



**THE REPUBLIC OF TURKEY
SOCIAL SCIENCES UNIVERSITY OF ANKARA
INSTITUTE FOR GRADUATE STUDIES IN
SOCIAL SCIENCES**

**DOES SOCIAL CONTEXT IMPACT THE WELL-BEING CONSEQUENCES
OF UNEMPLOYMENT?**

MASTER'S THESIS

AYŞENUR DURAK

MASTER OF SCIENCE IN ECONOMICS

NOVEMBER 2022



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THESIS APPROVAL

This is to certify that the thesis defense examination for the thesis titled Does Social Context Impact the Well-Being Consequences of Unemployment? prepared by Ayşenur DURAK with student number 195410004 studying in the field of Economics Department Master of Science Program has been conducted in accordance with the related clauses of the Graduate Studies and Examination Code of YÖK (Council of Higher Education) on 11/11/2022 at 10.30 and has been approved by unanimous vote.

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ÖZET

SOSYAL BAĞLAM İŞSİZLİĞİN İYİ OLMA HALİNE OLAN ETKİLERİNİ DEĞİŞTİRİYOR MU?

AYŞENUR DURAK

İKTİSAT TEZLİ YÜKSEK LİSANS

TEZ DANIŞMANI: DOÇ. DR. ZEYNEP BURCU UĞUR

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Bu tez, Türkiye'de sosyal bağlamın işsizliğin psikososyal maliyeti üzerindeki rolünü 2013 yılındaki Yaşam Memnuniyeti Anketi'ni kullanarak incelemeyi amaçlamaktadır. Önceki çalışmalar, kişinin sosyal bağlamında artan işsizliğin çalışma normlarını zayıflattığını ve işsizliğin bireyler üzerindeki yükünü hafiflettiğini ortaya koymaktadır. Bu çalışmada, bağlamsal işsizlik için dört ölçüm tanımlanmıştır: il düzeyinde işsizlik oranları, kişinin yaş ve eğitim grubundaki ortalama işsiz yüzdesi ve kişinin hanesindeki işsiz sayısı. Çok düzeyli regresyon analizi ve sıralı probit teknikleri uygulanmıştır. Sonuçlar, bağlamsal işsizliğin, işsizliğin işsizler üzerindeki olumsuz etkisini yatıştırdığını göstermektedir. İkinci önemli bulgu, kişisel işsizliğin olumsuz etkisinin hane halkı düzeyinde işsizliğin daha yaygın olduğunda azalmasıdır. Ayrıca, sosyal norm hipotezi Türkiye'de özellikle işsiz kadınlar için geçerlidir.

Anahtar Kelimeler: Sosyal Bağlam, İşsizlik, Mutluluk, Sosyal Normlar

ABSTRACT¹

DOES SOCIAL CONTEXT IMPACT THE WELL-BEING CONSEQUENCES OF UNEMPLOYMENT?

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This thesis aims to examine the role of the social context on the psychosocial cost of unemployment in Turkey by using the Life Satisfaction Survey in 2013. Previous studies find that increasing unemployment in one's social context weakens the work norms and alleviates the burden of unemployment on individuals. In this study, we define four measurements for contextual unemployment: the province-level unemployment rates, the average percentage of unemployed in one's age & education group, and the number of unemployed in one's household. We apply multilevel regression analysis and ordered probit techniques. The results show that contextual unemployment soothes the negative impact of unemployment on the unemployed. The second major finding is that the negative impact of personal unemployment is diminished, the more unemployment is prevalent at the household level. Besides, the social norm hypothesis works especially for unemployed females in Turkey.

Keywords: Social Context, Unemployment, Happiness, Social Norms

¹ The findings of this thesis were presented at the Sixth International Conference on Economics, EconAnadolu 2022, at Anadolu University, in Eskisehir, Turkey on May 13-15, 2022.

LIST OF ABBREVIATIONS

BHPS: British Household Panel Study

ECHP: European Community Household Panel

EU: European Union

EVS: European Values Survey

FSS: Family Structure Survey

GSOEP: German Socio-Economic Panel

GSS: General Social Surveys

HILDA: Household, Income and Labour Dynamics in Australia Survey

HIPS: Hacettepe University Institute of Population Studies

LSS: Life Satisfaction Survey

NEET: Neither in Employment nor in Education and Training

NSC: Northern Swedish Cohort

OECD: Organization for Economic Co-operation and Development

SHP: Swiss Household Panel

DHS: Demographic and Health Survey of Turkey

TurkStat: Turkish Statistical Institute

WVS: World Values Survey

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CHAPTER 1: INTRODUCTION

The neoclassical economics argues that there is a trade-off between labor and leisure in the labor supply decisions, as work means giving up leisure time to purchase goods and services (Borjas, 2010). This implies that those who are unemployed choose to be unemployed. In this perspective, unemployment is perceived as “voluntary”. Standing (1981) discussed the seven elements of voluntary unemployment as “inactive unemployment, unrealistic and excessive job & wage aspirations, casual or short-time work preferences, turnover-induced unemployment, marginal workers, and unemployment benefits” through conceptual ambiguities. If this perspective would represent the reality of unemployed individuals, their wellbeing should be at least as high as workers.

Yet, one of the well-established results in the well-being literature is the toxic effects of unemployment. Many studies establish that unemployment is detrimental to happiness and life satisfaction. One well-known study and the most cited in research on happiness and unemployment is that of Clark and Oswald (1994) who found that unemployment is something not desirable and even worse than divorce based upon results from the British Household Panel Study (BHPS) in 1991. In another major study, Winkelmann and Winkelmann (1998) reported that the effect of unemployment is considerably negative on life satisfaction after controlling the individual fixed effects by using 6 waves of the German Socio-Economic Panel (GSOEP) from 1984 to 1990. Another finding of that study is that the non-pecuniary cost of unemployment is much higher than its material costs. That is, unemployment means more than just losing personal income (Helliwell & Putnam, 2004, p. 1440).

Non-material costs of unemployment are better understood when compared to the advantages of having a job. In this regard, Jahoda (1988, p. 17) emphasizes that employment, as an institution, generates non-material advantages to individuals, rather than only providing income, such as time management skills, social connection with other people who share the same purposes, social standing, and participation in associations or

organizations. Thus, an individual is excluded from all these benefits with losing his/her job and, the life satisfaction of this person is inevitably negatively affected by this situation.

Besides, there are many other studies that confirm the adverse effects of unemployment on life satisfaction. Frey and Stutzer (2000) report a consistent association between unemployment and low-level of happiness. Moreover, they show that the coefficient for the unemployed is sizeable when compared to other coefficients. They utilize a survey collected between 1992 & 1994 from over 6,000 Swiss residents. In the same vein, using 46 countries from World Values Survey's (WVS) first 3 rounds between 1980-1997, Helliwell (2003) finds that unemployment affects well-being significantly. That is, being unemployed causes the subjective well-being to drop almost one unit point on the 5-point scale. In another study, Shields and Price (2005) showed that the psychological well-being of individuals changes with the employment status by using the Health Survey for England data. All employment statuses except that of the self-employed have significantly lower levels of well-being comparing the employed. These results are congruent with unemployment is bad for well-being.

