

Incentives and Exit Behavior from the Unemployment Insurance System in Turkey

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Abstract

We use microdata obtained from the Turkish Employment Agency (İŞKUR) and undertake an empirical examination to shed light on the functioning of the unemployment insurance (UI) system. Unemployed individuals are entitled to draw insurance payments for up to 180, 240 or 300 days, depending on accumulated UI premia. Participants can only collect payments if they have been involuntarily terminated. More than two thirds of the insurance recipients in our sample (77 percent of females and 63 percent of males) ended up collecting payments for the full duration of entitlement. Our preliminary results indicate that the likelihood of full usage is higher for females, highest for the youngest and declines quickly with age until age 30, increases slightly until age 55, and declines thereafter. Individuals in agriculture have the highest likelihood of full usage, followed by those in services. While education coefficients are jointly statistically significant, individual coefficients are not. In our sample only 38 percent of the insurance recipients found a job by the time they exhausted their benefits. The main objective of the paper is to estimate the hazard of exit into employment using a search-theoretic framework. Towards that end we will use the Stratified Partial Likelihood Estimator of Ridder and Tunalı (1999). We will stratify the data at the province level and test for local labor market effects.