Missing links in poverty analysis in the age of neoliberal globalization: Some lessons from Turkey

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Abstract
The main objective of this essay is to point out the missing links between neoliberalism on the one hand, and a comprehensive analysis of poverty and effective policies to tackle it, on the other. After identifying the main channels through which neoliberalism affects poverty, I will draw attention to the inadequacy of the neoliberal approach in coming to terms with the main reasons behind poverty, as well as in developing a comprehensive and effective mechanism for its alleviation. I emphasize the role of international institutions in determining the dominant development discourse and changes in the importance given to the issue of poverty over time. The essay links the ineffectiveness of existing poverty alleviation policies to distributional imbalances at both the global and domestic levels. Against the background of the main constraints and opportunities for effective poverty alleviation policies in individual countries, it emphasizes the need for a poverty alleviation strategy as an integral part of a broader development strategy and identifies its main premises. It calls for action on the academic, domestic and international fronts and stresses the central role of the state, a more balanced reliance on domestic and international markets, emphasis on productive employment creation, the development of effective redistribution mechanisms, and the creation of effective domestic and international constituencies as the main components of such a strategy.

Keywords: neoliberalism, poverty alleviation, international institutions, domestic and international coalitions, role of the state, Turkey

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Introduction

Poverty is currently recognized as one of the most pressing development issues, attracting a great deal of academic attention by social scientists, ranging from economists and sociologists to psychologists and city planners. Also, there is a great deal of interest in the subject by policymakers of individual countries and international institutions alike. Although somewhat different in its nature and extent, poverty also remains an important issue in some of the rich industrialized countries. This broadens the debate on the issue beyond developing countries. Poverty by and large remains a major, if not a growing, problem all over the world, even though it has been high on the agenda for a long period of time. This warrants a careful assessment of the dominant approaches to poverty, with a view to identifying their basic shortcomings and developing a fresh outlook.

This essay has three main objectives, which form its three sections after a brief introduction. The first objective is to explore the interaction between neoliberal economic policies and poverty on the basis of the following questions: to what extent have explanations of poverty been influenced by the dominant development discourse and international institutions such as the World Bank? Have approaches to explaining poverty changed over time? What are the main tenets of the neoliberal approach to poverty? Through which channels has neoliberalism affected poverty? To what extent can the origins of poverty in Turkey be traced to the introduction of neoliberal policies? The second objective of the essay is to briefly examine poverty alleviation policies under neoliberalism and to assess their effectiveness, again on the basis of several specific questions: what are the main policy instruments and institutional framework of poverty alleviation under neoliberalism? What has been the record of poverty alleviation policies under neoliberalism? What are the main shortcomings of the neoliberal approach to poverty alleviation? What are the missing links? Finally, as its third main objective, the essay will engage in the more challenging task of outlining the main constraints and opportunities facing individual countries in effective poverty analysis and poverty alleviation policy. The most pertinent questions that will be tackled in this respect are: what is the case for and the main elements of a poverty alleviation strategy? In which directions should explanations of the reasons behind poverty be broadened? What type of policies are required to make headway in combating poverty?

While it touches upon some key issues surrounding the policy debate, this essay by no means claims to be comprehensive in its treatment.
Likewise, the occasional references made to the Turkish case in each section do not purport to provide a full picture of the issues dominating the debate in Turkey. On the basis of its critique of the neoliberal discourse, the study calls for developments on the academic, domestic and international fronts in order to lead to the emergence of a more effective setting for poverty alleviation.

**Shifts in development discourse and poverty: The role of international institutions**

Poverty is an old issue whose origins can be traced back at least to the Industrial Revolution. The existence of a large and growing literature on industrialized countries notwithstanding, in much of the post-World War II period poverty has been discussed predominantly in the context of developing countries. Approaches to poverty and its alleviation have closely followed shifts in the development discourse, as shaped by international power relations, interests, and developments in the realm of world economics and politics. International financial institutions have played a key role in the process of the making of and shifts in the dominant development discourse.

Tracing the changes over time in the post-war approach to poverty indicates shifts in emphasis over time.¹ The expectation that rapid growth and industrialization through physical capital accumulation would bring about a more or less automatic reduction of poverty, which constituted the dominant approach until the late 1960s, was soon replaced by a deep sense of urgency for poverty alleviation. The key actors of the new outlook were the International Labour Organization (ILO) and the World Bank, responsible for the emergence of “basic needs” and “redistribution with growth” strategies, respectively. The first of these strategies was prominent in its emphasis not only on the provision of adequate food, shelter, and essential services like health and education to the poor, but also on the role of public investment and changes in asset ownership, through such mechanisms as land reform. Another important component of the strategy was the need to supplement growth with productive employment creation. The second strategy echoed similar concerns. Identifying the agricultural and urban informal sectors as the main reservoir of poverty, it called for increasing the efficiency of small farmers, landless workers, and the self-employed in the informal sector. Although less radical than the first strategy, this strategy was also prominent in its emphasis on redistribution, involving the redistribution of the increment.

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¹ For details, see, Fikret Şenses, Küreselleşmenin Öteki Yüzü: Yoksulluk (İstanbul: İletişim, 2001).
of capital formation associated with economic growth, rather than the initial stock of assets.\(^2\)

After a decade of deep concern with poverty in the 1970s, the development discourse shifted to neoliberalism under the so-called Washington Consensus, which signaled the spread of open, market-based policies through stabilization and structural adjustment programs, implemented in close collaboration with international financial institutions. In this process, the objective of poverty alleviation, together with the developmental role of the state, was relegated very much to the background. Poverty alleviation is often sidelined even in learned debates on poverty issues, and the World Bank—which had been on the forefront in its concern for poverty in the preceding decade and, more recently, since the 1990s—almost entirely ignored the subject during much of the 1980s. Instead, the World Bank was preoccupied with the introduction and spread of neoliberalism in much of the developing world, through policies best summarized as “liberalization, marketization, privatization, flexibilization and/or deregulation.”\(^3\) It was in the post-1990 episode of neoliberalism that poverty reemerged as a dominant issue on the international agenda.

The shifts in the postwar international development discourse as outlined above were not strictly reflected in the development approach of individual nation states. In Turkey, for example, the five-year plans of the late 1960s and 1970s continued to be preoccupied with growth through rapid industrialization and were not much influenced by international institutions putting poverty on top of the agenda. If anything, the debate was centered on distributional issues, with poverty being regarded very much as a “soft” issue. Not only was Turkey’s incipient welfare state broadened in scope, but civil society organizations emphasizing distributional issues were beginning to assert themselves forcefully. In particular, trade unions emerged as a key societal force, as shown also by the sharp increase in the number of organized labor strikes. Although the Turkish trade union movement was much criticized for its pursuit of narrow sectional interests, concerned primarily with real wage increases, its success in this endeavor was instrumental in pushing up earnings in the rest of the economy. Moreover, in an agricultural setting dominated by small farmers, agricultural price support policies and other subsidies provided by successive governments eager to obtain the political support of the large agricultural population were also effective in removing the worst

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forms of poverty. The strong tacit social security system, as characterized by strong family ties and other aspects of social solidarity between broad sections of the population in an environment of relative macroeconomic stability, were among other factors influential in the same direction. 4

The transition to neoliberalism brought about a dramatic change in approach in virtually all countries, including countries like Turkey, in which absolute poverty had not been a major issue in the previous period. Even a cursory examination of neoliberalism and poverty indicates several important linkages between the two. Neoliberal globalization has been notoriously pro-capital, enabling the liberalization of capital movements, while restricting the mobility of labor, especially unskilled labor. The weakening of the bargaining power of labor, aggravated also by a gradual move towards more flexible labor markets, led to a dramatic change in the functional distribution of income against labor. 5 This was accompanied in most cases by the penetration of market-based policies and the removal of subsidies in agriculture, the major poverty-stricken sector. Neoliberalism was also characterized by deep financial crises in East Asia and a number of other countries (such as Mexico, Russia, Argentina, and Turkey), creating severe distributional dislocations and other socio-economic effects. 6 Such crises were also held responsible for the deterioration of the informal social support systems, with important consequences for the disadvantaged sections of the population.

In Turkey, for example, neoliberal policies were accompanied by high and variable inflation, as well as an increased informalization in urban areas without adequate legal protection, resulting in severe distributional problems. During the short period between 2003 and 2006, for example, the share of capital income (profits, interest, and rent) increased at the expense of agricultural income, while the share of wages remained almost constant. 7 A longer-term perspective on income distribution in Turkey

4 Another factor explaining the lack of emphasis on poverty during the pre-1980 period was the massive labor migration to Europe between the early 1960s and the early 1970s and the rapid increase in workers' remittances that this migration has entailed.

5 Jayadev, for example, shows a robust negative correlation between the degree of openness and the labor share in all country groups, except for low-income countries over the last two decades. See, Arjun Jayadev, “Capital Account Openness and the Labour Share of Income,” Cambridge Journal of Economics 31, no. 3 (2007).


shows an improvement in the post-war era until the introduction of neoliberal policies in 1980. The lowering of intersectoral differences in average income and the upsurge in real wages accounted for this improvement. However, in the neoliberal globalization era since 1980 the sharp increase in intersectoral differences in average incomes has begun to be reversed in more recent years, thanks to the decrease of the agricultural labor force. As a result, the main determinant of income distribution is now the disparity within the urban sector, between labor and non-labor income on the one hand, and skilled and unskilled labor, on the other.8

It must be mentioned that some elements of poverty and distributional imbalances were inherited from previous periods, rather than created by the neoliberal stance. The apparent link between poverty and the broader distributional picture on the one hand, and neoliberalism as highlighted above, on the other, should not conceal the fact that this picture can in part be traced to certain factors not directly associated with neoliberalism. Among these factors, Turkey’s long-standing regional disparities are the most prominent.9 Likewise, certain low human development indicators,10 especially in the field of education, have deeper roots than the spread of neoliberalism. However, it can safely be argued that, although neoliberalism inherited rather than created some of the important poverty and distributional indicators of Turkey, it has been either instrumental in aggravating them or ineffective in tackling them. The overall picture emerging from the penetration of neoliberalism has created an environment hardly conducive to the emergence of an effective pro-poor agenda.

Currently, the main approaches to measuring poverty in Turkey and elsewhere can be classified under several headings. The first of these is the so-called income and consumption-based approaches popularized by the World Bank, which define and measure poverty basically as the proportion of the total population that falls below a certain poverty line. The second approach, which is associated with the United Nations Development Programme (UNDP), combines in its different variants a measure of per capita income with various health and education indicators as a measure of human development. The third approach that can best be associated with

9 Regional disparities in Turkey are well-documented. See, for example, Fatma Doğrul and A. Suut Doğrul, "Türkiye'de Bölgesel Gelir Farklılıklar ve Büyüme," in İktisat Üzerine Yazılılar I Küresel Düzen: Birikim, Devlet ve Sınıflar Korkut Boratav'a Armağan, ed. Ahmet Haşim Köse, Fikret Şenses, and Erinç Yeldan (İstanbul: İletişim, 2003).
the concept of social exclusion, widely used by the European Union (EU), broadens the definition of poverty, by incorporating into its analysis elements of cultural and political disadvantages. Finally, the fourth approach, which owes its intellectual parentage to various social science disciplines, emphasizes subjective and qualitative indicators, partly obtained from the personal histories of the poor themselves.

As in many other debates, the different ideas put forward by these approaches are gradually leading to a useful synthesis whose starting premise is the realization that poverty involves factors beyond the shortage of income and consumption. The domain of the concept becomes enlarged almost by the day, to include nutrition, shelter, health, education, access to public goods and, subsequently, to information, participation in decision-making, and the nature of regime as characterized by a degree of democracy and liberty. This broadening of the concept is a welcome development, for it shows the multi-dimensional and complex nature of poverty. However, as the concept gets broader to incorporate elements that are not easily quantifiable, there is a danger that it will lose meaning and become vulnerable to misinterpretation.

As our foray into the post-war evolution of the concept at the beginning of this section has shown, we seem to have come full circle in our approaches to poverty, with the current broad definition of poverty bearing close similarity to that of the 1970s. However, the comparison between the two periods should not be taken too far, as there are three basic differences between the two. The first of these is the much greater link of poverty with the labor market in the earlier period, with a great deal of emphasis on increasing the efficiency of labor in different activities. The second is the much greater emphasis on distributional issues in the earlier period, even to the extent of the redistribution of existing assets. The third and much more fundamental difference pertains to the fact that the development discourses of the two periods are quite different from each other. It is significant that the current broadening of the concept of poverty to include qualitative issues in the social and political realm is taking place within the dominant discourse of neoliberalism. The World Bank's move in the direction of this broad definition, especially after the Asian crisis in the second half of the 1990s, with emphasis on good governance, equity,

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11 For a modest attempt in this direction for the Turkish context, see, Harun Önder and Fikret Şenses, “Türkiye'de Yoksulluk ve Yoksulluk Düşüncesi,” in İktisat, Siyaset, Devlet Üzerine Yazılıar: Prof. Dr. Kemali Say��ığı'ya Armağan, ed. Burak Ulman and İsmet Akça (İstanbul: Bağlam, 2005).
12 Erdoğan provides a good example of this approach for the Turkish case. See, Necmi Erdoğan, ed., Yoksulluk Halleri: Türkiye'de Kent Yoksulluğunun Toplumsal Görünümleri (İstanbul: İletişim, 2007).
gender equality and social development, for instance, is less convincing than it would have been within the earlier discourse. The very fact that the World Bank has been on the forefront of the transition to a neoliberal economic model in much of the Third World creates a strong suspicion in the minds of those who remember the past clearly enough to see that the World Bank's current stance has more to do with saving and deepening neoliberal reforms, rather than a genuine concern with poverty alleviation beyond its somewhat rhetorical declarations. It can then be argued that the poverty agenda is dominated by an institution, the World Bank, which has a strong and continued commitment to neoliberalism. The neoliberal view on poverty relieves society in general and government in particular of their responsibility for poverty and attributes the reasons for poverty to the poor themselves. Likewise, the solutions to the problem of poverty, according to this vision, are to be found by the poor and at best by civil society with little, if any, contribution from the state.

The neoliberal approach to poverty alleviation: The missing links
A prominent characteristic of the debate on poverty has been the emphasis on policy, rather than on an explanation of the factors that account for its emergence in the first place. The dominant approach to poverty alleviation by and large reflects the weaknesses of its explanatory base. Poverty assessments are based on quantifiable income- and consumption-based indicators, regardless of the broadening definition of poverty. A brief survey of the policy framework shows the mismatch between the tendency to broaden the definition and the main poverty alleviation policies much in vogue in the neoliberal approach.

The poverty alleviation policies high on the agenda of the dominant international organizations on the whole aim at lifting the population below a certain poverty line, with rapid growth providing the main mechanism. This is supplemented by a variety of social assistance instruments relying on government-sponsored poverty alleviation schemes which aim at providing pecuniary and in-kind assistance to families below the poverty line. In Turkey, the Fund for Social Assistance and Solidarity (Sosyal Yardımlaşma ve Dayanışma Fonu—SYDF), set up in 1986, has been active in this sphere, with an organizational framework spread evenly across the country.

With direct income transfers going out of fashion and losing effectiveness in many countries as a result of the decline of the welfare state

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14 The reflection of this vision is to be found in the decline of international aid, representing in many ways the transfer of responsibility from the international community to the nation-state itself.
and governments increasingly facing hard budgetary constraints, there has been a growing tendency to make assistance conditional on certain pre-announced objectives. Among these, the enrollment of children in school, the prevention of children’s dropping out of school, and regular health checks for infants, small children and pregnant women have been the most prominent. The USD 500,000,000 World Bank loan to Turkey under the Social Risk Mitigation Project in the immediate aftermath of the 2001 financial crisis provides a clear example of this approach, targeting in the first place women and children in poor families.

Another pillar of the neoliberal approach to poverty alleviation has been the micro-credit schemes directed at groups of poor women, modeled on the basis of the successful Grameen Bank experiment in Bangladesh. Although this scheme is rightly credited with certain useful novelties—such as empowering poor women to step into the labor market, and the development of social capital among them—it has fallen drastically short of coming to terms with the gravity of the problem. In Turkey, for example, with nearly one fifth of a population of seventy million falling below the two-dollars-per-day poverty line, the limited implementation of this scheme mainly in the southeastern regions has involved only 3,895 women, with the total disbursements under the scheme reaching a meager USD 3.4 million.15 The existence of long-established credit schemes for small-scale agricultural producers and the self-employed through two specialized public sector banks has not deterred the government from initiating the micro-credit scheme, which may be taken as a sign of its determination to privatize these public sector banks in the not too distant future. In recent years, the Turkish government has basically relied on direct in-kind transfers to the poor, through municipalities under its control and through the SYDF, leading to the opposition’s criticism that it was using this simply as a vote-catching populist device, rather than as an integral part of a well-designed poverty alleviation strategy.

On the institutional front, the neoliberal approach has relied on civil society and non-governmental organizations to fill the vacuum left behind by the retreat of the state from economic life.16 This reliance has reached such proportions that it has led one observer to argue regarding Turkey that the “increase in Washington Consensus and liberalism and elevation of

15 For a thorough description of the micro-credit scheme and other initiatives for poverty alleviation in the public and private spheres, see, Fikret Adaman and Tuğçe Bulut, Diyarbakır'dan İstanbul'a 500 Milyonluk Umut Hikayeleri (İstanbul: İletişim, 2007). Also see Bulut in this issue.

16 For a recent reiteration of this view see, Monsiapile Kajimbwa, “NGOs and their Role in Global South,” The International Journal of Not-For-Profit-Law 9, no. 1 (2006).
civil society go together." Although it would not be fair to over-generalize and view all of civil society in the same light, one can argue that civil society organizations have also been greatly influenced by the rise of neoliberalism. Unlike their counterparts in earlier decades, civil society organizations, which have prospered since the early 1980s, are less ideological, and some have rather harmonious relations with the state machinery. They tend to emphasize gender, human rights and environmental issues, rather than "class-based interests." Although they have increased in number, they have not been effective in transforming globalization into "better, just, humane and democratic governance." In this transition, the close and mutually reinforcing association between the military regime and the early crucial years of neoliberal economic policies in the early 1980s has played an important role in crushing the civil society organizations of the previous period, thereby discouraging the formation of new ones with a similar outlook and agenda for action. The existing civil society organizations are also characterized by a lack of coordination and cooperation among each other. Moreover, in some cases these organizations, encouraged and in some cases directly supported by international institutions to promote good governance, were themselves faced with charges of corruption.

As mentioned above, countries such as Turkey have had strong traditions of social solidarity. Although it is difficult to reach a reliable estimate of such transfers, there seems to be a general agreement that person-to-person assistance reaches very high proportions, especially during the so-called holy months. The lack of reliable information again precludes us from establishing the exact amount of donations to various foundations by the general public.

The outcome of poverty alleviation policies is surrounded by deep controversy. Actual trends in poverty incidence in the world as a whole cannot be firmly established. Measurement efforts are subject to errors arising from differences in methodology, the time-period of analysis, and

20 One of the most publicized cases has involved the Turkish Red Crescent (Kızılay).
the data and sample of countries used. The World Bank's estimate of a reduction in the absolute number of the poor by 400 million people during the past two decades is the most favorable and widely quoted among the available estimates. A closer examination of this figure, however, shows that it represents little progress, when compared with the actual number of the poor in the world, as well as the targets of the United Nations Millennium Development Goals. Moreover, it seems that this favorable record was in large part attributable to good progress in a handful of countries like China and India and has largely bypassed a considerable number of developing countries, especially those in Sub-Saharan Africa. The fact that India and China can hardly be classified as countries embracing the neoliberal agenda raises further questions about the ability of neoliberalism to provide an effective framework for poverty alleviation. This view is reinforced by the fact that, among the industrialized countries, the record in poverty alleviation of those strictly adhering to the neoliberal agenda (such as Britain and the United States) compares unfavorably to those countries implementing hybrid policies and incorporating a combination of interventionist and market-based policies (such as the Scandinavian countries).

In the Turkish case, too, there is no authoritative indicator on the level and trends in poverty, with the results of estimates based on surveys falling into a wide range. However, there is general agreement that in the neoliberal era, poverty has emerged as a major problem and has had a serious adverse impact on the welfare of broad sections of the population, particularly small agricultural producers, the unemployed, the underemployed, and the self-employed in urban areas.

The neoliberal approach to poverty alleviation lacks a unified approach and is at best eclectic and rhetorical in nature, falling drastically short of creating a dent into the problem. It is weak in coming to terms with the two major pillars of effective poverty alleviation—namely, asset redistribution and pro-poor growth. It shies away from the first for ideological reasons, while it does not pay sufficient attention to growth emphasizing the creation of productive employment. As my brief sketch of the situation in Turkey has shown, the poverty alleviation policies and institutions active in the field do not exhibit a collective effort and are characterized by the

22 For a detailed discussion, see, Şenses, Küreselleşmenin Öteki Yüzü: Yoksulluk.
absence of a unifying poverty alleviation strategy. In such a setting, the existing measures of poverty alleviation, as well as proposals directed to the same end (such as the provision of basic income), sound as they are in isolation, do not carry the promise to cope with large-scale poverty. Instead, they constitute an integral part of the neoliberal agenda in the field of social policy, with their emphasis on handouts in cash and/or in-kind assistance, rather than on integration of the poor into society through the labor market. As such, they are instrumental in creating a culture of dependency, which in the final analysis is blocking the way to a democratic organization of the poor.

