

FLEXICURITY ANALYSIS OF THE LABOUR MARKET IN TURKEY



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Agnieszka Majcher-Teleon and Ummuhan Bardak drafted this report on the basis of these sources and inputs from the national stakeholders. ETF colleagues Anastasia Fetsi, Ali Ercan Su and Gabriela Platon contributed to the discussion and comments, as did external experts Thomas Bredgaard (Aalborg University) and Lia Pacelli (University of Turin). The Ministry of Labour and Social Security was invited to comment on the draft document from all national stakeholders before and during a second joint ETF–MoLSS seminar on 14 October 2010 in Ankara to present the revised draft report and discuss the main findings with relevant stakeholders. The report was finalised by the ETF following the consultation process.

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EXECUTIVE SUMMARY

Flexicurity has been developed as an underlying principle for the design of labour market policies within the European Union (EU). The new Europe 2020 strategy and the EU Agenda for new skills and jobs confirmed the crucial role of flexicurity in addressing EU labour market challenges. Within the framework of Turkish accession to the EU, this report will analyse how the Turkish labour market is operating in relation to the conceptual framework of flexicurity and will go on to provide some policy conclusions and recommendations on the basis of the findings. The report will explore the four components of the concept through chapters that start with an introduction to the Turkish economy and labour market, and that go on to: an overview of lifelong learning strategies, flexible contractual arrangements, active labour market policies, the social protection system, and social dialogue and trust in the Turkish society. The analysis will provide some initial ideas on how the flexicurity approach can be implemented in the country, with the focus on encouraging national debate, the promotion of decent work and a particular emphasis on education, training, and active labour market measures.

Chapter 1 provides a general overview of the Turkish economy and labour market, outlining the main challenges identified before moving on to fuller discussion of aspects of flexicurity as an analytical and policy approach. Turkey has achieved considerable economic growth in the last decade but this has not been matched by mass job creation or significant levels of human development. The country has also witnessed growing inequalities with a significant share of relative poverty and lower levels of human development than other countries with similar levels of economic development. Turkey's poor ranking on the Human Development, Gender Gap, Knowledge Economy, Global Competitiveness and Doing Business indices can largely be attributed to low education levels, high gender inequality and an inefficient labour market.

From a flexicurity perspective, the key features of the current Turkish economy and labour market are:

- a predominance of micro and small enterprises, high self-employment and unpaid family work;
- a high share of agriculture in total employment;
- the prevalence of informal employment – almost half of the labour force has no social security coverage or job security, particularly in agriculture, self-employment, small and medium-sized enterprises (SMEs);
- high demographic pressure on the labour market due to heavy weighting in the younger age groups;
- general low education levels in the population and labour force.

The main challenges include:

- underutilisation of human resources (in particular women and youth who have high unemployment and inactivity rates);
- the poor quality of work linked to widespread informality;
- the inadequate quality of human resources and the prevalence of a low-skilled labour force that present obstacles to increased productivity.

Chapter 2 provides an overview of the education and training system in Turkey in terms of outcomes. Assessment of human capital stocks and flows reveal many challenges facing the system and formal education indicators, both in terms of equal coverage and quality. Outcomes are less than impressive in the lifelong perspective from pre-primary to higher education and adult training. Although education levels are gradually increasing, they are still low by international standards and there is wide variation by gender and region. Low levels of public investment in education are often complemented by the private funding of education through family contributions. There is a direct and positive link between higher education and higher labour market participation, better quality jobs and a low incidence of poverty. Low educational attainment or no education increases the likelihood of informality, inactivity for women, limited job mobility, restricted opportunities for improvement in the labour market and poverty. Every additional year of education is shown to make a difference, but only the higher threshold of university education appears to really affect the outcomes for women.

Low levels of education form a 'trap' whereas higher levels of education appear to create a strong safety valve for individuals, increasing their security on the Turkish labour market, boosting worker mobility and encouraging more flexible working arrangements (in more secure working environments). For low-educated Turkish women, the high opportunity costs of employment lead to an under-participation trap, discouraging them from attempting any education beyond the compulsory level. There is strong justification for increased public investment, especially in pre-primary, primary and secondary education including vocational education and training (VET), as deficits at the early stages of the Turkish education system make later remediation difficult. The potential benefits of educational investment in younger students are extremely high as more educated individuals tend to continue learning throughout their lives. This means

that increasing educational investment in younger generations and lifelong learning for adults is extremely urgent and would be a precondition to adoption of a flexicurity perspective for Turkey.

Chapter 3 provides a brief overview of the Turkish legislative framework, including the 2003 Labour Act and related regulations regarding the de jure flexibility of employment contracts, and attempts to assess the implementation of these in practice. The 2003 Labour Act introduced atypical contracts and flexible forms of employment previously not permitted under Turkish legislation (these include definite contracts, part-time work, on-call employment, temporary labour relations, overtime and compensation work, and sub-contracting). However, little use has been made of the newly introduced provisions, mainly due to some rigid elements that hinder effective implementation and the lack of public mechanisms to provide strong incentives for easy use in practice. In fact, Turkey was classified as the country with the strictest employment protection legislation of all OECD members in 2004 (together with Portugal) although the provisions of Labour Act exclude workers in the informal sector and specific groups subject to other laws (civil servants and the self-employed).

The specific conditions of the Turkish labour market reveal extensive de facto flexibility, particularly along the divide between formal and informal. Analysis indicates the presence of an 'informality trap' and the prevalence of external numerical flexibility (hiring and firing, mostly through informal employment) and internal numerical flexibility (changing or extending working hours and shifts) in most businesses. Use of these mechanisms provides companies with a degree of flexibility that helps them survive, but that does not help create the productive and competitive edge they need to ultimately grow and provide more and better jobs. The majority of these entrepreneurs and their workers appear to be trapped in a vicious cycle of informality, lower-skills, low-productivity, low-wages and low-competitiveness. The primary segment of the labour market is very small and possibly not flexible enough for higher mobility. Although there is little division of work, multitasking (or rotation) must be fairly common in small firms, but the low-skill levels of most workers severely limits incidence of more advanced forms of internal flexibility.

Chapter 4 gives a brief overview of the Turkish public employment agency (ISKUR) that runs most of the employment services and active labour market policies. ISKUR has 81 local provincial directorates and 2,312 employees, with 1.6 million registered unemployed (half of the total unemployed). Government spending on active labour market policies was negligible at less than 1% of GDP in 2008 but the percentage has since risen as the state has increased contributions to the Unemployment Insurance Fund. This move occurred as part of measures to counter the negative impacts of the recent economic crisis and the number of active labour market policies beneficiaries has increased accordingly. A range of services are currently offered to the unemployed, but the focus is largely on the administration of unemployment benefits, job brokering, training, and job-seeking support for the disabled and ex-convicts. ISKUR also offers career counselling services, it compiles and disseminates labour market information and has introduced some public works and internships. However, ISKUR capacity is limited due to the extremely low number and quality of staff.

It is difficult to assess the effectiveness of active labour market measures in improving employability due to the lack of systematic monitoring and impact evaluation. There is a risk of deadweight costs, substitution effects, displacement effects and selection bias ('creaming') in the programmes. For example: the Employment Promotion Packages offering employers subsidies to hire women and young people have had little or no impact on increasing female employment rates so far. The current small scale and coverage of active labour market policies (13% of the registered unemployed) and poor targeting methods make it unlikely for such initiatives to be effective and cost efficient. Active labour market policies currently play a limited role in facilitating labour market transitions and improving employability although they already provide a remedy for some market failures. There is still a large problem in catering for the most disadvantaged jobseekers in the labour market such as low-skilled informal workers and women who form a large part of the inactive population. A balance must also be struck between serving the easy-to-place and hard-to-place unemployed, taking cost efficiency and social equity into account.

Chapter 5 focuses on the Turkish social security system from a flexicurity perspective, particularly in terms of effectiveness in providing income security to various groups of workers and the unemployed. The current model of social protection is based on the principle of protecting jobs rather than encouraging new employment and it strongly reflects the traditional male bread-winner and female care-taker model. It currently covers 81% of the population, but only 27% of its members are actively working and contributing to the system while the rest are predominantly family dependents and pensioners. On the other hand, almost half of the labour force has no access to social protection. This forms an important barrier to the more rapid expansion of the formal-sector economy due to early retirement followed by informal work and widespread avoidance of the relatively high social contributions. Passive measures include unemployment insurance, wage guarantee funds, short-work pay and work-loss compensation, all of which have short histories and extremely limited number of beneficiaries in Turkey. No assessment is yet available on their impact.

A new social security reform was implemented in 2008, and the three social insurance institutions were merged under one roof as the new Social Security Institution (SSI). Some measures were introduced to extend the social security coverage of non-traditional workers: e.g. part-timers and on-call workers are now able to register with the SSI and those who work less than normal working hours can benefit from the full rights of social insurance if they pay the excess premium. However, flexible working does not pay enough to ensure adequate social protection and any workers taking

up such posts lose their right to the limited social assistance available to the inactive including the 'Green Card' for free health services. The relatively wide coverage of social protection in Turkey in terms of insurance, social assistance and pensions is generally not effective in reducing poverty rates and cannot currently provide full support for workers due to low payment levels, poor targeting, weak measures and the segmented institutional set-up. There is no comprehensive set of incentives or infrastructure to encourage inactive individuals into paid employment and low-skilled women are particularly overlooked.

Chapter 6 looks at social dialogue and trust in Turkish society as these elements are crucial in the flexicurity debate. The main characteristic of industrial relations in Turkey is low and falling unionisation rates (around 12.5%), increasing fragmentation along political and ideological lines and strong rivalry. Traditionally, trade unions mainly attracted manual workers from the industrial and manufacturing sectors, particularly male blue-collar workers from the State Economic Enterprises. With the demise of these enterprises the unions have lost much of their foundations and they are unlikely to survive unless they expand membership amongst non-manual and female workers and adjust to changing market contexts. Unionisation in the private sector has proved extremely difficult and more modern and democratic laws on trade unions and collective agreements are needed. Trust and consensus-building in Turkish society appear to be difficult, and international indices and studies clearly show that a reliance on the traditional conflict style of dialogue does not help. The conflict style has softened recently and there have been efforts for cooperation among social partners, particularly since the 1990s. Increasing collaboration has been noted in many joint projects and there is increasing openness to social dialogue and better understanding of common interests rather than destructive conflicts.

There is widespread consensus on the need for and importance of components such as lifelong learning, active labour market policies and social protection among social partners, but discussion of flexicurity with social partners mainly focuses on the component of contractual arrangements and the numerical flexibility dimension with little effort made to reach consensus. The social partners have traditionally avoided involvement in these areas as they consider them to be primarily a state responsibility. However, they could press public institutions and governments for better services through active engagement in social discussions and the careful monitoring and evaluation of public policies. Deficiencies in social dialogue present obstacles to various flexicurity practices as social partners are normally expected to reach agreement on internal flexibility combinations that present a better match for both market pressures and worker demands for an improved work-life balance. There is room for further cooperation, especially in transforming the large informal sector, modernising the social security system and providing more and better quality education and training for all Turkish citizens.

The final chapter attempts to draw conclusions and recommendations based on the findings of the analysis. The report shows that the Turkish labour market is not functioning optimally and is missing out on much of its human potential – almost two-thirds of the working-age population are either inactive, unemployed or underemployed. This results in less worker protection and lower employment rates despite the strict labour protection provisions enshrined on paper. Informal employment deprives workers of security, but employers do not get many of the benefits of flexibility either as there is no increase in productivity or competitiveness. In fact, most informal micro-companies never achieve growth, meaning that most workers and employers are vulnerable. Primary labour market workers enjoy job security and access to both severance payments and insurance-based benefits while non-wage labour costs are relatively high and the lack of proper enforcement provides an incentive to avoid social protection contributions. Segmentation in the primary and secondary labour markets means separate flexicurity assessment is needed in each segment but the lack of individual (panel) micro-data showing life-course developments hampers further exploration of the topic.

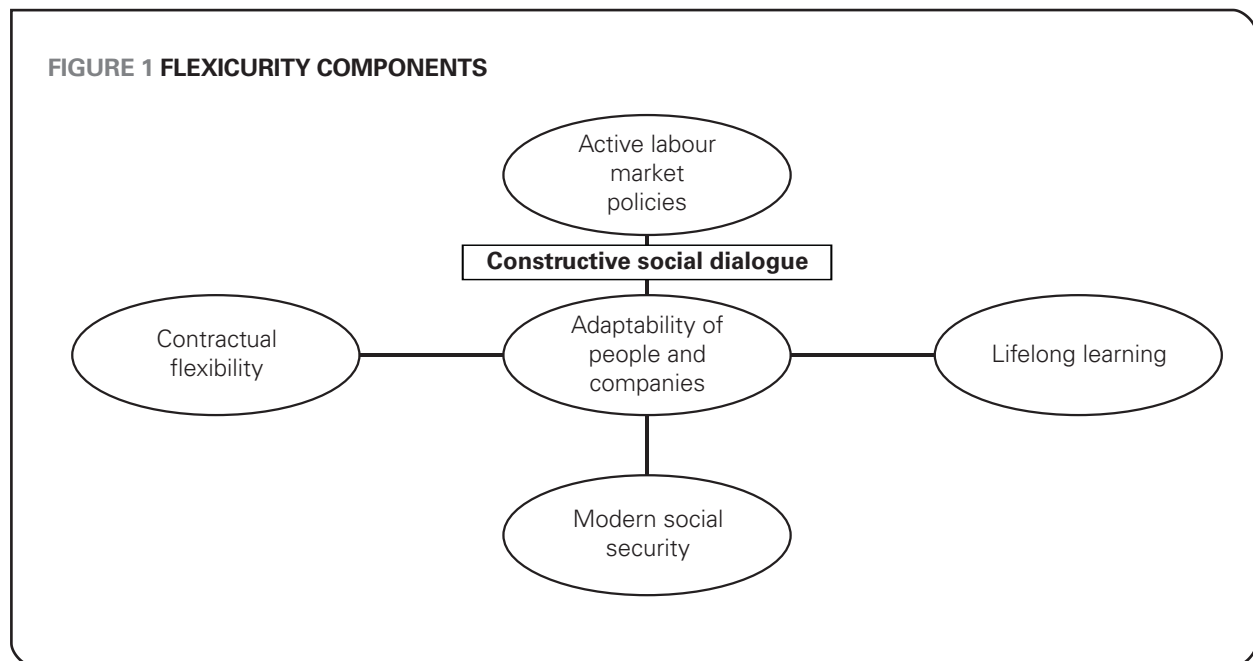
The current situation in the Turkish labour market leads to 'vicious cycles' where flexibility and security practices work in a mutually destructive way and all parties lose in the end. The findings indicate that poor quality public services are largely responsible for this situation and institutional deficiencies or rigidities have a significant impact on the balance of flexibility and employment security. The weakest component of flexicurity appears to be education and lifelong learning where the 'low education trap' of the population substantially worsens all other components. Low employability (low education levels) makes people less secure and more rigid. The existing vicious cycle couples flexibility with informality or precarity, and security with strict legislation. The flexicurity debate is shaped differently in Turkey particularly as an outcome of the prevalence of the informal labour market coupled with the high share of low-skilled and low-productivity workers, a weak social protection system, and low levels of trust and social dialogue.

Modernisation of the Turkish labour market is already underway but further efforts are needed to deal with the issues of informality, female inactivity and the unequal division of wealth. Current human development indicators signal the critical risk of permanent damage to the long-term development prospects of the country that seriously hinders Turkish labour market adaptation to innovation and global economic challenges. Determined public action is needed to increase activity and employment rates, counter social exclusion, improve (gender) equality and create better wealth distribution. Flexicurity is an integrated package that cannot be treated as an *à la carte* menu. It therefore offers the opportunity for Turkish stakeholders to openly discuss long-standing critical issues (such as the informal sector, the low education trap, the under-participation trap for women, deficiencies in the Public Employment Services and active labour market policies, and high rates of dependency on social protection) and move these up the political agenda for resolute public action.

INTRODUCTION

Flexicurity has been developed as an underlying principle for the design of labour market policies within the EU in response to the increasing volatility of labour markets largely as a result of technological change and globalisation. This approach has a two-pronged policy objective: to help enterprises compete and adapt to changing economic conditions through the flexible management of their labour force, and; to mitigate labour market risks for individuals, facilitating transitions between jobs and different labour market statuses (employment, unemployment, education and training, and family breaks). The ultimate objective of the flexicurity approach is to ensure that labour markets operate in a way that helps create more and better jobs within the European economy while modernising European social models (European Commission, 2007a, p. 359).

The concept of flexicurity shifts the focus from labour market flexibilisation and deregulation towards a more balanced approach addressing the needs of enterprises, employers and workers. The concept goes some way towards reconciling the apparent opposed objectives of 'flexibility' and 'security,' where one of either implies less of the other, emphasising instead how the two elements can complement each other. Flexicurity can be achieved through an integrated approach enhancing flexibility and security together, rather than ad hoc measures and actions that promote either one individually at the longer term expense of both. Within the EU, this integrated approach covers four policy components (see **FIGURE 1**, Wilthagen and Tros, 2004): (i) comprehensive lifelong learning strategies; (ii) sufficiently flexible contractual arrangements; (iii) effective active labour market policies; and (iv) modern social protection systems.



However, there is no single model for or route to flexicurity in the EU. The balance between flexibility and security and policy options towards flexicurity must be negotiated between governments and social partners dependent on specific national contexts - namely the specific labour market challenges faced by each country and its institutional setting. The new Europe 2020 strategy for smart, sustainable and inclusive growth and the EU Agenda for new skills and jobs (European Commission, 2010a and 2010b) confirm the crucial role of educated workforce for the EU's future and emphasise the importance of flexicurity approach and its four components in addressing labour market challenges of EU.

The interrelationship between flexibility and security is relatively complex. Flexibility can be defined in terms of the four elements of external or internal numerical flexibility and internal or external functional flexibility, while security covers the four areas of job security, employment security, income security and option security (Schmid, 2006 and 2009; Wilthagen and Tros, 2004)¹. Links between these eight dimensions are more complicated than it initially appears and **FIGURE 2** shows how interactions between two dimensions can result in 'trade-off', 'vicious cycle', or 'virtuous cycle'.

¹ This report accepts the Schmid (2009) model where 'option security' is used instead of 'combination security' to emphasise the required long-term security of choices and opportunities throughout the course of life. Schmid also subsumes 'wage flexibility' mainly into the category of 'functional flexibility' as a functional equivalent of elements such as individual skill adjustment.

FIGURE 2 THE FLEXIBILITY-SECURITY NEXUS

Flexibility \ Security	Job security	Employment security	Income security	Option security
External numerical	TO	TO/VTC/VSC	TO/VT/VSC	TO
Internal numerical	VTC	VTC	(TO)/VTC	TO/VTC
Internal functional	VTC	VTC	TO/VTC	(TO)/VTC
External functional	VTC	TO/VTC/VSC	TO/VTC	TO/VTC

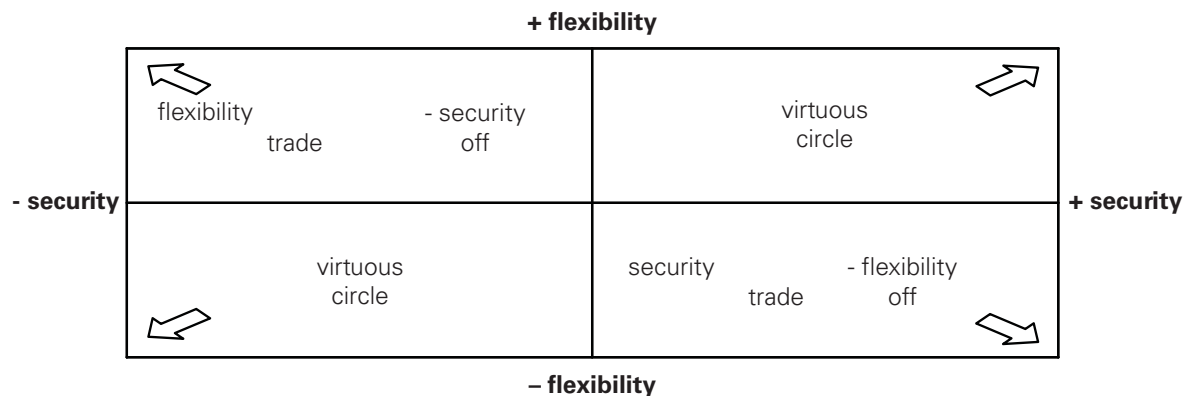
TO: trade-off; VTC: virtuous cycle; VSC: vicious cycle

Schmid (2009) claims the flexibility-security nexus does not always result in a trade-off: a flexibility gain for employers does not necessarily mean a loss of security for employees just as a security gain for employees does not necessarily mean a loss of flexibility for employers. Also, employers have some interest in security, starting with the worker loyalty and reliability. Employees also have an interest in the benefits of flexibility like flexible working hours to help balance family and working life or job opportunities that offer new experiences, extended social networks and to suit changing career preferences. Schmid states that virtuous cycles come into place when flexibility and security reinforce each other whereas vicious cycles lead to losses for both employers and employees.

This situation amounts to a clear trade-off between job security and external numerical flexibility: greater employer freedom to hire and fire means lower job security for individual employees and less employer freedom means greater worker security. However, when employees opt for internal flexibility over job security (for example, when they accept variable working hours and wage flexibility) and flexibility and security may turn into a virtuous cycle when the decision is made with the best interests of the workers in mind. Job security leads to greater employee loyalty to the employer and more investment in enterprise-specific human capital, with the knock-on effect of increasing internal operational flexibility. External numerical flexibility and employment security go hand in hand in dynamic labour markets with plentiful job opportunities and high job turnover, where employees leaving one job are easily able to find another, possibly better, job opportunity.

Similarly, employee income security suffers where there are job losses or abuse of subcontracting and temporary contracts. Such practices undermine employee security but also do nothing to increase real employer flexibility as job matching will be negatively affected, worker skills and attitudes will deteriorate, and the feeling of insecurity will lower general consumption and lead couples to delay starting a family (FIGURE 3).

FIGURE 3 COMBINATIONS OF FLEXIBILITY AND SECURITY



Strategies are available to help achieve the virtuous cycle where flexibility and security reinforce each other and in which all parties gain. Schmid presents four main strategies to help attain this outcome: protected flexibility, negotiated flexibility, negotiated security and regulation of minimum standards (Schmid, 2009, pp. 5-6).

1. *Protected flexibility* would foster a virtuous cycle between flexibility and security by compensating for, or even encouraging, risk taking through the provision of additional securities or monetary incentives.
2. *Negotiated flexibility* would turn the flexibility-security trade-off into a win-win situation allowing workers to agree more flexible practices such as changes in working hours, work practices, wages or skill investment that also allow the employer or enterprise to adapt to changes in demand, business cycles or technological change.
3. *Negotiated security* would turn the trade-off between increasing security and decreasing flexibility into a win-win situation by allowing employees to trade in some traditional security for better efficiency in the system, growth of enterprises and solidarity with non primary labour market workers.
4. *Regulation of minimum standards* at the national or European level would help overcome vicious cycles by providing protection against exploitation and abuse².