In this study, we examine the impact of unemployment on people living in Turkey. Turkey provides a good context to study the impact of unemployment because it is suffering from high unemployment rates. For example, Turkey's unemployment rate as of 2021 was 12.2% whereas the OECD average was a mere 6.3%. (See Appendix A-1 for comparison of Turkey and OECD average). Moreover, Turkey is the fifth country among the OECD countries with the highest unemployment rate in 2021 (OECD, 2022). Turkey has a youth unemployment problem too. The percentage of young people neither in employment nor in education and training (NEET) from 15 to 34 years old is much higher than 27 European Union (EU) countries. As of 2020, while the EU average is 15%, in Turkey, 33.6% of young are not in NEET (EUROSTAT, 2022). (See Appendix A-2 for details). These high percentages show the chronic unemployment problem of Turkey.

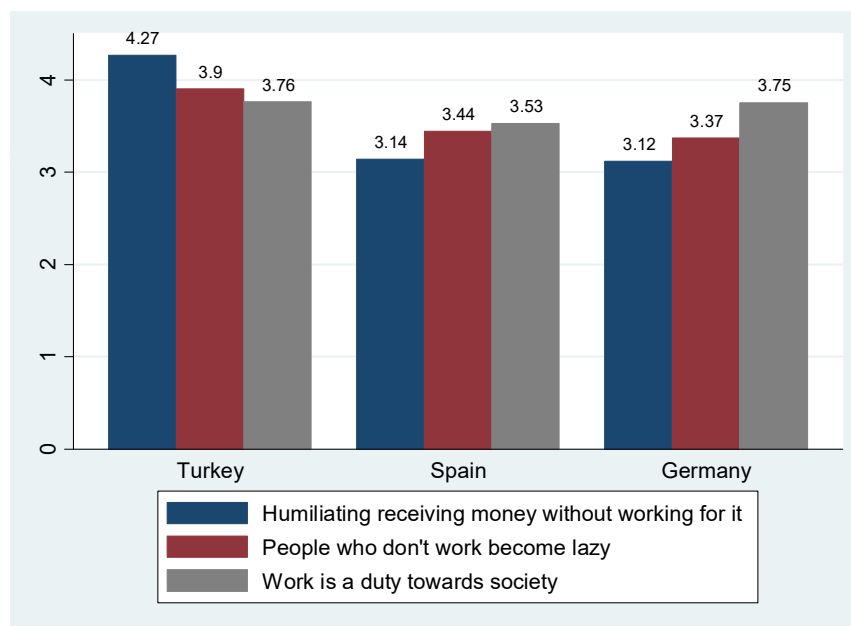
There are gender-based differences within Turkey, too. When we compare the rates of NEET for young men and women in Turkey as of 2020, the results are striking that the rate for women is 47.1%, which is more than two-fold (20.2%) for men

(EUROSTAT, 2022). (See Appendix A-3 for details). These gender-based gaps indicate that the underlying reasons have to be studied. In this context, social norms may play a crucial role. Related to this, Göksel (2013) finds a significant negative role of the social norms on women's employment in urban areas by using the Family Structure Survey (FSS) collected by the Turkish Statistical Institute (TurkStat) in 2006. This study measures social norms as answers to questions such as "the main duty of a mother is childcare and domestic work", "having a son increases the respectability of a mother", and "a woman that has a child has a higher status than the one without". In a similar vein, Dildar (2015) also finds that patriarchal norms have a negative effect on the labor force participation of women in the urban sample too, based on the Demographic and Health Survey of Turkey (DHS) conducted by Hacettepe University Institute of Population Studies (HIPS) for 2008. In this study, patriarchal norms are measured using questions like the following: "men should also do housework", "a woman may go anywhere she wants without her husband's permission", and "the important decisions in the family should be made only by men of the family". Since the gender stereotypes depict men as the breadwinner, the head of the family, and women as the homemaker who have to be always obedient to their husbands. For example, the Turkish civil code required women to get permission from their husbands to work until 1990 although workplaces never required women to get a written permit from their husbands, and also the social security system saw women as dependents on men before the reforms (İlkkaracan, 2012, p. 15). Similarly, Dedeoğlu (2010) explains that people see women's engagement with paid work as temporary work for spending on food, rather than a permanent job. In these lines, social norms might require especially young males to be employed for various social occasions. For example, it is expected for a male to find employment before marriage and to be considered as an 'enough' man (Sancar, 2009).

People in Turkey attribute much significance to work even in comparison to the country which is known to have a high work ethic such as Germany, and in comparison to Spain which is a Mediterranean country like Turkey. Utilizing data from WVS (WVS)

², Figure 1 shows that people in Turkey has a higher score out of 5 for statements³ like “It is humiliating to receive money without working for it”, “People who don’t work become lazy” and “Work is a duty toward society”. This suggests that Turkey has a strong work norm. Therefore, we expect unemployment to be more damaging in Turkey.

Figure 1: Measures of Work Norms in Selected Countries



Source: WVS

This study aims to answer to the following questions using data from Turkey: i) does unemployment hurt less in high unemployment contexts, ii) what is the effect of household level unemployment rate (which is determined by the unemployment of other family members as well) on the happiness of the unemployed iii) does the contextual effect of unemployment vary depending on gender and age groups?

Our multilevel regression results highlight that the toxic impact of unemployment is mitigated by higher unemployment rates. This result is consistent with Clark (2003)’s

² We took 2017-2020 wave answers as it is the most recent available data. However, the first question which is colored as the navy bar was only available in the 2005-2009 wave. Therefore, the data for that question comes from the 2005-2009 wave. For each question, the arithmetic average is calculated. These questions also used by Stavrova et. al. (2011).

³ Respondents are asked to report their degree of acceptance of these statements from strongly agree to strongly disagree on 5-point scale. Don't know and missing responses are removed when calculating the arithmetic average.

findings which will be elaborated in the literature review part. The negative impact is mitigated more when the context gets narrower. That is, the impact of household level unemployment is larger on the unemployed. We did not find any effect of household unemployment on other household members such as homemakers and students. Results show that unemployed females are especially positively affected by the higher unemployment context. We did not find any differential impact regarding different age groups.



CHAPTER 2: LITERATURE REVIEW

There are substantial disparities that exist in the effect of unemployment depending on the social context/norm (Clark, 2003). Clark and Oswald (1994)'s study presents evidence that high unemployment areas reduce the mental distress of the unemployed. In the same point of view, Clark (2003) found that the harmful effects of personal unemployment on well-being are mitigated by higher levels of unemployment based on 7 waves of the BHPS. Clark explains that the contextual effect of unemployment is due to social norm change when unemployment is more prevalent (Clark, 2003, p. 326). Another finding of the study is that the same mechanism also works in the household. If there are more household members who are unemployed, each unemployed member of the household feels less distressed. On the other hand, Marcus (2013) found that if one's spouse is unemployed, it deteriorates the other spouse's mental, almost as the directly affected one. This study is based on data from the GSOEP for the period 2002-2010. Also, the results indicate that the impact is much worse when the husband is unemployed. In the context of social norms, Stutzer and Lalive (2004) find that stronger work norm results in a reduction in the life satisfaction of unemployed people. However, they find that the stronger work norm lowers the duration of unemployment. The authors find that the stronger work norm is associated with a higher proportion of voting in favor of reducing unemployment benefits in Switzerland. In another study, Stavrova et al. (2011) found the negative impacts of unemployment on life satisfaction are mitigated in societies with more tolerance to be unemployed. Stavrova et al.'s study use data from the European Values Survey (EVS) and the WVS (1999–2009) for 28 Organization for Economic Co-operation and Development (OECD) countries. Furthermore, Shields and Price (2005) found that the unemployed who live in the regions that are deprived of high employment (higher than 22%) has almost the same level of well-being as the employed individuals based on Health Survey for England data. Similarly, using the first wave of the Household, Income and Labour Dynamics in Australia (HILDA) Survey data, Shields et al. (2009)'s findings support the social norm impact of unemployment as unemployed males have higher life satisfaction in high unemployment areas. Likewise, regional

unemployment hurts males less in Germany based on GSOEP (1984-2006) (Clark et al., 2009).

