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The Effects of Social Security Taxes and Minimum Wages on Employment: Evidence from Turkey

by Kerry L. Papps

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forthcoming in: Industrial and Labor Relations Review

Abstract:

Worker-level panel data are used to analyse the separate employment effects of increases in the social security taxes paid by employers and increases in the minimum wage in Turkey between 2002 and 2005. Variation over time and among low-wage workers in the ratio of total labour costs to the gross wage gives rise to a natural experiment. Regression estimates indicate that a given increase in social security taxes has a larger negative effect on the probability of a worker remaining employed in the next quarter than an equal-sized increase in the minimum wage. This result is incompatible with the textbook model of labour supply and demand and suggests that workers may increase effort in response to an increase in wages. Consistent with this explanation, it is found that groups with the least access to the informal sector experience the smallest disemployment effects of the minimum wage.

Text: See [Discussion Paper No. 6214](#)



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