More generally, the international institutions create a strong impression that the issue on the top of their agenda is the spread of the neoliberal approach to all countries and sectors. The inner contradictions of broadening the neoliberal agenda and championing poverty alleviation in the same breath are disregarded and even deliberately concealed. Their approach to poverty then becomes a natural extension of this vision and, thus, subservient to the broader objective of deepening neoliberalism. In this vision, the extent of poverty, encompassing large masses of people in the developing world, becomes an obstacle to the smooth transition to neoliberalism. The increased concern of international financial institutions with the issue of poverty at a time of deep financial crises posing a serious threat to neoliberalism reinforces this suspicion. Presenting poverty as a major problem on a global scale and putting into action certain piecemeal measures with limited effectiveness then become an integral part of this approach. It seems that international institutions face a basic dilemma: on the one hand, they feel that they have to recognize the existence of abject poverty on a global scale and show concern. On the other hand, their firm commitment to neoliberalism precludes them from taking decisive steps towards effective poverty alleviation, which in the final analysis requires the reversal of the deep inroads made in the direction of neoliberal globalization during the past quarter-century. This then leaves their agenda confined to palliative steps, adorned with powerful poverty alleviation rhetoric, and accompanied by extensive academic research which they generously support.

Even a cursory examination of some of the policy instruments of poverty alleviation reveals their neoliberal contents. What little emphasis these policies put on employment creation is linked to the flexibilization of labor markets. Their emphasis on the access of the poor to health and education services also goes hand in hand with a strong tendency towards privatization in these and other spheres, such as social security. Emphasis on micro-credit schemes is a step to integrate the poor into the financial
system and in line with the broad financial liberalization objective. The emphasis on good governance and financial regulation, to the extent that it aims at providing a "secure haven" for capital mobility, incorporates a strong element of pro-capital vision. In Turkey, for example, at a time of extensive institutional reforms in the financial sector, there is a striking absence of appropriate reforms in the field of poverty alleviation. Likewise, the emphasis on reducing public sector deficits and generating a primary surplus as part of the anti-inflationary program in collaboration with international financial institutions, while imposing severe restrictions on all social spending, went hand in hand with tax cuts. Fiscal policies of the governments were also notoriously silent on a pro-poor reorientation of government expenditures. It can safely be argued that attempts at poverty alleviation have not only been subordinated to the overriding objective of keeping neoliberal reforms intact, but in some cases have also been instrumental in deepening them.

The fact that international aid is at a low ebb at a time when poverty is presented as high on the agenda is a bitter paradox of our times, confirming our skepticism about the international community's sincerity concerning the poverty issue. The extensive and well-documented intervention of the United States Treasury into the preparation of the 2000-2001 World Development Report of the World Bank, insisting on the removal of distributional analysis in particular from the draft document, reinforces this skepticism.26 The fact that the World Bank yielded to this pressure, resulting in the resignation of the team preparing the report, puts into question the ability of this institution, so soon after this incident, to follow a different course of action, embracing equity, empowerment of the poor and social development as important parts of its current agenda.

If the neoliberal approach lacks an adequate basis for coping with poverty, as evidenced also by its recent record, the pertinent question is: what can be done to bring about a meaningful turnaround in approach? This is the main question addressed in the next section.


Towards a new poverty alleviation strategy: Constraints, opportunities, and new directions

My discussion above has indicated the need for a new poverty alleviation strategy as part of a broader development strategy.²⁷ The focus on development strategy is to counter the whole array of mutually reinforcing economic policies embracing the socio-economic framework, and also to remove the inconsistencies and trade-offs that might arise from the emphasis on poverty in isolation. Another reason for such a focus on development strategy is to open up the development debate beyond the short-term issues of macroeconomic stabilization, towards medium- and long-term structural problems such as rapid and sustained growth through industrial restructuring, employment creation, structural change in exports, as well as poverty alleviation. Such a reorientation of approach would also take the debate on poverty beyond short-term explanations and palliative solutions.

The new approach to poverty embedded within a development strategy would, like any such reorientation, be faced with a number of opportunities and constraints. These can be highlighted under three headings, comprising the academic, international, and domestic fronts. Starting on an optimistic note, one could draw attention to certain positive developments in a sea of constraints. On the academic front, the past two decades have witnessed a sharp increase in the poverty literature in individual social science disciplines, involving also a great deal of interdisciplinary research. A part of this research has been directed towards poverty at the community level, to come to terms with the intricacies of the subject at a finer level of detail. It has also been concentrated on the political economy aspects of poverty, drawing attention to the importance of a more equal income and wealth distribution and the role of institutions to bring about such a change in the focus of analysis. A major contribution of this research has been its emphasis on the poverty outcomes of different patterns of growth. While recognizing the importance of growth, it has drawn attention to the fact that the elasticity of poverty reduction with respect to growth varies within a wide range, between -0.2 and 3.0, depending on the initial conditions, most notably the initial income distribution.²⁸ Also on a positive note, there is increased awareness about

²⁷ Fikret Şenses, "Yoksullukla Mücadele: Temel Yaklaşımlar, Sorunlar, Kurumlar ve Öneriler," Cumhuriyet, 31 January 2005, also draws attention to the need for a poverty alleviation strategy.
poverty as a major problem on both the international and domestic levels. Some domestic and international non-governmental organizations are successfully appealing to the altruism of society at large and doing some useful work at the grassroots level. Although they may have been somewhat weakened in recent years, family support systems beyond the immediate family, various social solidarity and fraternity groups, and strong societal sensitivities towards the worst forms of poverty, which remain largely intact in countries like Turkey, augur well for the future. In the same vein, one can mention the recent successful campaign by civil society organizations in Turkey to increase the school enrollment rates of young girls.

International organizations such as the United Nations Children's Fund (UNICEF) and particularly the UNDP have joined the World Bank in the formulation of the international agenda for poverty. The development and popularization of the concept of human capital by the UNDP have been of particular importance in this respect. Domestic governments—in most cases in close collaboration with international institutions, as well as independent researchers—have widened the data base for poverty research. In particular, there has been an increase in both the availability and quality of survey and census data on subjects such as employment, income, consumption, and demographic and health indicators.29 The availability of cross-country time series and panel data has enabled researchers to make comparisons of living standards over time.30 The publication by the UNDP of various human development indicators for a large number of countries is another positive development in the same direction.

Notwithstanding the above positive factors, a reorientation of approaches to poverty is confronted with a number of serious constraints. Although one occasionally hears voices to the contrary, there are as yet no signs in the higher echelons of the so-called “international development establishment” that a significant shift in their basic approach is in sight for the near future. Key international institutions highly influential in the determination of the dominant development discourse (such as the World Bank and the IMF) remain firmly committed to the neoliberal approach. The United States government, whose influence over these institutions is well-documented, seems to be preoccupied with the prospects of a serious recession. The recent aloofness of the US administration to scenes of deep poverty in the wake of the Katrina disaster in New Orleans and the near

30 Ibid.
absence of poverty issues in the current presidential campaign indicate the government’s indifference to the poverty of its own population, let alone poverty in other, more remote parts of the world.

In the search for an alternative approach to poverty, an important factor that should not be overlooked is the narrowing of the policy space for poverty alleviation. Likewise, the anti-globalization movement does not look nearly as effective as it did a few years ago. The possibility of developing countries forming a united front on global poverty also seems to be a remote possibility.

The narrowing of the policy space for the nation-state is usually discussed in the context of industrial policy, which has become highly constrained by the nation-state’s loss of previous policy tools of intervention. Yet, the constraints in this respect are equally, if not more, insurmountable in the case of poverty. In the case of industrialization in Turkey, for example, there seems to be a broad domestic coalition consisting of different layers of business interests in support of an industrialization strategy. Despite much talk about the extent of poverty, one cannot see any sign of a similar coalition emerging regarding poverty, not least because it represents a deep-seated distributional issue requiring in the final analysis a shift in the distribution of income, wealth, and public services at different levels, including different regions and communities. The absence of a strong international and domestic will in the face of a lopsided power structure on both the domestic and international levels is therefore by far the biggest hurdle to be overcome. Analogous to the barriers before the effective participation of countries in the international decision-making processes, the poor also have a weak organizational capacity to emerge as an active and influential participant in the domestic decision-making processes. In the absence of such effective participation opportunities, the poor in Turkey have relied on the ballot box every four or five years, showing considerable volatility in how they cast their vote, often shifting from one political party to another, depending on the specific conditions they face at the time.

The initial premises of the new strategy of poverty alleviation to be developed against the background of the opportunities and constraints briefly outlined above can be summarized under several headings. The first of these is the need to recognize the fact that we face a difficult problem, with systemic characteristics dating back many years. The fact that poverty still remains a major problem in advanced capitalist countries with mature democratic political systems warns against too much optimism in our search for possible solutions. The fact that we already know that the Millennium Development Goals will not be attained in time should rein in
any temptation to set overly optimistic targets. The second premise of the new strategy should be pragmatism in recognizing the possible contributions of the existing approaches, while being careful not to allow their piecemeal and flimsy policies to capture the policy agenda and relegate alternative approaches to the background. The third premise of the new approach should be to resist attempts by the dominant neoliberal discourse to further narrow the policy space for poverty alleviation. Privatization attempts subjecting public goods like education and health to market principles, for example, should be opposed, as they in the final analysis increase the obstacles confronting the poor. Fourth, there is a need to base the strategy on the specific conditions of the country in question. The recent development experience has shown that it was those countries that have found their own way, rather than those who have passively followed the tide of received ideas emanating from the centers of development discourse, that have made the biggest inroads towards development. Amongst other lessons of the development experience is the growing realization that “institutions do not travel well,” emphasizing the difficulty of transferring institutional structures from one setting to another, and that the one size-fits-all approach does not work, meaning that there are different paths available to reach a certain objective. The fact that even international organizations active in the field have different visions and approaches about tackling poverty is a case in point. Even within Europe, one can talk of different models of capitalism and different welfare regimes. For instance, the social democratic model as practiced in Denmark—with its emphasis on employment generation, extensive unemployment benefits, and social assistance—is distinctly different from the British one. The Danish social democratic model also stands out in terms of its success in disproving the existence of a trilemma between employment, equality and budgetary restraint, as evidenced also by its overall record characterized by high rates of growth and much lower levels of social marginalization.\footnote{See, J. G. Andersen, "The Danish Welfare State as 'Politics for Markets': Combining Equality and Competitiveness in a Global Economy," \textit{New Political Economy} 12, no. 1 (2007): 74.} This model has also demonstrated that generous welfare regimes supported by high levels of taxation can contribute to social and political participation, high levels of social trust, as well as the maintenance of full citizenship among the unemployed.\footnote{Ibid.} While it is important to learn from the existing international stock of knowledge, it is also essential not to be carried away by the dominant neoliberal discourse, effectively propagated by international financial institutions.
In the design of the new strategy, the role of the state should be at center stage. During the past quarter-century, the energies of state officials have been devoted mainly to the transition to a neoliberal framework, in collaboration with the international financial institutions. The latter being the main mentors, the role of state officials has often been limited to the implementation stage. In the new strategy, they would be expected to engage in the more challenging task of drawing up the new strategy and finding ways and means of reconciling the trade-offs among competing objectives. The elevated role of the state in the new strategy would itself represent an important diversion from the existing approach, as it is characterized by the state’s minimal role. Another divergence from the existing approach would be to bring about a more balanced reliance on domestic and international markets. The heavy reliance on external markets has been accompanied by cut-throat competition, especially in labor-intensive activities. Maintaining external competitiveness in these activities has often meant labor redundancies, downward pressure on wages, and/or deterioration of labor standards, with obvious adverse consequences in terms of poverty. Increased reliance on domestic markets, in contrast, would require a rise in the purchasing power of the poor to enlarge the domestic markets.33 Striking the right balance between specialization for the domestic market, as opposed to external markets and the sectoral composition in each market, would be a task for planners, involving careful consideration of specialization patterns and likely future trends in world markets.

Yet another objective of the new approach diverging from the existing one would be its emphasis on productive employment creation, rather a reliance on social transfers to the poor. Not only will this provide the poor with a continuous and reliable source of income, it will also empower them by creating a sense of belonging to the mainstream of society. Redistribution should be another main pillar of the new strategy, relying also on fiscal instruments. The tax structure as well as the pattern of government expenditure should be radically revised, with a view to increasing government resources in order to broaden the scope of social assistance and increase the access of the poor to public services, most notably in health and education.

More specifically, there should be an increased emphasis on effectively targeting resources to the poor. Detailed targeting does not prevent leakages to the non-poor, because it is often associated with malpractice.

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and corruption on the part of both the providers and recipients of assistance. The fact that detailed targeting is difficult and costly to implement, not least because it often requires extensive means-testing, should lead to the exploration of other avenues. In this regard, the regional concentration of the poor and socio-economic indicators of the country should guide the policy-makers towards the poor as, if not more, effectively as extensive means-testing and at much lower cost. Indicators such as literacy rate, especially female literacy rate, access to improved water resources, and the average education level of the labor force, for example, provide clear indicators of what is to be done. In Turkey, for example, virtually all studies, including those on the income-consumption metric or the human development indicators, show a heavy concentration of the poor in the eastern and southeastern regions, pointing to the need for developing appropriate regional policies.

Historical studies have indicated that the threat of the spread of infectious disease from the poor to the prosperous areas and the threat of crime and violence that poverty engenders have been the main leverage of the poor to make those in power show concern about poverty. In more recent years, the violence in some countries experiencing a severe economic crisis and the threat of social explosion in others has provided another form of leverage, prompting domestic authorities and international organizations alike to take immediate and appropriate action. Although such leverage has been useful, the new strategy should complement these with more reliable steps to generate an impact beyond the short term. Such steps should aim, in the first place, to increase awareness to develop effective domestic as well as international constituencies. The success of such steps requires democratization and the building of large and effective coalitions on both the domestic and international levels. Social democratic parties in particular should be an integral component of the domestic coalition. They should formulate a pro-poor agenda and campaign for the allegiance of the poor on that basis. Embracing wider objectives, including poverty alleviation, should be an effective way for the trade union movement to stop its decline, consolidate itself and reemerge as an effective societal force.

In the international sphere, too, increased cooperation among pro-poor official and civil society organizations should be accompanied by putting

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34 For details, see, Pamuk, Economic Change in Twentieth Century Turkey.
35 See, Şenses, Küreselleşmenin Öteki Yüzü: Yoksulluk. The fact that studies have also linked this concern with violence, terrorism, infectious disease, and poverty in the developing countries with the US national interest is rather telling in this respect. See, http://www.cgdev.org/doc/blog/obama_strengthen_security.pdf.
36 For details see, Şenses and Koyuncu, “Socioeconomic Effects of Economic Crises.”
forward meaningful proposals for poverty alleviation on a global scale, and by conducting effective campaigns for their adoption. The recent proposals put forward by a development practitioner—involving the establishment of global sources of funds for development finance through currency transaction tax, environmental taxes, and taxes on arms trade—certainly merit careful debate.

References


Why so Few Women in the Labor Market in Turkey?

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WHY SO FEW WOMEN IN THE LABOR MARKET IN TURKEY?

İpek İlkkaracan

ABSTRACT

Turkey has one of the widest male–female employment gaps in the world. The post-1950 interplay between economic growth strategies and the male-breadwinner family led to distinct gendered labor market outcomes in the import-substitution versus the export-led growth periods. Examination of aggregate employment data in the 1955–2009 period, as well as regression analyses of household survey data for 1988, 2000, and 2008 and qualitative data from a 1997 field study, show that the lack of a demand-side challenge to the male-breadwinner family resulted in the institutionalization of the gendered labor division and roles as binding constraints on women’s labor supply. The prevalence of informal sector employment and absence of paid work–family reconciliation measures magnify these supply-side constraints. Social conservatism is a more limited constraint, while men’s unemployment emerges as a counteracting factor. Nevertheless, women’s desire for increased autonomy emerges as the primary motivation for entering the labor market.

KEYWORDS

Labor force participation, gender, Middle East and North Africa (MENA), Turkey

JEL Codes: J21, J71, O53

INTRODUCTION

The Middle East and North Africa (MENA) region has been identified in a number of international studies and reports for having the largest gender employment gap, and as such, is seemingly insulated from the global trend of labor market feminization observed elsewhere (see International Labour Organization [ILO; 2010]; United Nations [UN; 2010]; and World Bank [2004]). The Turkish gender employment gap has been no exception, despite Turkey’s long-standing leading position in the region in terms of industrialization, economic growth, democratization, and women’s rights. This contribution explores the gendered patterns of labor market participation in Turkey that have resulted in one of the widest gaps globally. The argument is placed in the context of the literature on the
MENA region and Turkey through an integrated approach that uses aggregate labor market data for the period 1955–2009; micro data from household labor force surveys (HLFS) in 1988, 2000, and 2008; and in-depth field study data from 1997 to investigate women’s employment.

According to the official statistics for 2009, only 26 percent of the adult women in Turkey participated in the labor market, compared with 71 percent of men (Turkish Statistical Institute [TSI] 2009). Of the limited supply of women in the labor market, more than one-third are unpaid family workers mostly in the rural agricultural sector. Leaving these unpaid workers out, the urban women’s labor force participation rate is even lower at 22 percent as opposed to 70 percent for urban men. This marks only a 4 percentage point increase in urban women’s participation rates since 1988, a time period during which Turkey has undergone fundamental structural change under market liberalization. The dissolution of small-scale family farming during this period resulted in ever-declining participation rates for rural women. Given a relatively low increase in urban women’s participation, the overall trend in their labor force participation rate has been a declining one. Due to women’s extremely low levels of labor market activity, in 2009 Turkish women’s economic activity rate ranked 206th among the 215 countries listed in UN statistics, followed by one South Asian and eight MENA region countries (UN 2010).

The lack of progress in women’s employment rates, despite Turkey’s sustained economic development, has prompted an increasingly vocal Turkish women’s movement to call for active policy measures. The approval of Turkey’s candidate status with the European Union in 1999 has provided further impetus for the policymakers to address the issue of women’s low employment rate. The EU Lisbon criteria set the minimum targets for all member nations’ employment rates of women and men at 60 and 70 percent, respectively (Council of the European Union 2000). The 22-percent employment rate of Turkish women as of 2009 is far behind the target, pulling down the national (women and men mixed) employment rate to as low as 41.2 percent (TSI 2009).

This study’s integrated approach entails a three-tiered analysis, as follows. First, at the macro level, I look at the evolution of women’s employment through the course of economic modernization since the 1950s and its interactions with growth patterns and industrialization strategies. I show that the male-breadwinner family and “the patriarchal contract”—in Jennifer C. Olmsted’s (2005b) terms—have been enhanced under the import-substitution industrialization (ISI) period of 1950–80. While the export-led growth and market liberalization drive that started post 1980 triggered a slow but steady increase in the women’s share of nonagricultural employment, overall labor demand growth was not strong enough to compensate for the rural labor surplus of women released from agriculture.
Second, at the micro level, I argue that given the lack of a strong enough macroeconomic growth and demand-side challenge to the male-breadwinner family, the gender division of labor and gender roles have been institutionalized as binding constraints on women’s labor supply. While university-graduate women, a minority, remained an exception for having substantially higher labor market activity, I find that marriage and motherhood exert a substantial negative impact on women’s labor market engagement. This impact is magnified particularly for women with less than university education in the absence of legal and institutional paid work–family reconciliation mechanisms. The prevalence of informal sector employment further enhances this negative effect, while men’s unemployment emerges as a consistent strong push factor through time as well as across education groups, underlining women’s secondary earner status.

Finally at the micro level, qualitative data from a comprehensive field survey exploring women’s preferences with respect to labor market engagement shows that women are diverse in their approach to paid work: those who prefer labor market engagement in their desire for increased autonomy constitute the majority even at low levels of education, yet a non-negligible minority willingly participates in the patriarchal contract in defense of their living standards. Social conservatism and the requirement that women acquire their husbands’ consent emerge as obstacles for a relative minority of women.

THE GENDER EMPLOYMENT GAP IN THE MENA REGION AND TURKEY

The cultural-social restrictions that Islam is said to impose on women are frequently used as an explanation for the world’s lowest rates of women’s employment in the MENA region. Nevertheless, this simplistic view is increasingly challenged. For example, Valentine M. Moghadam (1995; 2001) suggests that, as elsewhere, the industrialization and growth strategies adopted and their interactions with the international economic context influence the extent to which local cultural and social factors matter in shaping women’s labor force participation patterns in the MENA region. Accordingly, the prolonged dependence in most MENA countries on an oil-financed, capital-intensive, ISI strategy restricted the opportunities for an expansion of women’s employment. Moghadam’s approach derives from the Marxist-feminist analytical framework, which explores the interactions between capitalism and patriarchy as two parallel systems and interprets the gendered outcomes as instances of capitalism either accommodating or eroding patriarchy (see for example, Susan Himmelweit and Simon Mohun [1977]; Maxine Molyneaux [1979]; Heidi Hartmann [1981]).
A supply-side interpretation of this theoretical framework suggests that the oil and related revenues have sustained relatively high income levels in the region, which helped to maintain the traditional male-breadwinner family (Massoud Karshenas 2001; Massoud Karshenas and Valentine M. Moghadam 2001). The maintenance of the patriarchal family and women’s exclusion from the labor market have, in turn, blocked the wage competitiveness of these MENA economies in international markets and locked them into a vicious cycle of low growth patterns, low private investment, increasing unemployment, and women’s further exclusion from the labor market (Karshenas 2001).

