

Challenges in Youth Education and Employment in Turkey

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Abstract. Although the unemployment is a common problem faced by all advanced countries, it has different characteristics in terms of durations, distribution across gender, age and sectors. It is even more complicated for Turkey as well. In many developed countries, the ratio of informal employment still remains high with deficiency in productive employment. Moreover, as a result of the global financial and economic crisis, Turkey is facing a job emergency. Delays in completing supportive macroeconomic policies for curbing unemployment, eradicating collective bargaining of wages and social security protection, poor design of employment framework and limits in job creation for youth are obstacles for the labor markets. Likewise, precarious and unsecured work arrangements, including temporary employment and part-time work, are increasing especially among young employees. Compared to prime-aged workers, younger cohorts face higher probability of being unemployed and work at informal sector with low standards of working conditions. Although human capital is the key element for youth to become employable in productive sectors, Turkey still faces low levels of schooling and insufficient educational facilities. Thus, the further investments are needed to invest in programs like active labor market and life-long learning to increase youth employment. Reducing informal employment, promoting high quality and productive jobs are crucial for addressing the problems of youth unemployment.

1. Assessment of youth employment versus unemployment

Enhancing job creation and encouraging labor activation policies are the main issues to improve living standards and provide employment opportunities notably for targeted groups like younger workers and women by all developed and developing countries. These goals are expected to meet with the implementations of the countries to offset many of the development agendas of the countries. There are a set of commitments accepted with unanimity in the meeting of the OECD Labor and Employment Ministers. The main target of the meeting is to overcome on-going unemployment problem, amidst of women and young cohorts. The declaration of conformity that the governments logically agreed are strengthening social security benefits, reducing rigidity in wage settings, job creation for young cohorts by providing incentives to work and increasing skill development (RussiaG20, 2013).

Prevailing economic theory confirms that employment is a tool of private and public investment as well as money supply, creditability, interest rates, wage rates, labor

productivity, innovation, migration, demographic and cultural trends. So any change in these factors is directly correlated with employment. Even though the relationship is a prediction, the parameters do not contact a theory with employment. Giarini and Liedtke (1997) develops a new evidence to the classical view of economics as the system of models indeed are evaluated due to pre-determined laws which results in a static equilibrium. So it is important to understand why the old theories fail now and how to make a feasible and efficient alternative instead. So unemployment is closely related with income inequality, social productivity and the technological innovation. Low levels of unemployment are related with lower levels of income inequality in concurrence with higher levels of economic growth, education and opportunity to access health more (Natarajan, 2010). Considering the fact that employment is one of the important tools for economic growth, the policies affecting labor market activities and employment must be considered as well as the positive effects of employment on development. However, the point missed out here is the informal employment which remains a major problem for all countries. Although advanced countries improve the job quality, regulate the policies and laws, just some of them have succeeded to raise the level of employment and create new policies for informal sector. Therefore, full employment is absent in most of OECD countries. When MDGs in 2000 are examined to clarify the situation, it can be stated that full and productive employment are not included to the original commitments (Hoeven, 2013).¹

When the progress of unemployment problem² is evaluated throughout years in a comparative perspective, it is clearly observed that the most undesired level of unemployment was experienced during 1960s. Thus, the unemployment problem triggered a cultural revolution among classes in the societies. Countries came together to solve the problem and governments agreed on establishing an agricultural collective system. Hence they decided to transferred well-educated youth to work in these territories. In recent years, most of the countries' level of unemployment is affected by the global crisis, but the most influenced one was China with more than 25 million workers laid off. Government enforced an economic aid package by subsidizing the industries in order to sell goods to the farmers at discount and scaling up such investments as might abolish unemployment problem (ILO, 2012). What is expected for the post-2015 period is a more complicated unemployment problem. By 2020, the total working-age population of the world will increase over 64 per cent. The surplus in rural labor must be offset with non-agricultural jobs. As a result, migration will start from rural to urban which will bring more problems to the working class in urban areas. Their living standards will start to decline in association with their decreasing income and it will be more difficult to find jobs with minimum social security (SeoulG20, 2010). In aforesaid document, ILO also stated that OECD countries would need to create over 21 million jobs per year till 2020 so as to ensure new entrants into the labor market. Although unemployment rates showed upward trend in all those countries over the past two decades, it has increased dramatically since 2008. With commitments among members of the countries, the Multi-Year Action Plan can be helpful to regulate the system. The relationship within the group could also reinforce the countries to implement multilaterally-agreed tasks. Nevertheless, advanced countries must realize the crisis of unemployment issues in developing countries, particularly the existence of informal employment. They cannot overcome the gap unless regarding this scheme (Takeuchi and Martins, 2013). As a matter of fact it is obvious after crisis that the

¹ Youth unemployment is not linked to the original scheme of MDGs and just a result included to MDGs to make a mix bag with global governance.

