Poverty and Turkish labor markets

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Abstract

This study aims to determine the relations between poverty and the dynamics of Turkish labor market. In this context, two secondary aims are also targeted. First is to demonstrate the situation of the poor in Turkey with international comparisons by employing various socio-economic measures. Second, is to clarify the poverty problem in Turkey in the framework of Turkish labor markets and to offer some policy recommendations directed towards Turkish labor markets. The study finds out endogenous relations between poverty and the dynamics of labor markets together with a couple of further endogenous and exogenous socio-economic impacts. Although the income measures place Turkey almost in the middle of 175 countries analyzed, the situation is traumatic for some measures of human development. Unfortunately, it is difficult to observe systematic poverty-reducing policies in Turkey. There seems to be bidirectional causality between poverty and underdevelopment where both simultaneously feed each other. In Turkish case, the starting assumption of the study is the differences in poverty in terms of rural-urban and regional dimensions. The results of the study confirm this assumption. Two important trends in Turkish labor markets, namely decreasing rate of labor force participation and increasing rate of unemployment, play significant roles for deepening the poverty problem. In this context, both poverty and unemployment present feedback on each other. Moreover, the unemployment of young and educated people accelerates this process. The regional unemployment figures also help to explain to regional poverty differences. Finally, the study offers direct, indirect and global policies for fighting against poverty. The indirect policies target economic growth and uneven distribution of income having impacts in the long-run. Direct policies, having relatively short-term impacts, include active labor market policies. The study offers a model of employing active labor market policies for combating poverty.

Keywords: Poverty, Turkish labor markets, human development.
JEL classifications: I32, I38, J68.

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1. Introduction

This study aims to determine the relations between poverty and the dynamics of the Turkish labor market. The claims that poverty becomes a way of life for large groups as a result of subsequent crises find advocates in the national literature on poverty. The problems in labor markets are actually one of the reasons of poverty among others. However, as this study argues, two processes feed back each other. It is not always valid to claim that poverty, being a multi-dimensional problem, deepens only because of problems in the labor markets but combating poverty is not possible without considering the problems in the labor markets.

In the context of poverty, this study has two secondary aims: to reveal the situation of the poor in Turkey by the help of international comparisons and to determine the dimensions of poverty in the national context. The definition of poverty seems to be very problematic in the literature. Thus, this study will not be a part of this debate but use generally accepted criteria of poverty in order to analyze the aforementioned problems. In the national framework, the present situation of the poor in terms of income and consumption expenditures, the distribution of income among income groups and regions are analyzed. For the analysis of Turkish labor markets, how the labor market data is utilized in order to analyze poverty will be discussed. It is believed that the structural characteristics of the labor market give evidence for the explanation of poverty in Turkey. Turkish labor market and agents in this market try to solve the structural problems related with both labor supply and demand in such an environment that there is no direct labor market policies. This situation creates new problems with the interaction of problems of poverty and problems in labor markets. In this context, this study will offer new policy tools to regulate Turkish labor markets in the final section. In the second section of the study, the conceptual framework of poverty will be explained. The third section will discuss the situation of the poor in Turkey with international comparisons by employing various socio-economic measures. The structure of poverty in Turkey will be the subject of the fourth section. Fifth section will analyze the relations between Turkish labor markets and poverty. The final section will summarize the findings and offer policy recommendations.

2. A Snapshot to the concept of poverty

There is no clear cut definition of poverty although the concept of poverty has been discussed widely in the literature for a long time. It is observed that there are quite different approaches in both defining and measuring the poverty. The problems of definition and measurement are generally related with the causes of poverty. It is not possible to generate a universal definition of poverty since it occurs as a result of quite complex micro and macro socio-economic reasons. In this context, it is better to summarize the definitions given by the publications of supranational organizations (World Development Reports of World Bank and Human Development Reports of United Nations Development Programme).

Another classification is between the absolute and relative poverty. Absolute poverty is based on the concept of sufficient and balanced nutrition whereas relative poverty examines the relative position of a person or household in terms of the geographical region or social class he belongs as the percentage of median or mean income. In the last decades, urban and rural poverty classification is frequently used in the literature. The rural poverty uses qualitative measures like independence, safety, self-respect, social identity, frequency and firmness of social relations, and legal and political rights together with quantitative measures; urban poverty employs qualitative expectations and deprivations in incomes and expenditures (Aktan and Vural, 2002). However, there are also studies using same measures in defining the urban and rural poverty. The most widely seen distinction for the definitions of poverty is the one between income-consumption expenditures and poverty connected to human development. In the determination of income poverty, a minimum income and expenditure level is calculated for poverty line. On the other hand, for human development, some measures such as life expectancy at birth, access to health and education facilities, employment opportunities are questioned.

This study will not present the conceptual debate in the literature since the ultimate target is to present the relations between the labor markets and poverty for Turkish case.[1] In the context of the above framework, the study utilizes the distinctions among income- human development poverty and rural-urban poverty.

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[1] For a detailed account of this debate in the literature, see Atkinson (1987), Hagenaars and de Vos (1988), Kapteyn et al. (1988), Gillie (1996), Şenses (2001 and 2003), and Aktan and Vural (2002).

3. Some stylized facts on poverty and poverty in Turkey

The cross-country studies on the size of poverty demonstrate the tendency that international distribution of income has generally deteriorated against the poorer countries especially starting in the last quarter of the 20th century. In this process, not only the international inequality and poverty but also the poverty in each country becomes a reality. The main reason behind this story is globalization associated with the free flow of factors of production (mainly capital) except labor. Chossudovsky (1997) claims that the global economy makes national state apparatus inefficient and further narrows the definition of national economic goals. This process, in turn, creates a continuous international debit-credit process. The world-wide unemployment problem lies in the heart of the global economic system. Supra-national organizations like IMF dictate policies towards the adjustment of labor costs in the name of reform because of the increasing borrowing requirements of developing countries. The drastic fall in labor costs simultaneously impedes the growth of the consumer markets. Such a process causes a decrease in the purchasing power of the large part of the world population and poverty under the pressure of macroeconomic reforms. Şenses (2001) also notes that income inequality and poverty reach considerable proportions creating social and political tensions in many countries, especially in underdeveloped ones. He supplements his discussion by arguing that poverty is mainly a problem of underdevelopment yet it has come on the agenda of Western European countries only following a long period of welfare after the Second World War. Zaidi and de Vos (2001) analyze the consumption-based poverty in 1980s and find out that poverty and inequality increased in Italy, France, UK, Germany, and Belgium and decreased in Spain and Portugal as latecomers to EU, only inequality goes up in Greece. From the mid 1960s, poverty is also studied as one of the most problematic issues in USA (Şenses, 2001). The studies on US urban labor markets base the structuring of poverty and inequality on four reasons: economic restructuring, structural labor market problems based on skill-biased changes, spatial dimensions of racial fragmentation tendencies, and changing welfare payments.[2]

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[2] For studies on US urban labor markets and poverty, see Holzer and Vroman (1992), Bound and Holzer (1993), Bluestone (1994), Stevens (1994), Massey et al. (1996) and Iceland (1997a, 1997b).

In his study on capitalist division of labor process and poverty, Şahin (2000) determines that flexible accumulation regime becomes a fact in 1980s and a small number of skilled workers are covered by social security system yet mass of labor is employed out of the social security system without any job security with very low wages and on a part-time basis. This process fed by other macroeconomic process expands the problem of poverty. The regional and national crises created by capitalist economies, together with the global crises as a result of the articulation of national economies, induce adverse effects on labor markets and poverty. Fallon and Lucas (2002) underlines that the effect of financial crises of 1990s is felt more on the real wages directed towards consumption rather than the effects on the labor market. The simultaneous fall in real wages and rise of unemployment produce deteriorating impact on distribution of income. Most of the crises, though short term, generates long-term impact on poverty even the intensity of economic activities turn back to pre-crisis level. This observation is based on three motives. First, those who have lost their jobs during the crises cannot be reemployed in the same sector. Second, the households liquidating their assets in order to maintaining the current level of consumption cannot accumulate wealth in the post-crisis period. Finally, the impacts of crises on the level of nutrition, health system, and schooling produces adverse effects on the long-term productivity of labor The long-term poverty traps created by the short-term crises should be seriously considered in the design of policies combating poverty.[3]

However, some of the studies in the literature suggest different views as opposed to the results of the studies reviewed above. Sala-i-Martin (2002a and 2002b), notes that global inequality and world distribution of income does not deteriorate. Sala-i-Martin (2002a and 2002b) uses a data set on 125 countries for the period 1970-1998. These studies estimate poverty rates by using 1 and 2 dollars per day per capita poverty criteria and conclude that the poverty rates exhibit a decreasing trend. In this context, it is found that the poverty-combating stories of Asian and Latin American countries are treated as successful examples yet the African countries prove to be the opposite. However, these studies suffer from two problems. First, the employed independent variable in the model- 1 and 2 dollars per capita poverty criteria derived from World Development Report is

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[3] For the studies on those impacts, see Thomas and Strauss (1997), Siamwalla (1998), Frakenberg et al. (1999), Kakwani and Prescott (1999) and Atinc and Walton (1999).

problematic as also noted by the author himself. [4] This data set is incomplete and does not provide the opportunity to make international comparisons. Second, what is a more important problem in these studies rather than the data problem is the strong or somewhat unrealistic assumptions of the model. For instance, it is assumed that there are income differentials among the countries of a group yet it is further supposed that the income is not differentiated through time. This assumption seems to be unrealistic for such a long period. Such assumptions cause an estimation error and biased parameter estimates are produced.