A demand-side interpretation by Ragui Assaad (2005)—focusing on the specific case of Egypt—argues that oil-related revenues maintained high real exchange rates, which resulted in relatively stronger employment growth of the nontradable sectors (construction and services) that typically employ men than the labor-intensive tradable sectors that typically employ women. Under neoliberal policies and Egypt’s drive for privatization, the public sector, an important employer of women, shrank, also contributing to the defeminization of the labor force. This trend continued to dominate even as oil prices collapsed and the exchange rate depreciated in the post-1986 period in Egypt. The tourism sector emerged as an important generator of foreign exchange earnings, but the expanding job opportunities here were also taken up by men—including some jobs in tourism typically held by women, such as housekeeping. Assaad reverts to inhibiting social and cultural factors to account for these trends: the conservatism prevalent, particularly in the tourist regions of Southern Egypt, as well as women’s limited geographical mobility due to their household responsibilities (Assaad 2005; Ragui Assaad and Melanie Arntz 2005).

Thus, the macroeconomic growth patterns that are unfavorable to women’s entry in the labor market in the region have led to the institutionalization of a strong “patriarchal social contract” in most MENA countries between the state and the male-breadwinner family through the legal and social framework of safety nets, whereby men are the direct beneficiaries and women are dependents (Jennifer C. Olmsted 2005a, 2005b). As a number of studies have shown, such institutionalization produces negative-feedback effects on the ability of economic growth to integrate women into the labor market. A comparative study of sixty-six developing economies shows that in MENA, South Asian and Sub-Saharan African countries, an unfavorable institutional environment (quantified as a composite index of local traditions, customs, explicit or implicit laws such as age of marriage, freedom of movement and dress, potential authority over children) acts as a serious impediment to economic growth and women’s access to the labor market (Christian Morrison and Johannes Jütting 2004). It is worth noting that while Turkey’s social institutions index
value, as calculated in this study, is the least discriminatory in the MENA region, Turkish women’s share of wage employment is, nevertheless, in line with the regional average.3

A commonly raised question in feminist literature on women’s labor market engagement is whether increases in paid employment are necessarily synonymous with empowerment. The answer to this question is important, as the employment–empowerment relation will also shape women’s own preferences with respect to participation. As Jane Humphries (1977) argues in a classic contribution, whether labor market engagement entails a liberating process varies by class; working-class women’s unwillingness to participate in the labor market can be interpreted as a sign of resistance to exploitation through wage labor and an effort to preserve working-class families’ quality of life. Furthermore, to the extent that women are pushed into wage labor due to economic hardships, end up with poor pay and working conditions, face the double burden of reproductive work, and continue to be more economically vulnerable than men, an increase in paid employment might not necessarily produce net positive welfare effects on women (Diane Elson 1999). Hence women’s absence from the labor market can be reflective of their own preferences in defense of living standards, though these preferences are invariably embedded in a gender-discriminatory social, cultural, or economic context.

While acknowledging that the patriarchal social contract is by no means an optimal arrangement for women, Moghadam (2001) and Olmsted (2005b) suggest that, in the MENA context, women may support it in view of the negative net welfare effects of its erosion. Olmsted (2005a), for instance, shows that lower rates of poverty among women in the region are associated with the continued strength of the male-breadwinner norm and the absence of women-headed households, which are often observed as the source of poverty elsewhere.

The relevant scholarly literature by researchers in Turkey has been somewhat incognizant of the debates on the MENA region. To the extent that these researchers adopt an international perspective, the Turkish situation has been contextualized in reference to the EU or the Organisation for Economic Co-operation and Development (OECD), rather than the MENA region; and for most part, the question of low women’s employment has been framed in the context of the conventional microeconomic neoclassical labor supply model. A standard conclusion of these studies is that women’s low participation rates are due to their low levels of human capital; and by implication, improving women’s educational opportunities emerges as their main—and usually their only—policy recommendation (Şenay Üçdoğan and Tunç Demirbilek 1995; Meltem Dayıoğlu and Zehra Kasnağolu 1997; İnsan Tunali 1997; Meltem Dayıoğlu 2000; Aysıt Tansel 2001; Meltem İnce and Hulusi Demir 2006).
Most empirical studies by feminist economists and social scientists, on the other hand, have relied on field surveys of women to examine their low labor force participation. These studies show that women’s decisions not to participate in the labor market are heavily shaped by the priority given to their roles as mothers and wives (Ipek İlkkaracan 1998; Ayşe Eyüboğlu, Şemsə Özar and Hülya T. Tanrıöver 2000; Saniye Dedeoğlu 2010). For example, based on interviews with women wage workers in a subprovince of Istanbul, Dedeoğlu (2010) shows that even when women do participate in the labor market, their patterns of participation are shaped by their secondary-earner status and organized around the need for flexible employment conditions in an effort to accommodate their household responsibilities.

To sum up, the MENA literature on women’s labor market engagement focuses particularly on the interactions between macroeconomic growth patterns and policies and traditional gender norms to explain women’s regional participation patterns. The Turkish literature, on the other hand, has developed in two ways: either relying on conventional quantitative microanalysis and highlighting the importance of higher education, or focusing on obstacles posed by gender roles based on qualitative field research. This study attempts to provide an integrated account of the reasons for women’s low and stagnant levels of labor force participation in Turkey by bringing together these different levels and frameworks of analysis.

FROM ISI- TO EXPORT-LED GROWTH AND MARKET LIBERALIZATION: THE EVOLUTION OF WOMEN’S LABOR FORCE PARTICIPATION

Transformation of women from unpaid family workers in agriculture to full-time urban housewives under ISI (1950–80)

Many developing economies in the post–World War II period engaged in ISI policies that have resulted in the widespread adoption of capital-intensive production techniques. Given steady supplies of labor surplus released from a decreasingly viable agricultural sector, ISI-led economic modernization has been prone to labor absorption problems. Feminist literature points out that the gendered nature of labor absorption under ISI leads to a male-breadwinner bias (Diane Elson and Nilüfer Çağatay 2000). A common gendered outcome of ISI has been the dampening of women’s labor force participation (see Kathryn Ward [1986]; Jean Pyle [1990] for Ireland; Alma Espino and Paola Azar [2008] for Uruguay; Rosalba Todaro [2008] for Chile). In many developing economies, the subsequent switch to export-led growth has turned the trend around for
women, resulting in feminization of the labor force. However, labor absorption has continued as a structural problem, given the availability of advanced technologies and the increasing instability of growth under financial liberalization.

Turkey is a case in point. In the early phases of economic modernization following the foundation of the Republic in 1923, the structural transformation away from agriculture toward industry was initially a slow one. The industrialization process was led by state-owned enterprises while small-scale family farming continued to dominate as the primary form of employment for both men and women. In 1950, the agricultural share of employment remained as high as 85 percent. With the emphasis on ISI policies in the early 1950s, the dissolution of small-scale family farming picked up speed and rural–urban migration patterns provided the urban labor market with plenty of labor surplus.4

Figure 1 shows that under the ISI period (1955–80), men’s nonagricultural employment growth perfectly accommodated the absorption of the male labor surplus, while the growth of nonagricultural jobs among women was only meager. In this period, the urban population of working age grew by 7.7 million people (with almost equal shares for women and men) and nonagricultural jobs increased by 4.7 million. This means approximately sixty new nonagricultural jobs were generated for every hundred new people added to the adult urban population. The majority of the new jobs (more than 4 million) went to men. There was at least one male job created for every additional urban adult man added to the population; on the other hand, for every hundred additional adult urban women, only 16.7 new female jobs were created under ISI.

Figure 1: Trends in urban adult population and nonagricultural employment by gender
Hence the initial decades of the modern growth process in Turkey facilitated the development of urban labor markets as a predominantly male institution, accompanied by what Veronika Bennholdt-Thomsen (1987) calls a “housewification” process for women. Sociologist Ferhunde Özbay (1998) characterizes the ISI as a period when women of rural origin with little schooling were happy to become the mistresses of their own houses upon migration to the city. By 1980, as the ISI strategy exhausted its limits, the number of women who defined themselves as full-time homemakers was around 8 million, which corresponded to 85 (60) percent of nonparticipant women (adult population). This made full-time homemaking the most popular profession for women, followed by unpaid agricultural family work, in which approximately 5.5 million women made up 81.2 percent of employed women (State Institute of Statistics [SIS] 1981). University-graduate women remained an exception as they were absorbed into professional employment, with a large share in the public sector. Public officials and statesmen often pointed to this minority of women in professional occupations as evidence that the republican reforms of the early twentieth century had succeeded in granting Turkish women equal rights. Yet university graduates constituted as little as 1.6 percent of the population of adult women age 25 and older in 1980. When three decades of ISI policies ended in 1980, women’s share of nonagricultural employment had increased to merely 12 percent (SIS 1981).

Tracing the weak signs of feminization under market liberalization (1980–2009)

The switch to export-led growth and market liberalization from the early 1980s onwards has been a mixed blessing for Turkey’s economic development. There was robust economic growth under trade liberalization, but the financial liberalization of 1989 brought in destabilizing short-term financial flows and periodic economic crises similar to other developing economies. In the Turkish case, the economic downturns included the 1994 and 2001 currency crises, as well as an interim 1999 crisis triggered by the 1997 Asian and 1998 Russian crises and the 2008 crisis triggered by the global context. Overall, the nonagricultural employment generation capacity of export-led growth fell short of absorbing the labor surplus emerging from natural urban population growth plus rural–urban migration, and subsequently, two-digit unemployment rates have become the top policy agenda item. Figure 1 shows that from the 1990s onwards, employment generation started to trail population growth for men as well. Only forty-seven new jobs were created for every 100 men added to the adult population under market liberalization. Interestingly, however, despite the substantial slowdown in the labor absorption capacity of economic growth, the employment to adult
population growth ratio exhibited a slight improvement for women in this period, with 19.3 new jobs generated for every 100 women added to the urban female population.

The speeding up of urban women’s labor absorption relative to men’s manifested itself as a gradual feminization of the urban labor market in the export-led industrialization (ELI) period. Women’s share of nonagricultural employment started out at a low of 8 percent in the 1950s, to reach only 12 percent by the end of ISI in 1980 (Figure 2). From that point onwards, it took a clear upward turn and increased steadily to 21 percent by 2009. The feminization trend in nonagricultural employment in Turkey stands in contrast to the defeminization trend that Assaad (2005), for instance, finds for Egypt. Yet it is not strong enough to compensate for women’s declining share in total (agricultural plus nonagricultural) employment as shown in Figure 2. Women’s absorption into urban nonagricultural employment only partially compensated for the shedding of unpaid women family workers in agriculture.

Hence as far as women’s share of the total labor force is concerned, Turkey seems to conform more to the dominant MENA region trend of no feminization than to other developing economies with similar liberalization experiences. A comparison with a number of non-MENA developing economies shows that not only did Turkey start with a substantially lower share of women in its labor force in 1980 (26 percent in Turkey versus 31.5 percent in Brazil, Argentina, and Indonesia, 37 percent in Korea; and 47 percent in Thailand), but also that this gap widened over time as Turkey’s female ratio stagnated and the others’ increased (Figure 3).6

In those countries where feminization under ELI has been observed, it took place through the changing composition of employment toward

![Figure 2 Trends in women’s share of nonagricultural and total employment](image)

*Figure 2* Trends in women’s share of nonagricultural and total employment

labor-intensive manufactures, producing a demand-pull effect on women’s low-cost labor. The demand composition analysis in Table 1 shows that export manufacturing has contributed to women’s increasing employment under market liberalization in Turkey as well, yet the service industry has been the real engine of not only feminization but also of overall job generation. The service sector contributed 75 percent of the net jobs created in the 1980–2009 period, versus only 22 percent by manufacturing.

As far as sectoral contributions to women’s employment are concerned, the community, social, and personal services sectors—while only third in overall employment generation—were the engine of women’s employment generation, contributing 37 percent of women’s jobs (only 10 percent for men). The trade, restaurant, and hotel sectors followed second with 29 percent (44 percent for men). Hence both service subsectors had higher contributions to women’s employment than manufacturing, which contributed 19 percent (versus 23 percent of men’s jobs).7

The educational composition of the workforce by sector shows that the manufacturing and service sectors catered to different groups of women (Figure 4). In 2008, 62.6 percent of the women and 64.8 percent of the men employed in the manufacturing sector had no more than primary-level education. In the service sector, on the other hand, 72.8 percent of the women had high school and university education versus only 46 percent of men. While women’s overall educational level in both sectors has been increasing, manufacturing continues to be dominated by women workers.

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Figure 3 Trends in women’s share of labor force in Turkey and other selected developing economies

Sources: World Bank (2012).
with primary education or less; and the service sector by those with a high school education or higher.

Hence the changing composition of demand under export-led growth in Turkey has only partly paralleled the trends observed in other developing economies, through absorption of women (and men) with lower education into expanding export-manufacturing jobs with low pay.8 Domestic demand in the nontradable sector predominantly led overall employment growth. Demand for higher-educated women workers in the

### Table 1 Sectoral contribution to employment generation by gender, 1988–2009

<table>
<thead>
<tr>
<th>Sector</th>
<th>Out of every 100 new jobs created</th>
<th>Out of every 100 new female jobs created</th>
<th>Out of every 100 new male jobs created</th>
<th>Out of every 100 new jobs in this sector, the number that went to women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade, restaurant, and hotel</td>
<td>39</td>
<td>29</td>
<td>44</td>
<td>25</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>21</td>
<td>19</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Community and social services</td>
<td>19</td>
<td>37</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>Finance</td>
<td>14</td>
<td>13</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Transport</td>
<td>5</td>
<td>2</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Construction</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Electricity, gas, and water</td>
<td>1</td>
<td>0.1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>-2</td>
<td>-0.2</td>
<td>-3</td>
<td>-3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>-</td>
</tr>
</tbody>
</table>

*Sources: TSI 1988, 2009.*

![Figure 4 Educational composition of women’s employment: Manufacturing versus services](image)

*Sources: TSI 1990, 2008.*
service subsectors, rather than the export sector’s demand for lower-educated women’s labor, provided a stronger impetus for increasing women’s employment.

**Export performance, market liberalization, and affordability of the male-breadwinner family: Turkey in comparison to the MENA region**

That manufacturing was an inferior source of overall job generation compared with the service sector is indicative to some extent of the limited success of Turkey’s export performance under ELI. The literature review suggests that a prolonged ISI strategy based on oil and related revenues is the source of poor export performance (and of weak growth of women’s employment) in the MENA region, through either maintenance of high wage levels (Karshenas 2001) or overvalued exchange rates (Assaad 2005). I show that Turkey has suffered from both effects to some extent. These effects were based, however, on different underlying dynamics from other MENA countries, as Turkey has no access to oil-related foreign exchange earnings.9

Taking Turkey as one of his examples, Karshenas (2001) shows that real manufacturing wages in Turkey, as in most other MENA countries, maintained high levels throughout the 1960s and 1970s compared with the developing economies of Asia and Latin America. Some of the latter had already started with ELI policies in the late 1960s and 1970s. Turkey, like most MENA countries, was a relative latecomer to global markets. Wage repression kicked in initially in the 1980s after the launch of the liberalization drive, but recovered fairly quickly in the late 1980s and early 1990s. Karshenas (2001) points to the early 1990s wage recovery in Turkey as evidence of the limits to wage repression of neoliberal policies challenged by the patriarchal contract.

The wage recovery of the early 1990s was indeed caused by a challenge from labor unions, particularly in the public sector, with spillover effects onto private sector wages. As market liberalization started in 1980, the manufacturing sector was dominated by a strong tradition of unionization and collective bargaining practices that had become well established under the ISI period.10 One of the manifestations of interactions between gender ideology and political economy in Turkey has been the (extremely male-dominated) unions’ wage negotiations, which traditionally kept an exclusive focus on the maintenance of the “family wage,” given the male-breadwinner family’s dominance in the urban context under ISI. Market liberalization was instigated under the military coup of September 1980, whereby unionization and collective bargaining rights were suspended, leading to severe real wage repression in the manufacturing sector by one-third from 1979–88.11 The lower labor costs triggered an export boom, particularly in the textile and garment industries, which are
important employers of women. A return to democratic parliamentary processes in 1983 was followed by gradual recovery of union activity. Through a short-lived challenge of collective bargaining, the manufacturing real wage rate registered a phenomenal more than a twofold increase between 1988 and 1993 (Erol Taymaz, Ebru Voyvoda, and Kamil Yılmaz 2009).

Yet, taking the story onward from where Karshenas (2001) has left it, the real wage increase in Turkey was effectively reversed by the 1994 economic crisis and declined further through the 2001 and 2008 crises. By the late 2000s, the real manufacturing wage rate was about 80 percent of its 1980 level. Turkey embarked on ELI with high labor costs, gained an advantage through wage repression throughout the 1980s, and lost this cost advantage in the early 1990s; but from then onwards, its labor costs have moved in tandem with its comparable competitors in global markets such as Mexico.

As falling real wages contributed to the increasing international competitiveness of Turkish exports in the post-1994 period, a counteracting effect has been real exchange rate appreciation. In the case of Turkey, this was caused not by oil reserves, but by the high interest rates that became a persistent component of monetary policy under financial liberalization. The ELI policies produced a manufacturing sector increasingly dependent on imported inputs, and the current account deficit emerged as a structural characteristic of the economy. The attraction of short-term (speculative) foreign financial flows through high interest rates has been the main mechanism for sustaining the current account deficit. Tight monetary policy was also justified for controlling domestic inflation. Steady financial inflows combined with decreasing inflation in the 2000s resulted in real exchange rate appreciation. Under these circumstances, the source of competitiveness of Turkish exports has increasingly shifted from labor-cost advantage, women-dominated sectors such as textiles and garments to value-added and productivity advantage, men-dominated sectors such as motor vehicles, machinery, and equipment. Hence the high interest rate policy has been another factor dampening the capacity of ELI to enhance women’s employment in Turkey.

Counteracting this dampening effect were declining wages, as discussed above, and also the substantial increase in men’s unemployment through the economic crises of 2001 and 2008. Both trends (declining real wages and increasing unemployment rates) have been increasingly important factors that threatened the earning power of the male breadwinner under market liberalization. The urban men’s unemployment rate climbed from its stable single digit levels around 8–9 percent in the 1980–99 period to 13 percent in 2002 and 15.6 percent in 2009. The marked increases in married women’s participation in the economic crisis years are noteworthy and provide evidence of an added worker effect, which I explore further in the
The 2008 HLFS data reveal that of close to half a million urban women who were full-time homemakers in the previous year and entered the labor market, 276,000 were employed, and 157,000 were looking for a job.

To sum up, Turkey has conformed to some of the macroeconomic trends of the MENA region such as a prolonged ISI, relatively high wages based on the male-breadwinner norm, and overvalued exchange rates with repercussions for its export performance, which reduced the attractiveness of women’s employment in export sectors observed in other developing economies. Yet the dynamics and outcomes have also diverged from the MENA trends in some important ways. In the absence of oil revenues, wage repression under market liberalization has been severe despite the attempts by labor unions to sustain the family wage as long as they could under ELI. Turkey did experience an early export boom in the labor-intensive sectors, which produced positive demand effects for women’s employment. Moreover, frequent economic crises led to rising men’s unemployment that pushed women into the labor force. Yet the instability and the slowdown in the overall labor surplus absorption capacity of growth observed under market liberalization, as well as the shifting composition of exports toward typically male sectors, have counteracted demand-side effects. As a result, the feminization impetus has been rather weak. As of 2009, over 12 million women (corresponding to almost half of the adult female population) declared full-time homemaking as the reason for nonparticipation.

INSTITUTIONALIZATION OF THE PATRIARCHAL CONTRACT: THE GENDERED DIVISION OF LABOR AND ROLES AS BARRIERS TO WOMEN’S LABOR SUPPLY

The legal and institutional framework

Unlike other MENA countries, Turkey is not a resource-based economy; however, Turkey does share the region’s religious and historical heritage. Women were granted equal rights in the early twentieth century through a series of legal reforms at the foundation of the Turkish Republic as a secular state, which was unique in the regional context. However, gender-discriminatory traditions and practices such as honor killings, condemnation of premarital male–female interactions, and the concept of preservation of family honor as a justification for limiting women’s freedom of movement have persisted (İpek İlkaracan and Pınar İlkaracan 1998).

The male-breadwinner/female-homemaker family has also been reflected in the Turkish legal and social security framework. Up until the
reform of 2003, the Turkish Civil Code defined men as the head of the family and breadwinner and women as homemakers; it also made married women’s labor force participation conditional upon their husbands’ approval (although in practice this was not enforced as a legal obligation). This gendered division of labor inscribed in the Civil Code was basically the only clause that discriminated by gender: all other issues, such as marriage, divorce, child custody, and inheritance, contained gender egalitarian norms ever since the first enactment of the Turkish Civil Code in 1937. The secular and gender egalitarian nature of family law made Turkey unique in the context of the MENA region; yet it is noteworthy that the discriminatory clauses relating to the gendered division of labor were maintained until the reform of 2003.14

Similarly, the social security system in Turkey is biased toward men, as state-provided benefits are conditional upon an individual’s registered labor market participant status (Şemsə Özər 2008). While such male bias is a characteristic of social security systems in many countries, the combination of very low women’s employment rates and widespread informal employment magnifies the extent of the bias in Turkey. Given that three-quarters of adult women are nonparticipants, and half of the participants are unregistered, a majority of women are excluded by definition from direct access to the social security system. They have only indirect access as dependents in their status as wives, daughters, or mothers of men, to the extent that men are eligible for social security benefits. A woman has access through her formally employed husband, as long as she remains married; or through her formally employed father, as long as she remains unmarried and nonparticipant. Such entitlement is offered to male children only through age 21. Until the reform of the social security law in 2008, women participating in the labor market required a shorter term of service than men for retirement eligibility in recognition of their reproductive responsibilities; yet the terms have been equalized for both men and women with the reform. The pressures on the government to reduce the social security deficit under the neoliberal policy agenda, however, led to serious reductions in the benefits accessible to women as indirect as well as direct beneficiaries.