There are some other mitigating factors for the negative effects of unemployment on life satisfaction. Using data from the BHPS, Clark and Oswald (1994) suggest that long-time joblessness reduces the disruptive impacts of unemployment on well-being. In the same vein, Clark et al. (2001) find that people adapt to the harms of unemployment if they experience unemployment more. This result is obtained by using 11 waves of the GSOEP (1984-1994). The authors called this effect habituation. That is, more and more past unemployment, in a way, presents a trailer and, an experienced unemployed person knows in advance what is going to happen. So, this person's reaction is expected to be better than the previous case (Frederick & Loewenstein, 1999). However, Winkelmann and Winkelmann (1998) did not find any support for the habituation argument when they used the GSOEP's 1984-1990 data. In the same lines, Lucas et al. (2004) also examined 15 waves of the GSOEP and did not find that people adapt to unemployment. In another study, (Clark, 2006) did not confirm habituation effect by using 3 European panel datasets (BHPS, the European Community Household Panel (ECHP), and GSOEP). Also, according to the results based on the GSOEP (1984-2009), and the Swiss Household Panel (SHP) (2000-2009), people did not adapt to negative effects of unemployment over time (Oesch & Lipps, 2013).

Unemployed people find ways of coping with it (Clark, 2006). For example, he mentions that unemployed people become friends with people like themselves. Indeed, homogeneity exists in many social interactions (McPherson et al., 2001). Moreover, Rözer et al. (2020) show that individuals who remained unemployed have improved their networks and contact with others more frequently. This study utilizes data from 12 waves of the SHP between 1999-2010. The authors emphasize that unemployment might be a chance for individuals to engage in social interactions (Rözer et al., 2020, p. 101). Since frequent contact with friends and neighbors leads to higher levels of subjective well-being (Helliwell & Putnam, 2004). Moreover, according to Vaillant (2008), relationships are one of the factors for happiness. Also, Knabe et al. (2010) find that unemployed individuals are able to offset the negative impact of unemployment by spending their time

in more enjoyable activities. Knabe et al.'s study calculates the daily positive feelings and negative feelings difference for unemployed and employed individuals. According to the results, unemployed individuals have a higher net positive feeling different than the employed (0.168 points). The authors emphasize that the difference stems from unemployed individuals spending time in more enjoyable activities such as socializing with others while the employed are at work routinely (Knabe et al., 2010, p. 867).

To the best of our knowledge, two studies look for the contextual impact of unemployment on life satisfaction in Turkey. Kanlıoğlu and Dumludağ (2022) compare unemployed who live in higher and lower than average unemployment rate provinces. They find that living in provinces with more than average unemployment has less negative consequences for the life satisfaction of the unemployed. This study does not use a continuous unemployment rate but divides provinces only into two categories being lower than average and higher than average. Susanlı (2018) also examines the impact of provincial and household unemployment on unemployed respondents' life satisfaction by utilizing the same dataset that we use for the 2004–2013 period. This study does not find evidence for the social norm impact of unemployment at the household level. This study also looks into whether social norm impact is valid at the province level. That is, the study checks whether the negative consequences of unemployment change depending on the province-level unemployment rate. The results do not suggest any social norm effect at the province level. Yet, this study includes two interaction terms: first the interaction of household unemployment rate with personal unemployment status, and second, the interaction of provincial unemployment rate with personal unemployment status. Moreover, although the data is province level, Susanlı (2018) did not use clustering of standard errors nor multilevel models. Susanlı (2018) finds the social norm effect only for women. In our study, we examine the social norm impact with more elaborate models using multilevel models. Moreover, we use the continuous provincial unemployment rate in contrast to Kanlıoğlu and Dumludağ (2022). Also, we study the household unemployment' impact separate from the province-level unemployment rate's impact by including one interaction term in each model.

CHAPTER 3: METHODOLOGY

This study employs the multilevel regression analysis using the following model to estimate the contextual effect of unemployment on the happiness score of the four groups: unemployed, employed, homemaker, and student.

$$Happiness_{i,p} = \beta_0 + \beta_1 ES_i + \beta_2 C_p + \beta_3 ES_i * C_p + \beta_4 X_i + \varepsilon_i \quad [1]$$

where happiness is the individuals' happiness score, i denotes the individual, and p represents the province. ES is the four dummies for the individuals' employment status (unemployed, employed, homemaker, and student), C is the specifications for the contextual effect, $ES_i * C_p$ interaction measures the contextual effect of unemployment on the happiness of each of the four employment statuses, X is a set of other control variables which are as follows: age, gender, education, income, and marital status. The contextual effect is gauged by four measures: province-level unemployment rate, the average percentage of unemployed in the age group in the province lived, the average rate of unemployment in one's education group in the province lived and the number of unemployed in one's households.

As our data is representative at province level, we can calculate the average rate of unemployed in one's age and education group in the province lived.

To be able to determine whether having another unemployed household member increased the unemployed individual's wellbeing, firstly we dropped single-person households. Secondly, we confined the sample to households that have at least two responses in the survey. For those households, we calculated the number of unemployed household members and put it as a dependent variable for explaining individuals' wellbeing.

More details about these measures are available in the Data section.

We used multilevel modeling because the individuals in our dataset are nested within provinces. The way to model such interaction between provinces level indicators and individual level measures is multilevel modelling (Hox et al., 2017).

CHAPTER 4: DATA & DESCRIPTIVE STATISTICS

We use individual-level data from the Life Satisfaction Survey (LSS) in 2013. The Life Satisfaction Survey is one of the most comprehensive surveys collected by TurskStat annually since 2003, and individuals who are 18 years or older are interviewed regarding their happiness, satisfaction with public services, a set of indicators about their socio-economic status, and so forth (TÜİK, 2014c). Before 2013, the survey was only representative of the whole of Turkey. As of 2013, the survey collected representative samples from 81 provinces of Turkey which produced 196,203 observations. Therefore, we conduct our analysis using the data from 2013. One advantage of this dataset is the sample size as it covers more than 190,000 observations.

The main dependent variable, happiness, is asked in the survey as “Considering all aspects of your life, how happy would you say you are?” with answer options ranging from 1 (very happy) to 5 (very unhappy). The answers are recoded as 5 representing “very happy” category and 1 representing “very unhappy” category.