Flexicurity in socio-economic and labour market contexts outside the EU

The flexicurity approach to labour market policy is the product of a specific historical and social context that emerged in Western Europe. It is based on the assumption that the following three elements are in place: efficient labour market institutions and public employment services; efficient tripartite social dialogue, and; relatively well-developed public safety nets. In ETF partner countries where the labour market is largely informal or unstructured, labour market institutions and services are weak, public budgets are tight, union membership is low and social partners are not in a strong position as a result, application of the flexicurity approach must be examined carefully before action is taken. Policy measures imported from the EU may not function in the same way nor produce the expected results in ETF partner countries where the institutional and socio-economic context and labour market challenges are different.

The initial premise of flexicurity as a relevant policy tool for all contexts is reasonable but there must be redefinition of the optimal balance between flexibility and security and how best to achieve this in consideration of the specific context and labour market of each country. Ideally, this would result in a move to higher formal flexibility combined with better quality employment and protection for all workers and away from a model where flexibility is mostly provided by informality. While discussion of flexibility focuses mainly on external, wage and numerical flexibility, greater investment in skills and human capital in the longer term facilitates numerical and functional flexibility and plays an important role in development and worker security.

The flexicurity approach to labour market policy is increasingly used by the ILO to promote 'decent work' (De Gobbi, 2007). Decent work involves work opportunities that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. The search for a better combination of flexibility and security in terms of employment, income and social protection is a major challenge in all countries today.

The ETF project on flexicurity and the contribution of lifelong learning aligns with the EU commitment to promote 'decent work throughout the world as part of its efforts to strengthen the social dimension of globalisation, both in the EU and outside' (European Commission, 2008). It aims to share the potential, benefits and difficulties of the flexicurity approach to labour market policy with partner countries on the basis of the principles of the EU economic and social model that cares equally for competitiveness and social cohesion. However, it also recognises that the 'EU's economic and social model cannot simply be transposed to other parts of the world' (European Commission, 2004); neither can practices that promote it be replicated in other countries without taking into account their specific socio-economic context. In this respect, the ETF project aims to address a two-pronged question:

1. How could the concept of labour market flexicurity be best applied in ETF partner countries so as to promote decent work for all?
2. How can lifelong learning systems and active labour market policies (two of the four elements of flexicurity) contribute to both labour market flexibility and worker security against labour market risks in the context of the ETF partner countries?

² For examples of these strategies in combining micro-, meso- and macro-policies, see Schmid (2008, pp. 317-322).

The flexicurity concept has only recently entered the labour debate in Turkey where it has been translated into Turkish as *güvenceli esneklik*, meaning literally 'secure forms of flexible employment' in a way that places the emphasis firmly on security. The concept in itself has also raised many controversies and while employers' associations welcome the flexibility element the unions object strongly as they hold the security clauses of the Turkish labour code close to their hearts and stress the need to protect jobs. Women's groups have given the idea a luke warm reception believing it may initially increase female participation rates but will weaken the status of women on the labour market in the long-term. More importantly, only 12.5% of the Turkish workforce is union members meaning that any flexicurity debate exclusively between the recognised social partners of employee and employer unions will be severely limited and flawed as current and former agricultural workers, almost all service sector employees and most female workers will be excluded from discussions.

This report provides insight into how the Turkish labour market currently operates in relation to the conceptual framework of flexicurity and goes on to provide some policy conclusions and recommendations. Following the four components of the concept, it includes chapters on introduction to the Turkish economy and labour market; comprehensive lifelong learning strategies; sufficiently flexible contractual arrangements; effective active labour market policies; modern social protection system; and social dialogue and trust in society. These give details of how the flexicurity approach can be implemented in this country by encouraging national debate to promote decent work and place particular emphasis on education, training and active labour market measures.

1. THE TURKISH ECONOMY AND LABOUR MARKET

A general overview of the Turkish economy and labour market will be provided and the main challenges identified before moving on to fuller discussion of the various aspects of flexicurity as an analytical and policy approach.

1.1 ECONOMIC AND SOCIAL OUTLOOK

Between 2002 and 2007 the Turkish economy grew by an average of 7% per year, and per capita GNI rose from USD 3,529 in 2002 (World Bank WDI) to USD 8,730 in 2009 (Atlas method, current USD). **TABLE 1.1** shows that GDP per capita based on purchasing power parity (PPP) reached USD 13,000 in 2010; a significant improvement but still 47% of the GDP per capita of the EU-27 based on purchasing power standards³. For a comparison in current euro prices, Turkey's GDP per capita was around EUR 7,000 in 2008, less than one third of EU-27 average (EUR 25,100) the same year, with most of old member states having above EUR 30,000 and Croatia having EUR 10,800⁴. Unfortunately Turkey failed to match this solid growth performance with a similar outcome in employment creation. Employment grew at only 1.1% in 2007 and 1.8% in 2008 (Eurostat). When the global crisis hit, the Turkish economy contracted by 6.2% in the fourth quarter of 2008, growing a mere 0.65% overall that year, the economy contracted by almost 5% more in 2009 and recovery was only seen in 2010.

TABLE 1.1 GDP GROWTH AND GDP PER CAPITA (%)

	2007	2008	2009	2010
GDP, constant prices (annual percent change)	4.66	0.65	-4.74	5.2*
GDP based on PPP per capita (current intern. USD thousand)	12.89	13.10	12.47	13.05*

(*) Estimates

Source: International Monetary Fund. See

www.imf.org/external/pubs/ft/weo/2010/01/weodata/weoselco.aspx?g=2904&sg=All+countries+%2f+Emerging+and+developing+economies+%2f+Central+and+eastern+Europe

Another feature of economic growth has been increasing income inequality, as is commonly the case in the rest of the world. Turkey still has one of the most unequal income distributions in the world (Gini index of 0.41 in 2008, TUIK). For the same year Eurostat gives the EU-27 average of Gini index as 0.31 (varying between 0.23 and 0.38 between member states) showing much less inequality in their societies. Recent World Bank study (2010c) illustrates well the negative outcomes of unequal opportunities in the country. According to the 2008 TUIK survey, absolute poverty (in terms of consumption of the basket of basic food) was only 0.54% in Turkey. However, assessment in terms of a 'general poverty line' determined by relative food and non-food expenditure showed 17.1% of the population, almost 12 million people, actually living in poverty in that year. There is also a good deal of regional income discrepancy – the eastern regions are generally poorer and family size tends to be larger. More than 20% of those at risk of poverty live in families with five or more members. In 2008, rural poverty stood at 34.6% and urban poverty 10.3%. Although figures may show poverty rates decreasing as the threshold is increased, the real number of people living at risk of poverty is increasing substantially.

The UNDP Human Development Index (HDI) ranks Turkey at 83rd in the world in 2010 down from 79th positioning in 2009 and behind all the EU, Eastern Europe and Balkan countries (**FIGURE 1.1**)⁵. Turkey performs relatively well on the GDP per capita component, but lags behind on adult literacy, gross enrolment ratios in education and life expectancy at birth, all of which stem from large gender inequalities (UNDP, 2010). The Turkish position on gender-related HDI is far lower than its general HDI position due to the massive gender gaps in literacy rates and combined enrolment ratios. The World Economic Forum (WEF) Gender Gap Index presents an equally bad picture – Turkey ranks 126th in 2010, well behind all

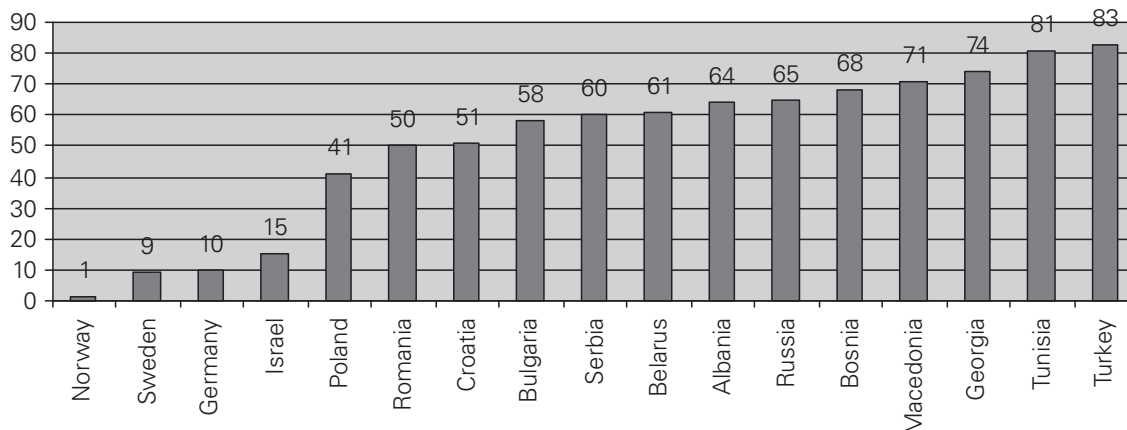
³ Eurostat, GDP per capita in PPS, taking EU-27=100 (<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&ocode=tsieb010>).

⁴ Eurostat (http://appso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_aux_gph&lang=en).

⁵ See <http://hdrstats.undp.org/en/countries/profiles/TUR.html>. The index measures development by combining indicators of life expectancy at birth, adult literacy rate, gross enrolment ratio and GDP per capita (PPP USD) into a composite Human Development Index (HDI). For more information, see <http://hdr.undp.org/en/statistics/>.

western countries and several of the Asian, African and Arab states (WEF, 2010)⁶. UNESCO (2010) links the status of women to the degree of democracy in societies and social and child welfare. Turkey's HDI outcomes are far lower than they should be in relation to countries of similar per capita GDP mainly as a result of low education levels and high gender inequality.

FIGURE 1.1 COUNTRY RANKING IN THE HUMAN DEVELOPMENT INDEX, 2010



Source: UNDP – Turkey: <http://hdrstats.undp.org/en/countries/profiles/TUR.html>; other countries: <http://hdr.undp.org/en/statistics/>

Turkey ranked 61st on preparedness for the knowledge economy as shown by the World Bank Knowledge Economy Index in 2009 falling behind some Gulf states, Brazil and the former Yugoslav Republic of Macedonia which have all moved up the ranking recently. Its relatively lower position is mainly due to the low literacy and enrolment rates and resulting low quality of human resources, and relatively lower telephone, computer and Internet penetration rates that limit use of ICT (World Bank, 2008a). The WEF Global Competitiveness Index also reflects recent progress made by countries, ranking Turkey 61st behind Tunisia, Malaysia, China and India. Turkey maintains this ranking on the basis of a stable macroeconomic situation, strong competition and the use of sophisticated business practices, but it falls down on the quality of institutions, infrastructure, human resources and labour market efficiency (WEF, 2009). Perception of corruption is not very impressive either with the country ranking 56th of 180 countries in the Transparency International Corruption Perceptions Index in 2010⁷. The World Bank Doing Business ranking places Turkey 73rd overall and 145th in the Employing Workers indicator (World Bank, 2010a).

Recent progress in GDP growth resulted from structural reforms and macroeconomic stability following the 2001 crisis. Turkey has also substantially reduced inflation in a strong growth environment. Annual inflation fell from around 70% in early 2002 to 5.7% in June 2009. Increasing total factor productivity and private sector investment have driven economic growth over the last six years and labour efficiency in terms of output per worker (real GDP per person employed) has seen rapid growth (Ercan, 2010). Structural reforms coupled with a depreciating currency also led to a rapid increase in exports by the mid-2000s.

Turkey's comparative advantage is mainly in the textile, clothing and leather industries. These labour intensive segments of Turkish industry account for one third of all manufacturing exports and employment and these have become expanding capital-intensive modern industries able to compete globally by offering high quality products at relatively lower costs. More recently however, Turkey has faced pressure from currency appreciation and the increasing competitiveness of low-cost countries such as China and India that particularly threatened a textile and clothing industry that was unable to squeeze its profit margins further (OECD, 2007a). While highly competitive modern capital-intensive areas such as the automotive and electronics sectors are creating new jobs, they do not offer enough new employment opportunities to absorb workers released from declining sectors and new entrants. There are also indications that employers prefer to create informal posts (ibid.). Finally, as international comparisons have already shown, Turkey is at risk of falling behind those countries progressing faster toward the innovation-driven economy and there is also hot competition from China and India in more technologically sophisticated markets.

⁶ The WEF Gender Gap Index is probably the most comprehensive tool indicating the degree of female exclusion as it measures the gap by combining four indicators: economic participation and opportunity; educational attainment; health and survival; and political empowerment. See http://www3.weforum.org/docs/WEF_GenderGap_Report_2010.pdf for the methodology and country rankings.

⁷ See www.transparency.org/policy_research/surveys_indices/cpi/2010/results.n. The score of Turkey is 4.4 out of 10 with 56th ranking, while the score of Denmark is 9.3 with 1st ranking.

TABLE 1.2 shows that industry accounted for 25.4% of all GDP value added in 2009 (increasing from 24.6% in 2000), but services remained the dominant economic sector with 57.6% of total value added in 2009 (decreasing from 59.2% in 2000). The agriculture share of value added, meanwhile, fell from already low levels (10.8% in 2000 to 9.8% in 2009), while construction remained more or less same.

TABLE 1.2 SHARE OF GROSS VALUE ADDED BY ACTIVITY, 2000-09 (%)

Economic sector	2000	2007	2008	2009
Agriculture	10.8	8.7	9.0	9.8
Industry incl. energy	24.6	22.2	25.9	25.4
Construction	5.4	5.6	5.9	5.2
Transport, trade, hotels and restaurants	29.1	31.7	29.5	28.6
Bank, insurance, real estate and other business services	19.5	20.2	18.8	21.0
Government, health, education and personal services	10.6	11.6	7.8	8.0

Source: 2000 & 2007: OECD country statistical profile; 2008 & 2009: TUIK.

The private sector is currently dominated by micro-enterprises heavily oriented toward small-scale trading and low-value-added services. About 45% of the 2,567,644 firms active in 2007 were engaged in the wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods sector, 17% in transport, storage and communication and 12% in manufacturing (TUIK 2007 annual business statistics). Turkey has a rich entrepreneurial tradition, but micro and small companies tend to stay small even in the long term and very few grow to create employment. Most business activities are concentrated in areas with low returns on investment, operating in the informal sector. Micro-enterprises (employing up to 10 people) and the self-employed account for the overwhelming majority of firms and the majority of total employment but less than 10% of total value added (OECD, 2007a). Most operate informally enjoying certain flexibility (entry and exit is very cheap keeping the sector vibrant) but they are unable to grow and create decent jobs for others.

Medium-sized enterprises employing 10 to 249 people are considered the most dynamic sector but there is some evidence that they only partially comply with regulations even when registered. Some employ staff by sub-contracting in order to keep them off the payroll and others register only part of their workforce in order to come in under the employment protection thresholds. This failure to comply fully with the law limits growth possibilities (OECD, 2007a). Most value added is contributed by large manufacturers but they provide less employment overall. These large companies with 250+ employees have high productivity in comparison with international standards at relatively low labour costs and as they employ a better skilled labour force they are not so constrained by the relatively high minimum wage. They mostly comply with the law but may also be reluctant to take on more formal staff (ibid.).

These patterns, especially the limits on company growth, raise doubts on the efficient reallocation of labour and capital across companies in terms of the entry of new and more productive firms and the exit of less productive firms as well as reallocation from less productive to more productive sectors (World Bank, 2008a). Responses to enterprise surveys directly asking entrepreneurs about constraints on their operations and potential for expansion often relate to investment climate issues and tax regulation, access to finance, tax rates, bureaucracy and policy instability are cited as the most crucial barriers to enterprise (WEF, 2009). Surprisingly, employers view the inadequately skilled labour force and rigid labour regulation that undermine Turkey's international rating on competitiveness as less of a problem. The World Bank Turkey Labour Market Study also cites labour market regulations as an impediment to employment growth (World Bank, 2005a).

Finally, ongoing privatisation is causing shrinkage of the public sector and this trend is expected to continue in coming years. Data from the Ministry of Finance placed public sector employment at 2.232 million in February 2010 (around 9% of total employment).

1.2 DEMOGRAPHIC TRENDS

Population dynamics are central to a full understanding of Turkish labour market dynamics as they determine the long-term labour market challenge facing Turkey. The central issue for the country is how to provide jobs for an increasing working age population that predominantly lacks the education and skill levels required for decent jobs in today's labour markets.

Turkey is therefore in a unique position among EU candidates and member states and the OECD region. This throws a different light on the flexicurity debate in Turkey as the context is unlike that of the EU. The current 1.8% per annum increase in the working-age population is outpacing employment growth that has been stuck at 0.8% per annum for the past four decades (Ercan, 2010). Employment creation is therefore the key labour-market challenge in Turkish development particularly for women and young people.

In 2009, roughly 69% of the population lived in urban locations of 20,000+ inhabitants, up from 60% in 2000. Population growth was 2.7% in urban areas and only 0.4% in rural areas with the large difference attributable to rural-to-urban migration. Village populations are falling as the young move to the cities leaving the older people behind, consequently rural-urban migration is set to reduce in coming decades. The eastern and south-eastern regions have been out-migration regions for decades and the remaining population now constitutes less than 10% of the Turkish total. The impacts on the cities have been significant as half the urban-population (9 million) moved directly from rural areas between 1990 and 2000 and recent young migrants are largely less skilled than their urban peers (Ercan, 2010).

TABLE 1.3 shows that demographic transition is incomplete in Turkey with relatively consistent population growth and higher infant and child mortality rates. The share of working-age population (15-64) increased in recent years to 67.3% in 2009 (67% in the EU-27). The 0-14 age group make up 26.8% of the population while the 65+ bracket constitute 5.9% (WDI) against EU-27 figures of 16% and 17% respectively in 2008. The relatively young age structure presents opportunities as well as challenges, requiring more and better quality provision in health, education and training, infrastructure and housing, as well as employment prospects. The high working age population has not yet translated into high activity and employment rates: 47% and 42.3% respectively against 71% and 66% in the EU-27 in 2008, so Turkey has not reaped the full benefit of this demographic window of opportunity. To extract the best outcome from the situation, Turkey needs a larger fraction of the population gainfully employed, an expanded tax base and higher rates of public and private saving. Tunali (1996) argues that where adults have decent jobs, children stay in school longer and can expect better labour market opportunities, whereas the current trends of low labour demand and increasing labour supply mean unemployment, poverty and social unrest may be in the pipeline.

TABLE 1.3 KEY DEMOGRAPHIC INDICATORS (%)

	Population (million)		Population growth rate	Fertility rate per woman	Infant mortality rate	Mortality under 5 (per 1,000)	Maternal mortality rate	Life expectancy at birth	Urban population rate
	2009	2020	2009	2008	2009	2009	2008	2008	2009
Turkey	74.8	84	1.2	2.1	19	20.3	23.0	71.9	69
EU-27			0.4*	1.5	4.7*		6.5**	79.2	

(*) 2008; (**) 2006

Source: World Bank WDI database; EU-27: Eurostat.

1.3 ACTIVITY AND EMPLOYMENT TRENDS

Corrected Turkish population figures of 72.6 million were provided by TUIK in 2010, with 51.5 million in their working age (15-64). However, labour force figures for the same period were only 24.3 million, meaning that more than half of the working age population, some 27.2 million people, are classed as inactive under international definitions. In April 2009, Turkey had the lowest labour force participation rate (LFPR) in the OECD region (47.2%) and the worst employment rate (42.3%). Moreover, while 17.6 million workers are men (72% of the labour force), only 6.7 million are women. Male LFPR was 69.7% in April 2009, while female LFPR was 25.5%; the lowest female LFPR among the similar income group of countries. Low levels of female labour force participation may be explained by present low levels of educational attainment, particularly amongst women as they are also subject to other economic and cultural constraints. **TABLE 1.4** illustrates the issue with a breakdown of labour market indicators by education level and by gender.

TABLE 1.4 KEY LABOUR MARKET INDICATORS (%)

		Less than upper secondary education	Upper secondary education	Tertiary education
Labour force participation rate (2006)	General	53.5	69.0	81.0
	Male	82.0	88.7	87.6
	Female	23.5	33.5	69.9
Employment rate (2006)	General	49.0	62.7	75.5
	Male	74.8	82.1	82.4
	Female	22.0	28.0	63.6
Unemployment rate (2006)	General	8.3	9.0	6.9
	Male	8.8	7.5	5.9
	Female	6.5	16.5	9.0
Part-time employment as proportion of total employment (2007)	Male			4.6
	Female			19.2

Source: OECD country statistical profile.

Unskilled female rural-urban migrants who were unpaid family workers in the agricultural sector do not generally participate in the labour market (Ercan, 2010) and this could explain the declining LFPRs in combination with increasing schooling levels in urban areas (Ercan, 2008). Falling LFPRs mean unemployment rates have been kept relatively in check as net job creation is very low. However, this constitutes a form of hidden unemployment and should be a matter of concern. Turkey's dilemma largely lies in the fact that the Turkish non-agricultural sector is creating almost enough jobs to match the rise in urban working age population, but the fact that so many are exiting agriculture and migrating to urban areas for jobs means the net effect is very small (see Ercan (2007) for more information on demographic trends).

TABLE 1.5 provides a gender-based breakdown of job status and sector distribution of employment. Waged-salaried employment accounted for almost 60% of jobs in 2009 (TUIK, 2009) while around 20% were self-employed and 15% were unpaid family workers (almost 40% of working females). These last two sectors account for more than one third of the workforce in a way that clearly shows the extent of vulnerability in Turkey. Poor working conditions in self-employment and unpaid family work frequently include long working hours, low or no earnings and a lack of social protection.

The table shows that almost 16 million of the total 22.2 million employed were male while only 6.2 million were female. Some 51.7% of men work in services, 21% in industry, 19% in agriculture and 8.6% in construction. Amongst women, almost 47% work in agriculture (mostly in unpaid family work), 39% in services and 13.3% in industry. If the mostly unpaid and poor jobs of the agricultural sector were excluded, female employment would fall from 25% to 13%, meaning a mere 3 million employed on any income out of a total of almost 26 million working-age women. Working women fall into three categories: 47.8% waged-work, 12% self-employed and 39% unpaid family workers.