In this section, I analyze poverty in Turkey in the international and national context. Two main sources will be utilized for international comparisons, namely Human Development Reports and World Development Reports. For the national context, data from State Institute of Statistics and data provided by various researchers will be used. As a result of this analysis the relative position of Turkey will be determined through cross-country comparisons. Moreover, the national dynamics concerning poverty will be clarified. All of those findings will feed the determination of factors related to labor market analysis and provide the basis for policy recommendations.

3.1. Turkish poverty: An international comparison

There are two main data sources utilized in international poverty studies, namely annual Human Development Reports of UNDP and World Development Reports of World Bank. In our study, I employ data obtained from Human Development Report (HDR), 2003 and World Development Report (WDR), 2004. HDR (2003) collects data on 175 countries for the year 2001 while WDR reports data on 134 countries for 2002.

Table 1a presents indices and other criteria on poverty from HDR for Turkey. It also demonstrates the relative position of Turkey for the selected criteria. This table draws a pessimistic picture for Turkey as opposed to the claims of some politicians and economists. Turkey is generally classified as having medium level human development. The human development index value 0.734 places Turkey as 96th among 175 countries. It is the only OECD member country having medium level human development index value.[5] In terms of per capita income on purchasing power parity basis, the rank

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[4] For a detailed discussion of those problems, see (Atkinson and Brandolini, 2001).
[5] For all index calculations, see HDR (2003).

of Turkey is 80 with US$5,830 per capita GDP. 1 and 2 dollars per capita poverty criteria, widely used in empirical studies, confirm that the 2% of Turkish population earn daily income less than 1 dollar and 10.3% with less than 2 dollars.

Life expectancy at birth, used in most of the applied studies, is 70.1 years for Turkey. The indicators of Turkey for the education and health sectors are placed at lower ranks than the general human development index. Turkey is at 109th rank in terms of the education index. Almost 15% of the population is illiterate and this ratio climbs up to 22.8% for the female population.

Table 1a
Poverty Indicators and the International Comparisons for Turkish Poverty, 2001

Indicator	Value	Rank	Number of Countries
GDP per capita (Purchasing Power Parity US$)	5830	80	175
Life Expectancy (Years)	70,1	86	175
Literacy Rate (%)	85,5	103	175
Human Development Index	0,734	96	175
Education Index	0,77	109	175
Population with sustainable access to improved water source (%)	18	36	141
Children under weight for age 5 (%)	8	41	130
Population living below $1 a day (%)	2	n.a.	n.a.
Population living below $2 a day (%)	10,3	n.a.	n.a.
Number of doctors (per 100,000 persons)	127	83	170
Health Expenditures per capita (US$)	315	78	172
Ratio of Public Health Expenditures to GDP (%)	3,6	n.a.	n.a.
Ratio of Private Health Expenditures to GDP (%)	1,4	n.a.	n.a.
Infant Mortality Rate (per 1,000 live births)	36	104	174
Under-Five Mortality Rate (per 1,000 live births)	43	107	174
Ratio of Education Expenditures to GDP (%)	3,5	120	150
Telephone mainlines (per 1,000 people)	285	49	175
Internet Users (per 1,000 people)	60,4	62	175
Average Annual Inflation Rate (%)	54,4	142	145
Ratio of Military Expenditures to GDP (%)	4,9	16	137
Electricity Consumption per capita (KWH)	1468	69	121
Gender Development Index	0,726	81	144
Gender Empowerment Measure	0,29	66	70
Female Literacy Rate (%)	77,2	109	175

Source: HDR 2003

Some health indicators push down Turkey to the ranks below the human development index. For instance; in terms of the infant mortality rate and under-five mortality rate, the ranks go down to 104 and 107 respectively. 43 children out of each 1000 die under-five in Turkey. As I note in the next section, such situations arise because of either low level of public expenditures or regional access differentials. In Turkey, per capita health expenditure is US$315. Such a level of expenditure is extremely low in a country having overly pronounced development goals. Another result drawn from Table 1a is that on the one hand, the level of health expenditures is not at satisfactory levels, on the other hand against all incentives the share of private health expenditure is still at a very low level.

The situation is even worse in terms of the share of education expenditures in GDP. Turkey with 3.5% is placed as 120th in 150 countries. The status of Turkey is not promising for sustainable long-term development polices considering education as one of the main determinants of labor productivity. On the other hand, Turkey allocates 4.9% of her GDP to military expenditures and ranked as 16th. As indicators of access to information technologies, number of main telephone lines and internet users, Turkey ranks at relatively better position because of the public and private sector investments that took place especially in the second half of the 1980s. Electricity consumption is also at higher levels because of similar reasons. As one of the basic reasons of poverty, 54.4% inflation rate places Turkey as 142nd yet the situation radically changed in the last years.[6] However, I believe in the fact that the adverse effects of past inflation on income distribution still persist.

Turkey has also problems in the context of gender-based poverty indicators. As noted before, the literacy rates of females are lower than that of the males. The existing studies also verify that the situation of female population is problematic. For the reproduction of labor power in a capitalist economy, female population is considered as an important driving force but the position of females in Turkey is not promising.

Another data set to examine Turkish poverty pertains to income distribution, given in Table 1b. The poorest 10% and 20% of Turkish population get 2.3% and 6.1% of the total income, respectively. These groups are more or less the same as the groups categorized as

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[6] In October 2007, the annual rate of inflation in consumer price index is 7.7 (http://www.tuik.gov.tr/PreHaberBultenleri.do?id=597).

population living below US$1 a day and US$2 a day in Table 1a. Turkey's ranks for these groups among 125 countries are 54 and 61, respectively. For higher income groups, a similar inequality is also observed. The size of the richest group is 13.3% of the poorest group. For the following the figure falls to 7.7%. In the second 10% group, the rate of increase of the rich is less than that of the poor. In other words, the richest 20% of the population is 7.7% of the poorest 20% of the population. One of the widely used indexes for evaluating the inequality of income distribution is Gini coefficient indicating that Turkey is seriously suffering from the problem of unequal income distribution.

Table 1b

Income Distribution and the International Comparisons for Turkish Poverty, 2001

Distribution of Income	Income (%)	Rank
The poorest 10%	2,3	54
The poorest 20%	6,1	61
The richest 10%	46,7	84
The richest 20%	30,7	69
The ratio of the richest 10% to the poorest 10%	13,3	68
The ratio of the richest 20% to the poorest 20%	7,7	71
Gini coefficient	40	72

Source: HDR 2003

Tables 1a and 1b summarized from HDR (2003) provide us two main conclusions. A considerable part of Turkish population is experiencing not only income poverty but also having poverty in the context of human development. In addition to this fact, the income distribution is unequal. These two processes feedback each other in a post-capitalist system.[7] As income distribution deteriorates, the increasing parts of the population suffer from poverty; and as people become poor income distribution further worsens.

Another data set, WDR (2004) presented in Table 1c, that I use for international poverty comparisons produce similar results as HDR (2003). In the construction of this table, different indicators from the

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[7] By the concept of post-capitalist system, I mean a system different from the developed countries- that provide minimum living standards. The developing and underdeveloped countries in this system are articulated to the international capitalism but they do not present minimum living standards since they are not operating in the center of this system.

previous tables are used. According to WDR (2004), Turkey is in the lower middle income group. For comparison purposes, the averages for lower middle income and upper middle income groups are also added to Table 1c. Turkey is at the 49th rank among 130 countries with its US$2,500 per capita GDP. This figure is below both its group average and the average of upper middle income group.