The main independent variable is the employment status of individuals. It is asked with two questions: i) “Have you worked in a paid or unpaid job in the past week?”. If the answer is yes (worked), that is, the individual is coded as employed. The second question is ii) “What is your reason for not working?”. Answers are categorized in the following six categories: unemployed, homemaker, student, retired, unable to work⁴, and others⁵. We restrict our sample to employed, unemployed, homemaker, and student categories because retired and unable to work and others categories will not comprise a suitable comparison group for unemployed individuals.

⁴ unable to work covers “disabled or sick and old-aged or thinks too old to work”

⁵ others covers not working due “family or personal reasons”

We add several control variables such as gender, age, educational attainment (categories: primary school or less, secondary school graduate/equivalent, high school graduate/equivalent, university or more), marital status (categories: never married, married, widowed, divorced), income measured in five brackets, satisfaction with health and friendships. We included the satisfaction with friendship variable because social relationships play a crucial role in happiness (Vaillant, 2008; Waldinger, 2015). Besides, health status is one of the factors to determine an individual's job status, too, and these factors are included to take into account person's characteristics (Ugur, 2021).

The province-level unemployment rate is obtained from the official unemployment statistics of TurkStat in 2013 (TÜİK, 2014b). The average percentage of unemployed in the age and education group in the province lived is also calculated by using the LSS dataset which is possible because of province-level representative sample structure of the dataset.

Table 1 represents the descriptive statistics of the sample. After excluding the retired, unable to work, and others, our sample consists of 154,694 observations. The descriptive statistics are designed to show the differences of the following employment statuses: unemployed, employed, homemaker, and student. To test whether these categories are statistically different from each other, we use one-way ANOVA tests.

Table 1 reveals that the unemployed individuals report the lowest average happiness score (3.17 over 5), compared to the other categories. The mean score (3.17) refers that the unemployed are on average lower than being happy. This finding is in line with our expectation that being unemployed would lead to lower levels of happiness score. 17% of the unemployed expressed their happiness score as unhappy. However, 7% of employed expressed their unhappiness. The highest happiness score (3.70 over 5) belongs to the students. When we compare the percentage of happy people, the happiest group is the homemakers (55%).

Table 1: Descriptive Statistics

	Unemployed	Employed	Homemaker	Student
Happiness Score	3.17 [1.01]	3.58 [0.85]	3.61 [0.84]	3.70 [0.79]
Very happy	0.06 [0.23]	0.10 [0.30]	0.09 [0.29]	0.12 [0.32]
Happy	0.36 [0.48]	0.49 [0.50]	0.55 [0.50]	0.54 [0.50]
Neutral	0.34 [0.47]	0.31 [0.46]	0.26 [0.44]	0.28 [0.45]
Unhappy	0.17 [0.38]	0.07 [0.26]	0.07 [0.26]	0.05 [0.22]
Very unhappy	0.07 [0.25]	0.02 [0.15]	0.02 [0.15]	0.01 [0.11]
Age	33.97 [12.10]	38.70 [11.33]	43.51 [14.49]	21.18 [4.71]
Female	0.39 [0.49]	0.28 [0.45]	0.99 [0.09]	0.52 [0.50]
Income < 1,550 TL	0.77 [0.42]	0.47 [0.50]	0.72 [0.45]	0.57 [0.50]
Marital Status				
Never married	0.44 [0.50]	0.17 [0.38]	0.05 [0.22]	0.95 [0.21]
Married	0.50 [0.50]	0.79 [0.41]	0.86 [0.35]	0.04 [0.20]
Widowed	0.01 [0.11]	0.01 [0.11]	0.07 [0.26]	0.00 [0.04]
Div/Sep	0.04 [0.20]	0.03 [0.16]	0.02 [0.13]	0.00 [0.06]
Education				
Primary school or less	0.42 [0.49]	0.39 [0.49]	0.78 [0.42]	0.02 [0.15]
Secondary school	0.19 [0.40]	0.15 [0.35]	0.11 [0.31]	0.14 [0.35]
High school	0.19 [0.39]	0.21 [0.41]	0.09 [0.29]	0.69 [0.46]
University or more	0.19 [0.39]	0.25 [0.43]	0.02 [0.14]	0.15 [0.35]
Satisfaction with health	3.68 [0.86]	3.79 [0.75]	3.46 [0.93]	3.95 [0.66]
Satisfaction with friendships	3.94 [0.61]	3.98 [0.53]	4.00 [0.49]	4.04 [0.54]
N	9,893	64,944	72,861	6,996

Notes: Table reveals mean values and standard deviations in brackets.

Besides, Table 1 indicates that 39% of unemployed are females. That is, a large proportion of the unemployed is males. This is a sign that our findings will mostly reveal the experience of unemployed males. When we compare the marital status of unemployed ones to others, half of them are married whereas 79% of employed and 86% of homemakers are married. When we look at the education level of the unemployed, only 19% of them have university or higher degrees whereas 25% of the employed have university or higher degrees. Only 2% of homemakers have university or higher degrees. Table 1 shows that satisfaction with friendships for the unemployed is slightly lower compared to the other groups.

The happiness of unemployed, employed, homemakers, and students were compared by performing the one-way ANOVA and revealed significant differences between the groups (available upon request). Therefore, to be able to account for these differences, we also conducted the regression analysis.

CHAPTER 5: RESULTS

We employ multilevel regression analysis to explain the contextual effect of unemployment on happiness scores. Table 2 shows the multilevel regression results for the coefficients of our interest. In these models, the happiness score is treated as continuous for the ease of interpretation of the coefficients. The other coefficients used as control variables in the multilevel analysis are available in Appendix Table A.1. Since the happiness scores is measured on 5-point scale rather than being continuous, we also run ordered probit regression models to see whether they show similar results (Ferrer-i-Carbonell & Frijters, 2004). The ordered probit results are presented in Appendix Table A.2.

After controlling for a large set of background variables, Model 1 shows that unemployed people have statistically significantly lower happiness compared to the employed. The coefficient of unemployed is -0.274, which is quite large. In Model 2, we include the province- level unemployment rates to see the contextual effect of unemployment. From Model 2, it is seen that the province-level unemployment has a statistically significant albeit small negative impact on happiness score (coefficient=-0.008^{***}). That is, a one percent increase in the province leads to lower levels of happiness. Model 2 also quantifies how the province-level unemployment rates affect the individuals who are already unemployed. The coefficient of the interaction term 0.005 implies that there is a statistically significant positive relationship between province-level unemployment rates and the happiness of the unemployed. This result indicates the mitigating role of social context for the unemployed.

In Models 3 and 4, we also add the average unemployed in one's age group and education group, respectively. As in Model 2, these two models are also specified to measure the contextual effect of unemployment. Model 3 results show that a percent higher unemployment in one's age group in the province lived is associated with 0.010 higher happiness for the unemployed. The effect is both statistically significant and twofold of the province level coefficient in Model 2. In the same vein, Model 4 captures

that the average unemployed in one's education group is not significant for happiness score. However, the coefficient turns significant and positive when we interact the average unemployed in the education group with unemployed (coeff=0.005**).

