following: First, Turkey's very own 2000-2001 crisis had a gradually realised, but sizeable effect, on youth unemployment. In this period youth unemployment rates exceeded 20% in the years before the effects of the global financial crisis of 2008 interrupted slow recovery. Second, the dynamics of youth unemployment rates show almost no gender bias against young women in the labour market; "almost" because the young women's unemployment rate for the last decade exceeds those of the young men's in contrast with the earlier episode.

FIGURE 2. YOUTH vs. OVERALL UNEMPLOYMENT RATES IN TURKEY, 1988-2012

Source: TurkStat (2013)



Figure 2 pictures the unemployment rates for 15-24 and 15-and-over populations, again, for the period of 1988-2013. This confirms the common fact that the rate of youth unemployment is higher than that of the entire labour force. Figure 2 also shows that there is a very strong positive relationship in Turkey between the 15-24 and the 15-and-over unemployment rates with a correlation coefficient of 98%. A stable wedge between the youth and the overall unemployment rates exists; the ratio of youth-to-overall unemployment rates has a sample average of 1.961 and a maximum of 2.134 (1998).

From a comparative perspective, Turkey shows relative success in dealing with the problem of youth unemployment. The youth unemployment rate hardly exceeds 25% even in the worst times of the business cycle, and the wedge between youth and overall unemployment rates is strikingly stable. However, there are other sides to the youth unemployment problem.

FIGURE 3. THE NUMBERS OF THE UNEMPLOYED YOUNG IN TURKEY, 1988-2012

Source: TurkStat (2013)



Figure 3 shows the plain numbers of unemployed individuals for the 15-24 age group by duration of unemployment. On average 914,500 young individuals looking for a job were unemployed each year between 1988 and 2012. The average number of the unemployed for more than 6 months from 1988 to 2012 was around 500,000 individuals. Considering the consequences of youth unemployment—especially the psychosocial ones such as discouragement, social exclusion, and drug use—the substantial numbers of unemployed youth indicates a serious threat to the functioning of the Turkish economy and wider society.

In a rigorous analysis of the school-to-work transition in Turkey, İlhan (2012) uses the data from a special module of the 2009 labour force survey of TurkStat that targets the 15-34 age group. The survey allows one to analyse the school-to-work transition for about two decades, and some of the main results obtained by İlhan (2012) are of relevance here. According to the estimates, the probability of finding the first permanent job after graduation from school is lower for more recent graduates, higher for men, and lower in urban areas. College graduates and graduates of vocational high schools find a permanent job sooner than graduates of general high schools. Finally, İlhan (2012) reports that the level of the mother's education acts as a strong determiner of the quality of education her child receives and of their ability to find a first permanent job after graduating from school.

Perhaps much more troubling than youth unemployment rates and the duration of unemployment for the young is the 'missing youth' of Turkey. The missing youth here refers to the young people who are neither in employment nor in education and training, the so-called NEETs. Table 1 summarises Turkey's record using EuroStat's data for the period of 2006-2012. The NEET ratio for the 15-24 age group averages to 34.3% with a modestly decreasing trend. However, the real message comes from the inactive population ratios among the NEETs. While it is always lower than 16% for men, more than 36% of women aged 15-24 remained inactive from 2006 to 2012. Thus, the gender equality observed in youth unemployment rates vanishes for youth inactivity. One obvious explanation for the missing young women is that, despite the rise of the average age for a first marriage for both sexes and the decline of fertility rates for women in the 15-19 and 20-24 age groups, marriage is still a common phenomenon among the youth in Turkey where housework and childbearing are traditionally seen as the main responsibility of women.

TABLE 1. THE NEET RATIOS (%) FOR THE 15-24 AGE GROUP IN TURKEY, 2006-2012

YEAR	BOTH SEXES	MEN		WOMEN	
		UNEMPLOYED	INACTIVE	UNEMPLOYED	INACTIVE
2006	38.6	7.1	15.6	3.4	50.2
2007	39.2	7.8	15.9	3.4	50.5
2008	37.0	8.0	14.4	3.7	47.2
2009	34.9	9.6	12.4	4.3	43.0
2010	32.3	7.8	11.8	3.9	40.5
2011	29.6	6.4	10.7	3.4	38.1
2012	28.7	5.7	11.8	3.1	36.5

Source: EuroStat (2013)

Supply and Demand

Thinking about youth unemployment in terms of supply and demand is a useful way of reasoning. On the supply side, we have the flow of labour along the line of

Population 🖙 Ageing 🖙 Youth Population 🖙 Labour Force Participation

This then separates the labour force into different attainment/skill categories. Demand side factors include macroeconomic measures of expansion/contraction of the real economic activity and sectoral differences in the size and the skill composition of the demands for labour. The latter changes with the structural transformation of the economy. Technological progress enters the demand side of the picture in a rather complicated way depending on production and innovation technologies.

