

## The Hysteresis Effects in Unemployment in EU Countries and Turkey: New Insight From Stationary Test With Gradual Shifts

The changes in the unemployment rate and its continuity in some EU countries impose significant challenges to policy makers. To implement appropriate policies, it is important to examine whether the movement of the unemployment rates in the country is better corresponded by the unemployment hysteresis or by the natural rate hypothesis of unemployment. Therefore, this study examines the hysteresis effects in unemployment using panel data for European Union countries and Turkey for the period of 1991–2016. For the test we utilize panel stationarity test which takes into account structural shifts and cross-section dependency proposed by Nazlioglu and Karul (2017). The results reveal that unemployment hysteresis hypothesis cannot be rejected for the EU countries and Turkey. Put differently, the natural rate hypothesis of unemployment better explains the movement of unemployment rates for this period.