Model 5 is designed to detect the contextual impact of household level unemployment on the happiness of unemployed household members. For this purpose, we add the number of unemployed in the household to Model 5. The coefficient of the number of unemployed people in the household is statistically significant and negative (coeff=-0.071***). That is, more unemployed household members lower happiness in general. To capture the impact on the unemployed themselves, we interact the unemployed dummy with the number of unemployed in the household. The coefficient of the interaction term of unemployed is positive and statistically significant (coeff=0.039**). In line with previous contextual effect results, more unemployed in the household improves the happiness of the unemployed ones. The results also suggest that when the social context is narrowed down to one's immediate social circle in the household, the impact even rises.

We expect a negative role of unemployment on the happiness of students due to Hirschman and Rothschild (1973)'s tunnel effect. The tunnel effect suggests that current events can be an indicator of future expectations. In a similar vein, today's unemployment rates would be a signal for future unemployment rates which could impact students' job prospects and thereby their wellbeing. In other words, high unemployment rates may lead to the idea that if people get stuck in a tunnel and if there is no light at the end of the tunnel, then, the hope of being employed might easily fade for students. Therefore, more unemployment around could lead to lower students' levels of happiness, today. However, interaction terms present statistically insignificant coefficients in all models. So, the results are not in line with our expectations. This shows that the students are not directly affected by current unemployment rates. This may be due to their intense focus on the present time, and many studies suggest that individuals discount the future heavily (Laibson, 1997; Laibson, 1994). Another channel is that students can neglect the current unemployment rates if it contradicts their current beliefs and may be overconfident about their future employment statuses. This is in line with confirmation bias (Klayman, 1995).

In a nutshell, our multilevel results indicate that social context has a significant role in mitigating the negative impacts of unemployment depending on the unemployed people surrounding them.

Table 2: Multilevel Regression Results

	(1)	(2)	(3)	(4)	(5)
Unemployed	-0.274*** (0.01)	-0.322*** (0.03)	-0.356*** (0.02)	-0.311*** (0.02)	-0.252*** (0.02)
PLUR ^a		-0.008*** (0.00)			
Unemployed × PLUR		0.005* (0.00)			
AVUPAG ^b			0.004*** (0.00)		
Unemployed × AVUPAG			0.010*** (0.00)		
AVUPEG ^c				-0.001 (0.00)	
Unemployed × AVUPEG				0.005** (0.00)	
UAHH ^d					-0.071*** (0.01)
Unemployed × UAHH					0.039** (0.02)
N	154694	154694	154694	154694	127792

Notes: The reference category is the *employed* for all models. Standard errors are in parentheses.

*: $p < .1$, **: $p < .05$, ***: $p < .01$.

Control variables for all the five models with their categories: gender, age, age squared, household income, marital status (categories: married, divorced/separated, widowed, never married), employment status (categories: employed, unemployed, homemaker, student), educational attainment (categories: primary school or less, secondary school graduate, high school graduate, university or more), satisfaction with health, satisfaction with friendships.

^a The province level unemployment rate

^b The average unemployed in one's age group in province level

^c The average unemployed in one's education group in province level

^d The average household unemployment ratio

Table 3: Robustness Check

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Unemployed	-0.322*** (0.03)	-0.322*** (0.03)	-0.356*** (0.02)	-0.356*** (0.02)	-0.311*** (0.02)	-0.312*** (0.02)	-0.252*** (0.02)	-0.252*** (0.02)
PLUR ^a	-0.008*** (0.00)	-0.007*** (0.00)						
Unemployed × PLUR	0.005* (0.00)	0.005* (0.00)						
AVUPAG ^b			0.004*** (0.00)	0.004*** (0.00)				
Unemployed × AVUPAG			0.010*** (0.00)	0.010*** (0.00)				
AVUPEG ^c					-0.000 (0.00)	-0.001 (0.00)		
Unemployed × AVUPEG					0.005** (0.00)	0.005** (0.00)		
UAHH ^d							-0.071*** (0.01)	-0.071*** (0.01)
Unemployed × UAHH							0.039** (0.02)	0.039** (0.02)
Specifications	lnGDP	lnPOP	lnGDP	lnPOP	lnGDP	lnPOP	lnGDP	lnPOP
N	154694	154694	154694	154694	154694	154694	127792	127792

Notes: The reference category is the *employed* for all models. Standard errors are in parentheses. *: p < .1, **: p < .05, ***: p < .01.
Control variables for all the eight models with their categories: gender, age, age squared, household income, marital status (categories: married, divorced/separated, widowed, never married), employment status (categories: employed, unemployed, homemaker, student), educational attainment (categories: primary school or less, secondary school graduate, high school graduate, university or more), satisfaction with health, satisfaction with friendships.
^a The province level unemployment rate
^b The average unemployed in one’s age group in province level
^c The average unemployed in one’s education group in province level
^d The average household unemployment ratio

As a robustness check, we extend multilevel regression analysis by adding two control variables: GDP per capita and the size of population. Because of the relationship between unemployment and GDP called Okun's law (Okun, 1963), GDP per capita is added. Another study finds a linkage between population and unemployment (Kalim, 2003), therefore, the size of population is also added as a further control variable. Both GDP per capita and size of population are at the province-level and obtained from TurkStat (TÜİK, 2013a, 2013b). Table 3 presents the multilevel regression results with additional control variables. According to all eight models, the contextual impacts of unemployment on happiness are statistically significant as in Table 2, which shows the robustness of our results.

To investigate how the role of the social context varies for socio-demographic groups, we add relevant interaction terms such as gender, age, educational background, and marital status to our multilevel analysis. Table 4 presents the regression results for this analysis. We used the same social context measures in Table 4 with extra interaction effects (interactions with the average unemployed in one's education group in province level are available upon request).

Eagly (1978) reviews conformity to group pressure research and shows that females have higher conformity than males. Therefore, females are more likely to be influenced by social pressure. Furthermore, previous studies such as Dedeoğlu (2010) and İlkkaracan (2012) show that the role of breadwinning is usually assigned to males whereas women's employment is considered as secondary in Turkey. Because of these arguments, females may feel pressured to work less than males whenever they are unemployed. Models 1, 4, and 7 show statistically significant positive coefficients, which indicate that living in a higher unemployment context is slightly more beneficial to unemployed females' wellbeing compared to unemployed males. The results are congruent with less social pressure for females in higher unemployment environments.

Based on the Northern Swedish Cohort (NSC) study, Strandh et al. (2014) find that unemployment experienced in younger ages is more detrimental to mental health at later ages compared to unemployment in mid ages. To test whether youth feel more social pressure when unemployment is less prevalent, we categorize the age groups as young who are under 30 years of age, mid-aged who are between 30 and 60 years of age, and old-aged who are above 60 years of age. The reference category is the old-aged. We

included one more layer of interaction in our model in which the interaction term of unemployment indicators with personal unemployment status has further interacted with age groups. Models 2, 5, and 8 do not consistently present any statistically significant results depending on age groups.

