

Labour Markets In Developing Countries

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September 2009

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1 Volume

Submitted by Ayse Arzu Yavuz to the University of Exeter as thesis for the degree of Doctor of Philosophy in Economics, September 2009.

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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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Acknowledgements

I would like to express my deepest appreciation to my supervisor Professor Gareth Myles being to me an invaluable mentor as well as an excellent teacher. I am deeply indebted to him for his guidance and help through my PhD studies. In numerous occasions Professor Gareth Myles showed his most encouraging support.

My gratitude goes also to Professor Nigar Hashimzade for her support and help in the son preference paper. I would like to thank Professor John Fender and Professor Tatiana Kirsanova for the valuable discussion and their comments during the viva.

The support and friendship of many staff members and my fellow research students at the University of Exeter were certainly unforgettable. The completion of the work described in this thesis would not have been possible without the scholarship offered by the Central Bank of the Republic of Turkey. Many thanks also go to my friends Jack Rogers and John Hawkins who helped me to correct my English.

My parents, Mr Ahmet Cetinkaya and Mrs Hatice Handan Cetinkaya, my in-laws Mr Fevzi Yavuz and Mrs Ayten Yavuz, my sister, Canan Gedik and her family supported my dreams and efforts during many difficult moments. Mr Abdullah Kuzu, Mrs Ayse Kuzu and Miss Lale Kuzu are like a second family for me now and they helped me on numerous occasions. I also would like to thank to Mrs Sevil Fertinger and Miss Cosku Fertinger for their support and friendship.

Finally, I would like to thank my husband, Devrim Yavuz, for his unconditional support for everything. Without his support, I would not have finished this thesis.