² The unemployment rate in a developing country may reflect the experience of educated middle-class urban workers or the rates of attrition of workers in casual employment of short duration (Majid, 2012).

success in the level of employment depends on not only macroeconomic variables, economic growth or financial development but also reduction in unemployment itself.

On the other hand, Turkey's recent economic growth performance did not match with the performance in employment creation; contrarily unemployment has ranked as a major problem in regards to insufficient employment opportunities both for adults and young cohorts. This is a common issue shared by countries that have suffered from high inflation rates, the financial crisis endured continuously, mistrust on macroeconomic stability and low level of foreign direct investment. However, youth employment is a crucial component for macroeconomic stability of a country. In Turkey, job creation is necessary but not sufficient. As a result of financial crisis consisted almost in every five years affects the economic growth and stability. When the recovery plans reaches e complete success, another crisis comes out. Consequently, the unemployment rate does not reach the expected fall. Although the policies and regulations come up with a decreasing unemployment rate, the young cohorts are disregarded from this solution. Turkey is on par with many OECD countries in this issue. Since it is hard for young people to find jobs especially when there is a recession in a country, it is even worse when they are lack of experience and education. For instance, although the level of schooling becomes mandatory as eight years, still child labor is a major problem in informal labor market. Policies must be enhanced and this challenge must be eradicated.

In recent years, increase in the rate of working-age population is higher than the rise in economic growth in Turkey which results as a key phenomenon both for young and women employment. More education for young people is strongly encouraged in order to finding suitable jobs. But the educated ones that could not find jobs – especially in urban areas – should not be ignored. To overcome this emerging challenge, with the help of United Nations Youth Employment Network, Turkey starts to prepare a strategy for young cohorts. As is quite well known, the declining young employment is significantly the result of the large swath of working class men. Without stable employment and positive prospects, it is quite understandable why many working class young are willing to work but could not find the place for themselves. Concominantly, Turkey should develop more efficient strategies and give priority to invest in human capital. Since the employment ratio is lower for young people, the importance of active labour market policies for targeted groups must be accentuated.

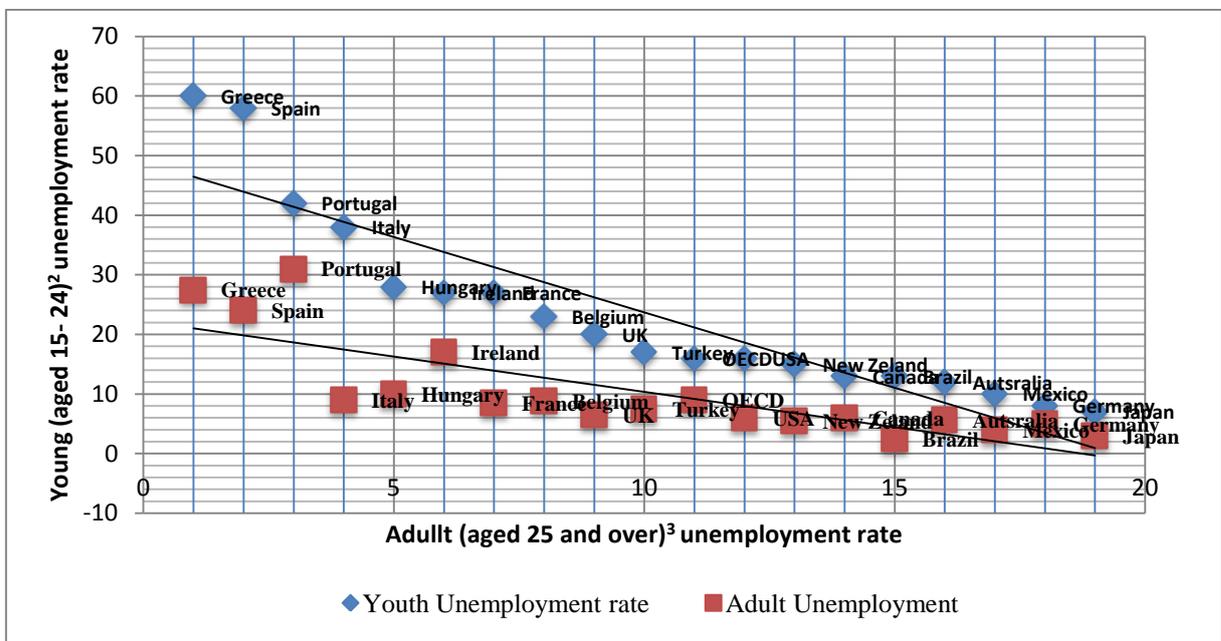
2. Focus on youth in Turkey: the vital phase