There are hardly any provisions in Turkish law for work–family reconciliation measures, and to the extent that they exist, they are based on an inherent patriarchal assumption that reconciliation is a problem that pertains to women only. Labor law grants sixteen weeks of partially (fully) paid maternity leave to private (public) sector employees; while only public servants have paternity leave rights for a symbolic period of three days. The sole legal obligation for the provision of childcare services was integrated into labor law in 1953, whereby workplaces with more than 150 women employees are required to provide a childcare center for their employees. This meant the majority of the paid workplaces were freed of the
obligation, since they have fewer women employees. Even in the large firms, most employers either try to bypass the obligation by keeping the number of women hired under the limit or simply do not fulfill their legal obligation, secure in the knowledge that there is hardly any public enforcement. While public workplaces have generally complied with the obligation, there has been a reduction in the number of the public workplace childcare centers—again under pressures of budget cuts following the 1994 economic crisis (Yıldız Ecevit 2010).

The Turkish State assumes no legal responsibility for provision or subsidy of childcare or preschool education. The starting age for primary school education has been decreased from age 6 to 5 with recent efforts to extend pre-primary classes to 5-year-olds. Yet as of 2009, the public schools accommodated only 61 percent of 5-year-olds (Ecevit 2010). There are few public subsidized preschools or childcare centers for children under age 5, and those that exist are primarily attached to the public workplaces in compliance with the labor code. As a result, the preschool enrollment rate for children under age 5 is only at single digits and primarily includes enrollment in private institutions for children of high-income, high-education families.

For the majority of women with low education and household income, access to childcare support is virtually impossible. A survey by the Turkish Statistics Institute in 2006 (TSI 2006) found that in 91.3 percent of the urban households with children age 0–5, the mother is the primary caregiver, while paid care makes up for as little as 2.8 percent (1.2 percent in kindergarten; 1.6 percent with a nanny). The nationwide Population and Health Survey shows that even among women participating in the labor market, as many as 37 percent report that a female relative is the main caregiver for her preschool age children (Hacettepe University 2003). Grandmothers and older sisters constitute an important source of care provision (41 percent). Preschool or paid care at home makes up for as little as 8 percent, even in those cases where the mother is a labor market participant. Yet there is great variation among the different groups of women by employment status. For women in public service (predominantly with university diplomas), institutional care (33.7 percent) or paid home-based care (31.5 percent) are the main sources of care provision, while for the private-sector employees these ratios are lower at 10.1 and 8.4 percent respectively (Hacettepe University 2003).

It is worth noting that the institutionalization of the gender division of labor has also turned into an autonomous factor shaping the political discourse and outcomes in Turkey. By the 2000s, women who are full-time urban homemakers constituted a prominent component of the Turkish electorate. In 2002, a religious conservative party (the Justice and Development Party [AKP]) was elected for the first time in the history of the Republic to run the government. It was widely acknowledged that the
mobilization of women in the low-income urban neighborhoods made an important contribution to the AKP’s share of the popular vote. The AKP, as the embodiment of rising political Islam in Turkey, has effectively utilized the labor surplus of millions of urban homemakers in building up its electoral success. The women’s branch of the party has been an increasingly active force contributing to the increase in the party’s popular vote in the local elections of 2007 and the general elections of 2008.

In return, the discourse of the leadership of AKP has increasingly emphasized the priority of women’s roles as mothers and wives. In 2010, at a meeting that Prime Minister Recep Tayyip Erdoğan held with women’s organizations, he “confessed” that he did not “believe in the equality of men and women,” insisting that “they are born with different natures that complement each other” (Kazete 2010). He was supported by a number of other participants at the meeting who represented conservative women’s organizations promoting protection of the family. This statement came shortly after his response to some nongovernmental organizations’ demands for subsidized childcare, where he shared his ambivalence on the issue by expressing his belief that children are better raised by their mothers.

Women’s organizations promoting protection of the traditional family have proliferated under the rule of the AKP in the past decade. This rise has paralleled a shift of the official discourse on women and development from an emphasis on individual empowerment and human rights to an emphasis on empowerment of the family and social cohesion. Thus the issue of women’s employment and related gender inequalities in Turkey can be said to be immersed in the vicious cycles of adverse path dependency: as macroeconomic growth patterns of the last half century have excluded women from the labor market, this exclusion has in turn played a role in supporting the rise of conservative politics through women voters—the majority of whom ended up assuming full-time homemaking as their occupation—giving support to family-oriented policies rather than individual empowerment and labor rights policies. The rise of conservative political discourses on gender issues in return provides further justification for sustained institutionalization of the gender division of labor.

**Determinants of the female labor supply: Marriage as an institutional barrier to women’s labor force participation, men’s unemployment as a push factor**

The official HLFS data (available since 1988) show that women’s labor force participation is characterized by substantial and persistent gaps by marital status and education. In 2008, single women’s labor force participation rate (36.5 percent) was more than twice that of married
women (16.4 percent) (TSI 2008). İpek İlkkaracan (2010) points out that the gender participation gap by marital status varies substantially by level of education: for the prime working-age urban population (ages 20–44) in 2008, the participation gap for single men and women with primary education is approximately 45 percentage points; with marriage, it jumps to a phenomenal 82 percentage points. For high-school graduate men and women, the gap for singles is 15 percentage points; with marriage, it widens to 70 percentage points. By contrast, for those with university education, the participation rates for single men and women are almost identical at around 85 percent, while with marriage the gap increases to approximately 25 percentage points. Given that university graduates constitute a minority among women, the dominant pattern of women’s labor force participation in Turkey is one where women participate predominantly at younger ages prior to marriage and childbirth.

The absence of women in the labor market in Turkey needs to be situated as a problem of weak labor force attachment as much as their ability to enter the labor market at all. A question in the HLFS on past paid-work experience revealed that in 2008, 33 percent of the urban women who were in the nonparticipant category at the time of the survey reported that they had had a paid job at some point in the past. Hence while the urban women’s labor force participation rate measured with respect to a particular reference week was as low as 20.8 percent in 2008, the labor force experience rate, which is defined as the participants plus the former participants, is much higher at 47.6 percent. In other words, one in every two urban women do enter the labor market at some point in their lives; but most remain participants only for a couple of years.

This finding is an important one, in that it constitutes an indication that a conservative ideological rejection of the idea of women working in the public sphere is not relevant for at least half the population of adult women. This point is also supported by various survey results discussed in the next section. Hence the sources of the problem of women’s low participation are largely related to weak labor force attachment rather than any obstacles to entry.

Table 2 presents the results of a standard logit analysis of women’s labor force participation using HLFS data for 1988, 2000, and 2008, which confirm the observations emerging from my review of aggregate statistics. The regressions were run for the total sample of urban women of working age (ages 15–64) as well as separately by education group. The dependent variable is a dummy variable taking on the value 1 for labor force participant women, and 0 for nonparticipants. The analysis presented in Table 2 differs from earlier studies in that it follows the changes in the determinants of women’s labor supply through two decades of export-led growth via three cross-sections approximately ten years apart, and updating it as late as 2008. The regression also includes the unemployment status of
## Table 2 Determinants of women’s labor supply: HLFS logit regression results (odds ratios)

<table>
<thead>
<tr>
<th></th>
<th>Urban women ages 15–64</th>
<th>Primary school or less</th>
<th>Secondary or high school</th>
<th>University or higher</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998 (15,149)</td>
<td>2000 (47,964)</td>
<td>2008 (65,829)</td>
<td>2008 (4,714)</td>
</tr>
<tr>
<td></td>
<td>(77%)</td>
<td>(64%)</td>
<td>(58%)</td>
<td>(6%)</td>
</tr>
<tr>
<td>Married</td>
<td>0.303*** (0.020)</td>
<td>0.394*** (0.015)</td>
<td>0.236*** (0.013)</td>
<td>0.471* (0.021)</td>
</tr>
<tr>
<td>Child ages 0–4</td>
<td>0.890*** (0.047)</td>
<td>0.683*** (0.022)</td>
<td>0.798*** (0.037)</td>
<td>1.210*** (0.088)</td>
</tr>
<tr>
<td>Child ages 5–11</td>
<td>0.864*** (0.024)</td>
<td>0.784*** (0.016)</td>
<td>0.719*** (0.024)</td>
<td>0.946*** (0.014)</td>
</tr>
<tr>
<td>Primary school</td>
<td>1.394*** (0.082)</td>
<td>1.415*** (0.061)</td>
<td>1.166*** (0.034)</td>
<td>0.876*** (0.066)</td>
</tr>
<tr>
<td>High school</td>
<td>5.783*** (0.463)</td>
<td>4.283*** (0.210)</td>
<td>0.664*** (0.057)</td>
<td>0.508*** (0.195)</td>
</tr>
<tr>
<td>University</td>
<td>29.875*** (4.166)</td>
<td>29.580*** (1.805)</td>
<td>0.653*** (0.065)</td>
<td>0.862*** (0.154)</td>
</tr>
<tr>
<td>Unemployed household head</td>
<td>2.043*** (0.182)</td>
<td>2.269*** (0.120)</td>
<td>2.113*** (0.097)</td>
<td>6.482*** (0.437)</td>
</tr>
<tr>
<td>Household head has</td>
<td>0.615*** (0.034)</td>
<td>0.648*** (0.026)</td>
<td>0.720*** (0.030)</td>
<td>0.437** (0.944)</td>
</tr>
<tr>
<td>Household head has</td>
<td>0.664*** (0.057)</td>
<td>0.484*** (0.024)</td>
<td>0.593*** (0.026)</td>
<td>0.473*** (0.195)</td>
</tr>
<tr>
<td>Household head has</td>
<td>0.653*** (0.065)</td>
<td>0.448*** (0.026)</td>
<td>0.889*** (0.024)</td>
<td>0.344*** (0.154)</td>
</tr>
</tbody>
</table>
| Notes: All regressions include controls for nine age dummies for the age 20–64 interval, household-head status, household head’s social security coverage, and household size. The dependent variable is a binary dummy variable that takes on the value 1 for participants and 0 for nonparticipants. All explanatory variables are also defined as binary variables (for example, the variable “primary school” takes on the value 1 for primary school graduates and 0 for others). The odds ratios are the exponentials of the regression coefficients; standard errors for the odds ratios are reported in parentheses. *** and * denote statistical significance at the 1 and 10 percent levels, respectively. The child dummy for 1988 is for ages 0–11 due to restricted reporting of data.
the male household head among the explanatory variables to explore the secondary status of women’s labor as added paid workers.\textsuperscript{15}

Marriage emerged as a more important determinant of women’s participation than the presence of small children, which I interpret as indicative of how internalized and institutionalized gender roles supersede the logistics of care. In 2008, a married woman had less than half (0.42) the odds of participating in the labor market relative to her unmarried counterparts. Over time, marital status seems to have become relatively less binding; in 1988, a married woman had less than one-third the odds of participating as her unmarried counterpart. The negative effect of having small children on women’s participation increased, which might be reflective of the shift to nuclear households and the decreasing availability of family support for childcare. In 1988, less than half of urban women of working age (48.6 percent) lived in households with four or fewer members, versus 63.3 percent in 2008. The negative effect of marriage on labor force participation is more pronounced than that of small children because marriage and having children are almost synonymous in Turkey and, as discussed above, women predominantly engage in the labor market in young age prior to marriage. Once they drop out due to childbearing, the chances that they will reenter is quite low unless pushed by family financial needs—such as the husband becoming unemployed, as discussed below.

University education emerges as the most important determinant of labor force participation for women. A university graduate had nineteen times the odds of participating in the labor market as her counterpart with less than primary schooling; the odds were three times for a high-school graduate. Over time, there has been a substantial erosion of the pull of women with higher education into the labor market. In 1988, the odds for university-graduate women were as much as twenty-nine times, and for high-school graduates six times, compared with women who have less than primary-school education. The drop occurred particularly from 2000 to 2008; hence it would be wise to look for the answer in the economic crises of the 2000s. Between 2001 and 2009, the participation rate of women with primary or less education reversed from a declining trend prior to the economic crisis of 2001 to an increasing trend through an added worker effect. For university and high-school graduates, while the participation rate stagnated in this time period, the unemployment rate registered a phenomenal increase from 9 to 16 percent for university-graduate women and 16 to 27 percent for high-school graduate women.\textsuperscript{16}

Nevertheless, my results show that higher education continued to act as the most important determinant of women’s labor supply in 2008. Prior studies concluded, on the basis of this consistently high coefficient on university education, that increasing women’s education is the main solution to the problem of their low participation. Note, however, that the
share of women with high school education and above almost doubled from 23 percent of the urban population of working-age women in 1988 to 42 percent in 2008, which resulted in a substantial shrinkage in the gender education gap. Yet it has not been paralleled by a similar shrinkage in the gender labor force participation gap.²⁷

Beyond human capital, women’s access to paid work–family reconciliation options is an important mechanism through which education affects their labor market engagement. The job options for women with lower than university education entail lower wages, which rules out their ability to purchase private domestic services for household and childcare, unlike university-educated women. They also face a much higher likelihood of informal paid work. The 2008 HLFS data show that as high as 85 percent of the employed women with no schooling and 58 percent of those with primary schooling have no access to social security through their job, which means they do not have the option of maternity leave, access to workplace subsidized childcare, or the possibility of a retirement pension even if they remain in the labor market after childbirth. The rate of informal employment is lower for high-school graduates at 22.3 percent; for university graduates, it is only 5 percent. Higher education brings along not only higher pay but also improved reconciliation options of formal jobs such that marriage, pregnancy, and childbirth do not force departure from the labor force. Hence improving the legal and institutional measures for paid work–family reconciliation emerges as an alternative policy response to increasing women’s education. This corresponds with my finding above that weak labor force attachment is a primary source of the problem.

Having an unemployed household head nearly doubles the odds of women’s participation across all education groups. Hence women’s participation in the secondary earner status and the added-worker effect emerges as a consistently important factor through time and across education groups. The effect is more pronounced for university graduates, which is probably indicative of their higher chances of finding a job when obliged.

Table 2 also shows that the increased education of the household head decreases the odds of women’s participation. This result is probably the case because this variable picks up on the household income effect that I was unable to control due to lack of data. Hence the negative correlation between household education and female participation is indicative of a similar supply push effect to the unemployment variable.

While I was able to draw the conclusions from this statistical analysis that marriage and small children pose substantial barriers to female participation consistently over time and across education groups, as well as a similarly consistent nature of women’s participation in the secondary earner status, I am unable to tell to what extent these effects reflect women’s own preferences. In other words, do women perceive their
departure from the labor market due to marriage or childbirth as a blessing or an obligation? Similarly, do women regret entry into the labor market due to family financial needs, or do they welcome it as an opportunity? The answer to this question is important because whether women engage in the labor market or not depends on their attitudes toward paid work as much as the obstacles that they face.

**WOMEN AND THE PATRIARCHAL CONTRACT: WILLING OR FORCED PARTICIPANTS?**

This final section uses a field study that took place in the Ümraniye subprovince of Istanbul in March 1997 to explore women’s (non)participation decisions. This field study is unique in terms of its content as well as its relatively large sample size, which is representative of a quintessential metropolitan subprovince of Istanbul. While it was completed in 1997, the fieldwork still provides valuable insights into the likely dynamic underlying women’s ongoing low levels of participation. Ümraniye, the second most heavily populated subprovince of Istanbul with more than half a million people in 1997, is one of the earliest settlements of rural–urban migrants. Hence the results are reflective of the urban women with low education whom I have located as the primary source of women’s low participation rates and weak labor force attachment. The subprovince receives migration from all regions of Turkey, which is typically the case for other metropolitan migration settlements. Therefore its population can be said to be representative of the variety of regional subpopulations in the country.

The existence of one of the very first and few local women’s organizations, the Ümraniye Women’s Center, enabled the design of a locally based participatory research study. The research team was composed of members of the Ümraniye Women’s Center and Women for Women’s Human Rights—New Ways, a national NGO that led the participatory research initiative. The interviewers were local women who were members of the Ümraniye Women’s Center, and hence thoroughly familiar with the lifestyles, circumstances, and problems of the respondents. The study entailed a 2-hour face-to-face interview with each woman structured around a questionnaire, including both closed and open-ended questions regarding women’s preferences and attitudes toward labor market engagement, decision making in individual and family matters, and the division of roles in the family. As such, the survey uniquely enables the exploration of the complex factors behind women’s decisions whether to participate in the labor force as well as their decisions’ relation to empowerment through women’s own perspectives.18

Through a stratified, multistage, cluster-sampling method, a representative sample of 530 women ages 12–64 was drawn up from all
nine residential neighborhoods of the province. A comparison of the
demographic and labor force participation results of the field study with
those from the urban sample for Turkey in the official HLFS statistics in the
same year confirmed the representative strength of the sample (see
Appendix I). Accordingly, the vast majority of the respondents had received
little education, if any: women with no schooling (17 percent) or only
primary schooling (64.5 percent) comprised the majority, university
graduates were only a minority (4 percent). In what follows, I use three
unique segments of the survey: men’s consent for women’s participation;
women’s preferences with respect to (non)participation; and differences in
women’s autonomy with respect to participant status.

Having to acquire a husband’s consent: An obstacle to participation

My literature review has shown that social conservatism is a persistent
theme in accounts of women’s low labor market activity in the MENA
region. Yet the extent to which the male-breadwinner family and the
patriarchal contract entails outright coercion, depriving women of the
grounds for making their own choices, is not clear. The finding of an urban
women’s labor force experience rate of close to 50 percent discussed in the
section above provided me with some insights that at least half of the
women are not exposed to such outright coercion, at least prior to
marriage. I was able to derive some further clues from public opinion
surveys that typically pose the question as “do you think that women should
work [for pay]?” A 2006 nationwide survey by the TSI found that 23
percent of men and 16 percent of women said “No” (TSI 2006). A private
survey conducted in forty-two provinces in 2008 found 69 percent of the
respondents thought “women should acquire husband’s consent to work
[for pay]” (Konda 2008). The only clue in the HLFS is the recently added
category of “husband wanted” to the question on reasons for leaving the
last job. According to HLFS 2008, only a minority of former labor force
participants (4.7 percent) have stated this as a constraint (İlkkaracan 2010).
The HLFS categories for nonparticipation do not entail husband’s consent,
and women in large numbers indicate “full-time homemaker” as the
reason for nonparticipation.

The questions on participation in the Ümraniye survey were first posed in
a similar way to the official HLFS categorization. Then with those who
answered “busy with housework” as the reason for nonparticipation (80.5
percent of the nonparticipants in my survey versus 77.0 in the 1997 HLFS).
A series of closed and open-ended questions followed up on the underlying
factors. A non-negligible number of women (more than one-third of
homemaker nonparticipants and 15 percent of the total sample) reported
that “their husband/father/some other family member did not permit
them to work at a paid job.” When questioned about their perception of
the reasons for why their husbands or other family members did not allow them to work at a paid job, the majority (69 percent) indicated the underlying reason to be a conservative belief that “[paid] work [outside] is inappropriate for a woman.” The other two reasons for lack of consent were related to gendered division of labor in the family: namely, “women should not work [for pay] as long as the family income is sufficient” (18 percent) or “there is no one else to look after the house and children” (13 percent).

Taking a closer look: Women’s preferences and attitudes toward paid work

Is participation a burden or a means for empowerment?

When women were questioned about their own preferences regarding participation, approximately two-thirds said they wanted to engage in paid employment, while one-third preferred not to. Interestingly, the allocation of preferences was similar between participant and nonparticipant women, yet the reasons they gave to an open-ended question about their respective preferences differed substantially. Their responses are summarized in Table 3 in the four categories of what I call the content versus discontent participants and content versus discontent nonparticipants.

Let me start with the content participants (68.9 percent of total participants), those who were happy having challenged the patriarchal contract and the male-breadwinner family. Desire for access to own income and autonomy ranked as the most frequently stated reason for preferring to keep their participant status: content participants stated that “working at a [paid] job increases [their] self-confidence and [they] feel secure because [they] can spend [their] own money”; that they “do not want to be dependent on men”; they want their financial freedom. One content participant stated, “Women who do not work [for pay] do not have any rights and are stuck inside four walls.”

Beyond access to personal income, personal fulfillment was also an important motivation. To this end, content participants stated their preference for paid work because it “give[s] [them] an identity,” they “feel more worthwhile.” Only a small minority of the content participants (5 percent) stated assisting with the family budget as the reason for preferring to remain in the labor market.