TABLE 1.5 JOB STATUS AND SECTOR DISTRIBUTION OF EMPLOYMENT BY GENDER, 2009

	Total		Male		Female	
	N	%	N	%	N	%
Total	22,213	100.0	15,935	100.0	6,279	100.0
Wage-salary	13,112	59.0	10,110	63.4	3,002	47.8
Employer	1,195	5.4	1,123	7.0	72	1.1
Self-employed	4,478	20.2	3,697	23.2	781	12.4
Unpaid family worker	3,428	15.4	1,003	6.3	2,424	38.6
Economic activity	22,213	100.0	15,935	100.0	6,279	100.0
Agriculture	5,971	26.9	3,037	19.1	2,933	46.7
Industry	4,136	18.6	3,299	20.7	837	13.3
Construction	1,404	6.3	1,366	8.6	38	0.6
Services	10,704	48.2	8,234	51.7	2,471	39.4

Source: LFS Monthly Bulletin, July 2009 (published in mid-October).

1.4 CHALLENGES OF FEMALE EMPLOYMENT

Low female labour force participation has been the subject of much discussion in Turkey (Tansel, 2001; Tunali, 2003; Ecevit, 2003; ILO, 2008; World Bank, 2010b) and the rates continue to fall every year despite improved levels of general education among women as urbanisation continues and agriculture declines. Education, skills and access to work are intimately related: in order to be employed, women need the qualifications and skills in demand on the labour market. Rising levels of education and skills generally increase labour force participation rates by improving productivity, increasing the chances of paid employment in the formal sector and leading to higher earnings. However, this is not automatically the case for women in some countries, particularly amongst those with only primary and/or secondary education.

In 2008, 81% of Turkish women were literate, up from 76.9% in 1997, but the share of illiterate women in the 15-24 age group remained at a stable 5-6% in the respective period. Illiteracy is more common in rural areas and the eastern regions of Turkey. Net female enrolment in primary education rose to 96% in 2009/10 from 80% in 1997/98 while net enrolment in secondary education made a spectacular jump from 34% to 55% in the same period. Finally, net enrolment in higher education reached almost 20% in 2008/09 up from 9% 10 years before (MoNE statistics). These changes are also reflected in the composition of the female labour force by level of education. In 1988, 39% of women in the labour force had no diploma and mainly worked as unpaid family workers in agriculture, but the present figure is closer to 15% (Ercan, 2010). Women university graduates form the fastest growing segment up from 4% in 1988 to 17% in 2007, but primary school graduates still constituted a stable 43% of the female workforce in 2007. The share of both highly-skilled and illiterate workers is higher among women than men.

The low-skilled women who still form the majority of the female population are most likely to drop out from the labour market, particularly when they move to urban areas. Female university graduates participate at rates close to those of men but the labour market participation of better-educated women in urban areas is not catching up as would have been expected. Unemployment rates for women at every education level remain consistently higher than those of men, indicating gender-specific obstacles to finding a job. Although female participation in the workforce is low there are significant differences across regions and the type of business involved. The Marmara region around Istanbul has the highest percentage of full-time female workers (29% in 2009) while the south-eastern region has the lowest (18%).

The female share of top management roles also varies according to the sector, with women managers in only 8% of manufacturing firms compared with three times this number in the service sector, excluding retail (Enterprise survey). Another TISK (Turkish Confederation of Employer Unions) survey reveals that 22% of top managers in big private industrial enterprises are women (with an average of 14.4% of women employees in the companies) compared with

6.6% of top women managers in the public sector including state administration (Isveren, 2009). A recent OECD report (2009b) confirmed that Turkey has the lowest number of female government employees (12%) of all OECD countries, almost all in low-ranking posts with no decision-making power. The systematic skewing that discredits women reflects a combination of economic, social and cultural factors that considerably hamper socio-economic development in the country, wasting the potential contribution of female human resources to a better quality of life.

Tansel (2001) and Tunali (2003) stated that the rate of decline in female participation in the labour force had slowed and that Turkey had rounded the corner on female participation rates as the initial falling participation from urbanisation and reduced agricultural input would soon be balanced by increases in education levels. Turkish labour economists are, however, still waiting for evidence of the predicted upturn and for the time being women in areas of recent urbanisation find themselves short of wage-earning opportunities particularly if they are poorly educated recent migrants. Tunali (2003) finds the persistently low female participation rates in urban areas puzzling but Ecevit (2003) notes that demand issues may be a factor, implying that the problem may not resolve over time due to deeply rooted social disparities between men and women that represent a significant waste of human capital for the country (ILO, 2008).

A study into barriers to female employment in Ankara, Gaziantep and Konya provinces commissioned by the ILO shows that education alone does not resolve the female participation problem although it can form the first step in increasing overall LFPR and that of women in particular (Ercan, 2010). Both Konya and Gaziantep provinces have vibrant manufacturing sectors with unemployment statistics that compare well to the Turkish average, but almost all women in both provinces stay at home regardless of education levels. The research shows that women's perceived responsibility for childcare and household chores reduce their participation rates. The general lack of childcare facilities and safe and affordable transportation prevent women from undertaking the type of shift work, common in most large, formal, unionised manufacturing establishments. Women do not join trade unions and are absent from most decision-making bodies that might voice their concerns in the public institutions. Most poorly-educated and lower-skilled women end up in the informal sector if they decide to work.

Incentives to work are not good for lower skilled women as the opportunity costs are too high in view of the low wages on offer and limited access to infrastructure supportive of a work-life balance (limited part-time or flexible working, few cheap good quality childcare facilities). Cultural values also help confine women to the private sphere and burden them with household and family duties, providing little respect for the lower-end jobs they perform (ILO, 2008). Even though total fertility is decreasing (down from 2.4 children in 2001 to 2.1 children per woman in 2008) once women leave the labour market to raise a family they have fewer opportunities to re-join and catch up. The fact that most women have their children in their early 20s does not help (TUIK). Furthermore, teenage pregnancy (aged 14-19) in Turkey is the second highest of all OECD countries (Eurofound, 2008)⁸ and although most teenage pregnancies occur within marriage this still has a devastating negative impact on the future of young women, especially in terms of missed opportunities for education and employment. Dayioglu et al. (2009) provide convincing evidence to show how increased female schooling can lead to lower rates of teenage marriage and pregnancy.

A demand side perspective shows women crowding behind the excess supply of men on the labour market, compounding female unemployment. Gender stereotypes and legal regulations protecting female workers also work as disincentive to employers. Legislation such as the provision on the severance pay for women who resign to get married in the Labour Act mean female labour may be a lot more costly for employers in the long-term. Indeed, the unintended impact of over-protection could form a major hindrance to female integration into the labour market, restricting female employment and job opportunities.

Finally, there is little demand for the type of work specifically assigned to women as there is little horizontal gender segregation in the Turkish labour market and most of the services that could fit into this bracket such as care for children, the sick or elderly and domestic work are provided free-of-charge by women within households as a social obligation. Incentives for the commercialisation of services traditionally provided for free by women offer great potential for cheaper costs and better quality services and could also attract more female workers into the labour market. The female labour force could be greatly increased if this type of service were properly marketed in combination with tax incentives to the private sector, easy entry conditions for businesses, and the provision of incentives to families to ensure sufficient purchasing power for social services or the establishment of publicly-funded service agencies providing better quality services for individuals. The commodification of good quality childcare services offering modern education techniques would offer the three to six year-olds a better start than pre-school care at home. Such approaches are proven to be effective in early childhood education especially among children from disadvantaged backgrounds.

The recent World Bank report on women's employment (2010b) and the policy paper on women and economy (GDSW, 2008) confirm that the jobs available to poorly educated women in urban areas are often informal, pay little and offer harsh working conditions (long working hours and no social security). Finally, the current high cost of childcare, elderly care and domestic help for working women is an important barrier in Turkey as these costs would swallow up most of their earnings (World Bank, 2010b; GDSW, 2008).

⁸ Adolescent fertility rate is given as the number of births per 1,000 women aged 14-19 as per the World Bank World Development Indicators. The highest rate is 50 births per 1,000 in the USA, closely followed by Turkey with 40 births. Other OECD countries have much lower rates that are in no way comparable.

The current shortage of job opportunities for both sexes in Turkey encourages the view that women working would inevitably lead to more unemployment for men who are the traditional breadwinners in the family. However, data from the Middle East and North African countries show a negative correlation between unemployment and female participation in the labour force (World Bank, 2007). Most countries with low female participation are also those with relatively high unemployment rates. Furthermore, the fact that unemployment rates are generally higher among women than men indicates that the employment of women does not displace the employment of men. In fact, greater female participation generally generates demand for additional goods and services in the economy and this could stimulate the demand for new jobs, a view confirmed by the World Bank (*ibid.*).

Finally, hard evidence provided by the eight employment promotion packages implemented in Turkey demonstrates that efforts to increase female employment must address barriers in a holistic manner if they are to succeed. The TISK journal (Isveren, 2010, based on TUIK figures), showed men were still being given most of the jobs supported by employment subsidies designed to provide incentives for employers to hire women and youth. Less than 20% of all beneficiaries of the eight government employment promotion packages over the last five years were women, despite the explicit targeting of women and youth. These policy measures do not therefore seem to be working in favour of women despite the openly stated policy objective and the public money spent. This appears to result from unequal access to opportunities in the absence of clear conditions for employment subsidies. Quotas of around 50% female beneficiaries should be set given that 47% of the 6.2 million employed women in Turkey work in agriculture mostly for free.

Although many employment packages have been implemented, there is apparently no evaluation of their impact on the labour market and beneficiaries. Employment subsidies are criticised in many countries because of their 'deadweight cost' (the outcomes are no different from what would have happened in the absence of the programme) or the 'creaming' effect (self-selection of men, the better-educated, or those deemed 'most likely to succeed') (see Chapter 4). Initial results on beneficiaries by gender from the above-mentioned employment packages already show some signs of these negative effects. The added value provided by spending public funds to increase employment of hard-to-place groups (women and youth, as openly stated in the packages) should therefore be carefully assessed against what would have happened without them. Employment packages in general have barely had any long-term positive impact on the labour market as they have contributed less than 200,000 jobs in the last three years (including initiatives for people with disabilities) and there is thus a strong need for careful monitoring and evaluation on the impact of these.

1.5 UNEMPLOYMENT TRENDS

Figures from the Labour Force Survey (LFS) 2009 showed 3.5 million of the active population unemployed (14% unemployment rate) in Turkey. The impact of the recent economic crisis has swollen the ranks of the unemployed in one year, from 10% in mid-2008⁹ to 16% in mid-2009, with most jobs lost in the casual or informal sectors. Youth unemployment stood at 25.3% (28.2% in urban areas), while non-agricultural unemployment was 17.4%. The unemployment statistics for November 2009 showed 28% of the unemployed had finished a temporary job, 20.9% had been dismissed, 16.3% left their job on their own initiative, 8.2% had closed their business or gone bankrupt, 7.1% had moved from employment into household chores and 9.9% were in education or training or had recently graduated. Some 48.2% of the previously employed had been working in services, 23.3% in industry, 17.4% in construction and 8.8% in agriculture. This general pattern has prevailed for some time and indicates the lower incidence of unemployment in agriculture and greater risks associated with employment in industry. Office and service occupations were also over-represented among the unemployed in 2006 (Ercan, 2010, see **TABLE 1.6**).

A gender breakdown of unemployment shows women have consistently higher unemployment than men, particularly when a broader definition of unemployment (including discouraged workers and the underemployed) is accepted. A study on the duration of unemployment by gender (Tansel and Tasci, 2010) indicates that women have a lower chance than men of finding a job and leaving unemployment. In fact, average unemployment duration is consistently higher among women than men in all regions of Turkey at all education levels. The highest unemployment rates are observed in urban women who have also very high levels of hidden unemployment (*ibid.*). The study indicates that the most vulnerable groups of long-term unemployed who need targeted public support in terms of finding employment are married women, single men, first-time jobseekers (including young women), the elderly, the poorly educated and those living in the high unemployment provinces of Turkey (*ibid.*).

TABLE 1.7 shows unemployment rates by education level. At first glance, it is clear that the number of low skilled unemployed fell between 1990 and 2006 and the share of high school and college jobless rose in a trend that could be explained by the falling proportion of low-skilled in the overall labour force and changes in labour market needs. Most of the unemployed still have primary or lower education but they were joined by a hefty component of lower secondary graduates in 2006 making for a more even distribution across education levels. Lower secondary school has been mandatory since 1998 and more than half of the unemployed have eight or less years of schooling.

⁹ World Bank press release on 03.10.2009. The recent quarterly LFS surveys indicate a decrease in the unemployment rate to 11% in some cases.

TABLE 1.6 UNEMPLOYMENT RATES BY OCCUPATION, 2006 (%)

Occupation	Unemployment rate
Executive	2.4
Professional	12.6
Support	10.2
Office	22.0
Service	14.5
Agriculture	0.4
Artisan	12.4
Machine	11.4
Unskilled	12.5
Total	9.8

Source: TUIK by Ercan, 2010. See www.tuik.gov.tr. Online aggregate data server does not provide occupation coding for the unemployed for surveys before 1999; employment and unemployment cross tabulations need to use micro-data for these later years (2004 to 2006 data are available). Micro-data computations by the author use the 2006 LFS. ISCO88 codes used.

TABLE 1.7 UNEMPLOYMENT RATES BY EDUCATION LEVEL, 1990 & 2006 (%)

Education level	1990	2006
Illiterate	8.2	2.5
Literate	4.4	4.2
Primary (ISCED 1)	50.0	36.6
Lower secondary (ISCED 2)	11.9	17.1
Higher secondary (ISCED 3)	15.7	15.9
Vocational high (ISCED 3)	5.3	12.1
University (ISCED 5-6)	4.5	11.5
Total	100.0	100.0

Source: TUIK by Ercan, 2010. See www.tuik.gov.tr for 1990 aggregates. TUIK online aggregate data server does not provide occupation coding for surveys after 1999; employment and unemployment cross tabulations need to use micro-data for these later years (2004 to 2006 data are available). Micro-data computations by the author use the 2006 LFS.

Furthermore, high school and college graduates (upper secondary and higher) are more likely to be unemployed as they are less likely to become discouraged and drop out and more likely to remain in the labour force compared to the unskilled. Tansel and Tasci (2010) recently found the highest unemployment rates and durations to occur among Turkish high school and vocational high school graduates.

The duration of unemployment has shifted up amongst higher education groups since 1990 while the proportion of long-term unemployment has decreased among the less educated. This can perhaps be attributed to an increase in the number of discouraged workers within the lower education levels leading to a decreased proportion in the labour force. Long-term unemployment increased among vocational high school and college graduates and 28% of all unemployment is currently in the long-term bracket (Ercan, 2010).

A TUIK survey on young people entering the labour market in 2009 confirmed the difficulties facing young people. According to this survey, only 68.1% of people in the 15-34 age group, who are not in school and with at least primary education, had worked in a job that had lasted more than three months since they had left formal education (ibid.; TUIK 2009 data).

1.6 QUALITY OF EMPLOYMENT

Informal sector

The issue of limited access to jobs is further compounded by challenges related to the informal employment¹⁰ characteristic of the Turkish labour market. Little concrete information is available on the overall magnitude and nature of this situation.

For many workers, informal employment is the only way to secure an income, but widespread informal employment has a number of economic and social consequences that deprive workers of employment protection and rights at work and lower labour standards in general. High levels of informal employment can also have a negative fiscal impact as it reduces government revenue. A combination of a large formal (usually unionised) private sector, high-end finance and service occupations and public sector employment make up the primary segment of the workforce or primary labour market (approximately 10%, 5%, and 10% of total employment respectively). The secondary segment of the workforce or secondary labour market is formed by the 25% to 30% of workers employed in agriculture and the 45% to 50% in unregistered employment, most of whom are self-employed.

In 2009, 43.8% of all workers in Turkey had no social security coverage with their main source of employment. Informality is most common in agriculture, 85.8% in April 2009, but as agriculture accounts for just over a quarter of all employment, meaningful comparisons with the OECD region are better made on the basis of non-agricultural employees where 29.1% were unregistered in April 2009 (TUIK, 2009).

The link between the size of the enterprise and social security coverage is also obvious as non-coverage is a small business phenomenon. More than half the non-agricultural waged and salaried workers in small firms () have no cover, whereas there is coverage of 98% among the largest firms (Ercan, 2010).

There is also a big issue in terms of early retirement: young retirees go on to work in the informal sector, benefitting from the extremely generous retirement provisions and the early retirement age established in the past. At present around 4.2 million of the 7.2 million retired people in Turkey, 58% of the group, continue to work after retirement. This group represents an important resource for the informal economy as these people already have social security coverage and do not need to pay additional contributions. At present, they account for 17% of the working population.

Eurofound's European Working Conditions Survey (EWCS) confirms data on the extent of the informal sector but expresses the information in different terms. In survey data from 2005, only 21% of workers had an indefinite contract, 9.3% worked on fixed-term contracts and 68% had no contract at all (ECWS, 2005)¹¹.

TABLE 1.8 shows a breakdown of unregistered workers by gender in 2008. Almost all women agricultural workers are unregistered and the same is true of most men in the sector. Outside agriculture, total proportions of male and female informal employment are close. Women are more likely to be unregistered and in self-employment than men and more than a fifth of women and a quarter of men in waged employment outside agriculture are unregistered. This is a very high proportion considering income levels in Turkey. The trend is probably driven by low levels of educational attainment as the formal-informal division correlates closely with educational attainment where low-skilled workers are confined to the informal sector (Ercan, 2008; Taymaz, 2010). There are also regional differences as the eastern provinces account for most informality due to the prevalence of agriculture and general low levels of education.

¹⁰ In this report, we use the TUIK definition of informality. According to TUIK, unregistered employment includes 'all employed persons who were not registered to any social security institutions corresponding to their main job during the reference period'. The informal sector is defined as 'all non-agricultural economic units that are unincorporated (establishments whose legal position is under individual ownership or simple partnership), paying lump-sum tax, or no tax at all and working with 1-9 engaged persons'.

¹¹ The European Working Conditions Survey 2005 data is available on the Eurofound website: www.eurofound.europa.eu.

TABLE 1.8 PROPORTION OF MEN AND WOMEN IN UNREGISTERED WORK BY STATUS OF EMPLOYMENT, 2008 (%)

	Male		Female	
	Agriculture	Non-agriculture	Agriculture	Non-agriculture
Total	77.8	30.0	99.1	28.9
Regular and casual waged worker	86.7	24.7	96.5	22.4
Employer	63.3	24.7	92.9	18.8
Self-employed	73.3	53.0	98.3	76.9
Unpaid family worker	92.3	81.5	99.6	82.8

Source: TUIK.

Informal sector and poverty

Poverty is widespread in Turkey. Rural inhabitants and individuals living in larger households show a higher risk of poverty. Poverty is also closely correlated with education level and employment status. The poverty rate is 39.6% among the illiterate, 13.4% among graduates of elementary school, 5.6% among high school and equivalent professional school graduates and 0.7% among the post-secondary, university and higher graduates (TUIK, 2008). People employed in agriculture are more likely to be poor (38%) while only 9.7% of industrial workers and 6.9% of service workers fall into this bracket. In 2008, poverty rates were 13.7% and 17.8% for the economically inactive and unemployed respectively. Finally, poverty among regular workers stood at 5.9% in 2008 while it ran at 28.7% for casual workers, 24.1% for the self-employed and 32% for unpaid family workers. These same sectors of agriculture, self-employment, unpaid family work and casual work account for the bulk of informality – a pattern that shows the poor may have no other option but to work in the informal sector and confirming that informal work does not help individuals and their families to move out of poverty.

The risks associated with informal employment rear their heads most in times of economic crisis when redundancies and pay cuts are common. Data collected on the impact of the most recent crisis shows about one third of households dependent on informal income and the self-employed reported a significantly higher decrease in income than those dependent on formal pay. Families adjust to lower incomes by reducing expenditure on food and mobilizing support from family, neighbours, friends, the community and public programmes to make ends meet. Survey results indicate however that only 10% of the poorest urban households can benefit from public safety net programmes such as cash, or in-kind fuel or food support. Unemployment-related benefits (such as unemployment insurance benefits or active labour market measures) are out of reach for the great majority of the unemployed for reasons discussed later in this report (TEPAV et al., 2009).

Wages

Trends in pay according to education level provide solid evidence for increasing skill demand in Turkey. Although education levels have increased generally, pay for the better educated has risen proportionally far more than that of the less educated. Moreover, the trend showed diverging tendencies between 1988 and 2006 with high wages increasing relative to the median wage while low wages decreased in the same comparison (Turkish data is given in net monthly incomes, so no correction can be made for differences in working hours). Wages steadily rose further up the education brackets in both years, but more so in 2006. In fact, pay for primary graduates was 72% of the median in 2006 while it was 80% of the median for lower secondary graduates. The current median wage comes closer to the high school education level (high school graduate in the service sector to be exact) at 110% of the median and wages for university graduates are twice the median (Ercan 2010).

In the second six months of 2010 the minimum wage was set in at YTL 760 gross and YTL 599 net (EUR 1=YTL 2). For workers under 16, the rates are YTL 648 gross and YTL 518 net. This level of pay is relatively high in terms of average pay which stood at YTL 1,107 for men and YTL 1,091 for women. These high levels make it very costly to hire workers, especially the low-skilled. Sectors reliant on low-skilled workers like the textile and clothing sectors therefore face severe problems when profit squeeze occurs as they underperform on prices, productivity and wage costs in the global marketplace. There is a substantial pay gap between formal and informal workers. In 2006, waged workers in the

informal economy were paid 47.8% less per month than formal workers. In urban areas, the gap was slightly lower at an estimated 46.1% and in rural areas it was higher at around 49.3% (Ercan, 2010). Wages in the informal sector do not exceed those of the formal economy in any area of residence.

Productivity differentials between formal and informal enterprises stand at a substantial 30% to 40% (McKinsey Global Institute, 2003). Even larger gaps were found in a more recent study by Taymaz (2009, p. 18) where the gap in manufacturing was about 107% compared with 60% in services. The higher labour productivity of formal firms can partly be ascribed to their higher capital intensity and the better level of human capital amongst formal economy entrepreneurs. In other words, at least part of the explanation for the productivity gap between the formal and informal sectors appears to be self-selection, with more productive entrepreneurs self-selecting the formal sector and generating the productivity gap. The self-selection process is generally determined by the education levels of individual entrepreneurs as uneducated or poorly educated entrepreneurs tend to self-select the informal sector.

Workers in the informal economy work longer than their formal peers, putting in an average of 55.4 hours per week (55.8 hours in urban zones and 54.3 hours in rural areas) compared with 51.1 hours (51.2 hours in urban zones and 50.8 hours in rural areas) in formal economy. These are very high figures indeed given that the statutory working week is 45 hours in Turkey. An overview of the spread of working hours shows a more or less smooth range of part time to full time employment for informal workers. In other words, formal workers are obliged to work 40 or more hours per week as few part-time posts are available. More part-time jobs are offered in the informal economy and while 32% of waged workers were employed in the informal economy in 2006, the figure was closer to 56.3% when part-time workers (those working less than 40 hours per week) were included in the calculations. However, more flexible working hours are little compensation for the fact that the general distribution of pay and hours clearly show informal workers worse off than formal workers as they earn less for longer working hours (Ercan, 2010).