While implementing the processes of development, controlling the component of youth employment effects should be strongly examined to have better productivity, growth and stability (Kirton 2012a). Not only in developing countries but also in advanced ones, governments have limited extent for supplying qualified jobs to the required degrees and consequently there is shortage of creating necessity jobs for young people. According to ILO survey (2012), more than 28 percent of the world's young population is unemployed where it is 16,5 percent in OECD and just over 17 percent for Turkey. Hence, the youth unemployment still remains a matter of growing concern. As OECD stated in 2008³, youth unemployment is a critical concern and more apprehensive to the economic conditions than adult unemployment rates which declines as the level of ages increases. The reason is that young cohorts are very busy with temporary, unpaid, risky or informal activities which will bring on discouraged young people in the labour market consequently. More and more young people are trying to find their pathway every year which indeed indicates a socio-economic threat for the next decades (ILO, 2012c).

³ "Off to a good start? Youth labour market transition in OECD countries", OECD, 2008

The latest forecasts from ILO and OECD indicate that there will be a weak upward in economic activity in 2013 and 2014 as well. This will maintain the slow employment growth and the unemployment rate will not downtick in the short run. Because of the cyclical unemployment in Turkey, more people are laid off. Since the share of long-term unemployment in total unemployment rises above its pre-crisis level, the situation is even worse for young people (ILO, 2013). Therefore, well-designed labour policies with strong social protection must be applied accompanied by encouraging macroeconomic policies to refer the growth of formal and productive employment. The labour market conditions have not improved properly even they have deteriorated. On the other hand, the current increase in the youth unemployment after 2008 is on the occasion of the economic crisis which is arised because of the lack of demand. Hence, strength of the recovery must be underlined and linked to the set of principles designed to be equally applicable. Otherwise, the youth unemployment rate will still remain at the same level (ILO and OECD, 2013).

Figure 1: Youth and adult unemployment rate in some of the OECD countries
 Percentages of the labour force of the indicated group, 2013 Q1¹

