Labour Markets In Developing Countries

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Abstract

This thesis basic aim is to have a better understanding of how labour markets work and to explore different transmission mechanisms that might be responsible for making these markets different from their counterparts in the developed world. I analyzed problems created by large public sector employment by using two different frameworks and I made an empirical study about the social factors related to gender issues. In the second chapter, the government’s excess employment in the economy is placed under the efficiency wage framework. It is aimed to find out how the wage and effort differentials between public and private sectors actually affect the labour market or more specifically equilibrium levels of employment, wages and productivity. The chapter investigates how the total welfare responds to changes in these differentials in terms of two different models. The results show that an effort of raising employment by the government eventually leads to a reduction in the total welfare by curbing private employment. This chapter contributes to the existing literature by providing a different approach by defining an explicit outside option, namely the government sector, to the efficiency wage theory. Another aspect analyzed is the relation between public sector employment and output growth. In chapter three, I try to establish a link between the government employment and economic growth rate underlying several mechanisms; distortionary taxes, productive government expenditure and productivity link resulting from the interaction of government and private labour markets inspiring from the efficiency wage theory. I endogenize the growth rate by introducing a public sector capital term in government expenditures. The production function in the growth model is constructed such that productivity of private worker decreases when size of public employment increases. I concluded that the abundant government employment force private sector either to pay higher wages or to have lower productivity of labour as outside option for the workers are now plenty. While higher wage leads more unemployment, productivity decline causes output to reduce. Developing countries social dynamics have unforeseen consequences on the labour markets. Thus, in order to understand the social and traditional values explaining the employment decisions taken by the labour force in the developing countries, in the fourth chapter of this thesis an empirical study is carried out to investigate the existence of and the potential behavioral change in son preference in Turkey, by using different statistical techniques. The main contribution of this part is that, it provides a broad analysis of son preference behavior in Turkey by using the latest econometric techniques. In particular, it investigates whether the process of urbanization and modernization in Turkey had an effect on son preference behavior over time. The results imply that there is clear and strong son preference in Turkey and the difference between progression ratios of families with and without sons is larger in 1993 compared to 1998. It is also found that the regional effects are more dominant on childbearing decision and urbanization had a diminishing effect on son preference behavior in Turkey.
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