The discontent participants (31.1 percent of total participants) are those who were upset not to be able to afford the male-breadwinner family. They would rather keep their end of the patriarchal contract and stay home than work at a paid job, but could not afford to do so because of financial need. Close to three-quarters of this group stated the unattractiveness of paid work (“if I had enough money, I would not work [for pay] at other people’s houses”) and the attractiveness of staying home as the mistress of one’s own house (“I would have rather stayed at home and be the mistress of my own
house’’) as the reason for their preference. Some were more specific about pointing out hard working conditions and low pay as the reasons for unattractiveness of paid work: “It is not worth my effort, I earn so little money” or “I work for little money, get harassed, and feel very tired.” Finally, a quarter of the discontent participants (all married with children)

### Table 3: Do women prefer to participate in the labor market and why? (%)

<table>
<thead>
<tr>
<th>Content participants (n = 81)</th>
<th>Discontent nonparticipant homemakers (n = 230)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Woman prefers to work for pay, because of...</strong></td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>68.9</td>
<td>44.0</td>
</tr>
<tr>
<td>Personal satisfaction</td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td>51.5</td>
<td>32.6</td>
</tr>
<tr>
<td>Access to own income and autonomy</td>
<td><strong>Woman does NOT prefer to work for pay, because of...</strong></td>
</tr>
<tr>
<td>41.1</td>
<td>25.0</td>
</tr>
<tr>
<td>Help with the family budget</td>
<td><strong>Housework and childcare</strong></td>
</tr>
<tr>
<td>5.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Access to social security</td>
<td><strong>Belief that women should not “work” [for pay]</strong></td>
</tr>
<tr>
<td>2.4</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td><strong>Preference for staying at home; lack of desire to work for pay</strong></td>
</tr>
<tr>
<td></td>
<td>(27.8)(^a)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>100</td>
<td>44.0</td>
</tr>
<tr>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td><strong>Discontent participants (n = 38)</strong></td>
<td><strong>Content nonparticipant homemakers (n = 97)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Woman does NOT prefer to work for pay, because of...</td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>31.1</td>
<td>31.1</td>
</tr>
<tr>
<td>Housework and childcare</td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td>25.0</td>
<td>31.1</td>
</tr>
<tr>
<td>Belief that women should not “work” [for pay]</td>
<td><strong>Preference for staying at home; lack of desire to work for pay</strong></td>
</tr>
<tr>
<td>-</td>
<td>(27.8)(^a)</td>
</tr>
<tr>
<td>Preference for staying at home; lack of desire to work for pay (Difficult employment conditions)</td>
<td><strong>Feeling too old or tired</strong></td>
</tr>
<tr>
<td>72.2</td>
<td>16.4</td>
</tr>
<tr>
<td>Not knowing how to go about it without sufficient education or experience</td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>(27.8)(^a)</td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td>Feeling too old or tired</td>
<td>16.4</td>
</tr>
<tr>
<td>Not knowing how to go about it without sufficient education or experience</td>
<td>13.1</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>100</td>
<td>31.1</td>
</tr>
<tr>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
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</tr>
<tr>
<td><strong>Discontent participants (n = 38)</strong></td>
<td><strong>Content nonparticipant homemakers (n = 97)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Woman does NOT prefer to work for pay, because of...</td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>31.1</td>
<td>31.1</td>
</tr>
<tr>
<td>Housework and childcare</td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td>25.0</td>
<td>31.1</td>
</tr>
<tr>
<td>Belief that women should not “work” [for pay]</td>
<td><strong>Preference for staying at home; lack of desire to work for pay</strong></td>
</tr>
<tr>
<td>-</td>
<td>(27.8)(^a)</td>
</tr>
<tr>
<td>Preference for staying at home; lack of desire to work for pay (Difficult employment conditions)</td>
<td><strong>Feeling too old or tired</strong></td>
</tr>
<tr>
<td>72.2</td>
<td>16.4</td>
</tr>
<tr>
<td>Not knowing how to go about it without sufficient education or experience</td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>(27.8)(^a)</td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
<tr>
<td>Feeling too old or tired</td>
<td>16.4</td>
</tr>
<tr>
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</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>100</td>
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<tr>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
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<tr>
<td><strong>Discontent participants (n = 38)</strong></td>
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</tr>
<tr>
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</tr>
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<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
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<tr>
<td>25.0</td>
<td>31.1</td>
</tr>
<tr>
<td>Belief that women should not “work” [for pay]</td>
<td><strong>Preference for staying at home; lack of desire to work for pay</strong></td>
</tr>
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<td>-</td>
<td>(27.8)(^a)</td>
</tr>
<tr>
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<tr>
<td>Not knowing how to go about it without sufficient education or experience</td>
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</tr>
<tr>
<td>(27.8)(^a)</td>
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</tr>
<tr>
<td>Feeling too old or tired</td>
<td>16.4</td>
</tr>
<tr>
<td>Not knowing how to go about it without sufficient education or experience</td>
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<td>Other</td>
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</tr>
<tr>
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<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Believes working at a paid job improves a woman’s say in the family</strong></td>
</tr>
<tr>
<td>100</td>
<td>31.1</td>
</tr>
<tr>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
<td><strong>Believes it is the man’s responsibility to take care of the material needs of the household</strong></td>
</tr>
</tbody>
</table>

Note: “27.8 percent of the discontent participants who stated ‘‘difficult employment conditions’’ as the reason for not wanting to continue in paid employment are included in the 72.2 percent above—that is, those who stated their lack of desire to work for pay; hence the figure in parentheses.
stated the double burden of housework and childcare as the reason for not wanting to engage in paid work.

These results provide some hints as to the factors underlying the intermittent nature of women’s labor market participation. Of the discontent participants, close to half explicitly pointed out either the double burden of care and housework or the hard working conditions. A closer look at the demographic and work status profile of these unhappy participants shows that the overwhelming majority are married with children, have less than secondary education, work without social security coverage, and are remunerated at substantially lower pay levels.

Discontent nonparticipants made up the largest category of the sample: 70.3 percent of the nonparticipant homemakers stated they would rather be working at a paid job. These were the women who were obliged to the patriarchal contract against their desires. Close to half of discontent nonparticipants stated “to help with the family budget” as their motivation for wanting a job. Many of these respondents said that their families had financial difficulties and that they wanted to work at a job in order to improve material conditions for the whole family. This is possibly a strategic answer on behalf of some nonparticipant women under family pressure, justifying their preference to work for pay for the good of the family rather than for their own sake. Indeed, about one-third of them had stated earlier that the reason for their nonparticipation was lack of a husband’s or some other family member’s consent.

The remaining half of discontent nonparticipants stated their desire for access to personal income/autonomy and fulfillment for preferring labor market engagement. In this group, women frequently expressed that they find it humiliating to have to ask for money from their husbands. One woman stated, “I would have liked to have a job so much. Then I would have had my own money, passed my time better, and enjoyed myself. But my husband won’t let me. He says he cannot use his wife’s money.” Others complained about being bored about “getting stuck between four walls” and “feeling useless.”

Finally, the content nonparticipants (29.7 percent of homemakers) could be interpreted as the ones who willingly participated in the patriarchal contract and felt lucky to be able to afford the male-breadwinner family. Yet their stated reasons reveal that to some extent their preference is based on obligation: housework and childcare were their most frequently stated reasons. About one-fifth based their preference on the belief that “women should not work [for pay].” This corresponded to about 4 percent of the total sample. Hence social conservatism is present, but seems to have limited effects (also compare this to 15 percent of the sample mentioned above, who reported male family members’ lack of consent as the reason for their nonparticipation). This relatively small group’s responses reflected
internalized gender roles and negative attitudes toward women’s labor market engagement: “This is what I saw in my family, none would look upon [paid] working women favorably”; “Do women ever work [for pay]? It is men who earn the money while we look after the house and children.”

A similar share stated that they simply like being a homemaker (“housewife”) better than working at a paid job unless they had to contribute to the family budget: “I much prefer to stay at home, to look after the children, and be a housewife. But if I needed to, if I didn’t have enough money, I would work for pay.” A non-negligible share (16.4 percent) of homemakers stated “feeling old and tired” as the reason for preferring to stay at home. A closer look showed that more than half were younger than 50 years old (in any case, the upper age limit for the sample is age 64), and all of these women had three or more children, indicative of the physical and psychological health effects of a high number of children in low-income families.20

Finally, some of the women stated that they would not even know where or how to start looking for a job, most emphasizing their lack of skills and know-how: “I do not even know what a job is, what is working at a job, I would not even know what to do,” or “I don’t have a trade. As I don’t have a trade I would not know what to do, where to look for a job.”

The respondents were also questioned whether working for pay improves a woman’s say in the family. Only one-third of the women agreed (Table 3). Even among the content participants, only 44 percent believed that having a job would help women to exercise a greater say in the family, while this rate fell to 31 percent among discontent participants, 34.8 among discontent full-time homemakers, and 17.8 among content homemakers. This is probably not surprising given the profile of the sample, which has a lower average rate of education. For the lower-educated women of metropolitan slums, labor market engagement implies low wages, poor workplace conditions, and an increased work burden through the double shift. Women’s participation under these conditions is less likely to bring about much change in the hierarchy of gender relations.

This finding is further illuminated by the responses of women to a series of questions about their autonomy in decision making in the family and over personal matters (Tables 4a and 4b). The answers show that, generally speaking, participants have comparatively more decision-making power than nonparticipant women. The differences were found to be statistically significant particularly with respect to engagement in the public sphere, such as working outside the home, setting up own business, joining a political party or a nonprofit organization, or pursuing one’s own education, as well as personal issues, namely to manage personal income, birth control, participation in recreational activities, how to dress, to travel, to go to places during daytime or after dark.
While the direction of causality between participation in the labor market and autonomy in decision making can go either way and possibly are mutually interactive, looking at the results in Tables 4a and b, the correlation between participant status and more say in decision making is well-established. Note however, that the upper hand in decision making generally belongs to men for most issues, even in the case of participant women. For example, only 54 percent of participant women stated that the decision to work at a paid job belongs to them alone.

It is possible that the higher decision-making power of participants has to do with their relatively higher levels of education rather than their participant status. Table 4b explores any differences in decision-making autonomy between participant and nonparticipant women with primary level of schooling. This was the education group to which the majority of the survey sample belonged. Even controlling for education, I found that participant women had substantially higher say than nonparticipants in decisions regarding engagement in the public sphere (working outside the

### Table 4a Woman’s say in decision making: Participants versus nonparticipants (total sample)

<table>
<thead>
<tr>
<th>Woman decides herself (%)</th>
<th>Participants</th>
<th>Nonparticipant full-time homemakers</th>
<th>T-statistic</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To work at a paid job</td>
<td>54.0</td>
<td>19.0</td>
<td>6.695</td>
<td>.000</td>
</tr>
<tr>
<td>To set up her own business</td>
<td>40.0</td>
<td>14.5</td>
<td>5.217</td>
<td>.000</td>
</tr>
<tr>
<td>To manage her income</td>
<td>78.9</td>
<td>56.7</td>
<td>4.854</td>
<td>.000</td>
</tr>
<tr>
<td>For which party to vote</td>
<td>70.8</td>
<td>66.1</td>
<td>0.904</td>
<td>.367</td>
</tr>
<tr>
<td>To become a member of a political party</td>
<td>63.9</td>
<td>39.2</td>
<td>4.765</td>
<td>.000</td>
</tr>
<tr>
<td>To become a member of nonprofit organization</td>
<td>64.7</td>
<td>39.9*</td>
<td>4.823</td>
<td>.000</td>
</tr>
<tr>
<td>Her own education</td>
<td>72.9</td>
<td>39.4</td>
<td>7.011</td>
<td>.000</td>
</tr>
<tr>
<td>Recreational activities</td>
<td>45.0</td>
<td>22.5</td>
<td>4.547*</td>
<td>.000</td>
</tr>
<tr>
<td>How she will dress</td>
<td>81.7</td>
<td>67.3</td>
<td>3.260</td>
<td>.001</td>
</tr>
<tr>
<td>Her travels</td>
<td>23.4</td>
<td>7.3</td>
<td>3.908</td>
<td>.041</td>
</tr>
<tr>
<td>To go places during daytime</td>
<td>68.5</td>
<td>55.6</td>
<td>1.830</td>
<td>.068</td>
</tr>
<tr>
<td>To go places after dark</td>
<td>12.5</td>
<td>2.5</td>
<td>3.010</td>
<td>.003</td>
</tr>
<tr>
<td>Religious practices</td>
<td>87.6</td>
<td>90.7</td>
<td>-1.008</td>
<td>.315</td>
</tr>
<tr>
<td>With whom she will make friends</td>
<td>68.9</td>
<td>67.5</td>
<td>0.251</td>
<td>.802</td>
</tr>
<tr>
<td>To use birth control b</td>
<td>56.8</td>
<td>24.5</td>
<td>4.748</td>
<td>.000</td>
</tr>
<tr>
<td>To meet with her own family cb</td>
<td>77.3</td>
<td>68.7</td>
<td>1.341</td>
<td>.181</td>
</tr>
<tr>
<td>Her family’s place of residence b</td>
<td>56.0</td>
<td>46.0</td>
<td>1.330</td>
<td>.184</td>
</tr>
<tr>
<td>Her son’s education b</td>
<td>40.0</td>
<td>39.0</td>
<td>0.128</td>
<td>.898</td>
</tr>
<tr>
<td>Her daughter’s education b</td>
<td>39.0</td>
<td>36.0</td>
<td>0.488</td>
<td>.626</td>
</tr>
</tbody>
</table>

Notes: *For married women only; b For married women only; percentage indicates woman deciding herself plus woman deciding jointly with her husband. *denotes a significance level of 5 percent.
home, setting up their own business, joining a political party or nonprofit organization, pursuing their own education), as well as personal issues (birth control, participation in recreational activities, how to dress, to travel, to go to places during daytime or after dark). For instance, with birth control, 58.7 percent of the participant primary-school graduates stated they are the sole decision-makers, while the decision-making autonomy is much lower for nonparticipant primary-school graduates at only 26.6 percent.

Hence labor market participation is associated with women’s empowerment even at lower levels of education. That more than two-thirds of the women in the sample, the majority of whom have primary or less education, were in favor of working at a paid job can be attributed to this positive association between empowerment and labor market engagement. Indeed, the reasons that women gave for preferring to work at a paid job focused predominantly on their desire for increased autonomy and self-fulfillment.

Table 4b Woman’s say in decision making: Participants versus nonparticipants (primary school graduates only)

<table>
<thead>
<tr>
<th>Woman decides herself (%)</th>
<th>Nonparticipant full-time homemakers</th>
<th>T-statistic</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To participate in the labor market</td>
<td>45.4</td>
<td>16.4</td>
<td>4.340</td>
</tr>
<tr>
<td>To set up her own business</td>
<td>27.5</td>
<td>14.5</td>
<td>2.198</td>
</tr>
<tr>
<td>To manage her income</td>
<td>69.4</td>
<td>56.4</td>
<td>1.566</td>
</tr>
<tr>
<td>For which party to vote</td>
<td>58.6</td>
<td>68.8</td>
<td>-0.419</td>
</tr>
<tr>
<td>To become a member of a political party</td>
<td>49.8</td>
<td>41.1</td>
<td>1.949</td>
</tr>
<tr>
<td>To become a member of nonprofit organization</td>
<td>51.2</td>
<td>41.2</td>
<td>2.139</td>
</tr>
<tr>
<td>Her own education</td>
<td>67.0</td>
<td>42.6</td>
<td>3.646</td>
</tr>
<tr>
<td>Recreational activities</td>
<td>36.5</td>
<td>21.1</td>
<td>2.180</td>
</tr>
<tr>
<td>How she will dress</td>
<td>78.3</td>
<td>65.3</td>
<td>2.035</td>
</tr>
<tr>
<td>Her travels</td>
<td>13.6</td>
<td>5.4</td>
<td>1.825</td>
</tr>
<tr>
<td>To go places during daytime</td>
<td>69.9</td>
<td>50.7</td>
<td>3.096</td>
</tr>
<tr>
<td>To go places after dark</td>
<td>8.5</td>
<td>2.1</td>
<td>1.866</td>
</tr>
<tr>
<td>Religious practices</td>
<td>86.4</td>
<td>89.7</td>
<td>-1.411</td>
</tr>
<tr>
<td>With whom she will make friends</td>
<td>60.8</td>
<td>64.4</td>
<td>-0.539</td>
</tr>
<tr>
<td>To use birth control (^{a})</td>
<td>58.7</td>
<td>26.6</td>
<td>3.691</td>
</tr>
<tr>
<td>To meet with her own family (^{a})</td>
<td>79.6</td>
<td>69.4</td>
<td>1.584</td>
</tr>
<tr>
<td>Her family’s place of residence</td>
<td>52.8</td>
<td>48.3</td>
<td>0.456</td>
</tr>
<tr>
<td>Her son’s education (^{b})</td>
<td>44.6</td>
<td>41.1</td>
<td>0.572</td>
</tr>
<tr>
<td>Her daughter’s education **</td>
<td>42.9</td>
<td>39.0</td>
<td>0.419</td>
</tr>
</tbody>
</table>

Notes: \(^{a}\) For married women only. \(^{b}\) For married women only; percentage indicates woman deciding herself plus woman deciding jointly with her husband. ** denotes a significance level of 5 percent.
CONCLUSIONS

My review of the evolution of women’s employment in Turkey through the course of nearly sixty years of economic modernization has highlighted the interactions between patriarchy and capitalist growth and their gendered outcomes. Overall, the impetus for feminization in Turkey has been a weak one relative to the labor surplus of women, as well as in comparison to other developing economies. I have shown that the patriarchal contract has been enhanced through the legal and social security framework as well as the virtual lack of any legal or institutional work–family reconciliation mechanisms. A prolonged ISI period, which is generally a growth strategy in support of the patriarchal family, combined with the lack of a strong demand-side challenge in the ELI and market-liberalization period, has resulted in an institutional framework that has created an adverse path dependency on women’s employment. The increasing social conservatism of the national political discourse can be interpreted as one of the vicious cycles created by such adverse path dependency.

Yet women’s own perceptions of the costs and benefits of labor market engagement are diverse. Using the findings of a 1997 field research study with women from mostly low-income, low-education backgrounds, I show that a non-negligible share prefer to be a party to the patriarchal contract when faced with the unsupportive institutional framework and the poor working conditions offered under market liberalization. The majority of even lower-educated women, however, perceive labor market engagement as a means to increased autonomy and personal fulfillment.

Until recently, the policy debates on women’s employment in Turkey have hardly considered the issues of macro policies, institutions, and gendered division of labor as relevant and kept an exclusive focus on women’s education and job training as the solution. The growing number of feminist studies on the topic—as well as the increased momentum of the advocacy and lobbying initiatives by the women’s movement—have been crucial in challenging the shallow policy discourse. This study hopes to make a contribution to the broadening of the policy debate and the underlying analytical framework. A comprehensive diagnosis of the obstacles to increased economic autonomy of women in Turkey requires an integrated, multidimensional approach that is aware of the interactions between the macroeconomic environment, institutions, and gender ideologies, and the diversity of women’s circumstances and preferences. Such an approach would enable the policy discourse to acknowledge the possibility of policies alternative to merely increasing women’s education; for instance, subsidized childcare and eldercare, parental
leave laws, active reconciliation measures, transformation of gender roles, a sustained fight against informal employment, and macroeconomic policies that prioritize robust employment growth.

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I am grateful to the editors and the referees for their invaluable input toward the improvement of this paper.

NOTES

1. The total female labor force was 6.9 million workers in 2009, of which 2 million were unpaid family workers of whom 91 percent (1.86 million) were unpaid family workers in agriculture (TSI 2009).
2. In 2009, Jordan, Egypt, Lebanon, Pakistan, Saudi Arabia, Syria, Yemen, Palestine, and Iraq immediately followed Turkish women’s 24 percent economic activity rate (UN 2010).
3. The institutionalization of the patriarchal contract with negative feedback effects for women’s employment is not specific to the MENA region. Dante Contreras and Gonzalo Plaza (2010), for instance, show that in Chile the institutionalization of a “machismo culture” shaped around the sexual division of labor creates a disabling institutional environment for women’s employment.
4. The share of agriculture in total employment decreased to 59 percent in 1980, 47 percent in 1990, and 24.6 percent in 2009 (İpek İlkkaracan and İnsan Tunalı 2010).
5. The term “housewification” is translated from the original German term hausfrauisierung used by Bennholdt-Thomsen (1987).
6. Using 1980 as baseline for comparison is appropriate because while Turkey was the last of these countries to launch the ELI strategy, the others were in the relatively early phases of their respective liberalization experiences.
7. Consequently, the women’s share of employment in the service sector, which was 12 percent in 1980, increased to 24 percent in 2009; their share of manufacturing increased from 15 to 22 percent in the same period. Electricity, gas and water, mining and quarrying, and construction have also had increasing shares of women, though to a lesser extent.
8. Note that two studies on export orientation and feminization in Turkey report mixed findings for the early 1980s. Nilüfer Çağatay and Günseli Berik (1994) investigate aggregate Turkish manufacturing data for the first half of the 1980s and conclude that export orientation has not triggered any visible feminization. Süle Özler (2000) uses plant-level data for the same period and finds that export orientation increases the employment of women but increased capital intensity decreases their employment. Looking at the question from a longer time perspective, I find an increasing share of women in manufacturing.
9. Unlike most MENA countries that do not export oil, Turkey does not have access to oil-related revenues through migrant remittances because Turkey does not share the common language of Arabic. Yet the substantial labor migration of Turkish men to
EU countries in the 1950–70 period resulted in a flow of remittances from Europe, which might have contributed to sustenance of the male-breadwinner family. (I am grateful to an anonymous referee for pointing this out.)

In 1980 the rate of unionization was 54 percent according to the Ministry of Labor and 29 percent according to the OECD, depending on whether the rate is expressed as a share of social security-registered employees or all wage employees (İpek İlkkaracan 2005). These estimates are higher than 15 percent for South Korea, 19 percent for Mexico, and 20 percent for Brazil in the 1976–80 period (David G. Blanchflower 2006). More recent estimates for Turkey show a substantial decline in unionization rates to around 8–10 percent for the 2000s (İlkkaracan 2005).