The education indicators presented in Table 1c present a somewhat more optimistic picture as compared to HDR (2003). The 90% primary school completion rate ranks Turkey 25th among 93 countries. However, the representative power of this indicator is questionable since the average of lower middle income countries is higher than that of the upper middle income countries. In terms of health indicators, the number of doctors per 1,000 people is 1.3. This places Turkey as 71st among 123 countries. This figure is well below the average of both country groups. The situation is somewhat similar for the number of hospital beds.

These results verify that Turkish population has problems in accessing health and education services. This has a significant impact on labor markets. The poverty and inequality in income distribution once again emerge as vital problems of Turkish economy.

Table 1c
Poverty Indicators and the International Comparisons for Turkish Poverty, 2002

Indicator	Value	Rank	Average of lower middle income countries	Average of upper middle income countries	Number of Countries
GDP per capita (US$)	2500	49	1390	5040	130
Share of poorest 20%	6,1	54	n.a.	n.a.	116
Primary school completion rate (%)	90	25	95	90	93
The share of births realized by health personnel (%)	81	40	n.a.	n.a.	84
Public expenditure per primary school student- ratio to per capita GDP (%)	17,6	25	n.a.	n.a.	85
Health expenditures per capita (US$)	150	54	85	330	132
Number of doctors per 1000 people	1,3	71	1,9	1,8	123
Number of hospital beds per 1000 people	2,6	44	3,3	3,3	89

Source: WDR, 2004

3.2. Poverty in Turkey

In this section, poverty in Turkey is analyzed in rural-urban and regional dimensions. First, the distribution of income in terms of rural, urban, and regional levels is examined by using data from Turkish Statistical Institute (TSI) and data provided by various independent studies. However, the regional classification provided by TSI for 1994 differs from the TSI data of 2002 and transformation between two data sets is not provided by TSI. Moreover, in this section I focus on income poverty rather than human development indicators.[8] Table 4 demonstrates the rural-urban distribution of average per capita disposable income for different income groups for the years 1994 and 2002.

Table 2 presents two main characteristics of Turkish poverty frequently underlined by the literature; poverty in Turkey is rural-based and income distribution is more unequal in rural areas than urban areas. In this context, the average income for urban areas is higher than that of the urban areas for all income groups. In the period between 1994 and 2002, an improvement in income distribution is observed. In 1994, the average income of the richest group is 8.45 times higher than the average of the poorest group, this ratio decreased to 8.17 times in 2002. In urban areas, this ratio falls from 10.08 to 9 while it rises from 5.44 to 6.25 in rural areas. In other words, the poor rural population becomes poorer from 1994 to 2002.

Table 2

Average Disposable Income per capita for Income Groups, 1994-2002

Average Disposable Income per capita (Million Tl.)	Turkey		Urban		Rural	
	1994	2002	1994	2002	1994	2002
1st %20	11	625	13	686	9	551
2nd %20	16	1042	20	1152	13	922
3rd %20	23	1423	27	1632	18	1207
4th %20	34	2075	41	2405	25	1606
5th %20	93	5106	131	6171	49	3442

Source: TSI (2003).

Table 3 exhibits the share of income groups in total income. The tendencies observed from Table 2 are also noticed in Table 3. In

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[8] For human development poverty studies, see Akder (2001) and Ayata et al. (2002).

general, the shares of all groups increase from 1994 to 2002 except a fall in the share of the first group from 54.9% to 50.1%. However, even this fall in the share of the first group shows that this group gets more than 50% of the total income. In this period, a fall in the Gini coefficient points to an improvement in income distribution. This general tendency is repeated for the urban areas yet a different picture is seen for the rural areas. In rural areas the shares of second and fifth groups rise while the shares of other groups decrease.

Table 3
Shares of Income Groups, 1994-2002

Income Groups	Turkey		Urban		Rural	
	1994	*2002*	*1994*	*2002*	*1994*	*2002*
1.%20	4,9	5,3	4,8	5,5	5,6	5,2
2.%20	8,6	9,8	8,2	9,7	10,1	10,3
3.%20	12,6	14	11,9	13,9	14,8	14,7
4.%20	19	20,8	17,9	20,5	21,8	21,7
5.%20	54,9	50,1	57,2	50,4	47,7	48
Gini Coefficient	0,49	0,44	0,51	0,44	0,41	0,42

Source: TSI (2003).

Table 4 presents the percentage of households and shares from total income on a regional basis for the period 1968-1994. Furthermore, migration routes can be observed from this table that is one of the important problems of Turkey and in connection with this issue, it also represents regional labor mobility. In 1968, 30.7% of Turkish households were living in Aegean- Marmara region. This figure gradually rose in 1973 and 1987, finally reached to 42.3% in 1994. The highest decreases are observed in Central Anatolia and Black Sea regions. The income shares of regions are more or less the same within the period under consideration except for Aegean-Marmara region in which higher rises are detected. In this context, the highest fall in the income share was seen in Central Anatolia region.

Table 5 shows the distribution of income for different income groups inside each region for 1994. According to this data, the most unequal income distribution is seen in Marmara region which takes the highest share from income.

Table 4
Regional Income Distribution, 1968-1994 (%)

Regions	AÜSBF 1968		SPO 1973		TSI 1987		TSI 1994	
	Households	Income	Households	Income	Households	Income	Households	Income
Aegean-Marmara	30,7	39,3	33,7	37,7	37	45	42,3	52,5
Mediterranean	15,3	11,4	15,2	13,2	13,4	10,7	12,5	11
Central Anatolia	22,5	23,1	21,9	23,4	24,3	21,5	17,9	15,4
Black Sea	17,7	14,7	14,5	15,8	10,6	8,9	12,8	10,9
Eastern-South Eastern Anatolia	13,8	11,5	14,7	9,9	14,7	13,9	14,5	10,2

Source:Dansuk (1997).

Table 5
Income Distribution in Regions, 1994

	1st 20%	2nd 20%	3rd 20%	4th 20%	5th 20%	Gini Coefficient
Marmara	4,3	7,5	10,7	16,4	61,1	0,56
Aegean	5,4	9,7	14,1	20,9	49,9	0,44
Mediterranean	5,2	9,1	13,2	19,6	52,9	0,47
Central Anatolia	5	9,1	13,8	21,9	50,2	0,44
Black Sea	5,1	9,5	13,8	20,1	51,5	0,46
Eastern Anatolia	6,3	11,3	16,2	23,1	43,1	0,37
South Eastern Anatolia	7,1	11,1	14,9	20,8	46,1	0,38

Source: DİE (1997).

In table 6, by employing different indicators and using the results of two different studies, regional poverty and inequality in income distribution are summarized.[9] These indicators produce somewhat similar results. For the criterion of people having US$1 daily income per capita that is used to measure extreme poverty, the lowest figure is reached for the South Eastern Anatolia region. Almost 50% of the population living in this region has income less than US$1 daily income per capita. This region is followed by Central Anatolia and Eastern Anatolia regions. The highest figure for urban food poverty is again seen in the South Eastern Anatolia region. Approximately 60% of the population living in this region suffers from the problem of insufficient nutrition. According to the head-

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[9] For the detailed calculations of those indicators, see World Bank (2002) and Pamuk (2000).

count index, the risk of poverty also reaches its highest level in the South Eastern Anatolia region. This region is followed by rural areas, Aegean region and Eastern Anatolia region. Poverty gap index attains the largest value for Turkey. As it is evident from previous tables, poverty gap is more significant in urban areas than the rural areas. This gap reaches the highest values in Marmara and Central Anatolia regions. The income is distributed more unequally in the regions where the share of poor is relatively low. Those migrating to these regions take the risk of inequality. In other words, the income of migrants may increase as compared to originating region but their relative place in income distribution may worsen. The last criterion in Table 6, Foster-Greer-Thorbecke, gives similar conclusions.

Table 6
The Regional Poverty Indicators, 1999

Indicators	Marmara	Aegean	Mediterranean	Central Anatolia	Black Sea	Eastern Anatolia	South Eastern Anatolia	Urban	Rural	Turkey
Share of extreme poverty[1]	3,9	3,2	6,4	19,9	2,5	17,4	46,8			
Urban food poverty[2]	13,2	17,9	17,1	13,8	3,6	23,3	60,9			
Head-Count Index	13,6	28,7	23,3	22	20,9	24,6	34,7	19	33,6	21,5
Poverty Gap Index	7,43	2,73	4,09	5,79	3,91	1,84	0,66	19,5	6,96	26,46
Foster-Greer-Thorbecke Criterion	3,02	1,18	1,65	2,8	2,15	0,75	0,23	8,22	3,55	11,78
Gini coefficient	0,56	0,44	0,47	0,44	0,46	0,37	0,38	0,44	0,42	0,44

[1] Population having less than US1$ daily income per capita
[2] The share of population experiencing malnutrition according to FAO standards.
Source: World Bank (2002), Pamuk (2000).