While monthly earnings for women are generally lower than those of men (5.5% lower on average) hourly wages for women in the formal sector are higher by about 7.3% as these women are more likely to be better educated. However, women wage earners in the informal economy do not fare so well, and their hourly earnings are 10% lower than those of men. One of the frequently cited explanations for lower wages in the informal economy is the lower productivity levels of informal workers, but issues such as wage discrimination, the lower bargaining power of women or their wish to work part-time may also play a part.

Other features of job quality

Health and safety, skills development, unionisation, work organisation, discrimination and harassment, and quality of life (including work-life balance) must also be examined in order to assess job quality and compare this against international standards and benchmarks. Most of the issues will be discussed in this section, but skills development and industrial relations will be dealt with in more in detail in other chapters.

Health and safety

Turkey is mostly in line with the *acquis communautaire*, but there are still some shortcomings despite the improvements (Eurofound, 2009, p. 9). Importantly, almost 44.4% of Turkish workers believe their health and safety is at risk at work (EWCS, 2005) compared with 28.6% in the EU-27. Similarly, 48.2% of Turkish workers claim that their health has been affected by their work compared to 35.4% in the EU-27 (EWCS, 2005).

Discrimination

The Turkish Constitution and major laws including the 2003 Labour Act accept the principle of equality and non-discrimination on the grounds of gender, race, language, political opinion or religion. Differential remuneration for similar jobs or for work of equal value is not permitted. Application of special protective provisions due to the employee's sex can not be justified for paying him (her) a lower wage. If the employer violates this in the execution or termination of the employment relationship, the employee may demand compensation up his (her) four months' wages, but the burden of proof in regard to the violation of the above rests on the employee. Many of the mechanisms vital to implementing non-discrimination are missing: there is no specific prohibition of discrimination on the basis of age, disability, ethnic origin or sexual orientation; and witness protection is not in place for those testifying on behalf of the discriminated (Sural, 2007). Sexual harassment has been also addressed in the new Labour Act and levels of harassment (bullying) or violence in the workplace are similar to the levels in the EU, although gender discrimination is higher (6.7% of Turkish female workers complained of experiencing this compared to 2.1% in the EU-27) (EWCS, 2005).

Work satisfaction

Work satisfaction overall is far lower than in the EU-27 (52% satisfied and very satisfied in Turkey and 82.3% in the EU). At the same time, Turkish workers are more likely to feel they are well paid (50.95% to 31.7%) or think that their job

offers good prospects for promotion (62.9% to 46.6%). They are however less likely to feel 'at home' in their workplace and they do not feel their job offers them opportunities for growth and learning. Turkish workers generally feel less secure in their jobs, but a high proportion (67%) did not believe their job was at risk (although this might have changed in the recent crisis).

Long working hours and highly intensive work do not prevent 65% of men and 59% of women in Turkey from viewing their work-life balance as satisfactory but figures for the EU are significantly higher (76.55% and 83% for men and women respectively). Turkish figures may be skewed by the higher proportion of male to female respondents in the primary labour market (EWCS, 2005).

1.7 CONCLUDING REMARKS

Turkey has achieved considerable economic growth in the last decade but this has not been coupled with mass job creation or significant levels of human development. The country has also witnessed growing inequalities (comparable with those Latin American countries with the highest rates of inequality in the world) that have reached unsustainable levels from the economic efficiency perspective. Relative poverty is still widespread and Turkey has lower levels of human development than other countries with similar levels of economic development. Economic growth has been achieved through structural reform, macro-economic stability and increases in productivity. While agriculture is seeing its share of total value added falling year on year, the textile and leather industries are suffering due to increased competition from East Asia. Competition is also growing in more capital intensive sectors. Turkey occupies a low-to-middle position on various international scales including the Human Development Index, Gender Gap Index, Knowledge Economy Index, Global Competitiveness and Doing Business indices. Turkey's poor ranking can mainly be attributed to low education levels, high gender inequality and the inefficient labour market.

From a flexicurity perspective, the key features of the current Turkish economy and labour market are:

- a predominance of micro and small enterprises, high self-employment and unpaid family work;
- a high share of agriculture in total employment;
- the prevalence of informal employment (almost half of the labour force has no social security coverage or job security, particularly in agriculture, self-employment and SMEs);
- high demographic pressure on the labour market due to the relatively young age structure;
- a low education level in the population and labour force.

The main challenges include:

- underutilisation of human resources (in particular in women and youth given the high unemployment and low activity rates);
- poor quality of work linked to widespread informality;
- human resources quality inadequate for providing productivity increases due to the prevalence of the low-skilled labour force.

2. COMPREHENSIVE LIFELONG LEARNING STRATEGIES

This chapter provides an overview of the education and training system that forms the foundation for the working lives of the Turkish population. Education and training (and lifelong learning in general) are central to the flexicurity debate and they are described as a positive and indispensable policy measure in the literature although it is still not clear whether education increases more the security or flexibility of individuals. Education certainly empowers individuals (Sen, 2001): it increases their chances in the labour market and provides long-term 'employment security' or employability. Employability includes a person's ability to gain initial employment, to maintain that employment and to obtain new employment if required using elements such as their assets, marketing and deployment, presentation skills and ability to adapt to the context. It increases worker mobility and allows for greater flexibility in working arrangements in most cases with more secure work environments. Therefore, investment in education, in particular early investment in the younger generations, seems to create a 'win-win-win' situation for all parties involved: individual workers, employers, and the state.

This chapter examines public spending on education and briefly reviews formal education indicators to assess the human capital stocks of Turkey. Human capital is defined as the knowledge, competences and skills people have and can mobilise or use to improve their lives (mainly through gainful employment) in a way that contributes to the social and economic development of their country. It will also discuss how human capital flows (younger generations) are prepared for the future through an overview of the opportunities and challenges in access and quality of the education system and training opportunities after school life in a lifelong learning perspective. Assessment of human capital stocks and flows is followed by examination of the efficiency of their use and mobilisation in the Turkish economy, providing a review of returns on educational investment and the use of human capital in productive work. Education and training is of crucial importance in the flexicurity debate as it is a key instrument in the development of the knowledge, competences and skills that lead to employability.

2.1 PUBLIC INVESTMENT IN EDUCATION AND HUMAN CAPITAL STOCKS

The state plays a leading role in funding and providing education services although public spending on education has averaged between 2.3% to 4.34% of GDP over the last decade (World Bank, 2005b). Recent public expenditure on education increased slightly to 5.3% of GDP in 2007 and 3.2% of GDP in 2008, but Turkey still spends less than the OECD average (ranking at the bottom). Turkey's pattern of education expenditure differs substantially from that of other countries with one of the highest levels of private spending on education at around 3% of GDP constituting more than one-third of total education spending). Consequently, total education spending as a proportion of GDP (public plus private) was approximately 7% in 2005, or about USD 13 billion, making the country an outlier with high private spending among OECD countries (ibid.). This shows high importance given to education by households while education is not a priority in public spending. However, the benefits of high private spending on education are not visible in national education indicators as they are more likely to increase inequalities for those from a lower socio-economic background, considering the bulk of household expenses of education go on private tutoring in preparation for university and college entrance examinations.

One third of the whole state education budget goes on higher education, while primary and secondary education budgets are more modest in absolute and relative terms. When all pupils are included, per student the expenses amounted to USD 1,197 in 2008, but per-student expenditure was only about half that amount in some provinces, principally in the south-eastern and eastern regions (World Bank, 2005b). Teacher salaries account for around 75% of the public budget, goods and services take another 15% and capital expenditure 10%. The World Bank (2005b) has identified a significant persistent equity gap in primary and secondary school spending where no attempts are made to redress inter-regional, inter-provincial or urban-rural educational disparities through active funding strategies. This institution concluded that Turkey did not get good results from combined public and private spending on education. The OECD (2007b) confirmed this view, producing an efficiency analysis of public spending in primary and secondary education, ranking Turkey mostly bottom among OECD countries.

Unfortunately Turkey has not yet achieved full literacy and the adult literacy rate was 89% in 2008 (81% for women and 96% for men (UIS)). Levels of 20% illiteracy amongst girls and women constitute a persistent challenge that will not be overcome without strong affirmative public action. Even the youth (15-24) literacy rate has not reached 100% (96.4% in 2007) and 6% of girls aged 15-24 are still illiterate despite significant efforts in recent decades. Educational attainment has been improving in general among those aged 15-64, but Turkey still lags behind many comparator countries of the same economic level. Eurostat gives the share of population with primary and lower secondary education at 70.8% in 2009 (up to a maximum of eight years in education, ISCED 0-2 level), those with upper secondary education at 19.2% (ISCED 2-4), and those with tertiary education 10.0% (ISCED 5-6) in Turkey. As seen in **TABLE 2.1**, the same shares for the EU-27 population are 31.5%, 46.4% and 22.1% respectively, while for Croatia 25.9%, 59.3% and 14.8%.

TABLE 2.1 EDUCATIONAL ATTAINMENT LEVEL OF POPULATION (15-64), 2009

	Lower secondary and less (ISCED 0-2)	Upper secondary (ISCED 3-4)	Tertiary (ISCED 5-6)
Turkey	70.8	19.2	10.0
Croatia	25.9	59.3	14.8
Bulgaria	27.6	53.2	19.2
Greece	39.8	40.2	20.0
Germany	22.0	55.8	22.3
EU-27 average	31.5	46.4	22.1

Source: Eurostat. See http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Another indicator for comparison, which is part of EU-2020 strategy targets (post-Lisbon agenda), is early school leavers – percentage of the population aged 18-24 with at most lower secondary education and not in further education or training. According to Eurostat figures, the share of early school leavers is 44.3% in Turkey, 14.4% in EU-27 and 3.9% in Croatia in 2009, while the EU-2020 target is 10%¹². Tertiary educational attainment is also part of EU-2020 targets, and the share of the population aged 30-34 who have successfully completed university is 14.7% in Turkey, 20.5% in Croatia, 32.3% in EU-27 in 2009, while EU-2020 target is 40%.

It must be stressed that there is some awareness of the need to improve human capital in Turkey and many efforts are being undertaken to reform the education and VET systems and to improve the employability of the population. MoNE has implemented a number of reform projects to improve the education system in the last decade, using donor funding from entities such as the EU, World Bank, UNDP and Unicef. The ministry set ambitious targets for 2014 in the Ninth Development Programme, aiming for a 90% schooling rate in secondary education (currently 64%). Furthermore, special emphasis has recently been placed on increasing pre-primary schooling and raising awareness of education amongst public institutions and civil society especially for girls. Public campaigns by MoNE are supported by the work of a number of non-governmental organisations (NGOs) actively working to increase pre-primary schooling for all children, and primary and secondary education for girls¹³.

Other examples of the push for education can be seen in the Human Resources Development Operational Plan prepared by the Ministry of Labour and Social Security under the EU Instrument for Pre-accession Assistance (IPA), the MoNE lifelong learning strategy, SVET and HRD-VET projects, primary education reforms and active labour market policies implemented by ISKUR. Another important dimension is Turkey's inclusion in the European Higher Education Area 'Bologna Process'¹⁴ and the 'Copenhagen Process' of VET cooperation as part of the EU accession process¹⁵. These processes create incentives for improvement and reform of the education and training system and a move toward better quality standards. The impact of these policies and projects on the education level of the population and equal schooling for girls at all levels have yet to be seen.

2.2 HUMAN CAPITAL FLOWS AND PREPARATION OF YOUNGER GENERATIONS

There have been significant improvements in access to schooling among younger generations in recent decades and improvements affecting boys and girls at all levels. It is well known that early childhood education (in particular between three and six years old) is crucial for success in the later stages of life, especially for children from disadvantaged backgrounds (NESSE, 2009; UNESCO, 2006). Provision of good quality education to all as early as possible is the most efficient way to deal with the social and economic disadvantages that would lead to greater equality in society. Low pre-primary enrolment has a negative impact on the future school life of children and also results in low female

¹² Eurostat, see http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators.

¹³ Examples of such campaigns include 'haydi kızlar okula' (Girls, let's go to school) by MoNE (see <http://haydikizlarokula.meb.gov.tr/>), and many other NGO-initiated campaigns like 'baba beni okula gonder' (Dad, send me to school), and the Kardelen project for girls to continue their education after basic level.

¹⁴ The Bologna Process is the process aimed at creating the European Higher Education Area (EHEA) based on cooperation between ministries, higher education institutions, students and staff from 46 countries, with the participation of international organisations. The three objectives of the process are: easily readable and comparable degrees organised in a three-cycle structure (bachelor-master-doctorate); quality assurance standards and guidelines; and fair recognition of foreign degrees and other higher education qualifications in accordance with the Council of Europe/UNESCO recognition convention.

¹⁵ The Copenhagen Process is a voluntary cooperation framework in vocational education and training (VET) through single framework for transparency; quality assurance in VET; a credit transfer system; and validation of non-formal learning within the EU member states and candidate countries.

participation in the labour force. The recent World Bank study (2010c) confirms the crucial potential impact of early childhood education for more equality in the Turkish society.

According to MoNE statistics (2009/10), the enrolment rate in pre-primary education has reached 27% as a result of their recent efforts, mostly including one-year schooling for five year-olds. Increasing enrolment at this level represents a good development, but figures are still low by international standards. When the international definition of pre-primary education is taken into account (schooling of all children aged between three and six), the pre-primary enrolment rate is found much lower in Turkey – i.e. less than 10% in OECD 2010b, 16% in UNESCO database. The EU benchmark of the Barcelona target for pre-primary schooling recommends at least 90% of children between three and six should be in early education and one-third of children under three in nurseries. Most European countries have already reached those targets and the great majority of European children between the ages of three and six are in public preschool settings (UNESCO, 2010).

TABLE 2.2 shows the net enrolment rate in primary education (ISCED 1+2) at 98.5% for boys and 97.8% for girls in 2009. There are eight years of compulsory primary education, extended from five years in 1997, compared with minimum schooling of twelve years in many developed countries, including the EU. A total of 10.9 million children are in primary education in Turkey and there is a net enrolment rate of 67.5% for boys and 62% for girls in secondary education (ISCED 3, starting at grade 9). Secondary education generally runs for four to five years, with different names for schools depending on the type of education they provide (lyceum, high school, technical or vocational school or Anatolian college). A total of 4.2 million students attend this level of education with almost 43% in vocational or technical tracks. Net enrolment in higher education is 29.4% for boys and 25.9% for girls.

Enrolment of girls is consistently lower in all education categories and a MoNE study on gender problems in education in 2003 found that around 1.5 million children of compulsory education age (61% girls) were not attending school. The study also revealed that 13 girls and 8 boys in every 100 have problems accessing education. There have been more efforts recently to increase the access and enrolment of girls in schools, and as a result, 240,000 of the 350,000 total enrolments in the education system between 2003 and 2007 were of girls. The success of these efforts was largely due to the combined efforts of NGOs and public institutions, but there are still a lot to do in this field¹⁶.

MoNE has already initiated a number of structural reforms under the Ninth Development Plan that started in the 2005/06 school year. There has been widespread reform of primary and secondary education curricula promoting analytical

TABLE 2.2 ENROLMENT IN PRIMARY, SECONDARY AND HIGHER EDUCATION, 2009

Net enrolment rates (%)

Primary education (ISCED 1-2)	Boys	98.5
	Girls	97.8
Secondary education (ISCED 3)	Boys	67.5
	Girls	62.2
Tertiary education* (ISCED 5-6)	Boys	29.4
	Girls	25.9

Number of students

Primary education	10,916,643
Secondary education	4,240,139
General	2,420,691
Vocational	1,819,448
Apprenticeship** (dual system)	187,000

(*) 2008/09 academic year; (**) 2008

Source: MoNE, National education statistics, formal education 2009/10, Tables 1-2 and 1-6.

learning and synthesis skills, reasoning instead of rote learning, and student-centred and interactive teaching techniques. The length of high school (upper secondary education) has been increased from three to four years (grades 9-12) and the variety of secondary schooling on offer has been reduced. Upper secondary education is still being restructured into the two main forms of 'Anatolian high schools' with an emphasis on science and foreign languages, or 'vocational and technical high schools' with an emphasis on labour market-related skills. The number of foreign languages taught has been increased and many extra-curricular activities added to the school system. The ministry set ambitious targets in secondary education for 2014: increasing the gross enrolment rate to 90%; reducing regional inequalities; increasing the completion rate to 96%; reducing drop-out rates to 5%; increasing the schooling rate of girls, and; providing free transportation in rural and underdeveloped areas.

MoNE does not report dropout rates in the Formal Education Yearbook. An approximate calculation derived from the proportion of graduates in total enrolment divided by the number of years for that schooling level (eight for primary, four for secondary) suggests a 1.4% dropout rate within primary education, 2.5% dropout in secondary general and 2.1% dropout within vocational secondary for the 2007/08 academic year. There is also a sharp drop in participation following the end of primary (compulsory) schooling, particularly among girls who are faced with teenage marriages (Eurofound, 2008). Participation drops to 64% in secondary education and 27% in higher education. **TABLE 2.3** provides a summary of schooling ratios by level of education from 1997 to 2010 (MoNE statistics) revealing a persistent but narrowing schooling gap between boys and girls at all levels in the 1997-2010 period.

TABLE 2.3 SCHOOLING RATIOS BY SCHOOL YEAR AND LEVEL OF EDUCATION (%)

School year	Schooling ratio	Primary education ¹			Secondary education ²			Higher education		
		Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls
1997/983	Gross	89.51	96.26	82.43	52.79	60.20	44.97	19.52	22.92	15.95
	Net	84.74	90.25	78.97	37.87	41.39	34.16	10.25	11.28	9.17
	Gender ratio	85.6			74.7			69.6		
2000/013	Gross	100.9	106.3	95.31	60.97	69.67	51.84	22.25	25.55	18.79
	Net	95.28	99.58	90.79	43.95	48.49	39.18	12.27	13.12	11.38
	Gender ratio	89.6			74.4			73.6		
2005/063	Gross	95.59	98.83	92.24	85.18	95.07	74.88	34.46	38.78	29.94
	Net	89.77	92.29	87.16	56.63	61.13	51.95	18.85	20.22	17.41
	Gender ratio	93.3			78.8			77.2		
2007/084	Gross	104.54	106.4	102.5	87.55	94.04	80.70	38.19	42.62	33.56
	Net	97.37	98.53	96.14	58.56	61.17	55.81	21.06	22.37	19.69
	Gender ratio	96.4			85.8			88.0		
2008/094	Gross	103.84	104.9	102.7	76.62	80.96	72.05	44.27	49.05	39.28
	Net	96.49	96.99	95.97	58.52	60.63	56.30	27.69	29.40	25.92
	Gender ratio	97.91			88.91			80.8		
2009/10	Gross	106.48	107.0	105.8	84.19	89.14	78.97			
	Net	98.17	98.47	97.84	64.95	67.55	62.21			
	Gender ratio	98.91			88.59					

Notes: (1) Compulsory education was expanded to eight years with law No 4306 of 18 August 1997 and included ISCED 1 and 2 levels as of the 1997/98 academic year. (2) Secondary education corresponds to ISCED 3 level, starting from grade 9. (3) Schooling ratios for 1997 onwards were calculated according to the latest population projection based on the results of the 2000 General Population Census. (4) Schooling ratios were calculated according to the results of the Address-based Population Register System Population Census from the 2007/08 academic year. Source: MoNE, National education statistics, formal education 2009/10, Tables 1-2 and 1-6.

Figures for the whole education system from pre-primary to the end of upper secondary level (excluding the higher education system) are shown in **TABLE 2.4**. This shows a total of 23 million students in the system, 16 million of whom are in formal education. The bulk of these students, 14.6 million, are in public schools and 990,000 students were in the extensive open and distance learning system. There are a total of 800,000 teachers and 59,539 schools. Pre-primary education enrolment is however low at 980,000 in comparison with the 10.9 million enrolments in primary education (eight grades, from 6 to 14 years old) with an average of 1.4 million students at each grade level. Secondary education involves around 4.2 million students, 2.4 million of whom take the general secondary track oriented towards higher education, while 1.8 million students (43%) take the vocational and technical track.

TABLE 2.4 NUMBER OF SCHOOLS, STUDENTS AND TEACHERS IN EDUCATION INSTITUTIONS BY EDUCATION LEVEL, 2009/10

Level of education	Number of schools	Number of students			Number of teachers
		Total	Boys	Girls	
General	59,539	23,199,865	12,171,432	11,028,433	800,028
Formal education	46,100	16,137,436	8,445,996	7,691,440	707,052
Public	42,007	14,688,342	7,658,072	7,030,270	655,517
Private	4,091	458,108	248,130	209,978	50,853
Open/distance education	2	990,986	539,795	451,191	–
Pre-primary education	3,877	980,654	511,127	469,527	14,513
Public	1,396	892,735	464,743	427,992	7,038
■ Kindergarten	1,248	148,285	77,639	70,646	6,356
■ Nursery class	22,225 ¹	735,754	382,616	353,138	28,099 ²
Private	2,481	87,919	46,384	41,535	6,793
■ Kindergarten	928	32,389	17,031	15,358	873
■ Nursery class	579 ¹	19,087	10,212	8,875	786 ²
Social services and child protection institutes	1,553	36,443	19,141	17,302	5,920
Primary education	33,310	10,916,643	5,632,328	5,284,315	458,667
Public	32,430	10,274,728	5,288,749	4,985,979	458,046
Private	879	251,967	136,133	115,834	27,631
Open primary	1	389,948	207,446	182,502	–
Secondary education	8,913	4,240,139	2,302,541	1,937,598	206,862
Public	8,181	3,520,879	1,904,579	1,616,300	190,433
Private	731	118,222	65,613	52,609	16,429
Open secondary	1	601,038	332,349	268,689	–
General secondary	4,067	2,420,691	1,268,098	1,152,593	111,896
Public	3,357	1,882,426	958,162	924,264	95,784
Private	709	116,619	64,666	51,953	16,112
Open general secondary	1	421,646	245,270	176,376	–
Vocational and technical secondary	4,846	1,819,448	1,034,443	785,005	94,966
Public	4,824	1,638,453	946,417	692,036	94,649
Private	22	1,603	947	656	317
Open vocational secondary	–	179,392	87,079	92,313	–
Non-formal education	13,439	7,062,429³	3,725,436	3,336,993	92,976
Public	2,165	3,856,465	1,659,072	2,197,393	10,602
Private	11,274	3,205,964	2,066,364	1,139,600	82,374

Notes: (1) 22,225 public and 579 private nursery-classes are not included in the total number of schools in pre-primary education. (2) 28,099 public and 786 private pre-primary teachers are not included in the total number of teachers in pre-primary education, except those who are permanent staff of schools. (3) End of 2008/09 academic year.

