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Dynamics of Unemployment and Participation: Flows over the Life Cycle

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ABSTRACT

In this study, we aim to analyze the dynamics of unemployment by examining the life cycle transition probabilities between employment unemployment and nonparticipation. Displaying the impacts of transitions between unemployment and other labor force states, this study determines the relative contributions of the rate of transition between states to the change in the unemployment rate. We use the four year rotational panel data from Survey of Income and Living Conditions (SILC). Depending on the methodology developed by Villena-Roldan et. (2011), we first estimate the transition probabilities between different labor market states and compare the relative impacts of these probabilities on the life cycle profiles of unemployment and participation rates. Results obtained show that entry and exit to the labor force pool is more important than intra-flows within the labor force (employed-unemployed flows) in explaining the unemployment and participation rates in Turkish labor market.

KEYWORDS unemployment; transition probabilities; Turkish labor market