Finally, I analyze the structure of poverty from a different perspective. In this analysis, I use expenditures rather than incomes. The distribution of expenditures according to the income groups for the period 1994-2002 is given by Table 7.

In the period 1994-2002, a fall in the share of four main expenditure groups is observed, namely food, clothing, health, and education. Significant decreases are especially observed for food and clothing expenditures while the fall in health and education expenditures are relatively low as compared to others. In terms of the income groups, the change in education expenditures is substantial.

Table 7

The distribution of Consumption Expenditure According to Income Groups, 1994-2002

| Types of Expenditure | Income Groups | | | | | | | | | | | |
| | Total | | 1st 20% | | 2nd 20% | | 3rd 20% | | 4th 20% | | 5th 20% | |
	1994	2002	1994	2002	1994	2002	1994	2002	1994	2002	1994	2002
Total consumption Expenditures	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1. Food and non-alcoholic drinks	32,8	26,7	47,7	38,7	44,1	34,6	39,4	30,2	33,9	27,4	23,0	19,0
2. Alcoholic drinks, cigarette and tobacco	2,8	4,1	3,2	4,4	3,0	4,8	3,0	4,3	2,8	4,5	2,5	3,3
3. Clothing	9,0	6,3	6,7	5,0	7,8	5,3	9,0	5,8	9,5	6,4	9,5	7,0
4. Housing, water, electricity, gas, and other fuels	22,8	27,3	24,5	27,8	23,5	30,0	23,1	29,5	22,8	27,5	22,2	25,2
5. Furniture, home appliances, and home care services	9,0	7,3	5,3	5,9	7,6	4,9	8,1	5,6	8,5	6,7	10,9	9,6
6. Health	2,6	2,3	2,6	2,5	2,4	2,4	2,6	2,5	2,4	2,1	2,8	2,3
7. Transportation	8,8	8,7	3,4	4,1	3,7	5,4	5,1	7,9	9,1	8,8	12,8	11,2
8. Communication	1,8	4,5	1,3	3,5	1,7	3,6	1,9	4,1	1,9	4,7	2,0	5,2
9. Entertainment and culture	2,3	2,5	1,1	0,7	1,2	1,5	2,1	1,3	2,1	2,0	3,1	4,1
10. Education	1,4	1,3	0,4	0,4	0,8	0,6	0,8	0,7	1,2	1,2	2,2	2,2
11. Restaurants, catering services, and hotels	2,9	4,4	2,1	3,1	2,1	4,0	2,4	4,1	2,5	4,5	3,7	5,0
12. Miscellaneous goods and services	3,7	4,6	1,8	3,8	2,0	2,8	2,6	4,0	3,4	4,2	5,3	5,9

Source: TSI (2003).

The poorest 20% group allocates the 0.4% of its budget to education expenditures while this ratio goes up to 2.2% in the richest group. In other words, the education expenditures of the richest group are 5.5 times more than the poorest group. Furthermore, there are increases in alcoholic drinks, cigarette and tobacco, housing, water, electricity, gas and other fuels, communication, restaurant and catering services and hotels, and miscellaneous goods and services.

To summarize, rural poverty is dominant in Turkey yet urban poverty is also significant because of the deterioration in income distribution. In the period under consideration, the deepening of poverty is observed. Moreover, there are consequential decreases in food, clothing, health and education expenditures which may have direct long-term repercussions on the labor market.

4. Turkish labor markets

This section aims to analyze the evidence provided by Turkish labor market in the context of poverty. The findings from this section can be combined with the previous findings to draw general conclusions. The analysis of Turkish labor markets demonstrates that the problems are not only economic but also political. The main problem is the unavailability of systematic policy on Turkish labor markets. The policies toward labor markets are generally an unplanned part of large macroeconomic policies and directed towards creating a wage strain. Only in the last decade, it is possible to talk about more systematic policies toward labor markets to some extent. However, the problems in the labor market become chronic and more structural, difficult to solve and they have significant repercussions on poverty.

The most critical changes in Turkish labor market, as in other markets, commence with the application of structural adjustment programmes in 1980s. For the reduction in costs, fall in domestic demand, and increasing export performance, the pressure on real wages is the main theme of those polices. However, in 1990s, the direct policies toward labor market such as education, vocational training, social security reform, unemployment insurance, and job security issues begin to be discussed. As a result of interactions as a candidate to EU, active labor market policies are on the agenda from the end of the 1990s.

The main results of the studies analyzing Turkish labor markets can be summarized as follows:[10]

- High population growth rate and in connection with this concern, increasing labor supply,
- The large part of the population in the rural areas and engaging with the agricultural activities at a low productivity rate,
- A migration flow from rural to urban areas against the limited employment creation by the private sector and urban areas and resulting unemployment problem in urban areas,
- A segmented labor market consisting of agriculture, urban informal, and formal segments,
- The heterogeneous structure of labor and consequential significant wage differentials,
- The limited employment creation capability of the economy.

In this section, I basically analyze the structure of Turkish labor markets by employing the national data sets; I do not make international comparisons considering the scope of the study. In other words, this section will be employed to explain the reasons of the current standing of Turkey in terms of the international poverty indicators. The data is obtained from the household labor force surveys of TSI. Table 8 presents a picture of labor force participation, unemployment and underemployment for urban and rural areas for the period 1970-1992. [11] I think that in countries such as Turkey where unemployment rates are lower than the expected levels, the unemployment figures should simultaneously be examined with the underemployment figures.

The labor force participation rate in Turkey steadily decreases in the period 1970-2002 with some exceptional years.[12] In 1970, almost two thirds of the non-institutional civilian population participates into the labor force yet this ratio falls to 49.6% in 2002 (Bulutay, 1999). In the same period, unemployment rates fluctuate between 6.3%

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[10] For those studies, see Şenses (1990, 1994), Bulutay (1992, 1995) and Erdil (2001).

[11] In household labor force surveys, underemployment is measured in two groups, visible underemployment: Persons who work less than 40 hours because of economic reasons (slack work for technical or economic reasons, no work, could not find full-time job, the job has started and /or has come to an end during the last week) during the reference period, are able to work at their present job, and are capable doing a further job; other: persons who are not in the above group who want to change his/her present job or are seeking a further job because of an insufficient income or because of not working in his/her usual occupation.

[12] For a detailed discussion on the data for the period before 1988, see Bulutay (1999).

(Bulutay, 1999) and 10.3% depending upon the macroeconomic conditions. For the 33-year period under consideration, average annual unemployment rate is around 8%. The underemployment rate varies between 5.5% and 9% for the period 1988-2002 and average annual underemployment rate is approximately 7%. The sum of unemployment and underemployment rates is around 15%. The general trend of falling labor force participation rates is realized more slowly in urban areas as compared to the rural areas. In other words, the main reason behind general tendency of falling labor force participation is higher rate of decrease in rural areas. One of the possible explanations for this situation may be the migration from rural to urban areas, leaving rural areas populated more with the older people and females who are relatively less inclined to participate in the labor force. In the context of underemployment, a similar difference between rural and urban areas is not observed.

Table 8

Labor Force Participation, Unemployment and Underemployment Rates, 1970-2002

	Turkey			Urban			Rural		
	Labor Force Participation Rate	Unemp. Rate	Under Emp. Rate	Labor Force Participation Rate	Unemp. Rate	Under Emp. Rate	Labor Force Participation Rate	Unemp. Rate	Under Emp. Rate
1988	57,5	8,4	6,6	48,3	13,1	6,5	67,0	5,0	6,7
1989	58,1	8,6	7,0	47,6	13,1	7,2	69,4	5,3	6,8
1990	56,6	8,0	6,5	47,2	12,0	7,2	66,9	4,9	5,9
1991	57,0	8,2	7,2	46,3	12,7	7,5	69,6	4,7	6,9
1992	56,0	8,5	8,2	46,8	12,6	7,6	67,4	5,0	8,7
1993	52,1	8,9	7,7	45,2	12,6	7,8	60,8	5,5	7,6
1994	54,6	8,5	8,5	46,2	12,4	8,7	65,5	5,0	8,3
1995	54,1	7,6	7,0	45,2	10,8	7,5	65,8	4,8	6,6
1996	53,7	6,6	6,8	44,5	9,9	6,4	66,1	3,7	7,1
1997	52,6	6,8	6,1	44,8	10,0	6,6	63,2	3,8	5,7
1998	52,8	6,9	6,2	44,7	10,5	6,7	64,4	3,3	5,7
1999	52,7	7,7	9,1	44,9	11,4	8,8	63,9	3,8	9,4
2000	49,9	6,5	6,9	44,1	8,8	7,3	58,7	3,9	6,4
2001	49,8	8,4	6,0	44,0	11,6	6,5	58,7	4,7	5,4
2002	49,6	10,3	5,4	44,4	14,2	5,8	57,6	5,7	5,0

Source: TSI Household Labor Force Surveys (1983-2002) and Bulutay (1999).