Source: MoNE, National education statistics, formal education 2009/10, Table 1-18.

Special discussion is needed of VET secondary level (ISCED 3) as this forms the weaker link in the system. The education system is largely oriented towards academic performance and professional careers resulting in a persistent unmet need for semi-skilled workers with concrete occupational and vocational skills. Vocational enrolment at secondary education level (ISCED 3) has recently experienced an increase, catering for 43% of students in 2010 (compared to an EU average of 50.2%) as a result of state efforts to increase the attractiveness of this sector. However, the lack of prestige and poor perception of this type of education as lower quality means few students opt voluntarily for VET as an alternative to general education. Many young people are put in VET against their will after doing badly at school and few are able to change course or continue their studies in higher education once they join the vocational and technical streams. The percentage of girls ranges from 20-70% of pupils depending on the field of training, but they are mostly in disadvantaged programmes in terms of low labour market returns to their education, focusing mostly on traditional female work, handcrafts and religious studies with limited or no market value. Furthermore, gender-segregation by occupations and gender stereotypes are strong in this type of education (there are even boys' and girls' schools), further limiting the choices available to girls. There are one third less girls than boys overall in the VET system except in the religious schools where girls outnumber boys.

The MoNE Department of Educational Research and Development has established an e-graduate project to monitor the employment performance of VET graduates from public vocational and technical secondary education institutions from 2001 onwards through a tracer study supported by an electronic platform for the registration of graduates and employers. The system has so far reached 65,000 VET graduates and 6,600 employers willing to recruit VET graduates through targeted questionnaires and individual registration on the website database. Graduates are asked about their labour market experiences and employers about the training quality of graduates so that the vocational schools can adjust better to employer expectations. The limited results achieved by the project are promising and the outreach of this programme can be expanded to the whole target group. The results of the 2009 tracer study¹⁷ show that 33% of graduates were employed at the time of the survey, while 67% were unemployed. Some 53% of the employed graduates found their jobs through social networks while only 1.2% used ISKUR services.

Secondary VET is continued through two-year higher vocational programmes in higher education (ISCED 4 and/or 5B). As the demand for higher education has increased, the vocational component of the tertiary level has expanded, as did the role of the Higher Education Council (YOK) in formal vocational education. There are around 450 two-year higher vocational schools (MYOs) most of which operate under the public university system¹⁸. However, unofficial estimates state that almost 40% of VET students have no opportunity for practical training in enterprises, and the situation is even worse for higher vocational school students who are looked upon as worse educated second-class students by employers. In theory, higher vocational schools are supposed to respond to local and regional needs for education and training, but they are still the weakest part of the system although many new initiatives currently being implemented. Many higher vocational schools are poorly equipped and often the type of school available in a region is not matched to local needs vital to the area, professional organisations are rarely involved in designing or restructuring the curricula and many faculties do not have staff with recent industrial experience (Mikhail, 2006).

Apprenticeship is managed within the education system by the Directorate General (DG) of Apprenticeship and Non-Formal Training (MoNE), but it is a relatively small component in an isolated dead-end branch of the formal education system. According to Vocational Training Law No 3308 (1986) and Amendment Law No 4702 (2001), apprenticeship is a dual system based on labour market oriented training schemes, and is separated from the non-formal education. This system was established on the basis of the German dual system and run by the ministry through 321 vocational training centres. Some regions also have 'supra-enterprise training centres' run by the Confederation of Turkish Tradesmen and Craftsmen (TESK) that have operated in a similar way since 1991. Under the provisions of Tradesmen and Craftsmen Law No 507, TESK is legally responsible for training, testing, assessment and certification in unrecognised occupations where MoNE does not offer apprenticeship training (Vos and Unluhisarcikli, 2009).

Apprentices are given placements in workplaces where they work a five-day week and get one-day training in the closest vocational training centre. As of 2009, 321 vocational training centres provide free training in 36 occupational fields covering 131 different vocations, and there are a total of 187,000 apprentices in the system. Apprentices can start training following graduation from primary education with eight years of compulsory education at age 14. Although the upper age limit for becoming an apprentice was removed, most apprentices are between 14 and 20. Some 70% of apprentices in industrial vocations are male, while females make up 70% of apprentices in the services sector. By law, companies pay apprentices at least one third of a minimum salary, while MoNE pays their social insurance. Enterprises with more than 20 employees are obliged to provide workplace training, and enterprises with 10+ students or more than 200 employees must have established units to provide apprenticeship training.

The uptake of apprenticeship placements (187,000 apprentices) appears limited considering the huge number of students in the Turkish education system. Furthermore, the lack of pathways on to higher education levels after

¹⁷ See 'Mesleki ve teknik ortaogretim kurumları mezunlarının izlenmesi projesi', Ankara, Eylül 2009 (www.emezun.meb.gov.tr).

¹⁸ University education is in high demand in Turkey due to the large size of young cohorts and securing a place in university is an extremely competitive process with a centralised student placement exam. The Higher Education Council (YOK) lists the total number of universities at 154 in 2010 (102 state universities and 52 private universities) including two-year higher vocational school (see www.yok.gov.tr/). However, there is ongoing debate on the quality problems of most new universities (both public and private) of the last decade where there has been insufficient preparation of infrastructure and teaching staff.

apprenticeship may contribute to the negative view of the quality and limited coverage of apprenticeship training. Between 1997 and 2001, 620,000 young people received training on courses organised by MoNE and by 2001 the entire VET system contained only about 250,000 students, roughly half of whom were in apprenticeship training (Tunali, 2003). Enterprises and social partners are involved in the apprenticeship system, with businesses taking responsibility for the practical training of candidate apprentices and apprentice students. Any businesses employing candidate apprentices or apprentice students are legally required to have a Master Trainer, even if they have only one trainee. Moreover, if the business is training 10 or more apprentices (or apprentice students) a Training Unit must be established for this purpose.

The non-formal education system (adult training) functions independently, separate from the labour market. There are 969 public education centres run by MoNE, one in each town in the country, providing free training of 530 different types ranging from literacy to painting and yogurt making courses but also including some occupational training. New courses can be added if 12 people request the subject, but courses like literacy, special training, provision for street children or working children, prisoners and traditional handicrafts are run regardless of numbers. The modular training curricula of apprenticeships and public education centres mean some pathways may combine different types of courses in order to reach the minimum level of formal apprenticeship requirements. For example, the apprenticeship system requires a minimum of 256 hours of training over one year, or 511 hours over two years that can be topped-up with public education courses. The new Vocational Qualifications Authority (MYK) established in 2006 is expected to provide recognition and certification of such courses and combinations.

According to the DG Apprenticeship and Non-Formal Training, 3,671,832 people benefitted from public education centres' courses in 2009, and 61.3% of them were females. These women include young women unable to continue their education or work in the labour market, housewives and retired women¹⁹ while the bulk of the men are retired. Most of the courses are about hobbies (67% of participants) which do not provide marketable skills needed in the labour market, and only around 20% of participants attend labour market-related vocational and technical courses. This approach can be criticised as representing the 'pure consumption' of limited public resources for enjoyment rather than any attempt to meet labour market needs or provide training that would empower trainees in their work life. Significant resources are invested in this type of public education which is provided free to huge numbers of participants without aiming their activation in the labour market.

This fits poorly with the very low labour market participation of females in Turkey as these courses could be oriented further toward their activation in the labour market. VET could play a social role in tackling the issue of youth and female exclusion from labour market. These groups often face problems due to poor levels of education or student failure while demographic pressure means large cohorts need preparation for the labour market. In this situation, VET provides the only form of training that can feasibly combat youth unemployment and female inactivity after compulsory schooling age for those unable to continue on to university education.

The DG Apprenticeship and Non-Formal Training also organises several programmes to counter socio-economic risk, such as the mother-child training programmes. This type of training programme has catered for 951,406 families through 5,529 courses provided in 74 provinces. These courses have led to family training focusing on parent-child relations and literacy courses for illiterate mothers. Some 80,000 training packs were distributed across the provinces and 890 teachers have been trained to deliver the course. This entity has also organised child care and family health courses for 129,162 people since the 1994/95 school year, particularly in Eastern and South-eastern Anatolia, but the efficiency of these programmes has yet to be evaluated.

An overview of the education system shows huge growth potential for the education sector if all primary school graduates were to continue on through secondary education and then to post-secondary or tertiary. The secondary school infrastructure is currently far too small to meet the whole demand. The move to 12 years of mandatory schooling will require schooling for almost twice the current number of secondary students in about 10 years' time if Turkey is to reach the 95% levels of comprehensive enrolment seen in many EU, Balkan and Eastern European countries. The move from five to eight years of compulsory schooling required average yearly spending of USD 3 billion from 1997 (World Bank, 2005b) and these figures provide a good indication of the possible expenditure of approximately USD 25 to 30 billion in the next 10 years for a drive toward 12 years of schooling (Ercan, 2007). Despite the high costs, investments in children and youth (up to 25 years old) have been shown to give much higher returns than investments in adult workers.

Heckman and Jacobs (2010) state the potential benefits of educational investments at young ages are extremely high, far higher than those of most active labour market measures at later stages of adult life. Early investments are harvested over a longer horizon, raising the productivity and lowering the costs of later investments. Learning begets learning; cognitive and non-cognitive skills acquired early on facilitate later learning. Due to the strongly complementary link between early human capital investment and adult human capital investment, the large number of skills acquired in the first stage of the life-cycle fosters the initial conditions and technology of learning at the next stage. More educated

¹⁹ In 2009/10, three main types of training course were offered: vocational and technical; literacy; and social-cultural courses. Some 732,118 people (20% of all participants) benefitted from 38,165 vocational and technical training courses; 496,482 attended 39,867 literacy courses (13.5%); and 2,443,232 took social and cultural hobby courses (66.5%).

workers tend to continue learning. Education increases productivity at the macro-economic level as skills are crucial determinants of labour productivity. Labour force attachment strongly increases with the level of education (for women as well as men) across all countries. Furthermore, better educated workers tend to retire much later.

Therefore, there is a strong efficiency case for public investment especially in primary and secondary education (good quality education for all, with minimum general school leaving age of 18-20 years old). Early deficits make later remediation difficult, and the Turkish education system primarily needs to address the early deficit problems of the younger generations. Later remediation of early skill deficits is often very costly and provides little benefit. When initial opportunities for forming these abilities are missed, full remediation in adulthood is often impossible. Once they have dropped out of school, early school leavers (and low-skilled workers) find it more difficult to benefit from adult training because they have a low stock of human capital on which to graft adult investments and make them productive. When active in the labour market, unskilled individuals also receive little on-the-job training, either because they opt out when it is offered or because employers choose to give the training to better-skilled workers. In conclusion, preventive investments earlier in the life-cycle (between the ages of 3 and 25) present the most cost-efficient public policy and provide much larger benefits for the individual, society and economy.

2.3 CHALLENGES RELATED TO UNEQUAL ACCESS TO AND QUALITY OF EDUCATION

The massive expansion and coverage of the education system has unfortunately not resolved the issues of unequal access to various levels of education on the basis of gender, wealth or place of residence. A significant number of children (45% in 2009) drop out of school after primary education and some never attend school at all; which is an issue of particular concern among girls and the children of rural or poor families. Girls are far less likely than boys to continue in school after compulsory education, and their numbers fall sharply after that age. Boys who drop out are obliged to take a traditional apprenticeship while girls generally become economically inactive carers waiting at home for an early marriage. In 2009, 15% of Turkish youngsters aged 15 to 19 did not have a primary school diploma, and seven in every ten of these were girls (ERI, 2009). Some will enrol in vocational schools or courses with a poor reputation and others will enter the unskilled labour market.

The indicators given above clearly show that gender inequality in education presents the most significant challenge in Turkey, particularly in the more rural and eastern regions of the country (see ERI, 2008; ACEV et al., 2008). The striking persistence of this element over a long time horizon clearly demonstrates that it will not disappear easily without strong affirmative public action.

Geographical disparity persists in education indicators and access to school. Analysis of urban/rural data from the Living Standard Measurement Study in Turkey demonstrates that the most illiterate and poorly-skilled people live in rural areas and the eastern regions. Although basic education is free (at least for the compulsory years), poverty represents a serious impediment to school access. Children from poor families are often obliged to work, especially on rural farms and in the shanty towns around major cities. The Education Reform Initiative (ERI, 2009) states that in 2007/08 there were 442,625 children aged 6-13 not registered for education in Turkey (4 in every 100 children). Almost 60% were girls and around half were from central and south-eastern Anatolia. There are also large numbers of children not registered in the civil registry at all who have therefore not been counted in statistics.

Child labour is another problem and 2006 data show around one million working children in Turkey. Girls aged 5-14 work around 30 hours a week, while boys of the same age work over 25 hours, placing the country third after Mali and Senegal in ILO ratings. The TUIK child labour report states that 6% of 6-17 year-olds are working and that 66% of these are boys. Some 41% of this group work in agriculture, 28% in industry, 23% in trade and 9% in the service industries.

The issues of predictive hierarchical streaming, the unequal quality of schools and vocational paths are compounded by selective orientation in the gender-based distribution of education and training: girls are encouraged to train in home-care, child-care, secretarial skills, health, education and textiles, while boys are trained as mechanics, electricians and technicians, reproducing gender inequality and occupational segregation in the world of work. Gender segregation by occupation is particularly pronounced in the VET system and the number of girls in more labour market-oriented VET courses is significantly lower than that of boys. Thus, even when girls attend secondary vocational education, most of them are not given the opportunities and marketable skills needed to enter the labour market. Inequality is also present in the selection of fields of study by the two sexes in higher education. **TABLE 2.5** shows that only around one-fifth of engineering graduates are female and they are less represented in the scientific fields.

TABLE 2.5 SHARE OF TERTIARY GRADUATES IN ENGINEERING, HUMANITIES AND SCIENCE BY GENDER, 2007/08 (%)

	Female	Male	Total
Engineering	3.1	10.5	13.6
Humanities	3.2	3.1	6.3
Science	3.6	4.4	8.0

Source: UIS database.

The rapid expansion of education coverage has led to compromise between quantity and quality, the impact of which is seen in the modest scores achieved on national and international tests. The challenge for the country is to provide a minimum 12-year mass education for all children through a good quality education system capable of coping with increased globalisation and technological innovation. Signs that the situation needs attention can be seen in the high dropout rates after basic education (grade 8) in mostly rural and eastern areas and widespread failure in the centralised university entrance exams. Despite recent curricula reforms, most teachers still rely on traditional teaching methods of copying from the blackboard with little interaction between teacher and pupils due to time constraints and their own lack of training. Traditional teaching methods are based on rote-learning and do not encourage critical thinking, research and initiative-taking. The examination systems are geared toward the academic selection of students for further studies rather than any practical form of accreditation. As education is based on selection and examination, teachers are not motivated to experiment with new teaching methods (World Bank, 2008b). Thus, the achievement of quality education for all pupils remains a major challenge.

The Trends in International Mathematics and Science Study (TIMSS) examines mathematics and science achievement of students in grade 4 and 8 (aged 10 and 14) and testing was repeated in 1995, 1999, 2003 and 2007 in many countries. Out of the 50 countries taking part, 12 Asian countries topped the competition and the average overall score was 500. Turkey participated in TIMSS only in grade 8 tests of 1999 and 2007. In 1999, the nation came 31st out of 38 countries in mathematics achievement (with a score of 429, far below the average score of 487 and the highest score of 604 by Singapore), and 33rd out of 38 countries in science achievement (with a score of 432 against an average 488 and a highest score of 569 by Taiwan). In 2007, Turkey ranked 30th out of 50 countries in mathematics (432 to an average of 500 and a highest score of 598 by Taiwan) and 31st out of 50 in science (454 to an average of 500 and a highest score of 567 by Singapore).

The Progress in International Reading Literacy Study (PIRLS) examines the reading performance of primary school students in grade 4 (aged 10) in many countries around the world in a carefully constructed reading assessment, repeated in 2001 and 2006 and planned for 2011. Turkey participated in the 2001 PIRLS survey and came 28th out of 35 countries in reading achievement (449 to an average of 500 and a highest score of 561 by Sweden). It did not participate in the 2006 version but is considering joining the next round in 2011 (TABLE 2.6).

The Programme for International Student Assessment (PISA) was also administered to 15 year-olds in schools. This test is used to assess performances in mathematics, science and reading in terms of general competencies based on how well students can apply the knowledge and skills they have learned at school to real-life challenges. Turkey participated for the first time in the 2003 PISA survey and ranked 36th out of 41 countries, while it ranked 46th out of 57 countries in the 2006 survey. In both surveys it came 29th out of 30 OECD countries participated in the surveys – Mexico was the only country to score lower than Turkey (TABLE 2.7).

TABLE 2.6 TIMSS (MATHEMATICS ACHIEVEMENT) AND PIRLS RESULTS

	TIMMS 1999	TIMMS 2003	TIMMS 2007	PIRLS 2001	PIRLS 2006
Turkey	429	–	432	449	–
Average score	487	467	500	492	500
Top country	604	605	598	561	565

Source: <http://timss.bc.edu/>

TABLE 2.7 PISA SURVEY RESULTS, 2003, 2006 & 2009

	PISA 2003			PISA 2006			PISA 2009		
	Maths	Science	Reading	Maths	Science	Reading	Maths	Science	Reading
Turkey	417	434	434	424	424	447	445	454	464
Average score	490	503	494	498	492	492	496	501	495
Top country	558	550	548	549	563	556	600	575	556

Source: www.pisa.oecd.org/

Furthermore, the variance in performance amongst Turkish schools was one of the largest, indicating strong inequalities (World Bank, 2010c). The main focus of the 2009 PISA survey was reading, and Korea and Finland were the highest performing countries. Turkey ranked 43rd out of 65 participating countries, and again, it came 33rd out of 34 OECD countries and Mexico was the only country to score lower than Turkey.

Repeatedly bad scores on these international tests prompted MoNE to prepare better for the next PISA surveys by advertising the event earlier and explaining the exam logic to schools and students. However, the results of 2009 test which was conducted in April 2009 on 6,500 students aged 15 throughout Turkey have not improved significantly. The ministry ascribed the failure at PISA to the education system and curriculum structure, where the system is designed around a teacher-centred rote learning approach that does not focus on active learning or instil reasoning, analytical skills and critical thinking (for a more complete explanation of the conditions leading to inequality in Turkey, see ERI, 2009). The poor international performance prompted MoNE to replace the primary and secondary school curriculum with new learning programmes that place greater emphasis on student-centred active learning methodologies and instils soft skills such as reasoning and critical thinking. Their implementation has already been started in schools but the results are to be seen.

The teaching staff forms a critical factor according to the World Bank's education sector study (2005b) as very few teacher preparation programmes develop the kinds of skills teachers need to engage students and transform them into learners. Furthermore, the in-service training seminars and workshops organised by MoNE are relatively ineffective because they do not provide any opportunity for practice, follow-up and reflection. Teachers consistently malign these programmes as boring, unrelated to their needs and poorly implemented, lacking the career planning opportunities and other incentives required for any real reform process. As a result, the quality of education delivered is heavily influenced by traditional teaching and learning methods, poorly motivated teachers, ineffective teacher training, low quality and restricted access to teaching materials, and poor infrastructure in some regions. Teachers should play a leading role in the system as any type of reform is very unlikely to succeed if school leaders and teachers do not support changes. In Turkey a secondary education teacher with 15 years of experience earns 2.57 times the per capita income, but the relatively high starting salaries lead on to the lowest maximum salaries of all OECD countries. These factors, coupled with potential resistance to change and the lack of rewards offered, show the continuing problems of the system despite recent reforms to improve education quality.

The World Bank education report (2005b) highlights a deep equity gap for girls and the poor and uneven educational achievements in Turkey. The 2005 OECD education report on basic education confirms all the challenges cited above and criticises the Turkish education system for creaming off a small elite to the science high schools or Anatolian high schools, at the expense of the ordinary public schools. Average Turkish standards for literacy and maths are consistently low by international comparisons and only graduates of the few better schools are able to pass the highly competitive nationwide university entrance examination that provides a pathway to later jobs in the formal sector. As general secondary education is mainly focused on access to the much-coveted tertiary education, there is an unmet demand for vocational skills in industry in a way that both fuels and perpetuates labour market segmentation. The biggest challenge facing the system is how to improve the average performance of all schools without destroying those that function well.

The OECD recommended MoNE 'change from an education system designed to select and sort students based to an unacceptable extent on socio-economic status and gender (privileged position of boys and men), to a system designed to provide educational opportunities for all' (OECD, 2005, p. 123). The other key recommendations are: to ensure that all students completing compulsory education, regardless of gender, family income, geographical location, are prepared for further education (university or lifelong learning); to provide career guidance and advice on the labour market; to eliminate the unacceptable disparity in participation rates of girls and boys; to reach OECD average net participation of 80% in secondary education; to establish 12-year compulsory education; to strengthen connections between education and the labour market; and to reorganise MoNE in order to eliminate the various separate directorates for elements of the secondary education system and consolidate these functions under a single General Directorate for Secondary

General and Vocational and Technical Education and Apprenticeships. The report also raised the issue of universal access to quality early childhood education and care for all children aged three to six and recognised the integral relationship between increased participation of Turkish women in the labour force and progress toward extended universal access to these services.

In summary, if any headway is to be made in education far-reaching reforms are required, built on a basis of the type of societal consensus and strong political will that is largely absent in Turkey. The challenge is to avoid reducing the quality of the few best-performing schools while increasing the average quality of most other schools. As defined by the EU targets, good quality education requires every student to have key competences that are defined as effective communication in the mother tongue and in at least two foreign languages, mathematical competence and basic competences in science and technology, digital competence, learning to learn, social and civic competences, sense of initiative and entrepreneurship, cultural awareness and expression. The anticipated faster rates of rural-urban migration will further exacerbate the need for good quality education and employment. The country evidently needs a VET system compatible with international standards, linked to labour market needs and fitted to long-term national human resources development policies if it is to produce employable individuals.

Part of the problem lies in the continuing political battle over religious schools, a group that is classified as vocational high schools in the VET system (see ERI (2006) for a detailed overview). There were initially very few of these vocational schools and their main purpose was to educate future male religious leaders, the *imams* and *hatips* (orators) of the state-administered mosque system. The only higher education outlets for their graduates were the few faculties of theocracy. However, over time these schools have expanded and operated almost as general high schools with a strong religious component in the curricula, enrolling as many girls as boys. Graduates of these high schools are no longer granted a vocation (no direct labour market entry) and despite the schools being classified as vocational schools former students now go on to university instead (Erkan, 2007). Students from these religious schools accounted for one third of all VET students to graduate without a vocation when new regulations for the nationwide university entrance exam in the 1999/2000 academic year made it more difficult for vocational school graduates to further their education in subjects unrelated to their vocation. The category of religious vocational high schools was not explicitly mentioned in the regulations but the move was against them. The regulation affected enrolment rates in the vocational school system including religious schools²⁰ as most students and parents primarily aspire to a university education, but it was the other real vocational schools that were hardest hit.