FIGURE 4. POPULATION & LFPR (15-24) AND ECONOMIC GROWTH, 1988-2012

Sources: TurkStat (2013), Feenstra et al. (2013)



Youth population and labour force participation, as supply factors, are pictured in Figure 4 with an index of expenditures-based real GDP at constant international dollars. The main observation is that Turkey had obvious advantages, especially in the post-2000 period, where the youth population and the labour force participation of the youth are lower and/or decreasing and the economy is expanding at a fast medium-run growth rate in real terms. The links between these supply and demand factors and the youth unemployment rate, however, seems broken. From 1992 to 1993, the sharp decrease in participation and the economy's expansion coincided with an increase in the youth unemployment rate. The 2003-2008 expansion, with a low and stable participation rate and a slightly decreasing youth population, witnessed a high youth unemployment rate. An opportunity has been missed, and the question is why there was such a failure to create a downward break in youth unemployment rates under favourable supply and demand conditions.

To resolve Turkey's missed opportunity, it is necessary to understand the heterogeneous supply of and demand for skills in the labour market. The central concept here is the 'skills mismatch'.

The Skills Mismatch

Net enrolment rates and the share of the population that was literate increased in Turkey during the post-Ottoman era. The length of compulsory education also increased, first in 1997 from 5 to 8 years and then in 2012 from 8 to 12 years. Turkey's labour force surveys indicate that the percentage of students in the non-participating 15-24 age group steadily rose from 39% to 60% between 2000 and 2012.

The percentage of those with a college education or above in the 15-and-over employed population increased from 6.4% to 18.1% between 1996 and 2012. Salehi-Isfahani et al. (2009) estimates that the number of men from the 20-54 age group returning to school to undertake additional studies increased from 1988 to 2003.⁴

This rise of education, however, does not necessarily translate into better prospects for youth unemployment. Nor does it imply an increase in the average quality of the labour force. According to the World Bank (2012, p. 349), the average years of schooling of the labour force increased only by 1.6 years from 1995 to 2010. The new PENN World Tables of Feenstra et al. (2013) indicate that the average level of human capital for the labour force in Turkey increased only by a factor of 1.26 from 1988 to 2011. Besides, the unemployment rates for the 15-24 and the 15-and-over age groups indicate that an increase in the years of schooling does not offer a brighter job market experience. Table 2 shows the average participation and unemployment rates by educational attainment for the 15-and-over age group and for the 1988-2012 period. Clearly, the most unfortunate in the entire labour force are the graduates of general high schools and vocational high schools. The illiterate, benefiting partly from low participation due to the large number of old people in this group, and partly from the slow decline of agriculture, record the lowest unemployment rate.

TABLE 2. LFPR AND UNEMPLOYMENT RATE (15+) BY EDUCATION IN TURKEY

Source: TurkStat (2013)

1988-2012 AVERAGES (%) FOR THE 15-AND-OVER POPULATION							
EDUCATIONAL ATTAINMENT	LFPR	UNEMPLOYMENT RATE					
Illiterate	28.9	4.0					
Less than high school	51.5	8.4					
High school	59.1	14.7					
College or more advanced	81.4	9.1					

The situation drastically changes for the educated youth. Table 3 shows the average participation and unemployment rates for the 15-24 age group by secondary and tertiary education and, again, for the 1988-2012 period. Unemployment rates for the young with secondary and tertiary education are significantly higher than the corresponding rates

for the 15-and-over age group. This clearly indicates that the educated youth in Turkey face tremendous difficulties in the school-to-work transition. Furthermore, among these three education levels, the unemployment rates are lowest for the graduates of vocational high schools and highest for college graduates.