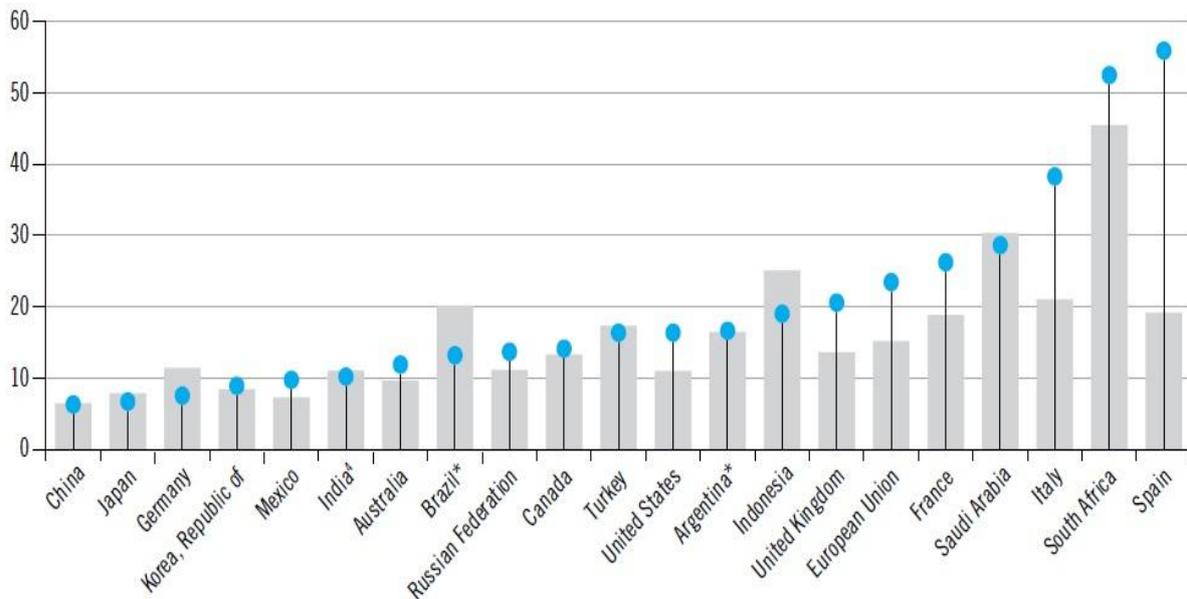


¹ 2012 Q4 for Brazil, Turkey and the United Kingdom.
² People aged 25–74 for the European countries; and 25–64 for Turkey
³ People aged 16–24 Spain and the United States.

Sources: OECD calculations based on OECD Short-Term Labour Market Statistics Database; ILO, Short-term Indicators of the Labour Market.

Youth unemployment rates in the first quarter of 2013 in most of OECD countries are more than twice than the adults except Japan. On the other hand, the difference becomes bigger for Spain, South Africa and Italy. Although Turkey shows a decreasing trend in unemployment for youth compared to other countries, the reason of this is just not affected directly from the financial crisis of 2008.

Figure 2: Youth¹ unemployment since the beginning of the crisis in selected countries
 Percentage of youth (aged 15/16–24) labour force, 2007 Q4²–2013 Q1³



* Selected urban areas

¹ People aged 16-24 for China, Spain and the United States.

² 2005 for China; 2007/08 for India and 2008 Q1 for South Africa.

³ 2009/10 for India; 2010 for China; 2012 Q1 for Indonesia; 2012 Q4 for Argentina, Brazil, the Russian Federation, Saudi Arabia, Turkey and the United Kingdom.

⁴ Annual estimated people/people-days (in million) based on the current weekly activity status.

Sources: OECD calculations based on OECD Short-Term Labour Market Statistics Database; ILO, Short-term Indicators of the labour Market; Census data for China and National Sample Survey for India.

Due to pre-crisis levels, youth unemployment rates rise but the most remarkable rates are in Spain and Italy. It has risen up to more than 20 percent in seven countries and even the situation has been worse in Spain and South Africa. Therefore, most of the young people become discouraged that brings many disadvantages like lack of qualified works and social protection. Indeed, this difference exists as the social security coverage and the policy implementations differ between temporary and permanent works (ILO, 2012b). As the young workers are generally forced to work in temporary or part-time works, it is harder for them to transfer their jobs to permanent one. On the other hand, this will cause another option for young people: involuntary temporary employment. It is very high in Spain with 70 percent and France & Italy with around 40 percent. But Turkey and UK can be added to this scheme due to low share of youth employment in temporary jobs.⁴ Consequently, in many OECD

⁴ Outside the European countries where they are markedly different from permanent contracts, temporary contracts often take on a different significance. In Australia, so-called casual workers more often choose this flexible form of employment of their own will. In the United States, the widespread use of the so-called employment-at-will norm, by which either employer or employee can terminate a work relationship at any time, makes the distinction between permanent and temporary workers meaningless.

countries, there is a gap between youth and adults in informal economy and substantial proportion of the youth are working in unsecured jobs compared to their counterparts.

Recent annual population growth rate in Turkey is 1.4 percent with a proportion of 1,88 working age population of 15 year old and above per annum. By 2050, population will reach 96.8 million in Turkey but increasing population does not bring an opportunity. The number of 15-64 year old people will reach its peak level of 67 million in 2050. As a result of this, the old age dependency ratio will rise swiftly to approximately 18 percent in 2050 (TCMM, 2013). However, if there is a shortage in working age individuals from labor demand side, the problems of unemployment, poverty and unproductivity are emanated. From labor supply side, increasing the level of education of youth cannot yet be a feasible solution to overcome the unemployment problem. Since the share of agricultural employment both paid and unpaid shows still a high proportion, the migrants from rural to urban fall short of the requirements of labor market depending upon lack of skills. The current family paid and/or unpaid workers will look for jobs in the future when they migrate to cities. But as the level of education increases among those young individuals, the quality of jobs they are looking for will raise with escalating the wages. Hence, rise in employment level will be resulted with a reduction in wages. As the level of new entrants to the labor force increases, there will be more need to job creation. However, if the two does not equivalent to each other, unemployment starts to increase or labor force participation will mitigate. Afterwards, more people will drop out of the labor force and become discouraged workers. The weak social security and employment insurance indicate alarm signals for the future of those young people and these problems must be addressed carefully in Turkey.