Turkey still has considerable room for improvement despite some developments in educational attainment. Upper secondary education graduation rates of close to 50% are still well below the 80% rates typical of most OECD countries and the quality of education is also an issue. While the few best of Turkey's young people can compete on an equal footing in terms of skill levels with youngsters anywhere, the substantial majority of youth performs much lower than the international average and general levels of proficiency vary significantly according to gender, region, family income, and type of school. Overall, Turkey's education system tends to perform somewhat below the level of lower middle-income countries in terms of access, attainment and quality; but it lags well behind the standard of most countries in the EU and elsewhere in the OECD countries.

One key challenge for Turkey is to transform the education system from one that educates only a relatively small number of students to the standards required by a modern economy to one that educates all students well (including all girls and the poor). Care must be taken to approach this by improving the quality of poorly-performing schools rather than decreasing the quality of the best-performing schools. Change of this type would require major improvements in the quality of education as well as careful attention on reducing disparities in educational attainment and quality due to gender, region and income. It is important to break down barriers between general and vocational secondary education to ensure a foundation in common skills and competencies for all students whilst modernising and expanding higher education. Stronger links between the education system and employers would help improve the relevance of education to the needs of the labour market.

2.4 LIFELONG LEARNING OPPORTUNITIES AND MECHANISMS

The World Bank (2008) states that there are limited training opportunities after formal education in Turkey and it is clear that training programmes, including vocational training (in classroom) and on-the-job training, could improve skills in the transition from school to work and could help to address those concerns about skill insufficiencies raised by young people in the active labour market policies. Non-formal training of this type could be a particularly important tool for youth and adults who enter the labour market with no or low educational preparation. Little data or analysis is available on training outside the formal education system and the little statistical data available is scarce and somewhat outdated. The latest TUIK data for 2002 shows non-formal vocational education accounted for 1.9% of total education expenditure, with 69% of spending in public training institutions and 31% in private training centres.

²⁰ The number of pupils in religious vocational schools declined in the last decade after entry to university education for all vocational school graduates was made more difficult. According to MoNE statistics, there were 198,581 students in religious vocational schools in 2010 (almost 11% of the VET system with 1.8 million pupils), 52.5% of which were girls (see www.meb.gov.tr). The fact that girls can not follow the 'vocation' of *imam* or *hatip* shows that the primary aim of educating a child in these schools is to obtain a religious education.

Training is available through various public agencies and other departments, as well as universities, NGOs and private sector courses but most training is provided by MoNE and ISKUR. MoNE provides training through 313 vocational training centres for apprentices and 930 public education centres for adults. These courses constitute a significant portion of non-formal training in Turkey. Public education centres' courses primarily concentrate on traditional handicrafts of little labour market value and literacy courses in some regions. ISKUR offers limited training courses primarily to those receiving unemployment benefits (Chapter 4). According to the European Commission (2009c), the share of adults (15-64) who participated in lifelong learning in 2009 is 1.8% in Turkey, 2.2% in Croatia, 2.5% in the former Yugoslav Republic of Macedonia, while this is 9.5% in EU-27. The EU benchmark of the 15-64 participating in lifelong learning by 2010 was 12.5%, but many countries achieved better performance like Sweden (32%), Denmark (30%) and Finland (23%).

TUIK data shows trainees in private training institutions outnumber those in public centres. However, private providers are dominated by *dershanes* (private tutoring classes to prepare students for university and college exams) and driving schools. The labour market value of these private courses is therefore very limited and social and economic returns to education from this investment are likely to be very low (maybe with higher individual returns). The rest of the private sector is dominated by courses on ICT and foreign languages. At the same time, the recent Investment Climate Assessment for Turkey found that manufacturing firms in the country provide less formal training to their workers than firms in comparator countries (World Bank, 2008a). The study of higher education and the labour market in Turkey confirms this outcome on limited training (Ercan, 2010).

Turkey has initiated reforms in vocational training through an EU-supported project that was implemented between 2002 and 2006 – Strengthening the Vocational Education and Training System (SVET). The reform aimed to build institutional capacity and foster decentralisation before moving on to improve the quality and relevance of courses by promoting modular training and the development of a national vocational qualification system. The Vocational Qualifications Authority (MYK) was established in 2006 under Law No 5544 to develop the standards and requirements needed for the certification of selected occupations in compliance with national and international professional standards. The MYK general assembly and board of directors have a tripartite structure that includes the state and social partners and it is expected to help increase qualifications in the workforce, particularly in medium level skills. Although the MYK has only recently started work on the national qualifications framework, it has the potential to support young people, workers and employers in matching qualified workers to available jobs.

Another development is the adoption of the Lifelong Learning Strategy in 2009 by the MoNE as part of the EU accession process. The MoNE Directorate General (DG) for Apprenticeship and Non-Formal Training was given the coordinating role in the implementation of the Turkish Lifelong Learning Strategy and a lifelong learning information and coordination centre was created within the DG, with parallel lifelong learning information and coordination units in each province. A stakeholder workshop was held in February 2010 to discuss an activity plan and as a direct result, the 2009-13 Lifelong Learning Activity Plan was approved by the Planning Council headed by the Prime Minister in June 2009²¹. This plan has been widely distributed to all stakeholders in the country in booklet form and these priorities were also discussed by the Vocational Education Council. There is a plan to draft a law on lifelong learning that will promote a lifelong learning culture within society. Broadly speaking, the Turkish strategy includes the following 16 priorities as key points for action (MoNE Lifelong Learning Strategy 2009):

- regulation and coordination of lifelong learning and the role of partners in Turkey;
- monitoring system for lifelong learning through strengthening data collection;
- increasing literacy for the whole population (100% by 2013, currently 89%);
- increasing schooling rates for primary, secondary and university education;
- improving the physical infrastructure of educational establishments and the number and quality of teachers;
- curriculum improvement and updating according to the changing needs of the country;
- effective use of ICT by all individuals and the education system in general;
- granting priority to disadvantaged groups (disabled, ex-convicts, children, the elderly, rural migrants and the poor);
- career guidance and counselling in the lifelong learning context;
- establishment of a functioning Vocational Qualifications Authority to implement the national qualification system in line with the European Qualification Framework;
- opening pathways (trans-routes) between all types and levels of education and between education and the world of work;
- creating an employable and adaptable workforce (much better quality human capital) to promote higher labour force participation in the country and in competitive international labour markets;
- shared funding of lifelong learning between the state, individuals and employers;
- creating a culture of learning in society and increasing awareness of lifelong learning;
- increasing international cooperation and student and teacher mobility in lifelong learning;
- higher participation of older workers and the elderly in economic and social life through lifelong learning.

Brief background information and justification is given for each of the 16 priorities of the strategy in a document strongly influenced by the lifelong learning policy paper prepared by the EU-funded SVET project in 2006, although this strategy goes one step further to formulate a plan of action. However, the priorities expressed are very general in nature and the excessive number of priorities and actions could seriously hamper the final outcome and even compromise the success of the policy due to the massive amount of work needed. The document basically constitutes an ambitious plan that lacks necessary resources and effective means by which to achieve its wide objectives - tackling 100% literacy alone would take immense amounts of human and financial resources and at least a decade to achieve. The strategy is not well-connected with the rest of the education system and does not clearly explain how the objectives will be achieved, what additional resources will be allocated, and who will be responsible and accountable for addressing the challenges and large gaps in each priority. More importantly, the potential impact of the strategy is reduced by the fact that there are no benchmarks set in the form of target numbers and indicators, and there is no time-line given for each priority. The binding effect of the strategy is not strong as it does not have the power of a legal document.

What the strategy paper did achieve was increased emphasis of the strong link between education level and employment and labour force participation rates (MoNE, 2009). According to TUIK statistics for 2008, the Turkish labour force has the following education levels: 61% primary or lower education (ISCED 0-1), 21.6% secondary and upper secondary education (ISCED 2-3), 12.4% tertiary education and 5% illiterate. A strong and positive correlation is seen between level of education and labour activity, particularly for women: the highest labour force participation rates (LFPR) are seen among tertiary education graduates (78.5% in total; 83.5% male and 70.5% female), followed by secondary education graduates (lower and upper secondary, 57% total; 71% male and 30% female). The LFPR of those with primary and lower education totals 46.9% (69% male and 18.6% female), compared with only 20.3% among the illiterate. This clearly demonstrates that a lower education level increases the likelihood of inactivity, with a particularly strong trend for women.

TABLE 2.8 shows data from the Adult Education Survey (2007, results in 2009) indicating that Turkey has very low rates of lifelong learning. Participation rates in formal and lifelong learning education are low in rural areas and women lag behind men in all comparisons, just as they do in all other areas of education in Turkey. Many women are likely to have dropped out after primary education to become housewives who remain inactive in the labour market and who never return to training as adults.

TABLE 2.9 provides a slightly better outlook as it clearly shows young people are more interested in education or training, and this offers hope for the future. However, women lag behind men in each cell even among the younger sections of the population indicating that the future LFPR gap between the sexes will not be closing anytime soon.

TABLE 2.8 EDUCATION AND LIFELONG LEARNING PARTICIPATION, 2007 (%)

	Turkey			Urban			Rural		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Population 18+									
Education or lifelong learning*	17.2	21.1	13.5	19.3	22.9	15.8	12.8	17.1	8.8
Formal education only	13.9	17.2	10.8	15.2	18.1	12.3	11.3	15.2	7.7
Lifelong learning only	5.9	7.0	4.8	7.3	8.5	6.2	2.9	3.8	2.0
Formal and lifelong learning	2.6	3.1	2.1	3.2	3.7	2.7	1.4	1.9	0.9
Population 25+									
Education or lifelong learning*	12.5	15.8	9.3	13.8	16.9	10.8	9.8	13.6	6.3
Formal education only	11.4	14.4	8.4	12.3	15.0	9.6	9.4	13.0	6.0
Lifelong learning only	2.0	2.6	1.5	2.6	3.1	2.1	0.9	1.4	0.5
Formal and lifelong learning	0.9	1.1	0.7	1.1	1.2	0.9	0.5	0.8	0.2

(*) Line 1=Line 2+Line 3-Line 4. Thus 'education or lifelong learning' includes those who participated only in education and those only in lifelong learning, minus those who did both (union of two sets minus intersection for double counting).
Source: TurkStat Adult Education Survey 2007.

TABLE 2.9 FORMAL EDUCATION OR LIFELONG LEARNING PARTICIPATION BY AGE, 2007 (%)

Age group	Turkey			Urban			Rural		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total	17.2	21.1	13.5	19.3	22.9	15.8	12.8	17.1	8.8
18-24	40.5	47.9	33.7	45.0	51.9	38.6	29.4	37.6	22.4
25-34	20.9	26.0	15.8	22.3	27.0	17.5	17.1	23.2	11.4
35-54	12.0	14.9	9.1	12.7	15.2	10.1	10.6	14.4	6.8
55-64	4.5	5.7	3.3	4.2	4.9	3.5	4.9	6.9	3.1
65+	1.2	1.8	0.7	1.1	1.6	0.7	1.3	1.9	0.8

Source: TurkStat Adult Education Survey 2007.

Workplace-based skill development opportunities also show huge discrepancies dependent on economic sector, formal and informal employment status, company size and the education level of employees. According to the TUIK Continuing Vocational Training Survey of 2007, 32% of enterprises provided continuing vocational training courses or other forms of training including on-the-job training, job rotations, study visits, quality and learning circles, self learning, attendance at conferences, workshops, trade fairs and seminars. Continuing vocational training was provided in 46.6% of large enterprises (above 250 employees), 40% of medium companies (50-249) and 29.4% of small companies (10-49) (TUIK, 2007). These findings suggest that skill development opportunities are more accessible for better educated, formal workers in larger companies in Turkey. This finding is consistent with the patterns observable elsewhere in the EU but once again indicates a huge and insurmountable divide between primary and secondary labour markets. The European Working Conditions Survey 2005 found a mere 5.6% employees underwent training paid for or provided by employers (or themselves in the case of the self-employed) compared to 26.1% in the EU-27.

All this evidence indicates that the lifelong learning process in Turkey does not yet take place within a developed and structured approach. Steps are mainly being taken with the support of international projects but the main elements are not yet articulated. These objectives will only be achieved with strong political will supported by affirmative public actions and the allocation of significant additional human and financial resources. For the time being, there is little evidence that learning will become a lifelong process for the absolute majority of the population in the foreseeable future.

2.5 USE OF HUMAN CAPITAL IN PRODUCTIVE WORK: RETURN ON EDUCATION

Investment in education generates profits for all countries and activity and employment rates are generally positively correlated with higher education levels. This pattern also applies to Turkey, particularly for women. **TABLE 2.10** provides an overview of the education levels of the Turkish labour force (activity and unemployment rates by gender) as recorded during the economic crisis of May 2009. The data in the table confirms the analysis given in the MoNE lifelong learning paper (2009), where the highest LFPRs are seen among tertiary education graduates. In May 2009, the LFPR of university graduates was 78% in total (82.9% for men, 71% for women), while it was 57.9% for high school graduates (74.6% for men, 34.3% for women). The LFPR of those with less than high school education was 46% (69% for men, 22.6% for women), and for the illiterate it was a mere 19% (37% for men, 15% for women). Thus lower education levels are clearly linked to greater inactivity, particularly amongst women. Women with primary or lower levels of education are only able to work in agricultural jobs, mostly as unpaid family workers, with no prospect of getting a 'real job'.

TABLE 2.10 LABOUR FORCE PARTICIPATION AND UNEMPLOYMENT RATES BY EDUCATION LEVEL, MAY 2009 (%)

Education level	Total		Men		Women	
	LFPR	UNE	LFPR	UNE	LFPR	UNE
All	48.2	13.6	70.5	13.6	26.6	4.0
Illiterate	19.0	6.9	37.0	14.6	15.2	0.7
Less than high school (ISCED 1+2)	46.0	13.9	69.0	14.6	22.6	3.9
High school (ISCED 3)	57.9	16.5	74.6	13.7	34.3	6.5
University	78.0	10.5	82.9	8.5	71.0	3.3

LFPR: labour force participation rate; UNE: unemployment rate
Source: TUIK LFS, May 2009.

Interestingly, it is only university education that increases female employability and leads to higher female activity although there is still a gap of 12% between male and female activity rates. Strangely, a medium level of education (secondary or high school) does not provide higher employability for women in Turkey, although it does for men, nor does it create any big difference in female entry to the labour market. The difference between female activity rates in the illiterate, primary and secondary education graduates is so low (15%, 22.6% and 34.3% respectively) that it raises doubts about the efficiency and effectiveness of secondary education. For men, the story is quite different, with high activity rates at all education levels except among the illiterate, while the positive impact of higher education is also obvious among men. In an overview of unemployment rates by level of education in 2009, highest unemployment was seen among high school graduates (16.5%), followed by those with less than high school education (13.9%). In summary, higher education can be seen to result in higher activity for everyone including women, while secondary education is likely to lead to unemployment or inactivity for women.

Taymaz (2010) also finds that primary and secondary schooling have an insignificant effect on the employment probability of women although they have quite an important effect for men, while higher education has a much greater impact on female than male employability. Education beyond secondary school level for both men and women has a positive impact on their probability of becoming an employer, while the probability of self-employment decreases with higher education for men - a relationship that is not so clear cut for women. There is a clear correlation between higher education and good quality formal jobs. According to Taymaz (2010), education increases the likelihood of finding good quality jobs and helps reduce the extent of poverty. Less-skilled workers are more vulnerable during times of economic crisis when they tend either to lose their jobs or shift to informal employment, probably in poor working conditions. Degrees of formality and gender differentials depend on education levels. Indeed the share of formality is extremely low among less educated men and women, and informal employment is particularly dominant among the poorly educated youth²².

The Turkish formal sector offers only limited job opportunities to the unskilled and uneducated population. Unequal income distribution and widespread poverty together with the costly process of searching for formal jobs also form major barriers to entering the formal sector. For economically deprived individuals, who are almost by definition poorly educated if not uneducated, labour income is the main source of revenue, but a sizeable subsection of the poor has neither the time nor the means to wait for a decent employment opportunity in the formal sector. These people will take informal jobs in order to survive. Taymaz (2010) gives the following transition patterns for Turkish young people in the labour market.

- Less educated young women start their job careers with informal jobs and are unlikely to move on into formal jobs over time.
- Less educated young men also start with informal jobs, but a large number of them eventually move on to formal employment.
- Educated young women are more likely to start their careers with formal, secure jobs (almost 90%).
- Educated young men initially have a lower formality ratio than educated young women (78.4%) but they tend to have higher formal employment over time.

Furthermore, Taymaz (2009) provides evidence that better educated entrepreneurs and better educated workers move to the formal sector under a self-selection process, which then contributes to widen the productivity gap between informal and formal firms and the wage gap between informal and formal workers. Thus, more education decreases the likelihood of informality and increases productivity and earnings for both entrepreneurs and workers, while low education (or no education) baits the informality traps. Taymaz also found that older and more experienced firms tend to operate in the formal sector, but the relationship between informality and age is U-shaped for entrepreneurs and workers. New firms tend to start up in the informal sector and the point of entry to employment is generally in the informal sector for men. Entrepreneurs and workers tend to move to the formal sector over time, but after their late 40s and early 50s they tend to move back into informal jobs and businesses possibly as secondary activities alongside early retirement.

These high productivity differentials between formal and informal sectors suggest there is substantial potential for increased productivity by reducing the extent of the informal economy in Turkey with both 'stick' (enforcement) and 'carrot' (training, clustering, market access) policies (Taymaz, 2009). However, the transition to formality is a painful process for those disadvantaged groups who are more likely to have self-selected the informal sector (the less educated, young, old and women). Therefore, increasing the education levels of workers, bosses and the population in general will provide the greatest potential for decreasing informality in the long term. Reducing informality requires education policies that will provide the skills needed by formal companies coupled with social policies to support disadvantaged groups during the transition from informal to formal work.

Higher education also offers the benefit of higher earnings despite some degree of gender gap. The World Bank (2008b) found the earnings of young people rise with educational attainment even more than they do for adults in Turkey. TUIK data (2008) confirms that people with higher education had the highest earnings at almost three times the income of poorly educated or unskilled people. The lowest wages of all were in the construction sector. Indeed, analysis of wage data between 1988 and 2006 (LFS micro-data) shows the wages of the better-educated have risen in a two-pronged move with high wages increasing relative to the median and low wages falling relative to the median over this period (Turkish data is given in net monthly income, so no correction can be made for any difference in the hours worked). However, the gender pay gap increases with higher education.

Vocational high school graduates have been in a special position lately where they earn much higher wages than the illiterate, primary and secondary education graduates, and even in some cases high school graduates (Taymaz, 2010). Despite all the setbacks and inefficiency problems, vocational education seems to offer some advantages in terms of labour market outcomes (Tunali, 2003b). It particularly pays off for women who become more likely to participate (depending on the type of occupational skills they learn). It offers some protection against unemployment for both sexes in urban areas and for men in rural areas (ibid.).

Bakis et al. (2010) used 2006 data from the 26 Turkish NUTS regions and 54,728 observations on the private sector to confirm high internal and external returns on education²³. The results indicate equivalently that wage distribution spreads out as education increases: an additional year of schooling raises the lower decile of wages by 3%, the median by 3.8% and the upper decile by 6.5%, clearly showing wage inequality increases with education. Furthermore, educational returns for women are substantially above those for men for each quintile level. The authors interpret this as the outcome of skill-biased technical changes in the production sector and increasing skills demand following Turkish integration to the world economy (foreign trade accounted for 45% of GNP in 2008). Data on wages by education level provides strong support for the notion of increasing skills demand in Turkey.

Education can thus be seen to bring high returns and improvements in the use of human capital whereas a lack of schooling leads to non-use of this potential, particularly for young people and women. According to the World Bank (2008b), only about 30% of Turkey's youth, defined as aged between 15 and 24, were working and unemployment in this group was more than twice the average national rate. Turkey's youth participation and employment rates are significantly lower than EU averages and inactivity rates are of particular concern, especially for women. About 40% of youth are neither working nor in school and young women in general have very low activity and employment rates primarily because most do not join the labour force. Even when they do enter the workforce, urban women have the highest propensity for unemployment and they tend to be unemployed for longer (Tansel and Tasci, 2010). Although the better educated are more likely to join the labour force, gains in female educational attainment alone are not likely to increase the labour force participation of women, particularly for high school graduates. In fact, well-educated Turkish women are now less likely to join the workforce than they were a generation ago.

Women's position in the labour market is also affected by the different educational choices made by men and women. The increasing number of women moving from agriculture to employment in services indicates an increase in qualification levels, but women still remain significantly under-represented in management roles and the fields of high-technology, while many work as health and education professionals. The low activity rates can be partially explained by the general low levels of educational attainment where the average member of the labour force has six years of schooling, and the average woman only five. Since compulsory schooling was extended to eight years in 1997, the

23 Some 4.9% for instrumental variables – ordinary least squares (OLS) estimation, while instrumental variables estimates using quintile regression range from 3% to 6.9%.

average education level of the labour force has moved up by barely one year²⁴. Unskilled rural-urban migrants either work in the informal sector or do not participate at all (especially women) as most come from a background of unpaid family work in the agricultural sector.

An assessment of employment patterns of urban women and labour force participation decisions indicates that the 'under-participation trap' presents a real problem for urban women in Turkey. According to Taymaz (2010), people with home productivity (women) prefer to stay at home because they do not receive the full return on their investment in education if they work in the labour market; particularly in the case of primary and secondary education graduates. Once they fall into the under-participation trap, they lower their investment in education further as the education they did get would be useful in the workplace but is not so well suited to home production.

The Turkish current education system is set to exacerbate the under-participation trap for women as only a small minority of high school graduates have access to higher education. The value of education beyond compulsory level is a weighted average of expected returns to high school and university education and the probability of finding a job afterwards. Since the probability of completing a university education is low, the expected value of high school or vocational school education could be lower than the value of home production for many women. Thus, there is no incentive to invest in education beyond the compulsory level and this creates a vicious cycle of low education, teenage marriage and low labour market participation for women. Moreover, the extent of informality reinforces the under-participation trap because informal jobs make workplaces less valuable than home production by paying low wages, avoiding employment security and offering poor and unsafe working conditions.

The quality of jobs is as important as the quantity of jobs in poverty reduction. If we define 'good jobs' in this context as formal jobs for vocational school and tertiary education graduates; then the share of good jobs even in the urban sector is extremely low in Turkey (26% in 2006). Raising the share of good jobs would encourage higher participation rates, afford higher wages and possibly stimulate the demand for skilled labour through pecuniary externalities between human capital investment and research and development. Taymaz (2010) also shows that vocational education in Turkey helps to generate good jobs despite its existing problems and shortcomings because people with vocational training are more likely to participate in the labour market and get higher wages.