Our conjecture is that university graduates are more vulnerable to the social pressure of being unemployed as expectations from them can be much higher than other educational categories. In line with this conjecture, as of 2013, 79.5% of higher education graduates participate in the labor force (TÜİK, 2014a). This percentage is the largest compared to other education categories. This may also indicate the extent of expectations of finding a job after graduation. We test whether university graduates have higher well-being if unemployment in the social environment increases in Models 3, 6, and 9. These models show no consistent results with our argument. We find that unemployed individuals with secondary school graduation are slightly less worse off if unemployment becomes more prevalent.

Table 4: Socio-Demographic Groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Unemployed	-0.328*** (0.03)	-0.312*** (0.03)	-0.320*** (0.03)	-0.351*** (0.02)	-0.311*** (0.02)	-0.345*** (0.02)	-0.247*** (0.02)	-0.235*** (0.02)	-0.247*** (0.02)
Specifications	-0.008*** (0.00)	-0.008*** (0.00)	-0.008*** (0.00)	0.004*** (0.00)	0.004*** (0.00)	0.004*** (0.00)	-0.071*** (0.01)	-0.070*** (0.01)	-0.071*** (0.01)
Specifications*Unemployed	0.004 (0.00)	0.004 (0.00)	0.002 (0.00)	0.007*** (0.00)	0.020 (0.01)	0.006** (0.00)	0.017 (0.02)	0.031 (0.04)	0.020 (0.02)
Unemp*Spec*Female	0.005*** (0.00)			0.006*** (0.00)			0.046*** (0.01)		
Unemp*Spec*Young		0.005 (0.00)			-0.013 (0.01)			0.035 (0.04)	
Unemp*Spec*Mid-Aged		-0.005 (0.00)			-0.022* (0.01)			-0.048 (0.04)	
Unemp*Spec*Secondary Sc.			0.008*** (0.00)			0.006*** (0.00)			0.057*** (0.02)
Unemp*Spec* High Sc.			0.005** (0.00)			0.004* (0.00)			0.026 (0.02)
Unemp*Spec*University or More			0.001 (0.00)			-0.000 (0.00)			-0.014 (0.02)
Specifications	PLUR ^a	PLUR	PLUR	AGEGR ^b	AGEGR	AGEGR	UAHH ^c	UAHH	UAHH
N	154694	154694	154694	154694	154694	154694	127792	127792	127792

Notes: The reference category is the *employed* for all models. Standard errors are in parentheses. *: p < .1, **: p < .05, ***: p < .01.

Control variables for all the nine models with their categories: gender, age, age squared, household income, marital status (categories: married, divorced/separated, widowed, never married), employment status (categories: employed, unemployed, homemaker, student), educational attainment (categories: primary school or less, secondary school graduate, high school graduate, university or more), satisfaction with health, satisfaction with friendships.

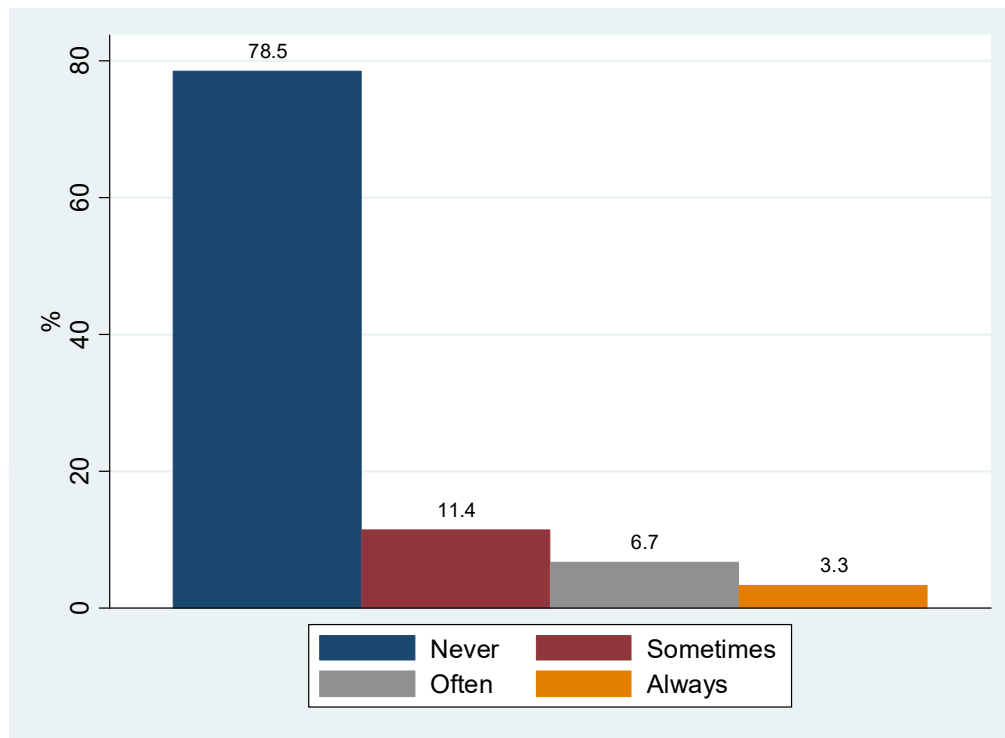
Spec defines social context measurements.

^a **The province level unemployment rate**

^b **The average unemployed in one’s age group in province level**

^c **The average household unemployment ratio**

Figure 2: The pressure of being unemployed



Source: LSS (2013)

In the LSS, participants were asked the following question “Do you feel any social pressure on yourself because of being unemployed or not working?” with answers on a 4-point scale from “never” to “always”. Figure 2 presents an overview of the answers to this question. As shown in Figure 2, it is apparent that almost 79 % of unemployed do not feel any pressure because of their unemployment. However, almost 21% of unemployed, too much to be neglected, say their unemployment is a cause to face social pressure. We interpret these results as an indication for small impact of social context for the unemployed as only 21% of unemployed individuals report some pressure. This result is in line with the small coefficients shown in Table 2.

CHAPTER 6: DISCUSSION

We find that unemployment hurts less when more people are unemployed in Turkey, which is in line with many findings in the literature such as Clark and Oswald (1994), Clark (2003), Shields and Price (2005), Shields et al. (2009), Clark et al. (2009), Stavrova et al. (2011). At the same time, Oesch and Lipps (2013), Grözinger and Matiaske (2004), and Chadi (2014) do not find the mitigating effect of higher unemployment rates in the German context. Our results might be stemming from strong work norms in Turkey shown in Figure 1.

There may some other factors affecting the life satisfaction of the unemployed. Table 1 shows that unemployed individuals' health satisfaction is lower compared to employed. In the literature, unemployment is found as a factor for worse physical health too (Mathers & Schofield, 1998). In a comprehensive literature review of unemployment and substance use, Henkel (2011) identified that unemployed individuals engage in binge drinking, smoking, and drug use more heavily. Utilizing 4,758 young Swiss men's data, Baggio et al. (2015) find that men with mental problems, drug or cigarette users are more likely to be in NEET.

We find that females are less under pressure to be employed. Other studies also support our findings. For example, Strandh et al. (2013) finds that the relationship between unemployment and mental health varies through contextual differences in social roles attributed to females and males. They find that men are more mentally negatively affected by unemployment compared to women in Ireland. However, in Sweden, the impact of unemployment is the same for both genders. The authors emphasize that these differences stem from the family roles and labor market position of men and women in these countries. Roex and Rözer (2018) also finds that work norms have larger effects on men's wellbeing compared to that of women's.