TABLE 3. LFPR AND UNEMPLOYMENT RATE (15-24) BY EDUCATION IN TURKEY

Source: TurkStat (2013)

1988-2012 AVERAGES (%) FOR THE 15-24 POPULATION							
EDUCATIONAL ATTAINMENT	LFPR	UNEMPLOYMENT RATE					
General high school	39.0	28.24					
Vocational high school	61.3	26.18					
College or more advanced	77.1	32.26					

When economies develop due to the decline of agriculture and the rise of industry and service sectors the skill composition of the employment market changes. As reported by the World Bank (2012, p. 56), the weights of manual and non-routine cognitive skills respectively decrease and increase with real GDP per capita.

Three independent sources provide evidence for the skill mismatch in Turkey. Filiztekin (2011) uses data from the 1994 and the 2002 Household Budget and Expenditure Surveys and studies those aged 20-64 who have a permanent job in a non-agricultural sector. According to the results, the shares of the overeducated and the undereducated in 1994 are respectively equal to 20.3% and 16.5% when the mode value of education is used to determine the benchmark schooling level in a particular occupation. In 2002, the same modal method indicates that the incidence of over-education increases to 24.6% and that of under-education decreases to 14.7%.

The second set of results pertaining to the skill mismatch in Turkey is from the ILO (2013, Tables 4 and 5) and based on the International Standard Classifications of Occupations and Education (ISCO and ISCED). It presents over-education and under-education figures for the young (aged 15-29) and the mature (aged 30-and-over) by setting a benchmark education class for each occupation and reporting the population frequencies of occupation-education matches above and below these benchmarks. Table 4 summarises the results for Turkey. From 2004 to 2008, two years for which the survey data for Turkey is available, over-education and under-education increase for both age groups. This indicates that the problem is indeed not only about the lack of skills for existing jobs. But, the incidence of over-education is significantly lower than that of under-education. Hence, the lack of skills for existing jobs is a more serious problem in Turkey in both 2004 and 2008.

TABLE 4. OVER-EDUCATION AND UNDER-EDUCATION BY AGE IN TURKEY

Source: ILO (2013)

	15·	-29	30-AND-OVER	
	2004	2008	2004	2008
OVER-EDUCATION	5.8	8.0	5.7	7.6
UNDER-EDUCATION	43.8	48.4	54.1	58.1

Finally, we learn from Johansen and Gatelli (2012) about different measures of the skill mismatch in Turkey for the 2005-2010 period.⁵ An elementary indicator of the skill mismatch is the coefficient of variation for the distribution of skills. This indicator looks at the relative variation in the skill distributions of the employed vs. the 15-and-over population and thus measures the fit between the employed population and potential labour force (Johansen and Gatelli, 2012, p. 14). According to this measure, the skill mismatch in Turkey was around a stable 20% from 2005 to 2010. Another measure of the skill mismatch looks at the proportions of the employed vs. unemployed population for different educational attainment levels.

The ratios of the unemployed to the employed for each educational attainment level in Turkey were rather stable from 2005 to 2010, while the skill mismatch remained higher for the graduates of general high schools than those of vocational high schools. A third indicator of the skill mismatch is the relative wage for different educational attainment levels; it represents, albeit imperfectly, the changes in demands for different skill compositions. In Turkey, the dynamics of relative wages for the 2005-2010 period show that the demand for the skills of those with primary and tertiary education increased faster while the slowest increase was for those with non-vocational secondary education.

Yet another measure is the ratio of the employed for a specific occupation and educational attainment to the total population with the same educational attainment. This indicates that, for the people with secondary and tertiary education, the skill mismatch increased from 2005 to 2010. Besides, the skill mismatch for those with tertiary education was around 3.5 times higher than the skill mismatch recorded for those with secondary education. Johansen and Gatelli's (2012) results also indicate a significant degree of gender bias against women in various measures of the skill mismatch. Only one measure of the skill mismatch among many indicators shows no clear gender bias against women. Overall, Johansen and Gatelli's (2012) conclusion remarks the relative abundance of the well educated for both sexes and the higher skill mismatch for the 35-49 age group.

Other than these three studies, several pieces of evidence provide information on the skills mismatch in Turkey. According to Mourshed et al. (2013, p. 18), 56% of employer respondents in the 2012 McKinsey survey remark that lack of skills is a common reason for entry-level vacancies, while only 46% of employee respondents believe that post-secondary education improved their employment opportunities.⁶ In addition, 49% of employee respondents have jobs unrelated to their field of study (p. 47), and 72% of employer respondents are willing to pay more for the right talent (p. 52).