As the World Bank (2008b) concluded, education pays off for Turkish workers and youth. According to analysis extrapolated from Household Labour Force Survey data, the earnings of young people rise with educational attainment even more steeply than they do for adults. A recent study on higher education and the labour market provided estimates of returns to postsecondary education and also found positive returns for higher vocational school graduates and especially university students. The fact that returns to education are still rising even as the supply of well-educated labour increases shows that labour demand has become more skills-intensive. These increasing returns refute the notion popularly held in Turkey that labour demand is weak for highly-skilled workers.

2.6 LOW EDUCATION TRAP AND FLEXICURITY

As we saw, the Turkish education system currently faces many challenges and formal education indicators are not promising. Education levels are gradually increasing but are still very low by international standards and there is wide variation by gender and region. The percentage of Turkish youth (20-24) with upper secondary completion is still low by European standards. According to Eurostat, only 45% of this age group had completed upper secondary education in 2006, compared to 78% for the EU-27 countries while the Lisbon target for this indicator was 85%. Gender patterns are also strongly unequal in Turkey. In the EU-27 as a whole, young women (20-24) have a moderately higher completion rate than young men (81% to 75%) but in Turkey the difference is much larger, favouring young men who have a completion rate of 52% compared to only 39% for young women. Attainment varies significantly by region, with much lower enrolment and attainment in the eastern provinces, especially for girls. For example, secondary attainment in the capital Ankara is over 50% with only a small difference between boys and girls while overall secondary attainment in Diyarbakir (the largest city in south-eastern Turkey) is 28% with girls much less likely to have a secondary diploma.

These educational attainment patterns and comparisons are similar in higher education as well. Significant gains have been achieved in participation in higher education in recent years despite discussions of compromised quality due to the rapid growth of the sector and problems with the infrastructure and teaching staff. Enrolment has increased for both sexes but is still lower for girls than boys. Tertiary enrolment and attainment rates are still low compared to most countries with similar income levels and are substantially lower when compared to countries with higher levels of income. Turkey's higher education degree attainment rate of 15% for 25-34 year-olds was the lowest of all OECD countries in 2008 – Mexico came in at 20%, Portugal 23%, Sweden and France 42% against an OECD average of 36% (OECD, 2010a). Access to tertiary education is uneven with higher participation of young people from higher-income than lower-income families. Participation in lifelong learning activities is also low.

²⁴ These low levels of educational attainment are related to the high share of agricultural employment and rural population in the total population until recently. These high shares were driven by decades of subsidies on agricultural production up until 2000. In conservative rural settings, the education of women was valued far less than that of men and this explains their lower average education levels and their very low labour force participation rates in urban areas once they move into the cities.

Education quality remains a problem, with low averages overall and a large proportion of students registering poor learning outcomes by international standards. Evidence from the recently released 2009 PISA test results on learning outcomes for 15 year-olds in maths, reading, and science confirms continuing quality problems. Turkey has been ranked consistently poorly among 34 OECD countries, coming second to last (Mexico) on average achievement just as it did in the 2003 and 2006 tests. In addition, there is substantial variation in test scores, with a large proportion of students failing to reach even basic levels of proficiency. Student performance varies significantly by region, family income and type of school. Enrolment in the more prestigious (upper) secondary schools is determined through the centralised secondary school exams (OKS) administered at the end of the grade 8. This high-stakes exam means that students with better primary school preparation and better access to private tutoring courses are able to enter the more prestigious high schools. Students who do not take the exam or do not score well go on to general high schools or to lower prestige vocational schools. Once on a particular track, the rigid system makes it almost impossible to change direction and this results in growing disparities in education access and outcomes.

The educational profile of employment still presents a rather bleak picture, with an overwhelming majority of employed people with less than secondary education, even though the educational attainment level of the population is increasing. There is a direct and positive link between higher education and higher labour market participation, better quality jobs and a low incidence of poverty. Low educational attainment or no education increases the likelihood of informality, inactivity for women, limited job mobility and chances of improvement in the labour market and poverty. Indeed every additional year of education creates a difference, but for women only the higher threshold of university education really makes a difference. Primary and secondary education does not increase female employability as much as would be expected which clearly demonstrates a need for change. That would require substantial improvement in primary and secondary education, a paradigm shift in mentality and higher levels of financial and human resourcing for disadvantaged groups within the education system. After all, it was increased quality of human that was behind sustained economic growth in the East Asian economies who escaped the low-skill trap to move into high-wage, high value-added industries (Powell and Lindsay, 2010).

All this evidence provides strong arguments for increased investment in the Turkish education system in order to provide a better quality education for all including girls and the poor. 'Lifelong learning' is seen as one of the four components of flexicurity and increasing the educational attainment levels of the population would be a precondition to adoption of this perspective for Turkey. Lifelong learning includes all kinds of education and training activities from the cradle to the grave, but there is obviously a strong complementary relationship between early education and adult training, where more educated individuals tend to continue learning throughout their lives. Learning begets learning; and skills acquired early on facilitate later learning. Given the evidence provided in the literature (Heckman and Jacobs, 2010), the potential benefits of educational investments made at young ages are extremely high, higher than the benefits of most active labour market measures at later stages in the lives of adult workers who need to be trainable in order to be trained further. Studies to date show that education functions as a strong safety valve for individuals and thus increases security in the Turkish labour market, boosting worker mobility and more flexible working arrangements (in more secure working environments).

In conclusion, there is strong justification for increased public investment, especially in pre-primary, primary and secondary education (good quality education for all 3-25 year-olds) and early deficits in the Turkish education system make later remediation difficult. When opportunities for early education are missed, remediation is costly, and full remediation is often impossible. Once dropped out of school, early school leavers and low-skilled workers have more difficulty in benefiting from adult training because they have a low stock of human capital on which adult investments can build and be productive. Thus preventive investments of early education are the most cost-efficient public policy and they provide much greater benefits for the individual, society and economy. Turkish children and young people should not miss the opportunities of their early education period (3-25 year-olds) and the system should also provide more opportunities for further training in adult workers. Achievement of such a goal would require extensive changes throughout the entire system, and would perhaps only be possible with the proclamation of a nation-wide 'education decade' over the next 10 years accompanied by sufficient commitments of the effort and resources needed to achieve such an ambitious strategy.

3. SUFFICIENTLY FLEXIBLE CONTRACTUAL ARRANGEMENTS

Flexible contractual arrangements are generally regarded as the central issue in flexicurity discussions. While this element is definitely extremely important – and is the one component of flexicurity that requires the enactment and implementation of legal regulations for workers and employers alike – the flexicurity debate makes sense only when the other three components (lifelong learning, active labour market policies and social security) are also solid and strong enough. This chapter begins with a brief overview of the Turkish legislative framework including the 2003 Labour Act No 4857 and related regulations regarding the *de jure* flexibility of employment conditions and attempts to assess implementation in practice. A discussion of the specific conditions of the Turkish labour market follows, revealing extensive *de facto* flexibility, particularly along the formal to informal divide. Finally, an effort is made to assess the ‘informality trap’ and the prevalence of other forms of flexibility in Turkish businesses.

The Turkish labour market is deeply segmented in terms of working conditions and labour relations. Any overall assessment of flexicurity must consider: (i) the extensive informal employment beyond the protection of labour laws and the social security system, threatening the effectiveness and efficiency of any national strategy or public measure; and (ii) the complex labour market segmentation with huge variations in flexibility according to economic sector, public or private ownership and company types and size. The situation is further complicated by: (i) the large scale of self-employment including the traditional forms in agriculture; and (ii) the emergence of new forms of work and employment such as subcontracting. These issues will be integrated into the flexicurity discussion to reach an overall conclusion.

3.1 LABOUR LEGISLATION AND DE JURE FLEXIBILITY

Current labour laws in the Western world attempt to reconcile the long tradition of ‘protecting’ the weaker party (workers in an inherently unequal labour relationship) with recent concerns for economic development and employment creation. Fierce discussions rage in the quest for the optimal balance between equity and efficiency in industrial relations in order for modern labour legislation to protect workers while promoting employment creation and protecting employers from burdensome regulations, particularly in the case of small enterprises. Turkish labour legislation is no exception to the rule as it is heavily affected by the legal systems of continental Europe and increasingly by the standards of the EU *acquis* within the EU accession process.

Labour Act No 4857 of 2003 is the main law to regulate working life and industrial relations in Turkey²⁵. This law is complemented by Trade Unions Act No 2821 and Collective Labour Agreements, Strikes and Lock-outs Act No 2822, both of which were enacted in 1983 with recent amendments planned. The Labour Act covers public and private sector manual and non-manual workers, but public white-collar employees form a notable exception as they are regulated under Civil Servant Law No 657 which dates back to 1965 with several later amendments, most recently in 2006. Maritime and air transport businesses are all excluded, as are businesses or enterprises in agriculture and forestry employing less than 50 workers, all building works related to agriculture within a family economy, houses and businesses where family handcrafts are produced, domestic services, apprentices and businesses of three persons as defined in Law No 507 on Tradesmen and Craftsmen. Given the high prevalence of informality and the specific groups exempted under Laws No 657 and 507, only around half of the active workforce is currently covered by the Labour Act.

The 2003 Labour Act was written by a group of academics appointed by the government, employers’ organisations and trade unions to modernise Turkish labour law in line with recent developments and bring about convergence with the EU *acquis*. The process involved extensive debate with and feedback from employers and trade unions, and it sought to address labour market flexibility and job security issues in the context of national policy. The new law is innovative in its formal introduction of atypical contracts and flexible forms of employment previously not permitted under Turkish legislation. These changes were expected to encourage employment creation, greater social inclusion of the unemployed (especially women, youth, and rural migrants), greater business adaptability and the transformation of undeclared work into regular employment. However, neither employers nor trade unions were completely satisfied with the outcome. Employers’ objections focused on job security provisions, the continuance of severance pay and the impracticality of provisions on flexible working, while trade unions viewed the first two points as direct gains for them in the process.

²⁵ For an extensive review of all dimensions of flexibilisation in the Turkish labour market see Blanpain, 2006. Labour Act No 4857 of 2003 replaced former Labour Law No 1475 of 1971 and also incorporated Job Security Act No 4773 of 2002. Job Security Act No 4773 was passed before the general elections in November 2002 to become effective on March 2003. It was based on the model in ILO Convention No 158 on Termination of Employment and provided greater protection against dismissal for regular workers on indefinite contracts in workplaces with 30 or more workers.

The main changes to flexibility provisions of the Labour Act were:

- *indefinite versus definite (fixed-term) contracts* where a definite contract cannot be renewed more than once in succession without good reason, or it becomes considered indefinite contract;
- *part-time work* of less than 30 hours a week;
- *on-call employment* where work performed only when required by the employer, the employee is entitled to be paid for at least 20 hours per week during the contract regardless of whether s/he has worked during that period or not, and where the employer may only call for work of at least four consecutive hours in duration with four days of prior warning;
- *temporary labour relations* exclusively referring to the transfer of a worker within the same holding or to another business subsidiary in the same group; the transfer may take place only with the written consent of the worker, must not exceed six months and can be renewed only twice;
- *probation periods* for a maximum of two months that can be extended to four months through collective agreement although a probation contract can be terminated with no notice or indemnity.

Other provisions include:

- *overtime work* where there is a maximum of 45 working hours per week and overtime is any time exceeding this number; total overtime work cannot exceed 270 hours per year and employee consent is required;
- *compensation work* where the employer may ask for a compensation period of work within two months where work of less than normal working hours is provided or work is stopped completely for some major reasons and such work is not considered overtime or an excess period;
- *sub-contracting* where auxiliary work is required to support the production of goods production or provision of services, in areas of the main work or where specific expertise is required.

On-call work, part-time contracts and temporary work were new for Turkey and some other provisions are still in the development process, i.e. *temporary work agencies* which do not exist yet due to strong opposition from trade unions. A brief overview of the legal details of these flexible contractual arrangements and their implementation in practice is given below²⁶.

Flexible employment arrangements

These are referred to as atypical work or non-standard work and include fixed-term (definite) contracts, part-time and on-call work and temporary employment. A fixed-term contract is defined as an employment contract that ends for an objective reason, such as the arrival of a specific date or completion of a specific task. Fixed-term workers are protected against discrimination as they must be treated in a similar manner to comparable permanent staff unless differential treatment is justified on objective grounds. There must be objective reasons (substantial causes) justifying the renewal of such contracts more than once in succession to prevent abuse arising from the use of successive fixed-term contracts. If the reason is not found to be valid the contract will be made indefinite. Part-time work is defined as less than 30 hours a week and part-time workers must be treated in a similar way to comparable full-time workers unless justified on objective grounds. Employers should consider worker requests to transfer from full-time to part-time work and vice versa wherever possible in the enterprise.

On-call employment

On-call employment is part-time work with a minimum of 20 hours work a week where a worker is called in to work when there is work to be done. Employers should call for work of at least four consecutive hours with four days warning unless otherwise specified by the parties. The principle of pro rata temporis applies to both employment and social security conditions. The original intention of temporary employment was to open the way for temporary work agencies as mediators between the temporary worker and user firm. Severe criticism from trade unions, however, has limited the scope of temporary work relations to holding companies and a conglomeration of identical companies hire out workers to another employer for a maximum of six months with the option to renew the arrangement twice. The transfer may take place only when the worker gives written consent to accept another contract for work similar to the current one. This effectively means that temporary work agencies as such are not permitted in Turkey as recent government attempts to legalise these have been blocked by the trade unions again in 2009.

²⁶ The main sources used in this section are the Turkish Labour Act No 4857; Blanpain, 2006; Sural, 2005 and 2009; and [Council of Europe, 2007](#).

Working-time flexibility

Working hours are a maximum of 45 hours per week and overtime is any time exceeding this number. These 45 hours must be distributed evenly over the working week in such a way as not to exceed 13 hours each day. Total overtime work cannot exceed 270 hours per year. Deviations are allowed in working time through reference periods. Regular work can be increased or decreased as long as the average time is worked over a two or four-month period. Where work is performed at a level below the normal working hours or is stopped completely for some major reason, public holiday or worker leave, the employer may ask for compensation period within two months and such work is not considered overtime or an excess period. Compensatory work cannot be performed during rest days (all workers are entitled to an uninterrupted rest period of at least 24 hours in a given week). All these flexitime arrangements require the consent of workers (Sural, 2005).

Short-time working arrangements are also regulated to prevent imminent lay-offs in the case of temporary reduction of working time by one third or suspension for a minimum of four weeks and maximum of three months due to a general economic downturn or force majeure (fire, flood, avian influenza, and earthquake). The actual implementation of these specific measures, in particular during the recent economic crisis, will be discussed in Chapter 4.

Dismissals and job security provisions

New job security clauses in the Labour Act²⁷ mean there is enhanced job protection against dismissal for regular workers on an indefinite contract (after six months in the job). This only applies to enterprises with 30 or more workers in order to avoid legal constraints on the growth of SMEs. Employers cannot fire these workers unless there is a valid reason related to capacity or the operational needs of the enterprise. The employer must specify the reason for dismissal clearly in writing, and the worker must be given an opportunity to mount a defence against the assertions. Where there is no good reason or an invalid reason for dismissal the worker must apply to the labour court within one month to lodge a complaint. The burden of proof lies with the worker in cases of discriminatory dismissal (union membership, pregnancy, sex, ethnic origin etc) and the court or arbitrator may cancel dismissal and order reinstatement of the worker. If not reinstated, the employer should pay adequate compensation (four to eight months' wages).

Unlike indefinite contracts, a fixed-term contract ends on a specific date, when a specific task is completed or a specific event occurs. It cannot be renewed more than once in chain unless there is an objective reason (substantial cause) justifying its renewal; otherwise it will be reclassified as an indefinite contract. Workers who are not covered by enhanced job security may be fired for any reason or for no reason at all. The employer is not legally obliged to state the reason, although no worker can be fired unfairly. On the other hand, the burden of proof of unfair dismissal will be on the worker. Dismissals with just cause apply to both indefinite and fixed-term employment contracts, and no period of notice is required. Just causes include issues such as poor health, serious misconduct and immoral behaviour on the part of the worker, other compelling reasons and absenteeism due to the worker being detained or arrested. A period of notice is required when an employment contract is terminated. The length of the period of notice depends on the length of service with the employer. For less than six months, the corresponding notice period is two weeks and the time period extends upwards to an upper limit of eight weeks by 18 months. Employers who do not observe the period of notice must pay compensation.

Severance pay

Fired workers are entitled to severance pay if they have been working for at least one year and the employment contract is terminated in certain specified conditions – i.e. death of worker; compulsory military service of worker; receipt of old age pension, retirement or disability benefits; female worker leaving to get married; all dismissals by employers except on grounds of serious misconduct and immoral behaviour; termination of employment by the worker for a just cause except resignation. Severance pay amounts to 30 days' pay for each year worked in the workplace (based on the worker's last gross daily wage) and wage supplements of a continuous nature are added to this amount. The monthly ceiling for severance pay stands at the level of the retirement bonus of the highest-ranking civil servant (YTL 2,500 per month in 2010), but there is no ceiling on the maximum years for payment (if the worker has worked 30 years in the company, a 30-month pay is due).

Severance pay used to be very important in Turkish labour relations as there was no unemployment insurance system prior to 1999 and no enhanced job security against dismissal before the 2003 Labour Act in which indefinite contracts are made possible in enterprises with 30+ employees. Severance pay is still very important in view of the fact that the rate of payment is considerably higher than unemployment benefits (low replacement rates and the strict eligibility criteria) and also given the limited coverage of job security provisions. Generous severance pay for dismissed workers (in particular for workers with long tenure) has become an established way of providing income support and facilitating

27 See Footnote 25 regarding the origin of job security clauses in the Labour Act.

the search for a new job (Sural, 2009). Section 5.2 on passive labour market measures explains more fully how the unemployment insurance scheme was only initiated in 1999, becoming operational as of 2002. Strict eligibility criteria and the extremely low benefits paid out by the unemployment insurance scheme mean these do not compare well with the impact of severance pay for workers.

There has been much debate on whether severance pay should continue to be provided in the same way now the unemployment insurance scheme has come into operation. However, no amendment has yet been made to the Labour Act although a severance payment fund is planned in the longer term to decrease the burden of high payments from the employers' shoulders. Employers were particularly fond of the idea of this fund providing an alternative to the lack of job security and unemployment insurance and they also insist on changing payment conditions such as reducing the amount of severance pay and putting a reasonable ceiling on the maximum years for payment.

Other social responsibilities of enterprises

A number of the rules regarding the social responsibilities of enterprises employing more than 50 people have also been relaxed. Employers were once required to employ disabled individuals (3%), ex-convicts (2%) and victims of terror (1%). The obligations to employ ex-convicts and victims of terror have been removed, but incentives have been offered to encourage businesses to ensure that 3% of their workforce is disabled workers. Employers with a staff of more than 500 people no longer have to offer sports facilities and the requirement for nursery provision by employers with more than 150 women workers has been eased. Employers with more than 100 women staff can use a service procurement option to provide a room for breastfeeding mothers, and those employing more than 150 women can do the same to establish a day care centre. Similarly, service procurement options and shared services were introduced for employers of more than 50 people for workplace health and safety units, and the hiring of labour safety staff and doctors.

3.2 OECD INDEX OF EMPLOYMENT PROTECTION LEGISLATION AND THE IMPLEMENTATION OF FLEXIBILITY PROVISIONS IN PRACTICE

The OECD Employment Protection Legislation (EPL) Index is a combination of indicators that assess the strictness (or external numerical flexibility) of dismissals for workers on permanent and temporary (fixed-term) contracts and collective dismissals in labour laws. The summary indicator ranges from 0 to 6 and increases with the strictness of EPL²⁸. The main assumption is that stricter EPL may harm the employment prospects of those groups most subject to labour market entry problems such as youth, women and the long-term unemployed. Turkey was included in OECD assessments in 1998 (assessing the previous labour act) and 2003 (assessing the current labour act) with no change in outcome despite the introduction of employment flexibility under recent labour law. According to the OECD (2004), Turkey and Portugal have the strictest EPL of all 28 OECD members with an overall rating of 3.5 out of 6. The other closest ranking countries are Mexico (3.2), Spain (3.1) and Greece (2.9) and the lowest EPL scores are 0.7 (USA), 1.1 (UK, Canada), 1.3 (Ireland), with countries like Italy (2.4), Germany (2.5) and France (2.9) in the mid range.

Turkey's high EPL score is largely due to restrictions on the use of temporary employment contracts and the lack of legal framework for temporary work agencies²⁹. Other reasons for the high EPL include high severance payments and restrictions on compensation for unfair dismissal. An attempt was made to bring in regulations for temporary work agencies as part of an anti-crisis 'package' in the summer of 2009, but strong union opposition forced the President to send this back to the parliamentary commission. World Bank Doing Business Surveys consistently confirm the strictness of the labour market environment (Employing Workers sub-index) every year and strictness was even seen to increase between 2009 and 2010. One idea currently being in the agenda is a Severance Payment Fund to reduce the cost of layoffs, but this has not yet been developed in practice.

It is important to note that these assessments are based purely on the provisions of Labour Act No 4857 of 2003 which, by definition, excludes workers in the informal sector and specific groups subject to other laws (civil servants and the self-employed). Thus the EPL assessment mentioned above only covers around 35% to 40% of the labour market. All of the arrangements and rights granted to parties in the law apply only to workers employed formally with contribution-defined benefits meaning that the widespread informality and non-appliance of dismissal regulations in smaller companies of less than 30 workers were not taken into consideration in this analysis. This part accounts for half of all employment and is, by definition, fully flexible meaning that de jure evaluation would be incomplete for an overall flexicurity analysis and understanding of the behavioural patterns of social partners if this feature were overlooked.

²⁸ The OECD EPL Index is a weighted average of the following sub-indicators: (i) regular contracts: difficulty of dismissal, procedural inconveniences faced by employers in the dismissal procedure, notice and severance pay provisions (0.4 weighting); (ii) temporary contracts: restrictions for the use of temporary employment by type of work and by duration/renewal possibilities for contracts (0.4 weighting); and (iii) collective dismissals: availability and difficulty level (0.2 weighting). For more information, see OECD (2004).

²⁹ Under the overall EPL strictness rating of 3.5, sub-indicators were 2.6 for regular (indefinite) contracts, 4.9 for temporary contracts, and 2.4 for collective dismissals in 2003. For a summary of conclusions, see www.oecd.org/dataoecd/2/54/40818496.xls.