The political battle now is to make less of new employment creation, so that no more than half could find better jobs for themselves. Indeed, the related policies in the scope of European Union are very applicable. But since the share of informal labor market gets higher, the Active Labor Market Policies are often failed to perform. The general perception concerning the role of youth in the society is definitely worth studying since this assumption imprisons young people to informal sector and thus detaches them from the paid and secured labor force although their level of education is higher. However, there is still noticeable labor market discrimination in occupations and wages of youth. The schooling for longer periods of graduate and upper levels would keep the young people away from then labor market. Improvements in overall level of education make the youth more educated, however it finally excluded them out of the labor market. Since the increase in the level of education is expected to enhance the youth labor force participation which is desired, the results are opposite. Consequently, Turkey needs rapid and efficient solutions.

3. Policies to Address Youth Employment

Given that the labor market policies have differential impacts on individuals, they need to be carefully designed to contribute to the youth in each country. For instance, unskilled and less educated young employees are expected to be disproportionately affected by this protection since their entrance into the labour markets would be much more limited (Dolado et al., 2005). Employment protection, as a result, can harm such workers and generate exclusions in the labor market. Moreover, the discrepancy between the protection for regular and temporary employment can be explanatory for the rise in unfamiliar jobs. Indeed, most of the programmes over the years are found to be undertaken in the area of temporary employment, which enabled the firms to avoid the hefty regulations by resorting to unfamiliar jobs. As a result, a dualized labour market structure would emerge with high turnover and frequent unemployment spells coexisting with long tenures and job security for different groups (Blanchard and Landier, 2002; Cahuc and Postel-Vinay, 2002). Thus, the developing

countries with highly dualized labor markets should be careful about implementing regulatory frameworks such as employment protection legislation. Younger cohorts might need additional flexibility as they can be regarded as the outsiders.

Another common set of policy is the passive labour market policies, which can take multiple forms but ultimately they aim to provide income for people without work, and unemployment benefits form a large part of these measures. Due to risk pooling, unemployment insurance contributes to consumption smoothing and act as an automatic stabilizer (Browning and Crossley, 2001; Dolls et al., 2012). Additionally, by providing sufficient incomes, generous unemployment insurance allows workers to be selective and accept jobs that match their qualities better (Marimon and Zilibotti, 1999). But this leads to higher unemployment risks and longer working hours. Besides, it has been also argued that unemployment insurance gives rise to moral hazard problems through generating disincentives to work (Vodopivec et al., 2005). Since the reservation wages are higher in a system where unemployment benefits exist, the employees would be more reluctant to search for employment at least until the insurance period is exhausted. In order to minimize the negative effects, several design mechanisms were discussed in the literature ranging from attaching conditionality to benefits to limiting replacement rates and duration. It has been found that the lengthening the duration brings more costs since people are more behaviorally responsive to this component than replacement rates (Lalive et al., 2006). However, generosity of unemployment benefits in general is associated with longer unemployment despite different complementary institutions and labour market conditions.

Unemployment insurance should be viewed not only as a protective tool but also an effective instrument for decreasing the skill mismatches especially when accompanied by employment subsidies (Coles and Masters, 2006). Many of the emerging markets introduced unemployment benefit system very recently or do not have it all together. For instance, Indonesia and Mexico have not established a nationwide unemployment insurance program while Turkey entered the same into force already in 2000. Although income security is ensured to a certain extent, increasingly developing countries try to compensate the incomes of people in periods of work termination via other social policies such as poor relief, financial assistance and family allowances. It should be remembered that the level of the expenditures is not yet comparable to the developed countries but rising over time in proportion to both national income and total government spending. Such measures are particularly critical for the most vulnerable like youth employees.