The skill mismatch is documented by TEPAV (2007, p. 40), which summarises evidence originating from a survey similar to the 2012 McKinsey one. Foreign languages, computer skills and experience with machinery are lacking, as is broader social and behavioural skills and the ability to think analytically, according to the employer respondents. The conclusion by TEPAV (2007, p. 57) reads: "the higher education sector cannot produce graduates suited to the needs of the private sector, and the degree of mismatch is likely to increase in the future unless the higher education sector transforms itself rapidly."

Finally, another intriguing picture of the skills mismatch in Turkey is from the 2012 statistics of the Turkish Public Employment Agency (İŞKUR). Of those registered to İŞKUR who found a job that requires no qualification at all in 2012, 9,035 held a bachelor's degree, 192 held a master's degree, and 14 held a doctoral degree. In occupations that require some skills but should still be classified as low-skilled or unskilled jobs, the situation only gets worse: 29 with doctoral degrees are employed as general office staff, 10 of those with a master's degree are waiters, and 2 who hold doctoral degrees work as fork-lift operators. Note that these 2012 figures are from a country where the employment in the entire R&D sector, including academia, steadily grew with a growth factor of 4.51 between 1990 and 2011.

The Policy Challenges

The question of how youth unemployment and youth inactivity can be alleviated is a difficult one and it has several dimensions. The ILO (2013) provides five policy recommendations emphasising these dimensions, and it is useful to reflect on these recommendations for Turkey. The ILO (2013, Ch. 6) suggests the following:

- Stimulate demand and create jobs for youth through pro-employment macroeconomic policies.
- Invest in education and training to enhance employability and facilitate the schoolto-work transition.
- Improve labour market integration of young people through targeted labour market policies.
- 4. Provide career opportunity to young people by supporting entrepreneurship and self-employment.
- 5. Ensure that young people receive equal treatment and are afforded rights at work.

Regarding the first suggestion, the design and implementation of policies that would establish the link between growth and employment are of prime importance given the record of jobless growth in Turkey. The production technologies of an economy change in time due to innovation and adoption. This implies that the expansion of some sectors is labour saving and the expansion of other sectors is not. The ILO (2013, p. 61) notes, for example, that the green economy, health and social care, and information and communications technology have high levels of job-creation potential in Europe. Ercan's (2011) research focuses on occupations and is the only serious attempt to generate policy insights about the job creation potential of the different sectors in Turkey. It provides quantitative predictions on the growth of services and the decline of agriculture until 2020. The 10th (official) five-year development plan of Turkey for 2014-2018 sets high and stable growth as one of the main targets, but development plans should ideally be building upon research outputs such as those of Ercan (2011). Stimulating demand with usual recipes of macroeconomic policy-making was never the only issue, and it is certainly not the only issue in Turkey now.

The second policy suggestion by the ILO (2013) targets the heart of the problem;: school-to-work transition. In Turkey, the skills mismatch has both over-education and under-education dimensions. Thus, establishing an education system that not only provides the entire labour force with a fundamental education that is of high quality, but also directs the optimal number of young people to vocational high schools that teach necessary skills, should be a priority. Easier said than done, of course, and here is a short discussion of the main obstacles.

First of all, Turkey suffers from low quality education as one of its defining characteristics within the OECD. Education, at all levels, is mostly financed by public funds, with rising input from the private sector, but the share of public expenditures allocated to education corresponds to very low levels of expenditure per student and to very low numbers of teachers per student. Not surprisingly, Turkish students perform famously poorly in international exams that measure student achievement in different subjects (see OECD (2010)). It is quite obvious that more resources are needed, but it is no less important to use the existing resources efficiently. One institutional change which Dincer (2013) studied had a causal positive effect on student achievement: the recruitment of primary and secondary school teachers based on the results of a central examination and not by lottery since 2002.