In urban areas, labor force participation is lower than in rural areas. In rural areas, labor force participation is generally in the form

of unpaid family workers in agricultural activities. It is possible to suppose that although such a situation creates underemployment, it positively contributes to labor force participation. However, unemployment rates draw a different picture.

The urban unemployment is considerably higher than rural unemployment. For instance; in 2002, just after a significant economic crises in 2001, when the real impact of the crises was felt, the urban unemployment rates are 2.5 times higher than rural unemployment rates. This result supports the view that Turkish unemployment is urban based and makes urban distribution income more unequal. The rural population that steadily participates less to the labor force with lower productivity becomes poorer as compared to the urban population.

Table 9

The Gender Differentials in Labor Force Participation, Unemployment and Underemployment Rates, 1988-2002

	Male			*Female*		
	Labor Force Participation Rate	Unemp. Rate	Under Emp.	Labor Force Participation Rate	Unemp. Rate	Under Emp.
1988	81,2	7,5	8,5	34,3	10,6	2,2
1989	80,6	8,2	8,9	36,1	9,5	2,7
1990	79,7	7,8	8,5	34,1	8,5	1,9
1991	80,2	8,7	9,3	34,1	7,1	2,4
1992	79,6	8,8	10,1	32,7	7,7	3,6
1993	78,0	8,8	9,3	26,8	9,3	3,2
1994	78,5	8,8	10,2	31,3	8,0	4,2
1995	77,8	7,8	8,4	30,9	7,3	3,7
1996	77,3	6,9	8,2	30,6	5,9	3,3
1997	76,7	6,5	7,6	28,8	7,7	2,4
1998	76,7	6,9	7,7	29,3	6,8	2,2
1999	75,8	7,7	11,3	30,0	7,6	3,4
2000	73,7	6,6	8,4	26,6	6,3	2,8
2001	72,9	8,7	7,4	27,1	7,5	2,3
2002	71,6	10,7	6,8	27,9	9,4	2,1

Source: TSI Household Labor Force Surveys (1983-2002).

Table 9 provides the same rates in terms of gender. Although the labor force participation has tended to decrease for both sexes, the rate of decrease is higher for males in the period 1988-2002. The simultaneous fall in both male and female participation rates causes a

fall in household incomes and poverty. It is difficult to obtain a general conclusion for the male and female unemployment rates. However, in the last five years in Table 9, the general tendency is that the male unemployment rate is higher than that of the female unemployment rates. The most striking result that emerges from Table 9 is the significantly low values of female underemployment rates as compared to males. The possible reason for such a situation is that even though the females have lower rate of participation, they generally work in full-time jobs. Another reason may be a measurement problem, especially for females.

Another important area for assessment is labor force participation, unemployment, and underemployment rates for different age groups (Table 10). The relation between labor force participation and age is in the same direction until the age of 40, as expected. In conformity with the general tendency, for all age groups a decrease in labor force participation rates is observed in the period 1988-2002. The highest decrease is noticed for the age groups 15-19 and 20-24. This may be the result of increase in schooling or enrollment in higher education. However, what is remarkable is that while one out of two persons participates in the labor force for the age group 20-24 in 2002, one out of five persons participating to the labor force is unemployed. Another significant point is that the highest unemployment rates belong to the age group 20-29 that may include primary marriage age in Turkey.

The highest rate of growth of unemployment rates is observed for the age group 25-29 in the period under consideration. It is possible to claim that the high rates of unemployment in this age group may have serious impacts on income poverty and human development. On the other hand, the high rate of labor force participation for this age group still seems to be low. For these age groups labor productivity is expected to be relatively high, the low level of participation and high unemployment rates may bring about either non-decreasing average population in existing households or poverty in new households. This claim may produce meaningful results as a subject matter of a new study after controlling for other household characteristics. The unemployment after the age group 25-29 exhibits different properties. In those groups, a structural and long-term unemployment is observed (Erdil, 2001). Underemployment rates do not present significant differences until the age group 55-59. In other words, the underemployment problem is an equally weighted problem for all groups.

Table 10
Labor Force Participation, Unemployment and Underemployment Rates for Age Groups,1988-2002

		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
15-19	Labor Force Particip. Rate	52,3	50,9	50,0	50,9	46,3	41,2	44,4	41,6	41,3	39,6	38,7	38,9	35,5	33,5	31,7
	Unemp. Rate	17,0	16,2	15,4	13,9	14,3	15,6	14,7	14,5	11,6	13,0	12,4	13,0	10,7	14,6	16,7
	Underemp. Rate	6,6	7,0	6,0	8,2	10,3	9,1	9,7	7,7	9,2	8,0	8,6	11,2	7,9	7,9	6,6
20-24	Labor Force Particip. Rate	61,2	61,6	61,3	60,7	61,1	56,4	59,1	56,8	56,8	55,5	54,1	55,4	49,9	51,1	50,4
	Unemp. Rate	18,0	16,9	16,6	16,8	18,2	19,6	17,2	16,5	15,1	15,4	15,5	16,6	14,8	17,3	20,8
	Underemp. Rate	6,9	8,1	7,5	8,4	10,6	10,0	10,4	9,1	9,1	7,6	8,1	12,1	8,8	7,0	6,4
25-29	Labor Force Particip. Rate	66,5	67,1	66,1	65,8	65,6	63,3	65,1	65,2	64,5	64,0	64,9	63,5	61,7	61,0	62,0
	Unemp. Rate	7,5	9,0	9,0	9,2	9,1	10,2	9,8	8,9	7,8	7,9	7,9	9,5	7,2	9,6	11,9
	Underemp. Rate	9,6	10,1	9,2	9,8	10,7	10,0	11,4	9,0	9,1	7,9	8,1	11,6	9,0	7,6	6,9
30-34	Labor Force Particip. Rate	67,9	68,9	67,0	67,7	67,1	63,9	66,1	65,7	65,0	63,8	63,7	64,7	62,1	62,7	63,4
	Unemp. Rate	5,0	5,3	5,5	5,6	6,4	6,2	6,1	4,9	4,5	4,4	4,7	5,8	5,0	6,7	8,6
	Underemp. Rate	8,2	9,3	8,2	7,8	9,0	8,3	10,1	7,2	7,0	7,4	6,8	10,9	7,8	6,5	6,4
35-39	Labor Force Particip. Rate	67,8	70,0	68,1	67,6	67,7	64,9	66,4	66,4	66,4	64,7	65,4	65,2	62,7	62,7	62,9
	Unemp. Rate	3,8	4,7	4,2	4,3	4,7	4,8	4,7	3,8	3,6	3,4	3,8	4,6	4,5	6,5	8,1
	Underemp. Rate	7,8	8,0	6,9	6,4	7,0	7,1	8,1	7,2	6,6	6,4	5,6	8,8	7,1	6,2	6,0

Table 10 (continue)