Table 1 shows that unemployed individuals' satisfaction with their friendship is slightly lower (0.04 points) than employed ones. As previously mentioned in the introduction part, unemployment for those who remain may provide more social interaction by increasing a person's social network (Rözer et al., 2020). Indeed, higher unemployment in neighbors moderates the psychological impact of unemployment for the unemployed in the UK context (Howley & Knight, 2021).

Some studies show that individuals adapt to unemployment based on duration and experience more (Clark et al., 2001; Clark & Oswald, 1994) as mentioned in the introduction part. Further research is needed to examine whether the contextual effects of unemployment change with adaptation. However, our cross-section data set does not allow us to observe the individuals over the years. Clark et al. (2010) also find that the detrimental impact of contextual unemployment is less pronounced for men with less secure jobs and unemployed with poor prospects. Further studies can shed light on this mechanism for Turkey as well. Besides, Hastings and Roeser (2020) find that attending religious services buffers the detrimental effect of unemployment on happiness based on the General Social Surveys (GSS). Moreover, whether certain behaviors such as increased religious participation have a mediating role is one aspect to consider for further study as Turkey is known to be a very religious country (Gebauer et al., 2012).

CHAPTER 7: CONCLUSION

This study has examined the social norm effect of unemployment in the Turkish context. The social context soothes the pain of unemployment as the interaction terms of social context measures and individuals' unemployment has positive coefficients. That is, unemployment does not hurt as much when it is more prevalent. Moreover, unemployed individuals are more affected by household unemployment rates compared to the more distant province-level indicators. The contextual effect varies by gender in the Turkish context. Unemployed females are more positively affected by contextual unemployment indicators. This finding can be due to higher conformity among females which is suggested in many studies.

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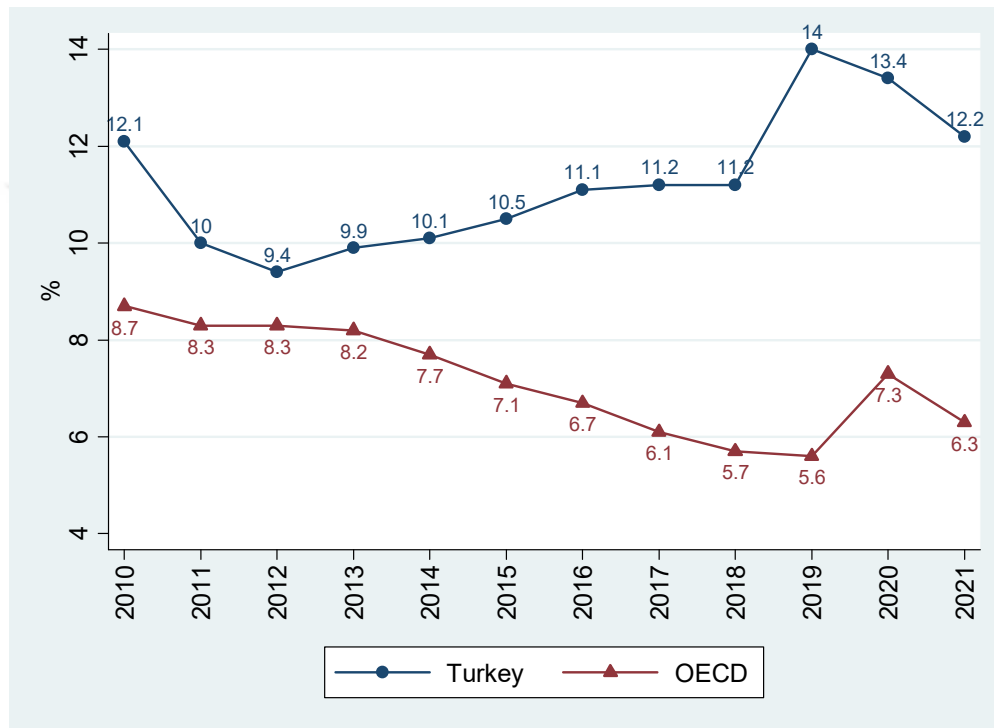
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APPENDICES