The share of real wages in value added decreased from 40 percent in 1980 to 15 percent by 1990 (see Nurcan Özkaplan [2008]).

See Ahmet Faruk Aysan and Yavuz Selim Hacıhasanoğlu (2007) and Lerzan Özkale and Özgur Kayalıca (2008) for evolution of Turkish export composition from labor-intensive, low value-added to capital-intensive, high value-added sectors.

With each of the three economic crises, married women’s participation rate registered an approximately 2 percentage point increase: in 1994, from 11.7 to 13.6 percent (corresponding to a phenomenal 20 percent increase in the number of married women participants from 1993 to 1994); in 2001, from 13.3 to 14.9 percent; and in 2008, from 15.1 to 16.9 percent.

Both discriminatory items were eliminated from the Civil Code in 2003 due to strong and persistent advocacy of the women’s movement and pressure for compliance with EU norms, as well as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), to which Turkey has been a party since 1985.

The effect of the husband’s unemployment status has been examined in previous studies with mixed results on whether women play a role as added or discouraged workers and the relative strength of these two effects (Tansel 2001; Cem Başlevent and Özlem Onaran, 2003). The discouraged worker effect entails those who have stopped looking for a paid job because they lost hope of finding one; hence they are removed from the status of being unemployed to that of nonparticipant. The added worker effect entails entry of household members into the labor market in order to compensate for the loss of income by the primary breadwinner. In doing so, added workers move from the status of being nonparticipant to that of participant (either employed or unemployed).

The decreasing pull of higher education may also have to do with the early retirement scheme that went into effect in the early 1990s. To account for this effect, I have repeated the analysis with prime-age (ages 25–44) working women, but obtained similar decreases in the odds ratio for university and high school graduates, from forty-two and seven times for university and high school graduates respectively in 1988, down to thirty-six and five times in 2008.

The same phenomenon has been noted for the MENA region that increasing gender equality in education has not necessarily translated into decreasing gender gap in labor force participation rates as it has done elsewhere (World Bank 2004; Stephan Klaseen and Francesca Lamanna 2009).

Günseli Berik (1997) warns against the uncritical use of survey-generated data in feminist research, pointing out that it deprives researchers of one of the opportunities to understand the subtleties of economic life. She encourages the gathering and use of qualitative data and the use qualitative techniques to generate more reliable quantitative data. Marlene Kim (1997) points out the additional insights provided by feminist participatory field research, particularly one that allows for inputs from women’s organizations and research subjects.
19 The percentages indicating conservatism could have possibly increased over time, given that the period since 1997 in Turkey has been marked by a strong surge of conservative religious politics. Simultaneously, Turkey’s EU membership prospects along with a growing women’s movement have allowed progressive legal reforms, and there were substantial gains in women’s education.

20 The relation between “three or more children” and women’s labor force participation is worthy of mention, given the public statements by the Prime Minister of Turkey in 2010 encouraging women to have three children.

21 Note that 2008 official data for Turkey also show that the majority of adult women (close to half) have only primary-level education.

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# Appendix I: Ümraniye Field Study

## Table A1 1997 Ümraniye local women’s sample versus 1997 and 2008 HLFS (%)

<table>
<thead>
<tr>
<th>Education level</th>
<th>Women’s labor force participation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>23.1</td>
</tr>
<tr>
<td>Illiterate or no schooling</td>
<td>17.0</td>
</tr>
<tr>
<td>Primary</td>
<td>64.5</td>
</tr>
<tr>
<td>High school</td>
<td>14.0</td>
</tr>
<tr>
<td>University</td>
<td>4.5</td>
</tr>
<tr>
<td>Married</td>
<td>16.3</td>
</tr>
<tr>
<td>Never married</td>
<td>35.6</td>
</tr>
<tr>
<td>Nonparticipation due to full-time homemaking&lt;sup&gt;a&lt;/sup&gt;</td>
<td>80.5</td>
</tr>
</tbody>
</table>

- Husband or other family member did not permit: % of total homemakers (36.2) -
- Why is she not permitted? ([Paid] “work” is inappropriate for women (68.9) -
- The family has sufficient income (18.0) -
- There is no one else to look after the house/children (13.1) -

*Notes: 80.5 percent of the nonparticipants in the survey stated “full-time homemaking” as the reason for nonparticipation (others were students, retired, or miscellaneous other). Of the homemakers, 36.2 percent stated that they did not have the consent of their husband (or some other family member) to work at a paid job (this corresponded to 29 percent of all nonparticipants). With those who said they faced the lack of consent, 68.9 percent stated this was because their husband (or the family member not allowing women’s labor market activity) believed that “[paid] work is not appropriate for women.”*
Pathways to the Middle Class in Turkey

How Have Reducing Poverty and Boosting Shared Prosperity Helped?

Joao Pedro Azevedo
Aziz Atamanov

The World Bank
Europe and Central Asia Region
Poverty Reduction and Economic Management Team
April 2014
Abstract

Turkey’s poverty reduction performance in the 2000s has been remarkably consistent. Extreme and moderate poverty have fallen considerably since 2003. Between 2002 and 2011, extreme poverty fell from 13 percent to 5 percent, while moderate poverty halved from 44 percent to 22 percent (respectively, defined using the World Bank’s Europe and Central Asia regional poverty lines of 2.5 and 5 USD/PPP). Most of this poverty reduction (89 percent) has been driven by growth, a performance consistent with most countries in Europe and Central Asia. This is substantially different from the recent performance of other regions, such as Latin America, where redistribution contributed to poverty reduction almost four times more than in Turkey. Turkey has also achieved sustained consumption growth of the bottom 40 percent of the population, even during the years of the world recession. Turkey’s performance in poverty reduction and increased shared prosperity has been complemented by the systematic expansion of the middle class by 20 percentage points. This paper analyzes the main drivers of poverty reduction, shared prosperity, and changes in inequality in Turkey from 2002 to 2011. The analysis shows that labor markets, demographics, pensions, and social assistance have played a critical role in this process. It further explores some of the mechanisms that have facilitated these changes.

This paper is a product of the Poverty Reduction and Economic Management Team, Europe and Central Asia Region. It is part of a larger effort by the World Bank to provide open access to its research and make a contribution to development policy discussions around the world. Policy Research Working Papers are also posted on the Web at http://econ.worldbank.org. The authors may be contacted at jazevedo@worldbank.org.
Pathways to the Middle Class in Turkey: How Have Reducing Poverty and Boosting Shared Prosperity Helped?*

Joao Pedro Azevedo++ and Aziz Atamanov++

JEL: D6; I3; J11; J3; J6

Keywords: Middle Class; Poverty; Inequality: Shared Prosperity; Economic Mobility; Decompositions
Acknowledgement and Disclaimer

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The numbers presented in this brief are based on a regional data harmonization effort known as ECAPOV that increases cross-country comparability of selected findings from official household surveys. For that reason, the numbers discussed here may be different from official statistics reported by governments and national offices of statistics. Such differences should not be interpreted in any way as a claim of methodological superiority, as both sets of numbers serve the complementary objectives, namely, regional comparability and the best possible representation of the facts of individual countries. The usual disclaimer applies.
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Introduction

1. Turkey is classified as an upper middle income country, and has a Gross National Income per capita of $18,190 USD PPP (2012). With a Gross Domestic Product of 789 billion USD (2012), it is the 17th largest economy in the world. Turkey is a member of the Organization for Economic Development and Cooperation (OECD) and an EU accession candidate country. After a volatile period in the 1990s and the economic crisis in 2001, Turkey’s economy demonstrated steady growth and modest inflation. Since the global economic crisis, Turkey has recorded among the strongest recoveries in the ECA region, even though growth has recently slowed significantly as concerns over external imbalances have intensified.

2. High economic growth translated into remarkably consistent poverty reduction. Between 2002 and 2011, extreme poverty fell from 13% to 5% while moderate poverty fell from 44% to 22% (respectively defined using the World Bank’s Europe and Central Asia regional poverty lines of 2.5 and 5 USD/PPP). This systematic increase in welfare led to a significant increase of the middle class in Turkey during 2002-2011.

3. Turkey’s economic performance and social gains have attracted a lot of attention from other countries, in particular countries in the Middle East and North Africa. This raises demand for analytical work explaining the factors behind this success story. There are several important works published on the labor market and jobs, public finance, saving and economic growth in Turkey (Grun et al., 2013; World Bank, 2010, World Bank, 2011; World Bank, 2013a; World Bank, forthcoming), but analytical studies about poverty reduction, shared prosperity and intra-generational mobility are rather limited. There was a comprehensive poverty assessment conducted by the World Bank (2005) and a study on how the economic crisis affected the welfare of families in Turkey by the World Bank (2013a). There is a study by Şeker and Dayıoğlu (2014) which looks at mobility in and out of poverty during 2005-2008. Şeker and Jenkins (2013) analyzed poverty trends in Turkey during 2003-2011 and decomposed the changes into growth and redistribution components. Nevertheless, to the best of our knowledge, there are no comprehensive studies of the main drivers of poverty reduction, shared prosperity and inequality in Turkey during the last decade.

4. This paper contributes to filling this knowledge gap and presents stylized facts on poverty reduction, shared prosperity and intra-generational mobility in Turkey from 2002 to 2011. Using different econometric and statistical techniques, the drivers behind these changes are quantified in order to identify which factors were responsible for poverty reduction and intra-generational mobility during this period. Some of the mechanisms behind the main drivers of poverty reduction are also explored in this paper.

5. The paper is structured as follows: (i) explanation of the interrelationships between growth, poverty and shared prosperity; (ii) stylized facts about intra-generational class mobility; (iii) exploration

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1 This trend is also consistent with national official poverty reduction statistics produced by the Turkish Statistical Institute (TUIK) and published on their website although TUIK uses a different welfare aggregate and hence the level of underlying trends is not the same.
of the determinants of poverty reduction and intra-generational mobility; and (iv) brief discussion of the future challenges Turkey may face related to poverty reduction and shared prosperity.

I. Growth, poverty and shared prosperity

6. Sound macroeconomic policies and structural reforms over the past decade have yielded robust economic growth in Turkey. While the country experienced an average growth rate of 3 percent during 2000-2012, this average masks substantial volatility across different time periods (figure 1.1). Due to internal crisis in 2001, the average growth rate was negative during 2000-2002. This was followed by a period of rapid growth at an average rate of about 5.5 percent during 2002-2007. Another episode of negative growth was then observed during 2007-2009 due to the world economic crisis. Following this second crisis, a period of strong economic growth resumed again in Turkey, this time with an average growth rate of 5.3 percent during 2009-2012.

**Figure 1.1: GDP per capita growth in selected countries**

![GDP per capita growth in selected countries](image)

Source: WDI, authors’ calculations.
Notes: GDP per capita in PPP, constant 2005 prices. Yearly average is calculated as geometric mean using the following formula \( m = \left( \frac{GDP_{t2}}{GDP_{t1}} \right)^{\frac{1}{(t2-t1)}} - 1 \), where \( m \) is growth rate, \( t2 \) is second period, \( t1 \) is the first period. WDI data was accessed on the 16th of October 2013.

7. Compared with other countries in the world, Turkey’s performance during the growth periods was similar to what was observed in middle and upper-middle income countries and much better than what was observed in OECD and EU countries. However, Turkey was hit much harder than upper middle income countries on average. The level of recession in Turkey during 2007-2009 was comparable and even higher than in EU and OECD countries with much higher levels of GDP per capita. The only country which experienced greater recession during 2007-2009 was Mexico.
8. **The benefits of economic growth were widely shared in Turkey.** The bottom 40 percent of the population benefited from the economic growth by as much as the average population (figure 1.2). Consumption of the bottom 40 percent (the indicator of “shared prosperity” used by the World Bank) of the population was positive during all sub-periods and across different welfare aggregates (see figure A.1 in the annex). Compared to other countries in the world, Turkey’s performance in shared prosperity was average and close to what was observed in Colombia and Bulgaria (figure 1.2).

![Figure 1.2: Shared prosperity indicator for selected countries](image)

Source: Provisional World Bank data on shared prosperity, as of October 25, 2013. Welfare aggregate is consumption per capita including durables, health and rent.

Notes: Shared prosperity is measured as annualized consumption per capita growth of the bottom 40 percent of the population. Annualized average is calculated as geometric mean.

9. **The country has demonstrated a strong performance in poverty reduction during 2002-2011.** Poverty (defined using the regional 5 USD/PPP 2005 per day poverty line) declined by 22 percentage points during 2002-2011, falling from 44 percent to 22 percent. Most of this poverty reduction (89%) has been driven by growth, a performance consistent with most ECA countries. This is substantially different from the recent performance of other regions, such as Latin America, where redistribution contributed to poverty reduction almost four times more than in Turkey (Azevedo et al., 2013). Benchmarking Turkey’s performance in poverty reduction between 2008-2011 shows that its conditional performance controlling for initial poverty level, contemporaneous global growth and country’s growth during this period has been systematically higher than its unconditional performance. This means that Turkey’s performance has been better than its expected value given a set of observable characteristics.²

² Detailed explanation of the method and results is the fourth section of the report.
The recession of 2007-2009 did not change drastically the observed patterns in poverty reduction. In spite of a sharp economic downturn in 2008 and 2009, poverty increased only marginally in 2009 and average consumption growth of the bottom 40 percent of the population was still positive during 2007-2009. More worrisome is that the period after the crisis (2008-onwards) is marked by a gradual increase in inequality (figure 1.3b).

Currently, the level of poverty in Turkey is similar to what is observed in several other upper-middle income countries in the ECA region. For example, the poverty rate (defined using 5 USD/PPP 2005 per day poverty line) in Turkey in 2011 (22%) was higher than in Bulgaria in 2007 (17%) and lower than in Romania in 2011 (35%). Poverty continues to be higher in rural areas in Turkey and rural poverty reduction was lagging behind urban areas. With regards to inequality, Turkey performs as countries with the lowest inequality in Latin America and Caribbean region (LAC) and as countries with the highest inequality in the European Union (see figure A.2 in the annex).

Intra-generational (class) mobility in Turkey

In parallel with a shrinking number of the poor, widely shared and systematic increases in welfare led to a significant expansion of the middle class in Turkey during 2002-2011. The size of the

---

3 Consumption per capita instead of consumption per adult equivalent is used to allow cross-country comparability. In addition, there is a lot of discussion among research community and poverty economists which parameters to use for equivalence scale since this may have a substantial impact on poverty estimates. We checked the stochastic dominance of consumption per adult equivalent (modified OECD scale) over consumption per capita (see table A1). For all years, consumption per adult equivalent has first and second order dominance over consumption per capita. In other words, poverty based on consumption per capita will be always higher than poverty based on consumption per adult equivalent for any poverty line.
middle class (defined using the international 10 USD/PPP 2005 line following the Lopez-Calva and Ortiz-Juarez, 2011 also used in Ferreira et al, 2013) in Turkey doubled during 2002-2011 from 21 to 41 percent. The size of the vulnerable group (defined as population with consumption per capita between 5 and 10 USD/PPP 2005) increased from 36 to 37 percent of the population. Large changes occurred with the group of poor people which declined from 44 to 22 percent of the population respectively (figure 2.1).

13. **Rural residents are more likely to be poor, while urban residents are more likely to be in the middle class.** As shown in tables A.3ab in the annex, the chances of being in the middle class are twice as high for urban as for rural residents, while rural poverty is higher than urban poverty. Nevertheless, due to the urbanization process observed in Turkey, in absolute terms most of the poor, vulnerable and the middle class are concentrated in urban areas.

14. **Upwards class transitions prevailed during 2002-2011.** Table 2.1 presents the upper bound for the mobility matrix showing how much of the population shifted across different classes during this time period. The least conservative estimates (upper bound) show that from 2002-2011, 40 percent of the poor moved to the vulnerable group, and 20 percent of the poor and 40 percent of the vulnerable group moved to the middle class. During this time, only 6 percent of the middle class fell into the poverty, thus making the middle class the most stable of all three categories. The magnitude of movement changes if more conservative lower bound estimates are used, but qualitatively the story remains the same: the absolute majority of those that moved out of poverty did not fall back (see table A2 in the annex). The same applies for those that moved out of the vulnerable group.

**Figure 2.1: Poor, vulnerable and middle class in Turkey during 2002-2011, %**

![Figure 2.1](image)

Source: Authors’ calculation based on ECAPOV data.

---

4 We could potentially try to distinguish top earners (households with consumption per capita higher than 50 USD/PPP 2005 per day) from the middle class, but since household budget surveys are not particularly good at capturing top earners (less than 1 percent of population in Turkey in 2011 had consumption per capita higher than this threshold) we have not done this.

5 The size of different classes based on income per capita is presented in figure A.3 in annex.
Notes: Welfare aggregate is consumption per capita including health, durables and rent. Thresholds used are 5 and 10 USD/PPP 2005 per day.

Table 2.1: Mobility matrix, 2002-2011, upper bound

<table>
<thead>
<tr>
<th>Origin (In 2002)</th>
<th>Poor</th>
<th>Vulnerable</th>
<th>Middle Class</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>43</td>
<td>40</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Vulnerable</td>
<td>37</td>
<td>17</td>
<td>62</td>
<td>40</td>
</tr>
<tr>
<td>Middle class</td>
<td>20</td>
<td>6</td>
<td>26</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>22</td>
<td>38</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on ECAPOV data.

Notes: transition matrix is based on a synthetic panel for 2002-2011. Welfare aggregate is consumption per capita including health, durables and rent. Sample: heads of household 25-55 years of age. Detailed results of the regression predicting consumption per capita are presented in table A.2 in the annex. Methodological details are presented in Annex A2.

15. **Strong upward mobility is observed in urban areas, while chances of falling into poverty are much higher for rural residents.** Tables A.3ab in the annex show upper bound mobility matrixes for urban and rural areas. The poor in urban areas have non-negligible chances to move to the middle class and low chances to fall back to poverty: 25 percent of the poor in 2002 moved to middle class and only 5 percent moved back to poverty in 2011 in urban areas. In contrast, the rural poor have lower chances to move up to the middle class and higher chances to fall back to poverty. Namely, 14 percent of poor rural residents in 2002 moved to the middle class in 2011 and 16 percent of the middle class shifted back to poverty in 2011. This is not counterintuitive taking into account the nature of income generating activities in rural areas with agricultural playing an important role.

16. **Age, education and labor force status seem to be important predictors for economic classes.** Table A.5 contains the shares of poor, vulnerable and the middle class in population with different individual characteristics. As have been already said, urban residents have much higher chances to be in the middle class than rural residents. Individuals with tertiary education have the highest chances to be in the middle class. Children of age 5-15 have highest chances to be in poverty, while the retired population, especially those between 50-65 years has the highest chances to join the middle class. As will be further shown pensions (both increase in size and coverage) played a very important role for welfare improvement of all groups in the population.

17. **Consistent welfare improvement is also observed for the bottom 40 percent of the population.** As shown in table 2.2, there was a churning in the bottom 40 percent of the population in Turkey during 2002-2011. Between 14 and 42 percent (depending on upper or lower bound of estimate) of the population in the bottom 40 percent in 2002 moved to the top 60 percent in 2011, while 9 to 28 percent of the population in top 60 percent moved to the bottom 40 percent. However, in spite of all churning, overall mobility was positive. Figure 2.2 helps to unpack the shared prosperity growth into two components: (i) the average consumption of those households staying in the bottom 40 percent during two

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*Box 1 explains potential scenarios for churning of the bottom 40 percent of the population.*
periods (persistent group) and (ii) the average consumption of those who moved out of (graduates) or into (entrants) the bottom 40 percent. As illustrated in figure 2.3, there is an average welfare improvement in the persistent group of the population staying in the bottom 40 percent during two periods. Moreover, entrants have a higher average consumption per capita than graduates (see Box 1 for definitions). Overall, this led to welfare gains across the whole distribution and positive consumption growth among the bottom 40 percent of the population.

Table 2.2: Mobility matrix for the bottom 40 and top 60 percent of the population

<table>
<thead>
<tr>
<th></th>
<th>a) Upper bound</th>
<th></th>
<th>b) Lower bound</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Top 60</td>
<td>43</td>
<td>17</td>
<td>60</td>
</tr>
<tr>
<td>Bottom 40</td>
<td>17</td>
<td>23</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on ECAPOV data.

Notes: Transition matrix is based on a synthetic panel for 2002-2011. Welfare aggregate is consumption per capita including health, durables and rent. Sample: heads of household 25-55 years of age. Detailed results of the regression predicting consumption per capita are presented in table A.2 in the annex. Methodological details are presented in Annex A2.

Box 1. Churning in the bottom 40 percent of the population

The shared prosperity indicator, which measures consumption per capita growth of the bottom 40 percent of the population is an anonymous indicator. In other words, there is no guarantee to observe the same individuals in the bottom 40 percent of the population across years. In particular, several potential scenarios may occur. First, individuals can be the same in the bottom 40 percent in two periods [(1) in Figure 2.2]. Second, individuals from the bottom 40 percent in the first period can move to the top 60 percent in the second period (graduates) [(2) in Figure 2.2]. Third, individuals from the top 60 percent of the population in period one can move to the bottom 40 percent in the period two (entrants) [(3) in Figure 2.2]. The forth scenario, in which the population in the top 60 percent is the same across periods, is not relevant to this analysis of the bottom 40 percent [(4) in Figure 2.2]. The overall impact of churning will depend on the magnitude of these movements.