		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
40-44	Labor Force Particip. Rate	65,0	68,1	67,2	65,9	65,9	62,9	64,4	65,6	65,2	63,5	63,8	63,9	61,4	61,1	61,3
	Unemp. Rate	3,1	4,6	3,5	4,0	4,0	3,9	4,5	3,5	2,7	3,1	3,5	4,1	3,5	4,9	7,3
	Underemp. Rate	6,6	6,7	5,6	5,9	6,5	5,2	7,4	5,2	5,0	4,8	4,9	6,8	5,6	5,3	4,5
45-49	Labor Force Particip. Rate	62,4	63,8	62,9	62,8	61,6	58,3	60,8	59,5	57,7	57,7	57,9	56,2	54,6	55,4	55,5
	Unemp. Rate	4,7	5,4	3,9	3,7	3,7	3,2	4,7	3,7	3,5	3,1	3,7	4,1	3,0	5,1	6,6
	Underemp. Rate	5,2	4,8	5,6	5,9	5,8	5,0	5,1	5,5	3,5	4,1	4,7	6,7	5,2	4,2	3,9
50-54	Labor Force Particip. Rate	57,1	56,8	55,2	56,8	55,1	50,0	53,3	53,7	52,3	50,3	50,5	49,6	47,4	46,4	45,5
	Unemp. Rate	4,1	4,3	4,0	4,2	3,0	3,5	4,2	3,2	2,6	3,1	3,4	3,4	3,8	4,1	5,8
	Underemp. Rate	3,2	3,1	4,1	4,7	4,8	5,1	3,8	4,8	3,8	2,8	3,6	4,7	4,2	3,9	3,7
55-59	Labor Force Particip. Rate	50,6	51,5	48,5	50,6	48,4	42,4	47,1	46,6	45,7	44,8	45,0	42,6	41,2	40,2	39,4
	Unemp. Rate	4,2	5,0	3,0	3,0	3,4	3,2	2,6	2,7	1,8	1,6	2,1	2,7	2,2	2,9	4,8
	Underemp. Rate	3,0	2,9	3,6	3,5	4,0	4,8	4,5	4,9	3,6	1,9	2,2	3,9	2,9	3,1	2,3
60-64	Labor Force Particip. Rate	39,0	42,1	38,8	36,7	37,6	34,2	35,2	38,0	38,2	36,9	38,3	37,3	32,8	32,9	33,4
	Unemp. Rate	3,8	3,3	2,8	1,6	1,5	1,9	1,6	1,8	1,2	1,2	1,4	1,0	2,0	1,5	1,6
	Underemp. Rate	1,4	1,9	2,2	3,3	3,1	4,7	3,0	3,0	2,4	1,7	1,6	2,4	2,2	2,3	1,6
65+	Labor Force Particip. Rate	21,8	22,9	20,3	18,4	19,3	15,9	18,9	20,9	21,4	20,4	22,6	23,5	20,8	20,5	18,4
	Unemp. Rate	1,6	2,0	1,4	1,1	0,7	0,3	0,9	1,2	0,7	0,7	0,8	0,5	0,5	0,8	0,8
	Underemp. Rate	1,4	0,7	2,0	3,1	2,8	2,5	1,8	3,6	1,3	1,5	1,0	1,4	1,8	1,2	0,9

Source: TSI Household Labor Force Surveys (1983-2002).

Table 11 presents another important dimension of the labor market, the education status of the labor force. As it is evident from the previous section, in terms of educational services, suffering from inadequate resources, Turkey ranks low in international comparisons. The situation is not promising in the sense that educated population has also a high risk of being unemployed as evident from table 13. The figures in this table point out the existence of a segmented structure. The labor force participation rates of unskilled labor (with an educational attainment level below vocational high schools) are at significantly low rates and the rates for the first three groups (illiterates, literate without any diploma, and primary school graduates) rapidly decline through time.

In 2002, the labor force participation rate of these groups, except primary school graduates, is considerably lower than Turkish average of 49.6%. On the other hand, although the labor force participation rates of skilled labor force (vocational high school and universities) are declining throughout the period under consideration; they are still well above the Turkish average. However, the unemployment rates in these groups are higher than the average unemployment rate of 10.3%.

One of the most important results that emerge from this table is the existence of an educated and unemployed group. In other words, it is difficult to claim that households are successful to reduce poverty by providing education to the next generations. I think that the main reason of such a situation is the structural problems in labor markets; the mismatch between the labor demand and labor supply, the excess supply of skilled labor, the employment creation problems of the private sector; the decreasing tendency of public sector employment have impacts on the unemployment problem of skilled labor force. I observe the negative impacts of the unavailability of a consistent education policy and/or the frequent changes in policies. The vocational schools that are not able to supply labor with the required skills are far from meeting the demands of the private sector and instead create new educated unemployed people. Finally, underemployment reaches its highest values for the graduates of primary and secondary schools. The underemployment figures for university graduates are at relatively low levels.

The last area to be covered in this context is related with regional distribution of labor force participation, unemployment, and underemployment rates as presented in Table 12. The regional data is provided for the period 2000-2002 by TSI. Thus, it is not possible to detect tendencies through time and the period also covers the

Table 11

Labor Force Participation, Unemployment and Underemployment Rates by Levels of Educational Attainment, 1988-2002

		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Illeterate	Labor Force Particip. Rate	41,9	42,0	38,8	39,5	38,1	32,8	35,5	35,3	34,5	31,3	31,6	31,6	31,5	30,3	28,8
	Unemp. Rate	3,7	5,0	4,4	3,1	3,0	3,3	3,2	2,8	2,1	1,6	2,2	2,3	3,4	3,1	4,6
	Underemp. Rate	4,6	4,7	4,6	4,3	5,9	5,4	5,1	4,7	4,7	4,0	5,5	6,1	4,2	4,1	3,3
Literate without any Diploma	Labor Force Particip. Rate	54,9	56,2	54,4	53,7	47,8	35,4	43,3	43,3	44,5	42,0	42,5	38,3	37,5	38,1	34,1
	Unemp. Rate	5,2	6,2	4,8	4,6	5,7	5,7	6,1	4,2	3,3	3,3	4,7	3,4	5,6	5,8	6,1
	Underemp. Rate	6,6	6,7	6,2	7,7	7,2	7,5	8,4	6,5	6,4	6,8	5,6	9,3	7,1	6,7	5,1
Primary School	Labor Force Particip. Rate	63,9	64,9	62,9	63,1	62,0	58,4	60,7	59,5	59,0	57,1	57,1	54,8	52,8	52,7	52,1
	Unemp. Rate	7,5	8,1	7,3	7,7	7,7	8,1	7,4	6,5	5,2	5,0	5,0	6,4	5,2	7,4	9,2
	Underemp. Rate	7,7	8,0	7,3	8,3	9,6	9,1	9,7	7,8	7,7	6,8	6,7	13,8	8,4	7,2	6,4
Junior High School	Labor Force Particip. Rate	47,1	47,2	47,2	47,1	44,5	41,8	43,3	44,0	43,5	45,9	45,7	44,8	46,2	48,4	50,7
	Unemp. Rate	15,6	11,9	12,2	13,6	12,2	12,8	12,9	10,9	8,9	9,9	8,7	8,8	8,2	10,7	12,6
	Underemp. Rate	6,5	6,9	7,0	8,1	8,5	8,4	9,7	8,0	7,6	7,4	7,8	9,0	7,8	6,8	6,7
Vocational	Labor Force Particip. Rate	40,0	37,3	38,1	36,0	38,6	33,6	32,1	35,7	27,0	27,3	27,1	41,1	38,9	41,1	46,5

Table 11 (continue)

		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Junior High	Unemp. Rate	20,7	14,0	12,5	12,3	11,2	11,2	15,3	13,2	7,8	14,0	10,5	10,9	10,2	12,1	11,1
School	Underemp. Rate	4,5	5,5	6,8	4,8	6,7	5,1	6,9	7,6	14,1	2,7	10,4	5,1	12,7	6,6	5,3
	Labor Force Particip. Rate	63,0	62,0	63,4	60,6	61,9	59,3	59,0	57,8	55,7	53,4	54,3	54,3	50,9	51,0	49,8
High School	Unemp. Rate	20,9	19,7	18,2	16,9	17,6	17,2	16,8	14,5	14,0	15,1	14,3	13,0	10,5	13,3	14,6
	Underemp. Rate	6,5	6,4	5,8	5,3	6,5	5,7	7,9	6,5	5,8	5,4	5,8	8,3	5,1	4,6	4,6
Vocational	Labor Force Particip. Rate	73,2	71,9	70,9	70,8	71,4	70,7	69,2	69,7	69,0	69,9	69,1	64,2	66,2	65,9	64,5
High School	Unemp. Rate	12,7	13,4	12,5	15,7	14,4	12,8	15,2	14,8	13,4	14,5	13,0	12,4	10,9	13,2	14,8
	Underemp. Rate	5,2	6,4	6,0	8,1	6,8	6,0	6,2	6,7	6,8	7,1	5,9	8,3	5,4	5,0	5,1
Universities&	Labor Force Particip. Rate	87,5	87,4	87,5	87,7	87,5	85,7	86,4	83,1	81,8	80,6	81,5	77,3	78,2	79,2	79,5
Other higher	Unemp. Rate	9,1	6,7	6,9	7,7	8,4	8,3	7,7	6,4	6,6	6,7	8,4	8,5	7,0	7,8	11,1
Education	Underemp. Rate	3,7	5,2	3,9	3,6	3,5	2,4	4,0	3,7	2,6	2,9	2,2	3,3	2,3	2,0	2,5
Primary	Labor Force Particip. Rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36,5	27,7	10,8	12,5
School	Unemp. Rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,9	6,5	9,3	10,7
(8 years)	Underemp. Rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,0	11,9	3,8	3,5

Source: TSI Household Labor Force Surveys (1983-2002).

economic crisis of 2002. The first significant point is the high rate of labor force participation in the Black Sea region. One possible reason for this situation may be the differentiated structure of the agricultural activities. Another region with a higher rate than Turkish average is the Marmara region. The lowest labor force participation rate belongs to the Central Anatolia region. It is followed by South Eastern Anatolia with a rate of 42.7%. As the regional distribution of poverty analyzed in the previous section is combined with the regional distribution of labor force participation, I observe that relatively poorer regions have also lower rates of labor force participation, with the exception of the Black Sea region. The regional unemployment rates are higher than Turkish average for four regions. In Marmara and Aegean regions that are relatively richer and more urbanized but having more unequal distribution of income (Tables 4-6), the unemployment rates are 13.3% and 10.5% in 2002 respectively. The highest rate of unemployment belongs is in the Marmara region. The poorest region, South Eastern Anatolia, follows the Marmara region with an unemployment rate of 12.3%. The Mediterranean region comes third with a rate of 12.1%. The unemployment rates are lower than the Turkish average for three regions, namely Central Anatolia (9.9%), Eastern Anatolia (6.6%) and Black Sea (4.8%).

