

A. Burca Kizilirmak and Hasan Sahin, "International Trade and Labor Demand Elasticities: Evidence from Turkey"

A. Burca Kizilirmak
Department of Economics,
The Faculty of Political Sciences, Ankara University
Cebeci Ankara /Turkey
Tel : 90 312 319 7720/339
Fax : 90 312 319 7736
E-mail: burca@politics.ankara.edu.tr

Hasan Sahin
Department of Economics
The Faculty of Political Sciences
Ankara University
Cebeci Ankara /Turkey
E-mail : hsahin@politics.ankara.edu.tr

Abstract:

Turkey has undergone substantial structural changes including in international trade and labor markets after 1980s. It has been argued that international trade will result in an increase in labor demand elasticities. The literature provides four important consequences of more elastic labor demands. First, higher elasticities transfer wage and/or employment incidence non-wage labor costs towards labor away from employers. Second, higher elasticities trigger more volatile responses of wages and/or employment to any exogenous shock to labor demand. Third, higher elasticities shift bargaining power from labor towards capital. Fourth, higher elasticities for unskilled workers raise wage dispersion between skilled and unskilled workers.

In this paper, we attempt to estimate labor demand elasticities of both production and non-production workers and their relations with openness in Turkish manufacturing industries. For these purposes we estimate dynamic labor demand functions using Arrelano-Bond dynamic panel data estimator. Annual panel data at 4-digit industry level that span the years 1988-1998 are used in estimations. The signs and sizes of the estimated elasticities are consistent with the literature.

Keywords: Turkey, International Trade, Labor Demand Elasticities,
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