There are several options to see the described scenarios. The first option is to track the mobility of people using panel data. This will allow tracking the same people over a particular period. The second option is to use a synthetic panel approach based on repeated cross-sectional data (see annex A2 for more details of this methodology). This provides an opportunity to predict the consumption of households in the first period using information about their consumption in the second period and permanent household characteristics. In this paper, the second approach is used.
18. **The population from the bottom 40 percent improved their individual and household characteristics during the last decade.** People from the bottom 40 are more likely to live in rural areas and to be less educated. They live in households with higher dependency ratios and tend to be self-employed. At the same time, during the last decade, people in the bottom 40 became more educated, more urbanized and shifted from self-employment to wage employment (see tables A.5 and A6 in the annex). These positive changes helped them to benefit from economic growth.
19. **In spite of all progress in intra-generational mobility, compared to the size of the middle class in other countries, Turkey is still lagging behind given its level of economic development.** Figure 2.4 compares the size of the middle class across selected countries in the world given their GPD per capita in PPP terms in two periods of time (circa 1993 and 2010). Despite a rapidly growing middle class, Turkey is still behind several countries with similar levels of economic development. For example, in 2010 the middle class in Turkey comprised 42 percent of the total population, compared to 47 percent in Malaysia and Chile and 52 percent in Latvia.

**Figure 2.4: Share of the middle class and GDP per capita in PPP in selected countries, circa 1993 and 2010**


Notes: thresholds for middle class with consumption per capita above 10 USD/PPP. Each country has its own time period for the middle class depending on data availability. Middle class for Turkey in 2010 is based on 2011 data from ECAPOV with welfare aggregate including health, durables and rent.
II. Determinants of poverty reduction and intra-generational mobility

20. This section shifts from stylized facts about poverty, inequality and shared prosperity to the analysis of determinants of observed changes in wellbeing and intra-generational mobility. Income poverty decompositions are used to quantify the contribution of different factors to changes in welfare and inequality across classes, areas and gender. Having identified the labor market’s contribution as the most important driver of poverty reduction in Turkey, we explore the mechanisms behind this impact.

2.1 Drivers of changes in poverty, inequality and intra-generational mobility

21. The labor market was the most important factor driving poverty reduction in Turkey in the 2000s. As income and consumption poverty trends are very similar in Turkey, an income poverty decomposition was used to quantify the contribution of different factors to poverty reduction (see figure A.4 in annex). As shown in figure 3.1, overall income poverty declined by 30 percentage points between 2002-2011 years. Labor market (earnings and added worker effect\(^7\)) was responsible for 18 percentage points of this reduction, making it the largest single contributing factor. The role of pensions was important as well, accounting for 7 percentage points, with demographics (share of adults) and social assistance each accounting for 3 percentage points of poverty reduction.

22. The relative contribution of different factors to poverty reduction is not the same across urban and rural areas. Social assistance, pensions and added worker effect played a more important role in rural areas in relative terms. For example, pensions were responsible for more than one third of poverty reduction in rural areas compared to 20 percent in urban areas. In contrast, labor earnings played a more important role in urban areas. Thus, labor earnings were responsible for 42 percent of poverty reduction in urban areas compared to 28 percent in rural areas (figure 3.3).

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\(^7\) The added worker effect (share of employed) measures the impact of having household members with non-zero labor income.

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Source: Authors’ calculation based on ECAPOV data. 
Notes: Poverty line is 5 USD/PPP per day. Welfare aggregate is income per capita. Methodological details are presented in

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Source: Authors’ calculation based on ECAPOV data. 
Notes: Welfare aggregate is income per capita. Higher Gini means higher inequality. Methodological details are presented.
23. **Drivers of poverty reduction** differ across economic classes with labor earnings, social assistance and pensions playing a more important role for the vulnerable, poor and the bottom 40 percent of the population. Contributions of different factors to economic wellbeing across poor, vulnerable and middle class groups are presented in figure 3.4ab. The labor market continues to be the most important factor for all classes, but with a different magnitude. In particular, labor earnings were more important for the poor and vulnerable, while the added worker effect was more important for the middle class. Consistent with these findings, decomposition of income growth by sources shows that social assistance, pensions and labor earnings are more important for the bottom 40 percent of the population.

### Figure 3.3: Sources of welfare improvement across urban and rural areas in 2002-2011, %

![Graph showing sources of welfare improvement](image)

Source: Authors’ calculation based on ECAPOV data.
Notes: Welfare aggregate is income per capita. Negative share means negative contribution to welfare. Methodological details are presented in Annex A3.

24. **During 2007-2009 labor earnings were the main transmission mechanism for the negative effect of the economic crisis, but were counterweighed by employment and social assistance effects.** Income poverty decomposition by different sub-periods shows that during the crisis period of 2007-2009, wages contributed to an increase in poverty (see figure A.5 in annex). At the same time, this impact was counterweighed by a positive added workers effect (families probably had stronger incentives to have other members entering the labor markets) and by the existing social assistance packages.

25. **The contribution of the labor market to inequality reduction is rather mixed.** In contrast to poverty reduction, from the labor market only earnings lead to decreases in inequality (figure 3.2). The added worker effect increased the Gini during 2002-2011 which is consistent with higher contribution of employment to welfare improvement of the middle class. One possible explanation for this fact is that the
poor could not benefit as much from the increase in formal jobs (structural changes are discussed further in section 3.2) because of entry barriers such as good education, networks and so forth.\textsuperscript{8} Besides wages, pensions were the second most important equalizing factor during the considered period. The share of adults in the household and social assistance also contributed to the reduction of the Gini coefficient.

\textbf{Figure 3.4a: Sources of welfare improvement across classes in 2002-2011, %}

\textbf{Figure 3.4b: Sources of welfare improvement for the bottom 40 percent of the population in 2002-2011, %}

Source: Authors’ calculation based on ECAPOV data.
Notes: Welfare aggregate is income per capita. Negative share means negative contribution to welfare. Thresholds for poor, vulnerable and middle class are 5 and 10 USD/PPP 2005 per day. Methodological details are presented in Azevedo and Nguyen (2014).

26. \textbf{The contribution of women to poverty and inequality reduction was very limited.} Income poverty decomposition across gender demonstrates that female contribution to poverty reduction through the labor market, share of adults and pensions was much lower than that of males (figure 3.5). Moreover, both female earnings and added worker effects were inequality increasing (figure 3.6). This may be related to the fact that women with better education benefit from entering the labor market and earning higher wages. One possible explanation of lower contribution of the share of female adults to poverty reduction is that women tend to get married earlier than men and leave the household. In addition, there was a tendency for men to enter marriage at a later age (see figure A.7 in annex).

\textsuperscript{8} This hypothesis is supported by the findings from Grun et al. (2013) showing that in the post-crisis period most of the jobs were formal jobs requiring university education.
27. The absolute majority of poverty reduction from earnings came from the private sector. Income poverty decomposition by gender and public/private division of earnings presented in figure 3.7 shows that poverty reduction is associated only with private earnings and not with public earnings. In addition, public wages had an un-equalizing impact both for women and men (figure 3.8).
28. Both coverage and size were important factors behind poverty reduction effect from pensions. As shown in figure A.8 in the annex, increase in the share of pensioners and higher size of pensions played almost equal role for poverty reduction during 2002-2011: 3 and 4 percentage points respectively. This is in line with findings from World Bank (forthcoming) showing the pension contributions were growing since 2000 with increasing coverage. The share of social spending in GDP in Turkey was shown to be high given demographic structure with large and young working population. As a result, the size of pension benefits as percentage to economy wide average earnings were on the second place after New Zealand in the OECD.

2.2 Mechanisms of poverty reduction in the labor market

29. There were substantial structural changes in the Turkish economy during 2002-2010. As shown in figure 3.9, there was a drastic shift from agricultural employment to industry and services. Moreover, average economic growth in the agricultural sector was lagging behind economic growth in construction, industry and services. These structural changes enhance economic growth because labor productivity in agriculture in Turkey was the lowest of all sectors (Grun et al., 2013).

![Figure 3.9: Employment creation and economic growth by sectors, %](image)

Source: Authors’ calculations based on LFS data and Turkish Statistical Institute.
Notes: Size of the bubble shows the number of employed.

30. Structural changes were supplemented by significant growth in the minimum wage. One of the explanations for the importance of labor earnings in poverty reduction may stem from the increase in the minimum wage in Turkey. As shown in figure 3.10, the growth in the minimum wage in Turkey during 2002-2011 was substantial in comparison with other European countries whether measured in Euros or in purchasing power parities. There is evidence that the minimum wage in Turkey may be binding at least in the formal sector (see World Bank, 2013b) and it is high relative to average wages if
compared with other OECD countries (see Figure A.10). Hence, increases in the minimum wage can affect average earnings, both directly (increased earnings for minimum wage earners) and indirectly (by anchoring all wages at a higher new level). At the same time, the high minimum wage may also lead to greater informality, so the ultimate effect on household incomes is ambiguous.

31. **Structural changes in the economy led to more formal employment, but women did not benefit as much from this as men.** The expansion of the service and industrial sectors shifted employment from self-employment to more formal wage employment. This is consistent with the falling share of workers reporting zero earnings (especially pronounced for women). In spite of these positive changes, female labor force participation remains low, so only a small portion of women can benefit from these improvements. As shown in figure 3.13, female labor force participation in Turkey was about 28 percent in 2011 which is much lower than in countries with similar GDP per capita (it has since increased to 31 percent, but is still low in comparison).

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**Figure 3.10: Growth rates in minimum wages across Europe, 2002-2011**

Source: Authors’ calculation using monthly minimum wages - bi-annual data from Eurostat as of 19.11.13.

Notes: Growth rates are calculated using geometric mean for the second halves of the year.
32. The supply of skills in the labor market has improved, but this was accompanied by declining returns to education and experience. Workers became more educated in Turkey during 2002-2011. During this time, the share of workers with tertiary education increased for men from 10 to 16 percent and for women from 19 to 24 percent. Regarding returns to education and skills, they were declining for both men and women (figures 3.14-3.17). Further analysis is needed to identify the reason behind a decline, but this may negatively affect the sustainability of the positive changes in the labor market.

33. The wage gap in favor of men slightly declined in Turkey, but still remains quite high. In 2002, the unconditional gender wage gap was 97 percent and the conditional gender wage gap was 86 percent. After 9 years the conditional and unconditional gaps in earnings narrowed to 81 percent and the difference between them disappeared. This means that in 2011 the existing gender wage gap cannot be explained by the difference in observable characteristics between men and women and is associated with other factors.

![Figure 3.11: Structure of employment +15, %](image1)
![Figure 3.12: Share of workers with non-zero labor earnings, %](image2)

Source: Turkish Statistical Institute.  
Source: Authors’ calculation based on ECAPOV data.

---

9 Controls include education and experience.
Figure 3.13: Female labor force participation and GDP per capita across countries in 2011, %

Source: Authors’ calculation, WDI.

Figure 3.14: Returns to experience for females, 2002-2011

Figure 3.15: Returns to experience for males, 2002-2011

Source: Authors’ calculation based on ECAPOV.
Notes: No experience is the base category.

Figure 3.16: Returns to education for females, 2002-2011

Source: Authors’ calculation based on ECAPOV.
Notes: None/primary education is the base category.
III. Going forward

34. **Benchmarking Turkey’s performance in poverty reduction between 2008 and 2011 shows that its conditional performance has been systematically higher than its unconditional performance.** This means that Turkey’s performance has been better than its expected value given a set of observable characteristics, including initial poverty level, contemporaneous global growth and country’s growth during this period, in particular for the 2.5 USD-PPP poverty line (Figure 4.1). The question is whether or not Turkey has the conditions to continue on the same path with the same speed. Inclusive economic growth leading to a just society is hard to achieve without covering all segments in the society including the most vulnerable and the poorest. A society needs to be able to maximize human and productive potential regardless of exogenous circumstances such as gender, place of birth, parental background and so forth. This section briefly discusses challenges Turkey may encounter to reduce poverty and boost shared prosperity.

**Figure 4.1: Benchmarking performance of Turkey in poverty reduction based on 1.25, 2.50 and 5 USD/PPP 2005 poverty line in 2008-2011, %**


35. **The key to sustaining Turkey’s recent gains in poverty reduction and shared prosperity lies in the labor market.** Turkey has achieved remarkable success in creating new jobs after the Global
economic crisis and this has contributed to continued welfare improvements. However, given demographic changes Turkey will need to sustain the pace of job creation and increase productivity, all the more so, if more women start entering the labor market. Turks are getting better educated, and evidence suggests that returns to education in Turkey are still high. However, the decline in returns to education over the last decade is of concern, especially if it foreshadows difficulties among the youth to find jobs that match their skills. Creating good jobs is thus an enduring challenge for both growth and shared prosperity (Grun et al., 2013).

36. As illustrated in this analysis, female labor force participation is very low in Turkey and female contribution to poverty and inequality reduction was rather limited. According to Uraz et al. (2010), such a low level of female labor force participation can be associated with a combination of different supply and demand factors as shown by the following observations: (i) there is a large gap in earnings for low skilled men and low skilled women which reduces the incentive to join the labor market; (ii) urban low-skilled women face high opportunity costs of working because of the absence of affordable childcare; and (iii) urban low skilled women are less likely to work if the wealth of the household increases and the education of the head of household is higher. Increasing female participation in the economy could be one of the important factors for boosting shared prosperity and reducing poverty. Initially, more educated women and hence more middle class households will tend to benefit, but over time, rising female labor force participation and reduced inequalities in access to education should become equalizing forces. Policies in this area are thus important for growth as well as social inclusion.

37. Equal access to markets is one of the preconditions to sustainable and shared economic growth. As data on financial inclusion demonstrates, access to financial services (measured by access to banking accounts and loans) is slightly higher in Turkey than the average for the ECA region. However, compared to the European Union (EU), access to financial services in Turkey is lagging behind. For example, 58 percent of the population older than 15 in Turkey has accounts in formal financial institutions. The average for ECA is 45 percent and 91 percent for the EU.

Figure 4.2: Access to financial institutions in Turkey, ECA and Euro area countries, % of population +15

Source: Findex.

Figure 4.3: Access to financial institutions in Turkey across groups with different level of income, % of population +15

Source: Findex.
38. Unequal access to financial services among different groups is a more important problem than the level of financial intermediation per se. There is a huge gender gap in access to banking accounts in favor of men. In particular, 82 percent of men older than 15 have access to financial accounts, compared to only 33 percent of women (figure 4.2). The gap also exists across groups with different level of income. Among the top 60 percent of the population, 63 percent have access to financial accounts in formal institutions, compared to only 51 percent among the bottom 40 percent (figure 4.3). Financial inclusion is thus an important policy agenda to sustain shared prosperity going forward.

39. Further poverty reduction in Turkey will depend tremendously not only on intra-generational class mobility, but also on intergenerational mobility. Hentschel et al. (2010) demonstrated that intergenerational transmission of inequity is powerfully affecting Turkey’s youngest generation today. The authors show that circumstances, or factors any single person can do nothing about, are very important in determining life chances in Turkey. In particular, factors such as one’s area of birth and parental education explain two-thirds of the inequality of opportunity related to the wealth distribution in the country. The socioeconomic background of families is an important factor driving inequality of opportunities in education as well. While Turkey has been making progress in reducing the importance of socio-economic background for education outcomes (see OECD, 2013), it still ranks among the countries in the OECD with the largest effect of these factors on individual achievement. Early childhood education and measures to improve the quality of education particularly in schools in disadvantaged regions and districts are important to sustain and accelerate recent improvements.

40. Turkey will continue to benefit from demographic dividends, but after 2025 the situation will change dramatically. As shown in figure A.9 in annex, Turkey has been benefiting from demographic window of opportunity since the 1980s. The share of children and elderly was declining, while the share of working age population was increasing and will be highest in the 2020s. However, once the window closes, Turkey will face the challenge of aging. While the elderly are not among those most likely to be affected by poverty (children are more at risk) and pensions in fact contribute significantly to income growth in the bottom 40 percent, the pension system is projected to continue to run significant deficits given a low effective retirement age and relatively generous replacement rates. Rising health care costs will add to the fiscal burden of aging. Encouraging longer working lives will be important to manage these costs as well as ensure resources can be concentrated on reducing vulnerability in old age.

41. Summing up, Turkey had a remarkable performance in reducing poverty and boosting shared prosperity. As a result, there was a strong upward intra-generational mobility expanding the size of the middle class in the country. The main drivers of these positive changes were coming from the labor market, social assistance and pensions. Nevertheless, continuing the same path will require addressing several challenges including: (i) improving access to markets with a focus on reducing gender and rural/urban gaps, (ii) increasing female labor force participation, and (iii) reducing intergenerational inequality by weakening the link between circumstances people cannot be held accountable for and socio-economic outcomes.
References


Annexes

A1. Other figures and tables

Figure A1: Shared prosperity indicator for different welfare aggregates and years, %

<table>
<thead>
<tr>
<th>a) consumption per capita</th>
<th>b) Consumption (+health, durables and rent) per capita</th>
<th>c) Income per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>growth of bottom 40</td>
<td>growth of total population</td>
</tr>
<tr>
<td></td>
<td>growth of bottom 40</td>
<td>growth of total population</td>
</tr>
</tbody>
</table>

Source: World Bank Staff calculation based on ECAPOV.

Notes: Annualized growth rate is calculated using geometric mean.

Figure A2: Income per capita Gini for Turkey and selected EU and LAC countries

Source: ECATSD’s calculations for ECA countries. For LAC countries the source is Azevedo, Davalos, Diaz-Bonita, Atuesta, Castaneda (2013).

Notes: For EU and Turkey the source is EU-SILC.
Table A.1: Summary of the distribution comparison for all years between 2002-2011

<table>
<thead>
<tr>
<th>Comparison groups</th>
<th>Mean Pen parade below</th>
<th>Generalized Lorenz curve below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption per capita is compared with consumption per adult equivalent, 2002-2012</td>
<td>below</td>
<td>below</td>
</tr>
</tbody>
</table>

Source: World Bank Staff calculation based on ECAPOV.
Notes: Lower Pen parade means stochastic dominance of the first order. Lower Generalized Lorenz curve means stochastic dominance of the second order. Alorenz ado written by Joao Pedro Azevedo and Samuel Franco was used. To download it, within Stata type: “ssc install alorez”.

Table A.2: Consumption per capita model

<table>
<thead>
<tr>
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<th>coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female head of household</td>
<td>-0.159***</td>
</tr>
<tr>
<td>Literate</td>
<td>0.107***</td>
</tr>
<tr>
<td>Primary</td>
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</tr>
<tr>
<td>Primary completed</td>
<td>1.673***</td>
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<tr>
<td>Secondary</td>
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<td>Vocational</td>
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<td>Lyceum</td>
<td>0.542***</td>
</tr>
<tr>
<td>Lyceum vocational</td>
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</tr>
<tr>
<td>2 years college</td>
<td>0.886***</td>
</tr>
<tr>
<td>4 years college</td>
<td>1.216***</td>
</tr>
<tr>
<td>Master</td>
<td>1.333***</td>
</tr>
<tr>
<td>Number of children below 6</td>
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</tr>
<tr>
<td>Number of children 7-15</td>
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</tr>
<tr>
<td>Number of children below 6, squared</td>
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<tr>
<td>Number of children 7-15, squared</td>
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<td>Interactions of rural dummy and education</td>
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</table>

Rsq=0.417

Source: Authors’ calculations based on ECAPOV data.
Notes: Welfare aggregate is consumption per capita including health, durables and rent. Sample: heads of household 25-55 years of age. Base category for education illiterate.
*** Significant at 1 percent.

Table A.3: Mobility matrix, 2002-2011, lower bound

<table>
<thead>
<tr>
<th></th>
<th>Origin (In 2002)</th>
<th>Poor</th>
<th>Vulnerable</th>
<th>Middle Class</th>
<th>Total</th>
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<tbody>
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<td>Total</td>
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<td>38</td>
<td>40</td>
<td>100</td>
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</table>
Source: Authors’ calculations based on ECAPOV data.

Notes: transition matrix is based on a synthetic panel for 2002-2011. Welfare aggregate is consumption per capita including health, durables, and rent. Sample: heads of household 25-55 years of age. Detailed results of the regression used for prediction is presented in table A.1 in the annex.

<table>
<thead>
<tr>
<th>Table A.4a: Mobility matrix for urban areas, 2002-2011, upper bound</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Origin</strong></td>
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<tr>
<td><strong>(In 2002)</strong></td>
</tr>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Vulnerable</td>
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<td>Middle class</td>
</tr>
<tr>
<td>Total</td>
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<table>
<thead>
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<th>Table A.4b: Mobility matrix for rural areas, 2002-2011, upper bound</th>
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<td><strong>Origin</strong></td>
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<td><strong>(In 2002)</strong></td>
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<tr>
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<td>Middle class</td>
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<td>Total</td>
</tr>
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Source: Authors’ calculations based on ECAPOV data.

Notes: transition matrix is based on a synthetic panel for 2002-2011. Welfare aggregate is consumption per capita including health, durables, and rent. Sample: heads of household 25-55 years of age. Detailed results of the regression used for prediction is presented in table A.1 in the annex.

Figure A3: Poor, vulnerable and middle class in Turkey during 2002-2011 based on income per capita, %
Source: Authors’ calculations based on ECAPOV data.

Figure A4: Income and consumption per capita poverty in Turkey, %

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2011</th>
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<td>vulnerable</td>
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<tr>
<td>Residence</td>
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<tr>
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Source: Authors’ calculations based on ECAPOV data.
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Source: Authors’ calculations based on ECAPOV data.
Note: Income per capita was used to identify different classes. Income was used instead of consumption to be consistent with welfare decomposition by classes.

