

EconWorld2016@London

Testing Unemployment Series Stationarity Properties for Turkey: Is Natural rate of unemployment or unemployment hysteresis?/ İşsizlik Serisinin Duraganlık Özelliklerinin Test Edilmesi: Doğal İşsizlik Oranı mı ya da İşsizlik Histerisi mi?

Ethem Esen¹, Sultan Fatih Kostakoğlu¹¹Anadolu University, Turkey

ABSTRACT

Natural unemployment rate is never zero, but it is expected to minimum level. In this point, we ask the question: is unemployment at low level or increasing over time? It is explained by two ways. First, Natural rate of unemployment which is introduced by Friedman (1968) and Phelps (1968) and second, Unemployment hysteresis. Friedman and Phelps assert that specific level of unemployment exists at any time. In the short-run, labor markets fluctuate around specific level but in the long run unemployment rate reaches its natural level and above this level, there is no trade-off between unemployment and inflation. Unemployment hysteresis put forwards that rigidities in labor market and human capital effect have a negative effect on the labor market. This means that shocks have a negative permanent effect on the labor market. In this perspective, natural rate of unemployment does not evaluate a problem but unemployment hysteresis is a problem which should solve. In this study we aim to test stationarity properties of unemployment series for Turkey using unit root analysis both with no break and with structural break. Analysis period covers between 2005:1 and 2014:11 monthly data. If series is stationary, it means that unemployment in Turkey shows natural rate of unemployment properties. Vice a versa, unemployment in Turkey display non-stationary properties and policy maker should take precautions.

KEYWORDS Natural Rate of Unemployment; Unemployment Hysteresis; Test of Stationarity

JEL E24, J08, E20