

The Effects of Major Earthquakes on the Labor Market: Evidence from Turkiye

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Abstract

Natural disasters have occurred as great movements in different areas of the world and have attracted the attention of humanity throughout history. This study centers attention on the impact of earthquakes on the labor market. We try to estimate the impact of two major earthquakes (İzmir (October 2020) and Elazığ (January 2020)) in Turkiye. We consider the earthquake a natural experiment and employ a synthetic control method using the data from TURKSTAT and İŞKUR. The results suggest that the earthquake may positively impact the labor market, particularly the agriculture-oriented market and construction sector. Besides, the earthquake may harm the labor market, particularly the services-oriented market. Although we cannot fully separate the impact of Covid-19 from our estimate, we believe that Covid-19 overestimates the negative impact of earthquakes on the labor market. We suggest that the employment subsidies need to be activated immediately after the earthquakes, especially for the nonagricultural-oriented regions.

Keywords: Earthquake, Economic impact, Labor market, Natural disaster, Quality of employment, Reconstruction policy.