---

### Table A.6: Profile of population in the bottom 40 percent for selected years

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Source: Authors’ calculations based on ECAPOV data.
Note: Consumption per capita plus health, durables and rent was used to identify the bottom 40 and top 60 percent of the population.
Figure A.5: Income poverty decomposition by years

5 USD/PPP per day

Figure A.6: Income Gini decomposition by years

Source: Authors’ calculation based on ECAPOV data.
Notes: Poverty line is 5 USD/PPP per day. Welfare aggregate is income per capita.

Source: Authors’ calculation based on ECAPOV data.
Notes: Welfare aggregate is income per capita.

| Table A.7: Profile of households in the bottom 40 percent for selected years |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | Bottom 40                   |                             |                             | Top 60                      |                             |                             |                             |
| Number of children in HH    |      |      |      |      |      |      |      |      |
| 0-1                         | 31.0 | 34.6 | 35.6 | 37.1 | 65.7 | 70.0 | 71.4 | 73.2 |
| 2                           | 25.5 | 26.6 | 28.8 | 28.6 | 22.9 | 21.9 | 21.2 | 20.1 |
| 3                           | 20.3 | 18.8 | 18.3 | 16.8 | 7.4  | 6.3  | 5.6  | 4.9  |
| 4                           | 11.5 | 8.8  | 8.2  | 7.5  | 2.6  | 1.3  | 1.1  | 1.4  |
| 5+                          | 11.8 | 11.3 | 9.2  | 10.0 | 1.4  | 0.5  | 0.8  | 0.5  |
| Dependency ratio            | 0.43 | 0.43 | 0.42 | 0.41 | 0.3  | 0.3  | 0.3  | 0.3  |
| Size of the household       |      |      |      |      |      |      |      |      |
| 1                           | 0.4  | 0.3  | 0.7  | 0.8  | 1.4  | 1.5  | 2.0  | 2.3  |
| 2                           | 3.0  | 2.8  | 3.9  | 3.7  | 10.7 | 11.9 | 13.2 | 14.8 |
| 3                           | 6.0  | 8.8  | 8.9  | 9.2  | 18.6 | 23.1 | 23.6 | 24.8 |
| 4                           | 17.4 | 19.9 | 21.3 | 21.7 | 31.5 | 31.2 | 30.5 | 30.2 |
| 5                           | 18.1 | 21.5 | 20.5 | 20.6 | 18.4 | 16.3 | 16.2 | 15.2 |
| 6-10                        | 47.3 | 38.5 | 39.8 | 37.6 | 18.4 | 15.0 | 13.8 | 12.2 |
| 10+                         | 7.9  | 8.2  | 5.0  | 6.4  | 1.1  | 1.0  | 0.7  | 0.7  |
| HH education                |      |      |      |      |      |      |      |      |
| none/1-4                    | 27.0 | 22.0 | 23.2 | 21.9 | 8.2  | 6.7  | 7.9  | 7.8  |
| incomplete 5-12             | 67.1 | 67.2 | 67.3 | 67.0 | 62.7 | 60.2 | 56.7 | 54.3 |
| gen sec                     | 3.8  | 7.4  | 4.4  | 5.2  | 12.3 | 15.0 | 10.6 | 10.1 |
| spec sec                    | 1.7  | 2.2  | 4.1  | 4.2  | 6.2  | 5.8  | 9.8  | 9.9  |
| tertiary                    | 0.5  | 1.3  | 1.0  | 1.7  | 10.6 | 12.3 | 15.0 | 17.9 |

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Source: Authors’ calculations based on ECAPOV data.
Note: Consumption per capita plus health, durables and rent was used to identify the bottom 40 and top 60 percent of the population.

Figure A.7: Share of married individuals across gender, age groups and years

Source: Authors’ calculations based on ECAPOV data.

Figure A.8: Income poverty decomposition by size of pensions and the share of pensioners

Source: Authors’ calculations based on ECAPOV data.
Figure A.9: Estimates and projections of total dependency ratios, 1950-2065

Note: The total dependency ratio is the ratio of the sum of the population aged 0-19 and that aged 65+ to the population aged 20-64.
**A2. Methodology to create “synthetic panel” to estimate intra-generational mobility**

Assume that we have two rounds of cross-sectional surveys (denoted as round 1 and round 2). A linear model of consumption or income in each round can be given by:

\[
y_{i1} = x_{i1}' \beta_1 + \epsilon_i^1 \quad (1)
\]
\[
y_{i2} = x_{i2}' \beta_2 + \epsilon_i^2 \quad (2)
\]

where \(y_{i1}\) is the consumption or income of household \(i\) in round 1, \(y_{i2}\) is the consumption or income of household \(i\) in round 2, \(x_{i1}\) is the vector of observed time-invariant characteristics of household \(i\) in period 1 observed both in round 1 and 2, and \(x_{i2}\) is the vector of observed time invariant characteristics of household \(i\) in period 2 observed both in round 1 and 2.

The challenge to study mobility using cross sectional data is that we do not observe consumption or income for the same households in two rounds. Dang et al. (2011) present two methods to overcome this problem. The methods are similar except for the assumptions about the correlation between \(\epsilon_i^1\) and \(\epsilon_i^2\). The methodology can be summarized in four steps:

**STEP 1:** Estimate models 1 and 2 above and construct residuals for both rounds:

\[
\hat{\epsilon}_{i1}^1 = y_{i1}^1 + x_{i1}' \hat{\beta}_1
\]
\[
\hat{\epsilon}_{i2}^1 = y_{i2}^1 + x_{i2}' \hat{\beta}_2
\]

(3) (4)
where superscript denotes the round of the observations that are used, \( y_{i1} \) is the consumption or income of household \( i \) in period 1 using observations in round 1, \( y_{i2} \) is the consumption or income of household \( i \) in period 2 using observations in round 2, \( x_{i1} \) is the observed time invariant characteristics of household \( i \) in period 1 using observations in round 1, \( x_{i2} \) is the observed time invariant characteristics of household \( i \) in period 2 using observations in round 2, \( \hat{\beta}_1 \) is the OLS estimation of \( \beta_1 \), \( \hat{\beta}_2 \) is the OLS estimation of \( \beta_2 \), and \( \hat{\varepsilon}_{i2} \) and \( \hat{\varepsilon}_{i2}^2 \) are residuals terms.

**STEP 2:** Estimate round 1 consumption using observations from round 2:

\[
\hat{y}_{i1}^2 = x_{i1}^2 \hat{\beta}_1 + \hat{\varepsilon}_{i1}^2 \tag{5}
\]

where \( \hat{y}_{i1}^2 \) is the consumption or income of household \( i \) in period 1 using observations in round 2, \( x_{i1}^2 \) is the observed time invariant characteristics of household \( i \) in period 1 using observations in round 2. The origin of \( \hat{\varepsilon}_{i1}^2 \) depends on the assumptions about \( \varepsilon_1 \) and \( \varepsilon_2 \). We expect \( \varepsilon_1 \) and \( \varepsilon_2 \) to be positively correlated; i.e. households fixed effects or non-transitory shocks to consumption. The authors propose two alternatives:

a. **Upper bound estimation:** The method assumes zero correlation between \( \varepsilon_1 \) and \( \varepsilon_2 \). Under this assumption, the authors propose to obtain \( \hat{\varepsilon}_{i1}^2 \) by randomly drawing with replacement from the empirical distribution of the residuals in round 1 estimations. Under this method, estimations are likely to overstate mobility.

b. **Lower bound estimation:** The method assumes correlation equal to 1 between \( \varepsilon_1 \) and \( \varepsilon_2 \). Under this assumption, \( \hat{\varepsilon}_{i1}^2 \) can be obtained by using the residuals estimations in round 2, that is \( \hat{\varepsilon}_{i2}^2 \). Under this method, estimations are likely to understate mobility.

**STEP 3:** Calculate flows into and out of poverty using \( \hat{y}_{i1}^2 \), \( y_{i1}^1 \), and a poverty line \( p \). For example, the probability of exiting poverty is:

\[
P(\hat{y}_{i1}^2 < p \mid y_{i2}^2 > p) \tag{6}
\]

**STEP 4:** In the case of the upper bound estimation, repeat steps 1 through 3 \( R \) times.

This technique does not substitute actual panel data, but helps to overcome empirical challenges associated with panel databases. The first challenge is that panel data is costly and complex to administer. Using “synthetic panel” can be easily replicated for all countries with cross sectional data. Secondly, non-random attrition may significantly bias results (Antman and McKenzie 2007).

**A.3 Methodology for income poverty decomposition**

This methodology was taken from the paper by Azevedo et al. (2013). In order to decompose the contribution of each factor to poverty reduction, we need a framework that allows us to measure the contribution of each factor to the total change in poverty. We begin by following Barros et al. (2006), and model household per capita income as:

\[
y_{pc} = \frac{y_h}{n} = \frac{1}{n} \sum_{i=1}^{n} y_i \tag{2}
\]
Income per capita is the sum of each individual’s income; it depends on the number of household members, \( n \). If we recognize that only individuals older than 15 contribute to family income, income per capita depends on the number of adults in the family, \( n_A \), so income per capita can be written as:

\[
Y_{pc} = \frac{n_A}{n} \left( \frac{1}{n_A} \sum_{i=1}^{n} y_i \right).
\]  

(3)

Income per adult includes labor income, \( y_l^A \), and nonlabor income, \( y^{NL}_l \); nonlabor income includes public social transfers, pensions, remittances, and other income:

\[
Y_{pc} = \frac{n_A}{n} \left( \frac{1}{n_A} \sum_{i \in A} y_l^A + \frac{1}{n_A} \sum_{i \in A} y^{NL}_l \right).
\]  

(4)

Finally, not all adults in the household are occupied and household labor income per capita depends on the income of employed adults. Therefore we can decompose the labor income per occupied adult as:

\[
Y_{pc} = \frac{n_A}{n} \left[ \frac{n_o}{n_A} \left( \frac{1}{n_o} \sum_{i \in EA} y_l^A \right) + \frac{1}{n_A} \sum_{i \in EA} y^{NL}_l \right],
\]  

(5)

where \( n_o \) is the number of occupied adults.

Note that official poverty rates in some countries are calculated on the basis of household income, moreover very often consumption and income poverty have similar trends. In these cases, equation (5) is sufficient to decompose the contribution of demographic factors, labor income, and non-labor income to observed poverty reduction.

With this framework, we can separate the demographic, labor, and nonlabor components discussed earlier. The determinants of per capita income are summarized in box 2.

**Box 2. Illustrative diagram of proposed decomposition of income per capita**

![Illustrative diagram](Image)

Source: Authors’ adaptation of Barros et al. (2006).
Measuring the contributions to poverty reduction

Let $F(.)$ be the cumulative density function of the distribution of welfare. Since poverty rates depend on $F(.)$, then we can decompose household consumption in each household by the factors in equation (6). As a result, any poverty measure can be written as a function of each of these components. Therefore the contribution of each component towards changes in poverty or distribution can be expressed as a function of these indicators in the initial and end periods.

Following Barros et al. (2006), we can then simulate the distribution of welfare by changing each of these components one at a time, to calculate their contribution to the observed changes in poverty. In particular, let $\vartheta$ be a measure of poverty, inequality or any other distributional statistic. Then, this measure will be a function of the cumulative density function, $F(.)$, which in turn depends on each of the factors above:

$$\vartheta = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_e}{n}, y_{PO}^L, y_{PA}^N \right) \right) \right), \quad (7)$$

where

$$y_{PO}^L = \frac{1}{n_0} \sum_{i \in A} y_i^L$$

and

$$y_{PA}^N = \frac{1}{n_A} \sum_{i \in A} y_i^N.$$

Given that the distribution of per capita income for period 0 and period 1 are known, we can construct counterfactual distributions for period 1 by substituting the observed level of the indicators in period 0, one at a time. For each counterfactual distribution, we can compute the poverty measures, and interpret those counterfactuals as the poverty that would have prevailed in the absence of a change in that indicator. For example, to see the impact of the change in the share of occupied adults, we can compute $\hat{\vartheta}$, where we substitute the value of $\frac{n_e}{n_A}$ observed in period 0 to the observed distribution in period 1. We can then compute:

$$\hat{\vartheta} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_e}{n}, y_{PO}^L, y_{PA}^N \right) \right) \right), \quad (8)$$

such that the contribution of the share of occupied adults is the difference between the observed $\vartheta$ in period 1 and the estimated counterfactual, $\hat{\vartheta}$. Similarly, each of the other components in the income per capita distribution in period 1 can be substituted by their values in period 0 so that their contribution to changes in poverty can be computed.

Since we don’t have panel data, we do not observe period 1 households in period 0. Therefore, we use a rank-preserving transformation to assign first-period characteristics to the second period. This method uses an idea first proposed by Juhn, Murphy, and Pierce (1993), who decomposed changes in wages by running Mincer-type Ordinary Least Squares (OLS) regressions that make it possible to decompose labor income inequality, using any measure of inequality, in three parts. The first are quantity effects, which refers to the distribution of observable workers’ characteristics, such as education and labor market experience, and are included as regressors in the equation. The second are price effects, which captures changes in returns to observed characteristics through the regression’s coefficients. The third is the regression residual (unobservables), which reflect changes in inequality within education and experience.
groups. While counterfactuals for the quantity effects can be created by assigning the mean observable characteristic from one period to the other, and the counterfactual for the price effects can be created by substituting regression coefficients from one period to another, to complete that analysis, the authors needed to assign a value to the residuals in each period. So they created a counterfactual by ordering households by their earnings in each period, and then taking the average residual value in each quantile from the first period and assigning it to all households in the same quantile in the second period.

In this case, instead of running a Mincer model, we create counterfactuals by ordering households by their total household income, and then taking the average value of each characteristic in equation (5) for each quantile in period 0 and assigning it to each household in that same quantile in period 1. For example, if we are decomposing the effect of labor income, we order households into quantiles by their observed total household income in periods 0 and 1. Then for every quantile in period 1, we replace the period 1 labor income with the average labor income in period 0 from households that were in the same quantile.

### Box 3. Barros et al. (2006) Methodology

<table>
<thead>
<tr>
<th>Step</th>
<th>Equation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>$\vartheta_0 = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Initial poverty rate</td>
</tr>
<tr>
<td>2.</td>
<td>$\vartheta_{a1} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of the interaction between share of adults and income per adult is $\vartheta_{a1} - \vartheta_0$</td>
</tr>
<tr>
<td>3.</td>
<td>$\vartheta_{nA} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of share of household adults is $\vartheta_{nA} - \vartheta_{a1}$</td>
</tr>
<tr>
<td>4.</td>
<td>$\vartheta_{a2} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of the interaction between labor and nonlabor income is $\vartheta_{a2} - \vartheta_{nA}$</td>
</tr>
<tr>
<td>5.</td>
<td>$\vartheta_{NL} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of nonlabor income is $\vartheta_{NL} - \vartheta_{a1}$.</td>
</tr>
<tr>
<td>6.</td>
<td>$\vartheta_{a3} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of the interaction between labor income and the share of occupied adults is $\vartheta_{a3} - \vartheta_{NL}$</td>
</tr>
<tr>
<td>7.</td>
<td>$\vartheta_{no} = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Contribution of the share of occupied adults is $\vartheta_{no} - \vartheta_{a3}$.</td>
</tr>
<tr>
<td>8.</td>
<td>$\vartheta_F = \Phi \left( F \left( Y_{pc} \left( \frac{n_A}{n}, \frac{n_o}{n}, y_{P,O}, y_{P,A} \right) \right) \right)$</td>
<td>Final poverty rate, $\vartheta_F$. The contribution of labor income, $y_{P,O}$, is calculated as a residual: $\vartheta_F - \vartheta_{a3}$.</td>
</tr>
</tbody>
</table>

Barros et al. (2006) compute each counterfactual simulation in a nested fashion (box 3). They identify the contribution that interactions between variables have in poverty reduction by first computing the joint impact of a subset of variables, and then subtracting the marginal impact of each variable, one at a time. For instance, in step 2 in box 3, they first compute the joint impact of inserting both the share of adults and the income per adult from the first period into the distribution of the second period. They then compute the impact of changing only the share of adults, and take the difference of these two simulations to approximate the marginal impact that changing the share of adults had on the distribution. However, in step 4, instead of computing the impact of income per adult on its own, they compute the impact of changing both the labor and nonlabor income per adult. This is done because, in principle, the sum of
labor and nonlabor income should be equivalent to changing total income per adult. The results of these two simulations are different, however, and the simulation of labor income is not done explicitly, but rather ends up being a “residual” in step 8 to ensure that the cumulative effect adds up to the total distributional change.

We modify the procedure in three ways: (1) we focus on consumption as a measure of welfare; (2) we compute a cumulative counterfactual distribution by adding one variable at a time; and (3) we compute Shapley-Shorrocks estimates of each component. In contrast to the Barros et al. (2006) approach, this method does not separately identify the contribution of the interaction between variables in the observed distributional changes; doing so is partial at best, given that changing any variable can potentially affect all other variables. Instead, the impact of changes in each variable and its interactions with all other variables is calculated as the difference between the cumulative counterfactuals. Box 4 shows an example for one possible path. For illustrative purposes, nonlabor income is made up of pensions, transfers, capital income, and other income.

The second methodological change is to address the fact that this methodology suffers from path-dependence, as much of the micro-decomposition literature does. In other words, the order in which the cumulative effects are calculated matters.\(^\text{10}\) One of the major contributions of this paper is that we apply the best known remedy for path-dependence, which is to calculate the decomposition across all possible paths, and then take the average between them following the method proposed by Azevedo, Nguyen, and Sanfelice (2012).\(^\text{11}\) This involves calculating the cumulative decomposition in every possible order, and then averaging the results for each component. Because we have eight variables, this adds up to 40,320 potential decomposition paths (the result of 8!). The average effect for each variable is also known as the Shapley-Shorrocks estimate of each component.\(^\text{12}\)

There is one remaining caveat to this approach: The counterfactual income distributions on which these decompositions rely suffer from equilibrium-inconsistency. Because we are modifying only one element at a time, the counterfactuals are not the result of an economic equilibrium, but rather a fictitious exercise in which we assume that we can in fact modify one factor at a time and keep everything else constant.

<table>
<thead>
<tr>
<th>Box 4. Proposed Methodology along One Possible Path</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (\bar{\theta}<em>0 = \Phi \left( F \left( Y</em>{pc} \left( \frac{n_A}{n}, \frac{n_o}{n_A}, y_{pO}, y_{pA}^{NL} \right) \right) \right))</td>
</tr>
<tr>
<td>2. (\bar{\theta}<em>1 = \Phi \left( F \left( Y</em>{pc} \left( \frac{n_A}{n}, \frac{n_o}{n_A}, y_{pO}, y_{pA}^{NL} \right) \right) \right))</td>
</tr>
<tr>
<td>3. (\bar{\theta}<em>2 = \Phi \left( F \left( Y</em>{pc} \left( \frac{n_A}{n}, \frac{n_o}{n_A}, y_{pO}, y_{pA}^{NL} \right) \right) \right))</td>
</tr>
</tbody>
</table>

---

\(^{10}\) Path-dependence is common in the micro-decomposition literature. See Essama-Nssah (2012), Fortin et al. (2011), and Ferreira (2010) for recent reviews of the literature.

\(^{11}\) A Stata ado file by Azevedo, Sanfelice, and Nguyen implements this approach. To download it, within Stata type: “ssc install adecomp”

\(^{12}\) See Shapley (1953) and Shorrocks (1999).
<table>
<thead>
<tr>
<th>Contribution of pensions is $\hat{\delta}_3 - \hat{\delta}_2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution of transfers is $\hat{\delta}_4 - \hat{\delta}_3$</td>
</tr>
<tr>
<td>Contribution of capital income is $\hat{\delta}_5 - \hat{\delta}_4$</td>
</tr>
<tr>
<td>Contribution of other nonlabor income is $\hat{\delta}_6 - \hat{\delta}_5$</td>
</tr>
<tr>
<td>Final inequality rate. Contribution of labor income is $\hat{\delta}_F - \hat{\delta}_3$</td>
</tr>
</tbody>
</table>
A.4 Welfare aggregates

Both income and consumption welfare aggregates are used in this paper. The main source for them is ECAPOV database. The ECAPOV database presents a collection of harmonized databases for ECA countries based on household budget surveys (HBS) and Living Standard Measurement surveys (LSMS). A unique standardization methodology has been developed and implemented for construction of harmonized consumption aggregates. The ECA databank consumption aggregate includes households’ expenditures for food, cloth, utilities, transport, education, communication, travel, recreation and miscellaneous. The aggregate excludes expenditures on health, rents and durable goods. The aggregate takes into consideration inter-countries regional price differences and CPI adjustment. The consumption aggregates are expressed in per capita terms.

In this paper consumption aggregate includes expenditures on health and durable goods. Income aggregate includes the following components: labor market earnings, pensions, social assistance benefits, remittances, agricultural and other income (detailed description of each component is given in table A8). The income aggregate is expressed in per capita terms. For inter year comparison, consumption and income aggregates were transformed into consistent set using PPP 2005 consumption conversion factor (ICP 2005).

<table>
<thead>
<tr>
<th>Table A.8: Income components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income aggregate</td>
</tr>
<tr>
<td>Labor earnings</td>
</tr>
<tr>
<td>Pension</td>
</tr>
<tr>
<td>Social assistance</td>
</tr>
<tr>
<td>Agricultural income</td>
</tr>
<tr>
<td>Remittances</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Note: (*) the authors have also treated unemployment benefit as a separate component, but results were not qualitatively different.