The second obstacle is a bit paradoxical: many after completing secondary education see non-vocational tertiary education in Turkey as the best alternative. This route offers the highest relative wages when employed and the shortest duration of unemployment before the first permanent job (see Table 3 and Figure 19 in Aktaşlı et al., 2012 and the references cited therein). To disincentivise the graduates from vocational high schools for nonvocational tertiary education, the university entrance examinations were re-designed in 1998 to give a lower weight to the student's achievement in her/his vocational secondary education when she/he attempts non-vocational tertiary education.⁴ Many parents, thus, choose to enrol their children in general (non-vocational) high schools if possible. However, when secondary education is completed in a general high school and the student does not succeed in the university entrance examinations, it is the vocational high schools that offer the second-best pay and job market prospects. Even those with a primary education record have shorter durations of unemployment before the first permanent job when compared with the graduates of general high schools.

People's aspirations for the best outcome often leaves them unsuitable for lesser options should they not achieve their high aspirations. For example those who would be well suited to being a technician often aspire to be engineers. If they invest heavily in being an engineer but do not succeed they are then badly qualified to be a technician, for example. Salehi-Isfahani et al. (2009, p. 184) reach the conclusion that, for those who fail in the university entrance examinations in Turkey (and in Iran), their non-vocational high school training is of little value for the labour market. For Turkey, only 47% of employee respondents in the 2012 McKinsey survey were well informed when making educational choices, and 60% of them believe that academic paths are more valued than vocational ones (Mourshed et al., 2013, p. 31 and p. 38).

Not surprisingly, the share of vocational high school graduates admitted to the 4-year non-vocational bachelor programmes steadily increased from 2.32% in 2007 to 6.98% in 2012 according to TurkStat's data. But, again, the problem is more complicated than an education gap. As Tunali (2003, p. 80) emphasises, "Turkey will have to train its labour force so that it can improve productivity, but currently it is unable to provide jobs for a large segment of those who are trained."

The results of the UMEM project—a project aiming to provide the unemployed participants first with specific occupational skills in the industrial sector and, second, a job placement after certification—deserve particular attention here. As Sayan (2012a) summarises, the first wave of the project between January 2011 and April 2012 had a total of 54,029 open positions to which only 35,561 of the unemployed were registered to, and only 16,859 of those registered were able to attain an actual job. The lack of interest in the UMEM project occurred despite the fact that the project also provided health insurance and a daily stipend to participants. According to Sayan (2012b), however, the results basically reflect the real wage gains of the public sector and the services sector, relative to the intermediate worker positions in the industry sector from 2006 to 2010.⁸

There are other on-going projects in Turkey that support entrepreneurship and selfemployment by educating the young with necessary entrepreneurial skills. The Ministry of Labour and Social Security and the Turkish Public Employment Agency (İŞKUR) finance many of these projects, and some municipalities such as Ankara offer specific work programmes for housewives. So far, however, what these projects have achieved has remained minor at best. The Youth Employment Inventory currently covers 10 such projects in Turkey, with 5 completed and 3 on-going, but the evaluations show either no statistically significant impact or insufficient information for evaluation.

Finally, regarding the third and the fifth suggestions of the ILO (2013) that respectively emphasise targeted labour market policies and the equal treatment of the youth, the central concept is flexicurity—a concept that builds on the optimal balance between labour market flexibility for employers and job security for employees. Majcher-Teleon and Bardak's (2011) paper provides a flexicurity analysis of the Turkish labour markets that pays particular attention to women and the youth. The analysis indicates the following five challenges for Turkey:

- » Weak dialogue and consensus
- » Low education trap
- High informality trap
- » Non-targeted and limited reach of employment services
- » High debts and early retirement

These challenges lead Majcher-Teleon and Bardak (2011, p. 73) to conclude that "Turkey is half-way along the path to modern labour market management" and that "the Turkish labour market is not functioning in an optimal manner." The policy recommendations following from these observations focus on education, women's inactivity, informal jobs, and the coverage and quality of public employment services.

Conclusion

Turkey does not seem to have successfully benefited from the demographic window of opportunity. There is no indication that there has been an upward trend break in the long-run evolution of real GDP per capita, and several structural problems, including youth unemployment and youth inactivity, persist. The success, so far, has been to avoid the scale of youth unemployment seen in countries such as Spain and Greece. There has also been a sustaining, stable wedge between youth and overall unemployment rates. For the problem of youth inactivity, the cultural obstacles for women seem very strong, and a high percentage of young people remain inactive and dependent on their families until a very late age.