Underemployment rates are higher than the general average for Eastern Anatolia, South Eastern Anatolia, and Mediterranean regions. When those rates are examined together with the unemployment rates, the sum of the two rates is more than 20% for these regions and this value is greater than the general sum of 15.7% (the sum of last two columns for each region).

In this section, important conclusions on Turkish labor markets were obtained and their relations with poverty were discussed on the basis of the analysis of TSI Household Labor Force Surveys. In this analysis, three variables were employed, namely labor force participation, unemployment, and underemployment rates. In conclusion, for the period 1970-2002, the labor force participation rates fall from 65% to 50%; the unemployment rate is around 8.5% even though it fluctuates depending upon the impacts of economic crises; the underemployment rate is approximately 7%; all three variables exhibit differences by gender, age groups, and educational status; there are persistent general regional tendencies for all three variables; and these variables produce significant results in order to explain the regional distribution of poverty.

Table 12

The Regional Distribution of Labor Force Participation, Unemployment
and Underemployment Rates, 2000-2002

		2000	2001	2002
Marmara	Labor Force Part. Rate	48,1	48,6	50,3
	Unemployment Rate	8,4	10,2	13,3
	Underemployment Rate	5,7	3,8	3,9
Aegean	Labor Force Part. Rate	50,7	51,4	49,2
	Unemployment Rate	7,5	8,9	10,5
	Underemployment Rate	5,2	5,3	4,4
Mediterranean	Labor Force Part. Rate	45,9	44,4	47,7
	Unemployment Rate	8,9	11,7	12,1
	Underemployment Rate	10,7	10,2	4,6
Central Anatolia	Labor Force Part. Rate	43,8	44,8	42,7
	Unemployment Rate	5,4	8,1	9,9
	Underemployment Rate	5,4	5,9	6,9
Black Sea	Labor Force Part. Rate	65,1	62,2	62,1
	Unemployment Rate	3,4	3,3	4,8
	Underemployment Rate	4,2	3,3	3,6
Eastern Anatolia	Labor Force Part. Rate	50,3	50,7	48,2
	Unemployment Rate	3,3	7,4	6,6
	Underemployment Rate	14,8	12,5	13,6
South Eastern Anatolia	Labor Force Part. Rate	50,6	50,0	46,9
	Unemployment Rate	6,4	8,3	12,3
	Underemployment Rate	9,6	7,5	7,0
Turkey	Labor Force Part. Rate	49,9	49,8	49,6
	Unemployment Rate	6,5	8,4	10,3
	Underemployment Rate	6,9	6,0	5,4

Source: TSI Household Labor Force Surveys (2000-2002).

5. Policy recommendations

The national literature, discussing the relations between poverty
and labor markets, is not rich. Both issues are the subject matter of
interdisciplinary studies. Moreover, except the endogenous relation
between poverty and labor markets, there are both endogenous and
exogenous socio-economic complex net of relations having impacts
on both poverty and labor markets. This situation generally impedes a
detailed analysis of the subject. Although this study attempts to
evaluate the subject in a multi-dimensional context as much as
possible, especially the unavailability of micro data causes the picture
to be incomplete. For instance, if the reasons of non-participation in

labor force and unemployment are available in terms of gender, age, and income groups, the reasons of some problems can be clearly put forward.

The Turkish position in terms of international human development and/or deprivation comparisons is not promising, even though the situation is better in the context of income poverty. For the existence of this situation, though many researchers blame the globalization and its impacts on poverty in developing economies, I do not think that the sole responsibility can be attributed to globalization. The inefficiency or non-existence of policies combating poverty is also accountable for the deepening of the poverty. Turkey has, until recently implemented inflationary policies with a direct impact on poverty, for a long period. However, it is not possible to observe systematic policies aimed at combating poverty. Poverty is not a reason in the context of underdevelopment; both processes feedback each other. As a result of the growing attempts of some supra-national organizations, especially in the last decade, combating against poverty has itself become globalized. Finally, it can be claimed that the poverty in any region may have impacts on other regions and global capitalism.

In the context of Turkish poverty, the starting assumption is the differentiated structure of poverty in rural-urban and regional dimensions. This assumption is easily verified by the present study. In fact, this situation is a reflection of dynamics explained in the previous paragraph. The rural poverty is more dominant in Turkey and poverty has deepened in the last decade as a result of agricultural policies. However, this proposition does not mean that the poor in urban areas have improved their living conditions. It is possible to presume that the differences in average living costs make urban poor relatively poorer. The verification of this presumption is the subject of another study. Another fact that is verified again by this study is that the income is distributed more unequally in urban areas. The difference in income distribution between rural and urban areas narrows in favor of urban areas. One possible reason for this tendency is the increasing employment in the urban informal sector (Kasnakoğlu and Yayla, 1998; Önder, 2000). It is further possible to assume that urban areas become richer by using factors of production provided by rural areas. Although I do not have the data to verify this statement, I perceive that the capital accumulated by the large agricultural establishments flows into the capital accumulation process in urban areas instead of investments towards more productive agricultural activities. It is

observed that the Mediterranean, Black Sea, Eastern Anatolia, and South Eastern Anatolia regions are poorer than the Central Anatolian, Aegean, and Marmara regions. The tendency noticed in the analysis of urban-rural dimension is also witnessed in regional analysis; relatively poorer regions have more equal distribution of income.

A similar situation to the absence of systematic policies for combating poverty is seen for Turkish labor markets. It is not possible to see a significant policy for Turkish labor markets until recently. The institutional structure of Turkish labor markets was destroyed with the military coup d'état of 1980 in order to be in conformity with the structural adjustment policies formulated in January 24, 1980. The ban of trade union activities and the legislation on trade unions, collective labor agreements, strikes, and lockouts promulgated in 1984 have restricted the balancing role of labor in Turkish society. The amended Labor Law of 1983 that has transformed individual labor contracts in favor of capital has also played a vital role in this process. It is not possible to claim that that the existing structure protects labor despite the amendments through time and the recent laws of social security and job security. In the last two decades, the fall in real wages (except short-term improvements in pre-election periods) is another fact of Turkish labor markets (Erdil, 2001). All these developments combined with other socio-economic and macroeconomic changes create significant impacts of Turkish labor markets on poverty.

Two important indicators of Turkish labor markets, namely decreasing labor force participation and increasing unemployment rates, play a decisive role in deepening poverty. The unemployment problem of young and educated people accelerates this process and the poverty and unemployment feed each other within the process. The regional unemployment figures also validate the regional distribution of poverty.

5.1. Active labor market policies for Turkish labor markets

The last section of the study is devoted to the policy recommendations in the light of analysis made so far. Although the labor market framework will be utilized for policy prescriptions because of the subject matter of the study, it is not true to limit them with only this dimension. Policies towards combating poverty should be multi-dimensional that include regional, sectoral, social, macroeconomic, and microeconomic components. The policies are classified under three headings in the literature; indirect policies,

direct policies, and international policies (Şenses, 2001, 2003; Dansuk, 1997; Fallon and Lucas, 2002; Mestrum, 2003).