Finally, active labor market policies dedicated to improving the employability of the workers are gaining importance in most countries. The main goal of such programs is to effectively allocate public resources to generate adequate employment opportunities and they can vary from training programs to the unemployed to wage subsidies (Auer et al., 2005). In developing countries, the ALMPs are also becoming popular because passive labor market policies are expensive and these countries are fiscally constrained. Additionally, the effects of ALMPs are argued to be visible in shorter terms and more positive on employability (Van Ours, 2000). Besides, unemployment in developing hit the younger cohorts disproportionately, leading to insurance schemes being less suitable as such workers are less likely to be eligible.

Nevertheless, the ALMPs are not substitutes for job creation and their positive effects are minimal when labor demand is overlooked. Unless they are combined with other job-friendly policies, their contribution to skill matching and employability would be very limited. Also, it has been shown that different ALMPs have different impacts, and the effectiveness depends on the outcome chosen (Card et al, 2010). Job search assistance appears to have the most positive effects and turn out to be more cost effective (Kluve, 2007). Training programs are also recognized to be beneficial but the public works' link to employment is mixed at best and

they are financially more burdensome (Card et al., 2010). Lastly, there can be shortcomings in implementing ALMPs in developing countries due to lack of administrative capacity and low service quality (Pages et al., 2009). Thus, ALMPs have to be designed and targeted well to avoid consuming limited resources without high returns. Training and educational opportunities can be specifically given to younger cohorts who otherwise would have fewer resources to become employed.

When it comes to Turkey's current situation, the principles stipulated in 10th development plan include human-orientation, participation, inclusion and transparency. Same document lays special emphasis to four main development objectives: i) qualified person and strong community, ii) innovative production and steady growth, iii) sustainable development and iv) international corporation for economic development. In parallel with development process, each objective requires specific focus in terms of field of activities. When they are examined in detail, employment ranks at lower levels although it needs special attention especially when it comes to young people and women (Grand National Assembly of Turkey (TBMM), 2013). With a view to overcoming these obstacles, the Constitution was amended by TBMM in 2009 in such a manner that it included the principle of positive discrimination as well as Equal Opportunities for Women and Men Commission. Yet no amendment has been made in respect of informality of women and youth participation in the labor market so far. However, the balance between work and private life has not been achieved. With equal opportunities for men and women, more active participation policies must be encouraged to increase the level of employment without sacrificing current level of education; what's more, women's and young cohorts efficiency in the labor market must be promoted. However, it should be noted that there is a need to increase efficiency in practice as well. Including particularly young cohorts, labor force participation rate and employment must be increased by either increasing the quality of labor or reducing the informal employment. To increase the efficiency in labor market, flexicurity, severance payment, social dialogue, active and passive labor market programs should be the main objectives and policies to follow.

Indeed, the reason lying behind the negative employment picture of youth were indicated as the lack of employment policies and strategies with insecure labor regulations. Despite the improvements in the flexicurity system and revisions in the employment laws, the new innovative models for young workers cannot yet be provided to overcome the problems. Increasing youth employment with improving their level of education and work-family reconciliation have been accepted as a vital feature in many countries -especially in European Union. In order to entail the new acts of employments to the youth workers and the employers, than Turkey might be successful in overhauling the youth unemployment problems, as Netherlands did years ago.

Purportedly, the new education system would increase the number of young individuals that complete minimum high school. But the problem is that prime-aged young migrants should be enhanced more to complement their education in terms of employability. The policy of young education followed by Active Labor Market Policies would likely to mitigate the share of young unemployment in total labor force. To bear in mind that, these remedial actions on young education to increase the low level of human capital and experience would improve the expected future gain of young generation as well as the productivity and living standards. The major aim of the state authorities should be enforcing to implement the hampered labor market policies and programs to the targeted young labor and control the system whether it is effectively working or not.

In order to uptick the participation rate of young people in the labor market, another policy that can be pursued is to harmonize the family and work life with activated employment incentives. Likewise, rigid policies and disincentives must be taken into consideration if the informal employment is considered as a real problem by the government. Finally,

unemployment insurance and ALMPs should be considered and strengthened to get high returns from productivity and employment turnover. It will also bring dynamism by ensuring a fundamental shift to the labor market notably for young people. Therefore, Turkey can enjoy the slowdown in the rate of population growth in advanced countries and grab the opportunity of high level of working-age population with young people. Maximum benefit can be provided from this opportunity period. So no one will be left behind with unequal opportunities.

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