

Unrequited Transfers and Labor Market Outcomes: Implications for a Universal Basic Income in Turkey

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Abstract:

As COVID-19 spread, restrictions were adopted as a response. These led to income losses and highlighted the importance of integrating unconditional income transfer mechanisms into social security systems. UBI (Universal Basic Income), frequently defined as an unconditional and universal monetary transfer, has become the center of attention and there are plans in many countries to experiment with the system. From an economics point of view, there are two main concerns. Firstly, what are the fiscal implications? How much will the program cost? How will it be financed? Secondly, what are the potential impacts on labor market participation? Given unrequited transfers, will people tend to consume more leisure and drop out of the labor force? Will there be an increased tendency for informalization in the labor market? This paper empirically investigates the second question for the Turkish case. The aim is to analyze the impact of unrequited transfers on labor market outcomes of individuals in Turkey, where possible outcomes range from completely leaving the market to shifting to informalization and extend to formal participation. The data used for the study is the Household Budget Survey Micro Data Set available from the Turkish Statistical Institute. The database covers a number of unrequited transfer payments to individuals included as income. The dependent variable, labor market outcome, is discrete with multiple outcomes. Due to the nature of the dependent variable, unordered probit estimation is the appropriate approach. The analysis is expected to provide insight for a UBI scheme in Turkey and lay the groundwork for a further analysis on the fiscal aspect of UBI in Turkey.

Keywords: Transfer payments, Social security systems, Labor market outcomes

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