The indirect policies comprise policies towards decreasing income inequality and ensuring economic development in the hope that their impacts will be realized in the long run. In this context, economic development is not merely sufficient yet a development path reducing income inequalities will have significant positive impacts on poverty (Şenses, 2001). This study will mainly focus on indirect polices because of its scope. In the current study, I focus on the policies for human resources that play a key role in the relation among economic development, poverty and labor markets. *"Almost one billion people in the world are illiterate and cannot write their names in the beginning of the 21st century"* (Şenses, 2004:1). This quotation is really meaningful in exhibiting the significance of the problem. As the level of education increases, the level of poverty decreases both for low income groups and the whole society. An inverse relation between the level of education and poverty exists (Dansuk, 1997). In this context, together with a general labor market policy, the implementation of active labor market policies and an institution monitoring the application of these policies are essential for Turkey. The active labor market policies, especially discussed in the literature since 1990s, become an important implementation tool in the international arena.[13]

Active labor market policies can be analyzed under two general headings, namely demand-side and supply-side policies. In this study, instead of all policies offered in the literature, I will concentrate on those that may be applicable specifically to the Turkish case. Active labor market policies for Turkish labor markets are summarized by Figure 1. It is possible to consider demand-side policies under three categories, indirect active labor market policies; subsidies provided to the private sector; and legal arrangements towards regulating labor demand. The policy tools for the first group comprise job opportunities created by the public sector. In this context, short-term training of unskilled and semi-skilled long-term unemployed labor and employment of these in public sector infrastructure investments can be aimed. Thus, the workers who have relatively less chance to find a job in the private sector are provided with some skills and they may have a higher probability of finding a job even if the employment offered by the public sector is temporary. The second group of demand-side

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[13] For the examples of theoretical discussions and details, see Reubens (1970), Wilensky (1985, 1990), Janoski (1986), Košta (1995) and Fertig et al. (2002).

policy tools includes incentives encouraging employment, tax exemptions for on-the-job-training, promoting investments in regions where the unemployment is high and use of local labor. Finally, in the legal context, the legislation that organizes part-time and flexible work practices seems to be essential. Moreover, this legislation should also include policy tools directed towards the regulation of human resources planning both in the private and public sectors.

The supply-side policies can be divided as policies for improving labor quality and policies for decreasing labor supply. The policy tools for improving labor quality should target the adjustment of labor force to the changing labor market conditions through various training programs. The most significant of these policy tools is the promotion of on-the-job-training. The neo-liberal policies, commenced to be implemented in the beginning of the 1980s in Turkey, aimed at the working of all markets in conformity with the liberal economy conditions. In this process, the policy tools for the regulation of labor markets were abandoned and labor market institutions became gradually ineffective. In 1990s, the rapid globalization and the international capital movements demand labor having new skills yet this structural mismatch induces a process with a steady increase in unemployment. The disorganized trade unions and the inefficiency of legislations direct the firms that are the most active agents in the labor markets to on-the-job-training programs. To the best of my knowledge, a detailed analysis of these programs for Turkish labor markets has not been carried out. Therefore, in this framework, the state should indirectly regulate the labor markets by introducing tax exemptions to firms having regular on-the-job-training programs, incentives for the training activities of trade unions, and programs for public sector employees. The establishment of an administrative structure that organizes vocational training especially at the regional level is necessary. Such an institution having well-defined responsibilities and sufficient funds should be organized as a result of a detailed analysis of resources and needs. Moreover, these vocational training opportunities should be accessible by wide sections of the population. In addition, the disadvantaged groups having high probability of being unemployed should be encouraged to participate in such programs. Such mitigation measures may have direct impacts on the duration of unemployment. On the other hand, the policy tools aiming to decrease labor supply by the direct intervention of the state may contain measures such as the fall in the retirement age, increased duration of compulsory education, discouragement of over time work,

and the discouragement of migration from rural to urban areas. However, these policy tools are politically more difficult to implement because of the possible resistance of some social groups as compared to policy tools aiming to improve labor quality.

Figure 1
Active Labor Market Policy Recommendations for Turkish Labor Markets
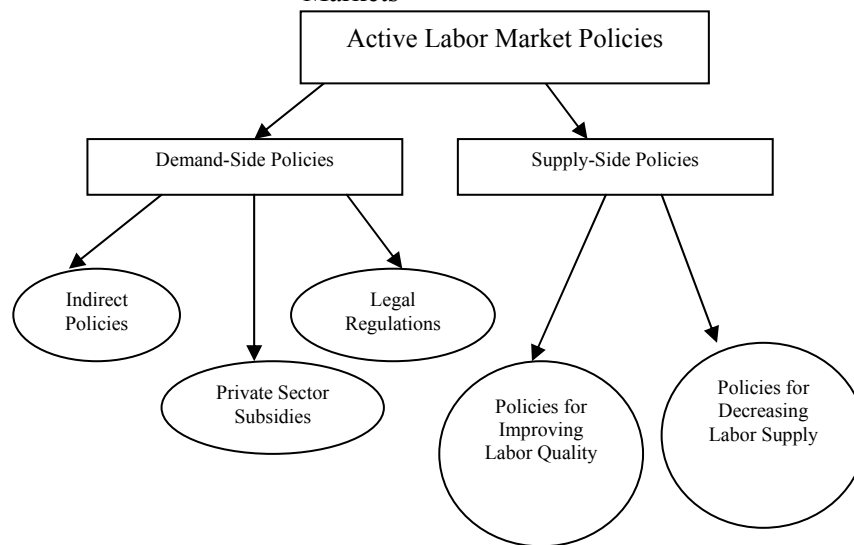
6. Conclusions

Turkish labor markets are markets where labor force participation steadily decreases; one out ten labor force participant are unemployed; one out of twenty workers are underemployed; the unemployment problem is more serious in urban areas; there are significant differences in terms of demographic and socio-economic variables such as gender, age, education, and geographical region. These problems are simultaneously both the reason and result of human development problems and income poverty. I once again underline the fact that as poverty feeds back the structural problems in the labor markets, the problems in the labor markets contribute to the poverty.

In conclusion, the labor markets are the spaces that need regulation and they cannot be left alone in the functioning of free market economy. In the context of the relation between poverty and labor markets, Turkish labor markets call for urgent regulation

because of the structural difficulties explained by this study. The empowerment of labor market institutions neglected throughout the 1980s and the support of those institutions with systematic active labor market policies may, at least partially, contribute to the solution of these persistent problems.

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Özet

Yoksulluk ve Türk emek piyasaları

Bu çalışma, yoksullukla Türk emek piyasalarının dinamikleri arasındaki ilişkiyi belirlemeyi amaçlamaktadır. Bu çerçevede, çalışmanın iki tali amacı daha vardır. Birincisi, çeşitli sosyoekonomik ölçütleri kullanarak, uluslararası karşılaştırmalarla Türk yoksullarının göreli durumunu saptamaktır. İkinci olaraksa, Türk emek piyasaları çerçevesi içinde Tükiye'deki yoksulluk sorununu netleştirmek ve Türk emek piyasalarına yönelik politika önerilerinde bulunmaktır. Çalışma, diğer içsel ve dışsal sosyoekonomik etkilerle birlikte, yoksulluk ile emek piyasalarının dinamikleri arasında içsel ilişkiler bulunduğunu göstermiştir. Gelir öçütleri, incelenen 175 ülke içinde Türkiye'yi orta sıralarda göstermekle birlikte, durum bir takım insani gelişme ölçütleri açısından hiç de iç açıcı değildir. Türkiye'de yoksulluk azaltıcı sistematik politikalardan bahsetmek maalesef mümkün değildir. Yoksulluk ile az gelişmişlik arasında iki yönlü bir nedensellik ilişkisi bulunduğu görülmektedir ve her ikiside birbirlerini beslemektedir. Türkiye örneğinde başlangıç varsayımı, yoksulluğun niteliği açısından kırsal-kentsel ve bölgesel boyutlarda farklılıklar olduğudur. Çalışmanın sonuçları bu durumu doğrular niteliktedir. Türk emek piyasalarında, azalan işgücüne katılım oranı ve artan işsizlik olarak adlandırılabilecek iki temel eğilim görülmekte ve bu iki eğilim yoksulluk sorunun derinleşmesinde önemli rol oynamaktadırlar. Bu bağlamda, yoksulluk ve işsizlik birbirini besler gözükmektedir. Ayrıca, genç ve eğitimli işsiz nüfusun varlığı da bu süreci hızlandırmaktadır. Bölgesel işsizlik rakamları, bölgesel yoksulluk farklılıklarını açıklamaktadır. Son olarak, çalışma yoksullukla mücadele etmek için doğrudan, dolaylı ve küresel politikalar önermektedir. Uzun dönemde etkili olabilecek dolaylı politikalar, iktisadi büyümeyi ve gelir dağılımındaki eşitsizlikleri ortadan kaldırmayı hedeflemektedir. Görece daha kısa dönemli etkilere sahip doğrudan politikalar ise aktif emek piyasası politikalarını içermektedir. Çalışma, aktif emek piyasası politkalarını uygulayarak, yoksullukla mücadele için bir model önermektedir.

Anahtar kelimeler: Yoksulluk, Türk emek piyasaları, insani gelişme.