Turkey faces challenges in all aspects of youth policy, and the remaining 25 or so years of the demographic window of opportunity should be approached with great care and broad social vision by policy-makers. Yet Turkey also has three advantages that should be highlighted before concluding:

First, Turkey has strong ties with the West and has made commitments to certain economic and social targets. The Justice and Development Party (AKP), currently in its third successive term, seems to have lost interest in the accession process to European Union

membership since 2007, but several EU projects are still on. This is an opportunity that should not be undervalued, even if the hopes of becoming an EU member diminish to nil.

The second advantage relates directly to the projected levels of youth as a proportion of the population in the coming decades. Turkey is entering the phase in its demographic transition during which the size of the 15-24 age group continuously decreases. This means less competition among young people in the labour market.

Awareness of the problem of youth unemployment and inactivity is another obvious advantage in Turkey. These issues receive strong attention by non-governmental actors. Two of the most powerful industrialist families, for example, sponsor a project on vocational and technical training with a slogan along the lines of "Vocational training is a national priority."

In addition to making the most of these advantages, policy-makers should look to lessons from abroad. Crowley et al. (2013) provide an assessment of labour market fundamentals and the policies designed and implemented to solve the problem of youth unemployment in Germany, Denmark, and the Netherlands.⁹ These countries have been successful in keeping their youth unemployment and inactivity rates comparatively low by pursuing different strategies in differing contexts. For Germany, it is the famous dual apprenticeship system. For Denmark, a strong commitment to pursue active labour market policies for the youth makes the difference. For the Netherlands, the flexibility in the labour markets that provides youth with a diversity of temporary and part-time jobs is notable. Recall that Turkey suffers from the skill mismatch problem and that the ratio of youth-to-overall unemployment rates, albeit being stable, is around 2. Thus, Germany's dual apprenticeship system that targets the skill mismatch and Denmark's active labour market policies for the youth provide examples of "travelled avenues" for Turkish policy-makers. Given the job security concerns of the youth in Turkey, the flexibility of the labour markets in the Netherlands should be of secondary significance.

Only the future will show us whether Turkey keeps its reputation as an example of an Islamic country that successfully developed, both economically and politically. Several structural problems are present: the short-run growth episodes have so far proved to be fragile against the balance-of-payments dynamics and local/global conditions; there is a growing suspicion about how truly democratic Turkey's elected governments are; the very high percentage of inactive young women is indeed alarming. Turkey's economy and society were exposed to Western codes of development long ago, and it is important to approach Turkey's struggles by appreciating that development to its full extent may take a very long time. Yet, the difficult game of development policy is open, and nothing Turkey achieved during the post-Ottoman era is *a priori* irreversible. One wrong turn or failure could make some right turns and successes disappear. The brightest future will be the future of the active and the employed youth, but the young people in Turkey are in immediate need of help and guidance from wise policy-makers in order to obtain high quality fundamental education and to choose the most suitable schooling and career paths.

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- ^{1.} *The Economist*, "Youth Unemployment in Europe: Guaranteed to fail," http://goo.gl/2cH3to, July 20, 2013.
- ^{2.} See http://geert-hofstede.com/turkey.html for more on Turkey's culture.
- ^{3.} Unless otherwise noted, the figures provided hereafter are calculated by the author using the data from the labour force surveys (TurkStat, 2013).
- ^{4.} Tansel (1994) also estimates that the returns to schooling in Turkey are high. Regarding the evolution of schooling returns from 1994 to 2002/3, however, the evidence is mixed for Tansel and Bircan Bodur (2012) estimate a decline in returns.
- ^{5.} This study explains the methodology of the skill mismatch analyses for a project of the European Training Foundation where 7 countries other than Turkey are participants. These 7 countries are Croatia, Egypt, Kyrgyzstan, Republic of Moldova, Montenegro, Serbia, and Ukraine, and the methodology is explained using the Turkish data.
- ^{6.} For Turkey, the survey has 500 employee respondents from the 15-29 age group with various educational attainments and 300 employer respondents with various firm sizes from several sectors.
- ⁷ The suggestions made in the direction of removing this discouragement for the graduates of vocational high schools stimulated an extensive debate between secularists and their religious opponents since a class of these vocational high schools train exclusively the religious services personnel, i.e., imams.
- ^{8.} See Çolak (2013) for more on the UMEM project.
- ^{9.} Crowley et al. (2013, p. 42) also discuss the youth unemployment problem in Australia with an emphasis on a youth programme that requires "participation in work experience activities in exchange for their unemployment benefit."

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