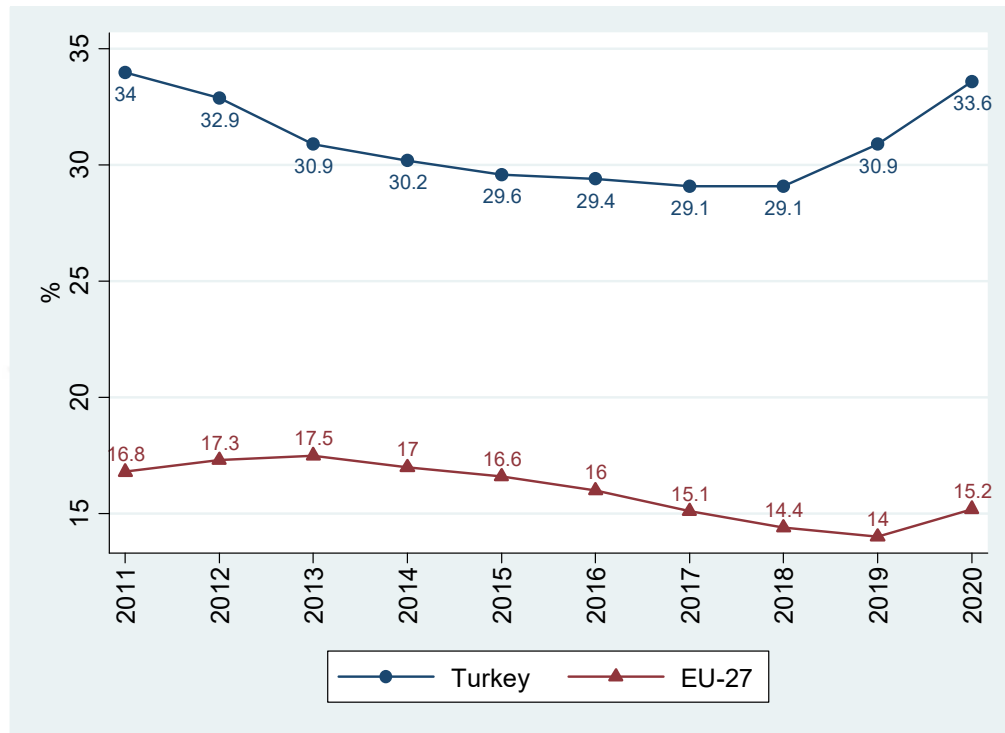
Appendix A

Figure A.1: Unemployment rates, Turkey vs OECD



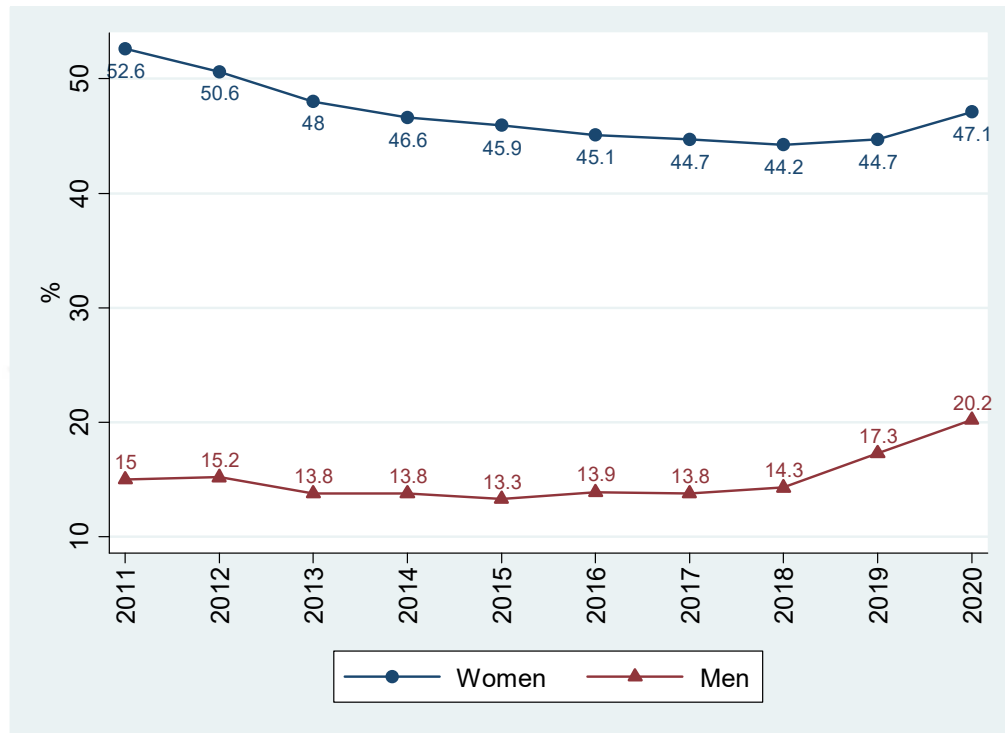
Source: OECD (2022)

Figure A.2: NEET Rates, Turkey vs EU



Source: EUROSTAT (2022)

Figure A.3: NEET Rates, Men vs Women for Turkey



Source: EUROSTAT (2022)

Appendix B

Table B.1: Other coefficients

	(1)	(2)	(3)	(4)	(5)
Age	-0.035*** (0.00)	-0.035*** (0.00)	-0.033*** (0.00)	-0.035*** (0.00)	-0.035*** (0.00)
Age squared	0.000*** (0.00)	0.000*** (0.00)	0.000*** (0.00)	0.000*** (0.00)	0.000*** (0.00)
Female	0.081*** (0.01)	0.081*** (0.01)	0.079*** (0.01)	0.081*** (0.01)	0.089*** (0.01)
Household Income Bracket	0.067*** (0.00)	0.067*** (0.00)	0.067*** (0.00)	0.067*** (0.00)	0.063*** (0.00)
Homemaker (Ref: Employed)	0.093*** (0.01)	0.116*** (0.01)	0.110*** (0.01)	0.102*** (0.01)	0.089*** (0.01)
Student	0.075*** (0.01)	0.039 (0.03)	0.122*** (0.03)	0.088*** (0.02)	0.053*** (0.01)
Secondary school (Ref: Primary or less)	-0.007 (0.01)	-0.007 (0.01)	-0.007 (0.01)	-0.002 (0.01)	-0.011 (0.01)
High school	0.012* (0.01)	0.011* (0.01)	0.011* (0.01)	0.014** (0.01)	0.011 (0.01)
University or more	0.041*** (0.01)	0.041*** (0.01)	0.040*** (0.01)	0.044*** (0.01)	0.037*** (0.01)
Married (ref: Never married)	0.250*** (0.01)	0.250*** (0.01)	0.260*** (0.01)	0.252*** (0.01)	0.250*** (0.01)
Widowed	-0.072*** (0.01)	-0.072*** (0.01)	-0.063*** (0.01)	-0.071*** (0.01)	-0.047*** (0.02)
Divorced	-0.240*** (0.02)	-0.240*** (0.02)	-0.228*** (0.02)	-0.238*** (0.02)	-0.217*** (0.02)
Specifications × Homemaker		-0.002** (0.00)	-0.003*** (0.00)	-0.002 (0.00)	-0.002 (0.01)
Specifications × Student		0.004 (0.00)	-0.004 (0.00)	-0.002 (0.00)	0.018 (0.03)
Satisfaction with health	0.252*** (0.00)	0.252*** (0.00)	0.252*** (0.00)	0.252*** (0.00)	0.246*** (0.00)
Satisfaction with friendships	0.209*** (0.00)	0.209*** (0.00)	0.209*** (0.00)	0.209*** (0.00)	0.207*** (0.00)
N	154694	154694	154694	154694	127792
Specifications		PLUR ^a	AGEGR ^b	EDUC ^c	UAHH ^d

Notes: Standard errors are in parentheses. *: $p < .1$, **: $p < .05$, ***: $p < .01$.

Specification defines social context measurements.

Models 2, 3, 4, and 5 utilize below social context measurements, respectively:

^a The province level unemployment rate

^b The average unemployed in one's age group in province level

^c The average unemployed in one's education group in province level

^d The average household unemployment ratio

Table B.2: Ordered Probit Results					
	(1)	(2)	(3)	(4)	(5)
Unemployed	-0.335*** (0.01)	-0.408*** (0.03)	-0.399*** (0.02)	-0.368*** (0.02)	-0.316*** (0.03)
PLUR ^a		-0.011*** (0.00)			
Unemployed × PLUR		0.008*** (0.00)			
AVUPAG ^b			-0.001 (0.00)		
Unemployed × AVUPAG			0.007*** (0.00)		
AVUPEG ^c				-0.004*** (0.00)	
Unemployed × AVUPEG				0.005* (0.00)	
UAHH ^d					-0.094*** (0.02)
Unemployed × UAHH					0.061** (0.03)
N	154694	154694	154694	154694	127792

Notes: The reference category is the *employed* for all models. Standard errors are in parentheses.
*: p < .1, **: p < .05, ***: p < .01.

Control variables for all the five models with their categories: gender, age, age squared, household income, marital status (categories: married, divorced/separated, widowed, never married), employment status (categories: employed, unemployed, homemaker, student), educational attainment (categories: primary school or less, secondary school graduate, high school graduate, university or more), satisfaction with health, satisfaction with friendships.

^a The province level unemployment rate
^b The average unemployed in one’s age group in province level
^c The average unemployed in one’s education group in province level
^d The average household unemployment ratio

RESUME

I obtained my bachelor's degree as a second-best student with a 3.67/4 GPA from the Ankara Yıldırım Beyazıt University Department of Economics in 2019. After completing my bachelor's degree, I enrolled Master of Science in Economics at the Social Sciences University of Ankara in 2019. I had the opportunity to be a project assistant in a project entitled "The impact of expanding health insurance coverage for the poor on individuals' social behaviors" funded by The Scientific and Technological Research Council of Turkey. Currently, I am a research assistant at the Abdullah Gül University, Department of Economics. My research interests lie in the field of microeconomics, behavioral economics, economic sociology, and economic psychology.