It is also important to understand the actual implementation of labour law. For example, if part-time work is legally permitted but is discouraged in practice, this cannot serve the spirit of law. It is important to remember that flexibility is not an end in itself, but simply a way to increase employment and reduce unfair competition from the informal sector. As the latter is a major employer of vulnerable groups (women and unskilled workers), increasing the flexibility of the formal labour market should help improve protection for these groups of workers whereas excessive interference and protection of people in work is believed to penalise those outside formal system and/or out of work. Although at first it may be difficult for a traditional worker (the lower-skilled man) to adapt to the multiple option work environment offered by flexibility measures, the non-traditional worker (women with family responsibilities) may enjoy and benefit from these variations, special arrangements and choices. However, if the legislation cannot be successfully implemented it will fail to achieve its aims.

The flexibility provisions of the 2003 Labour Act established a legal basis for atypical forms of employment for the first time in Turkey. Thus, more *de jure* flexibility was provided to firms in the formal economy, but atypical or flexible contracts have not become widespread in the past seven years. Flexible work contracts are still at an early stage of development covering small shares of the labour market. Blanpain (2006) attributes this fact to the relatively minimalist definition given in the law. The public authorities and government have not implemented any active measures, such as incentives and supporting structures, to stimulate part-time work or other forms of flexible employment contracts. As a result, the new flexible working arrangements have yet to achieve the predicted outcomes in formal employment or increased female employment; in the words of the trade unionists they have 'still failed to create jobs.' Employment growth rates have not shown any improvement in recent years and the situation has particularly negative consequences for women (especially the low-skilled) in the labour market.

The OECD³⁰ cites growth of real GDP in 2008 at 1.1% and employment growth at 1.5%. In the same year, around 10.8 million (88.8%) of all 12.3 million formal workers and employees (almost half of the total employed) were on permanent contracts, while 1.5 million (11.2%) were on temporary (fixed-term) contracts. Part-time workers accounted for 8.3% of the total (around 1.8 million people, or 9.6% in Eurostat), while 19.4 million people worked full-time. According to the European Company Survey 2009 for enterprises with 10+ employees (Eurofound 2010), 37.1% of these companies in Turkey use arrangements for flexible hours, against an EU-27 average of 56%. A total 67% of European companies use part-time workers but rates are lowest in Turkey, Bulgaria and Portugal. Only 10% of Turkish companies reported more than 20% part-time workers, against 28.1% in the EU-27. Flexible employment contracts are used by 35.5% of Turkish companies surveyed and 67.5% of EU-27 companies. Finally, 27.9% of Turkish companies employ at least one worker on a fixed-term contract, while this rate is 54% for EU-27 companies. This combination of figures leads to an overall picture of the sluggish uptake of flexible practices so far in Turkey.

The World Bank (2009) found the high cost of compliance with labour regulations (such as severance pay) prompts employers to increase working hours rather than create employment. For example, if workers in the manufacturing sector worked an average of 45 hours instead of 52 hours another 500,000 workers would be required. Sural (2009) also states that strict firing regulations increase the cost of firing workers making companies reluctant to take on new staff and meaning that strict EPL is one of the driving forces behind the over large informal sector in Turkey. According to the Global Competitiveness Index (WEF, 2009), Turkey ranks 126th out of 131 countries on labour market efficiency, mainly due to the notable disadvantages of low female labour participation and high firing costs. Data from the World Bank Doing Business report (2010a) also confirms EPL rigidity (the employing workers indicator) with Turkey ranking 145th.

Furthermore, the gap between total labour costs and take-home pay for low waged workers and workers with families in Turkey is among the highest of all OECD countries (World Bank, 2009). This large 'tax wedge' stems from high social insurance contributions by employers and employees, high income taxes levied on workers and the lack of progression in the labour tax system. A single worker in Turkey paid at the average wage or above contributes about 40% of gross wages to the state, but low-waged workers fare considerably worse as the tax burden remains relatively constant regardless of income level. The 'minimum living relief' introduced at the beginning of 2008 improved the situation slightly but high taxes present a potentially important obstacle to employment, especially in the low-waged sector. Social contributions and income taxes raise total labour costs in a way that relates directly to decreased employer incentives to hire new workers. At the same time, reductions in take-home pay due to high tax contributions reduce incentives for workers to participate in the formal labour market (*ibid.*).

Gönenç and Rawdanowicz (2010) confirm that Turkey has enjoyed rapid catching-up in the 2000s, as the semi-formal and informal economy had a significant contribution to the expansion of the private sector. Although productivity growth was strong, labour utilisation remained very low. The authors concluded that higher employment and productivity growth will not be possible without profound regulatory reforms of minimum wages, severance payments, social security contributions and flexible job contracts (*ibid.*). These reforms have been discussed for a long time, but political obstacles prevented implementing them. Resolving this deadlock calls for advancing an integrated strategy of labour reforms and formalisation via experimenting with new regulation on the voluntary basis to identify the most successful solutions that can be later rolled out to the whole economy.

³⁰ Figures used here are taken from: http://stats.oecd.org/Index.aspx?DataSetCode=www.oecd.org/document/22/0,3343,en_2649_39023495_43221014_1_1_1_1,00.html#minwage.

The Labour Act was expected to encourage change although flexibilisation remained a very delicate issue: initial proposals on flexibility were downgraded in the final version due to trade union opposition and little use was made of several of the newly introduced provisions after the law was adopted. The Ministry of Labour and Social Security claimed that employers were slow to implement the law due to their lack of awareness of the provisions and the unclear social security aspects of these forms of work. It is important to note that social security coverage for atypical workers is largely inadequate and part-time workers must pay their own social insurance. Sural (2009) found that indefinite contracts are the general norm for employment in Turkey and this situation is likely to continue for the foreseeable future. In the current climate where nearly all contract terminations end up in the labour courts³¹, Sural concludes that protectionism is the prevalent mode of labour relations in Turkey due to the long tradition of the state as a leading employer with guaranteed lifelong employment. Blanpain (2006) summarised the key reasons for the failure of flexibilisation in the country as follows.

- *Some rigidities remain and hinder effective implementation:* (i) the use of temporary workers was limited to groups of enterprises and conglomerates meaning that temporary work is not established as a three-way relationship through temporary work agencies; (ii) the law requires an objective cause for a first fixed-term contract and a substantial reason to justify its renewal and it does not allow enough freedom for the wider use of this device in practice; (iii) flexitime practices require mutual agreement that may be easily blocked by workers; (iv) despite flexible contracts for first entrants, job security provisions were enhanced for regular workers (who are already better protected under indefinite contracts) and dismissal regulations are heavy if taken in combination with labour court practices; and (v) the high level of tax and social contributions on the minimum wage and pro rata treatment for part-time and on-call workers make this form of employment relatively expensive for the employer while it is extremely difficult for these workers to build entitlement to long-term insurance benefits, particularly to old-age pensions, therefore both parties prefer to operate in the informal sector.
- *No strong incentives are introduced through public mechanisms for easy use in practice:* atypical work is not really popular with employees anyway and the complex rules of implementation and the expense associated with some types of flexible contracts have discouraged employers further from using atypical contracts.
- *Revenue losses for public bodies:* the general practice of undeclared and under-declared work has serious implications for social security and tax revenue as well as the social rights and working conditions of a large number of employees.
- *Vulnerability to blockage:* implementation of the relevant provisions is often dependent on approval by trade unions and workers. This makes it quite simple for them to block implementation of the new rules.

Discussions with social partners simply confirm these findings³². According to employers, the Labour Act needs many further improvements in terms of flexibility as most of the provisions cannot be implemented in practice. Several elements form restrictions on the effective use of flexibility including:

- excessively tight conditions on the use of fixed-term contracts;
- the impracticality of compensatory work;
- excessive impediments on the use of subcontracting;
- limitations on the use of annual paid leave and unpaid leave;
- restrictive conditions for implementing short-time work;
- limited referencing periods for working time arrangements;
- lack of temporary work agencies.

Most of the rules are not clear in terms of practical implementation and workers find it easy to block initiatives where their consent is necessary. The new Labour Code did little to change previous rigid employment protection schemes (especially on dismissals and enhanced job security) and high firing costs (especially severance pay), and temporary work agencies are still not allowed. More clarification is needed on the operational rules without restricting employer choice. The employers also believe that the strictness of labour regulations feeds the large informal sector and that this forms the most acute problem for productivity and economic growth in the country. The large informal sector will continue to grow in opposition to strict labour law unless further changes are made to legislation. The informal segment currently includes many SMEs, agricultural undertakings and the self-employed in a 'very flexible' sector that needs greater security rather than flexibility.

Trade unions also report widespread abuses of the law are normal practice for many employers who force new employees to sign empty letters of resignation that can be used to avoid the burden of dismissal rules and severance pay at a later date. Furthermore, they highlight the legal deficiencies of the social security system in relation to the new atypical forms of work, stating that part-time and on-call workers have no access to social security due to their low pay and low contributions, and that although forbidden discrimination is observed in practice between workers with definite and indefinite contracts or full-time and part-time contracts. They are strongly opposed to the temporary work agencies

³¹ There are 71 labour courts which deal with cases related to the Labour Act as specialised first instance courts, but they are extremely overloaded and complain about the high caseload with little use of out-of-court procedures such as private arbitration.

³² ETF meetings with TURK-IS, HAK-IS and TISK on 9-13 March 2009 in Ankara; discussions during the first and second ETF–Ministry of Labour joint seminars on 'Flexicurity in different socio-economic and labour market contexts' in Ankara on 11-12 November 2009 and 14 October 2010 respectively.

they equate with 'slavery'. However, there are also some good examples of flexible forms of work operating in unionised workplaces, as was observed particularly during the recent economic crisis. TURK-IS (the Confederation of Turkish Trade Unions) adopts the stance that flexibility should be achieved through wider unionisation of the workforce (currently at 12.5%) and social dialogue, but in the current situation of a large informal sector and low unionisation, unions are highly sceptical of even discussing flexicurity as they fear this will erode the last vestiges of rights only exercised by formal and unionised workers at present (see Chapter 6).

3.3 LABOUR MARKET SEGMENTATION AND DE FACTO FLEXIBILITY

The introduction explained the highly segmented nature of the Turkish labour market. As each labour market segment has different levels of associated flexibility and security attributes, any overall assessment of flexicurity must include informal employment, all economic sectors, public and private jobs, all company types and sizes and subcontracting. Other fault lines run along the gender and rural-urban dimensions. According to the OECD (2009a), informality is above all an expression of a lack of trust in public institutions, a negative perception of the role of the state and a limited understanding of the benefits derived from social security. Security does not exist in the informal segment by definition (as became painfully obvious during the recent crisis) and none of the labour legislation described above is applicable there even though it is arguably too secure in the formal (large and unionised) private and public sector segments.

In Turkey, 10.7 million people (48%) are employed in services (8.2 million men, 2.4 million women); while almost 6 million people (27%) work in agriculture (3 million men, 3 million women). A total of 4.1 million people (18.6%) are employed in industry (3.3 million men, 0.8 women), and the construction sector employs another 1.4 million people (6.3%, almost all men). Extensive informality in agriculture, construction and part of services sector coupled with high shares of women make it more likely for women to become trapped in the lower segments of the labour market. A similar outcome is seen from the perspective of job status where 59% of the total employed are waged or salaried (10.1 million men, 3 million women); 20.2% are self-employed (3.7 million men, 0.7 women); 15.4% are unpaid family workers (almost 2.5 million women, 1 million men); and the remaining 5.4% are employers (almost exclusively men).

Contrary to OECD figures on contract types given in Section 3.2, the findings of the 2002 European Working Conditions Survey in Turkey showed only 21% of all workers had an indefinite contract, 9.3% worked on a fixed term contract and 68% effectively had no contract (Eurofound, 2003). Current job tenure by age, education, and sex reported for non-agricultural waged and salaried workers indicates that the longest tenures in the prime age male group are observed amongst university graduates who account for 16% of non-agricultural employment and the average male tenure is 7.3 years (9.7 for university graduates). Women account for only 22% of non-agricultural waged and salaried employment but they tend to be much better educated than men: one third of non-agricultural working women are university graduates (average female education is five years in Turkey) and the average tenure of women is 5.6 years (7.9 for university graduates).

LFS 2009 findings (Ercan, 2010) show that the formal (usually unionised) large private manufacturing sector (10%), high-end finance and service occupations (5%) and public sector employment (10%) form the *primary segment of the workforce* in Turkey – approximately 5.5 million people (25%) of the 22.2 million total employed. These are relatively well-paid, safe posts whether they are in the public sector, government jobs or the formal, large and unionised private sector (mostly manufacturing). Another 27% work in agriculture (5.9 million). That leaves 48% in the unregistered employment that forms the *secondary segment of the labour force*, mostly made up of the self-employed, both within and outside agriculture, and many waged workers in the services and construction sectors. The absolute number of unregistered workers stands at almost 10 million (4.5 million in agriculture, 5 million in non-agriculture). In 2009, 43.8% of all workers had no social security coverage in their main job. Although agriculture comprises the bulk of informality (85.8%), almost 30% of non-agricultural workers were also unregistered (TUIK, 2009). Evidence shows that employment adjustment during the recent crisis predominantly took place in the informal segment of the work force. This hints at inflexible work arrangements in the primary labour market and formal sector, possibly even after correction for better skills than the secondary labour market and informal segment. It is not clear, however, whether this numerical flexibility in the informal sector really brings productivity and competitiveness for those companies.

Turkey has been experiencing a rapid reallocation of labour from rural to urban areas, and from agriculture to industry and services. Since 2000, the employment share of agriculture has been declining constantly, but the situation changed in the wake of the 2009 economic crisis when some people turned into agriculture for survival. There was a visible increase in agricultural employment in the first half of 2010 and more than 50% of the jobs created in this period were in agriculture (Yeldan, 2010). The wholesale and retail trade, hotels and restaurants increased their share of total employment, followed by other services and manufacturing. The distribution of employment by establishment size shows that the share of micro and small enterprises (MSEs) – those that employ less than 25 people – stood at more than two-thirds, but had declined slightly from 78.7% in 2000 to 70.7% in 2006 (Taymaz, 2010). Small firms provide the bulk of employment in Turkey, even in urban environments. About half of all employees work in micro-enterprises that

employ less than 10 workers and large enterprises that employ 50 or more workers account for less than 30% of urban employment (*ibid.*). Workers in large firms are more likely to be organised in trade unions that bargain for higher wages and firm size can be a proxy for unionisation. Thus policies to reduce the barriers against the growth of small firms would encourage the generation of new jobs, expansion of the formal sector and more good jobs.

There is a sharp difference between micro- and other enterprises in terms of the formality of the employment relationship. The share of formal employees in micro-enterprises is very small (48% for men, 28% for women on average). The extent of formality increases consistent with establishment size and exceeds 90% for both men and women in large enterprises. There is a strong positive correlation between establishment size and the share of good jobs. Indeed informality is most widespread (Taymaz, 2010):

- among less educated workers, especially among less educated female workers;
- among young workers;
- in micro-establishments;
- in construction, manufacturing, the wholesale and retail trade, hotels and restaurants.

Moreover, informality seems to be a permanent state of affairs for less educated women caught in the informality trap that provides substitutes for formal jobs during times of economic crisis. There are substantial wage differentials between formal and informal workers possibly due to productivity differentials. Informal female workers are paid much less than informal male workers, but gender wage differentials diminish in the formal sector.

This picture of the economic sectors and the labour market structure shows the function of the labour act to be quite limited. Economic performance and structure impacts massively on labour law development and application and countries like Turkey with a predominance of SMEs, micro-businesses and self-employment have more of a problem than those where companies are larger in size and more internationally oriented. Flexicurity is built on the foundation of a comprehensive and consistent body of labour rights and other legislation relevant to the current economic environment that fosters labour market harmony between employers and employees. However, extensive non-compliance in Turkey indicates serious problems. Legal traditions (including the tradition of non-compliance), prevailing cultures and attitudes underpin current labour law practices and the paths taken to update EPL. The potential for flexicurity is also dependent on the scale and distribution of unionisation and employer representation across the economy and variance in this must be examined in order to fully understand and evaluate the situation (see Chapter 6 on social dialogue and trust in society).

Labour market transitions

We also need to know how far institutional and economic structure affect labour and job turnover, labour and job reallocation and individual transitions. Low flexibility is widely seen as harmful to economic and labour market performance (Auer, 2007; Muffels, 2008), but too much flexibility may also have negative implications. Worker and company investment in specific training may be wholly or partly lost as a consequence of job mobility. Auer (2007) suggests that at the aggregated European level job tenure and productivity are linked such that productivity grows with tenure up to 14 years and then drops away. A company level study by Kramarz and Roux (1999) reached a similar conclusion, but placed 'optimum tenure' at 4-10 years. They measured the beneficial effect on productivity, where a 1% increase in the share of this group increases company productivity by 0.36%, against only a 0.05% increase in productivity if the group with one to four years of tenure is increased by 1% and a negative effect on productivity when increasing the proportion of workers with less than one year of tenure.

Recent studies (Auer, 2007; Gazier, 2007) have concluded that legislative focus must be shifted from the 'protection of jobs' to the 'protection of transitions', targeting the individual risk of unemployment and income loss while avoiding the potentially stifling effects of job protection. This report has already stated that Turkey has a predominantly informal economy and most employment adjustment during the recent crisis occurred through major job losses in the informal sector and secondary labour market. This trend is suggestive of inflexible work arrangements in the formal sector, possibly even after correction for the better level of skills, while the informal sector proved to be very flexible indeed in terms of employment. It is not clear, however, whether this external or numerical flexibility actually provides the much desired productive and competitive edge for companies in the informal sector.

Informality does not necessarily imply casual work. While studies on poverty document the difficulties faced by poor, low-skilled and displaced people in casual employment, other research on SMEs shows the majority of the workforce in permanent rather than temporary or casual work even in small companies (94.7% of the workforce, both women and men). In simple terms, permanent employment simply does not necessarily equate with the requirements of labour market regulations. There are significant differences in the share of permanency of employment by economic sector and gender. Some 30% of the male workforce is employed on a temporary basis in the construction sector, whereas hotels and restaurants have the highest share of temporary female employees (10.3%) (Ozar, 2005). Some 99.4% of all non-agricultural enterprises in 2002 could be defined as MSEs if the number of employees is taken as 1-49 workers,

meaning that a significant majority of their workers are employed on a permanent basis despite having no social security coverage (ibid.). As was mentioned above, average male tenure is 7.3 years (9.7 for university graduates) in Turkey, whereas average female tenure is 5.6 years (7.9 for university graduates) (Eurofound, 2003).

There is little research into individual transitions in the Turkish labour market but the accessibility, reliability and comparability of labour market data is critical for full analysis of the labour market. A fully operational information system is needed involving censuses, labour force surveys, household budget surveys, establishment surveys, administrative registers for the unemployed and education statistics. The collection and analysis of this data is an important institutional aspect that is essential in developing evidence-based labour market policies. Metadata³³ must also provide accurate and up-to-date information on the methodologies and definitions used to compile data as this permits assessment of any weaknesses and limitations to the statistics produced. The public institutions must provide opportunities for extensive analyses of LFS data by researchers on a basis of transparency and timely dissemination of data (including micro-datasets). In particular panel data over time is required to monitor individual transitions in the labour market, but the current labour force surveys in Turkey are of limited value for panel surveys as they provide too small a sample and include high level of changes in residency.

Success on this score is largely dependent on all stakeholders understanding the essential role of reliable and transparent statistics in the good management of public affairs, as a catalyst for analysis and public debate and a tool for international credibility; an outcome that would require a paradigm shift in minds. The few existing studies on individual transitions in the Turkish labour market show that urban women have higher unemployment rates than men because they have a lower probability of exiting unemployment into a job and a higher probability of exiting employment for unemployment. Furthermore, increases in education decrease the probability of losing a job. Finally younger individuals are more likely to lose a job whereas older individuals are less likely to find a new job (Tasci and Tansel, 2005). Evidence from studies on poverty also indicates that casual and informal workers have few chances to enter formal employment and the jobs in the informal or casual sector do not serve as entry jobs to more formal work for young people and women.

The findings therefore suggest that the job protection legislation and higher levels of skills of workers in the formal sector reduce the risk of job loss (but they may also reduce the incentive to move to a better job) while the lack of any job protection in the informal sector is not necessarily indicative of casual work practices although even relatively stable informal jobs do not enjoy equal social protection or wages. Furthermore, as the two sectors 'employ' a different type of worker, there is little mobility between two sectors. In fact limited mobility is only found among young men (and notably not women) with medium level of education that start in the informal sector but move into formal jobs over time (Taymaz, 2010). Finally, life-cycle transitions are severely hampered as the young are more likely to suffer from unemployment, women experience inactivity and problems with labour market re-integration and older people frequently leave the labour market prematurely.

3.4 THE 'INFORMALITY TRAP' AND OTHER FORMS OF FLEXIBILITY

The above analysis is based on the divide between formal and informal, and primary and secondary labour markets, divisions that share many characteristics but are not exactly the same. The analysis shows that apparently there are people who move from one precarious job to the other in either the formal or the informal sector (secondary labour market) while other people sit in long-tenure jobs or move to other jobs up a vertical pathway (primary labour market). The primary labour market is still very small in Turkey, far smaller than the formal sector, and does not show many signs of flexibility. The secondary labour market is relatively big and flexible to a degree beyond the implications of current labour law and EPL. However, the flexibility in most enterprises can be attributed to external numerical flexibility (hiring and firing, mostly through informal employment) and internal numerical flexibility (changing or extending working hours and shifts).

In these circumstances, it is important to ask if the flexibility widely observed in the informal sector and secondary labour market actually contribute to the long-awaited productive and competitive edge for small companies, ultimately allowing them to grow and create more and better jobs in the longer term. Evidence on the matter is in short supply but the limited studies available (Ozar, 2005; HÖL, 2007) indicate uneasy development with practically no reports whatsoever of growth in company size, productivity or greater competitiveness. Ozar states that most MSEs fail to grow and only maintain high returns by imposing very long working hours (11.4 hours per day, 6.2 days per week) whereby their flexibility makes little positive contribution. Public policies must primarily focus on enhancing the growth of MSEs and improving efficiency and decent work conditions. Policies to provide an enabling environment in which MSEs can develop and expand their activities (improving business support services, a better regulatory environment, access to financial resources, streamlining cumbersome bureaucratic processes, reducing heavy tax and social security

³³ Metadata is information about statistics including details of how they are collected, methodologies and definitions. This information is essential to understand and interpret data, to assess their representativity and comparability and, generally, to use and manage data. A good example of complete and detailed metadata is the Eurostat's metadata server RAMON (<http://ec.europa.eu/eurostat/ramon/>).

contributions) are undoubtedly necessary, but policies that would enhance the capabilities and competence of entrepreneurs and workers are a far more pressing need.

Ozar (2005) also raised the issue of education and training, stating that most entrepreneurs lack entrepreneurial skills. Very few public and private organisations provide training for entrepreneurs, and the training given is not fully compatible with the needs of the MSEs. Many MSEs fail to access formal financial resources due to the management and human capital deficiencies of entrepreneurs. Training and advice are badly needed for apprentices, workers and the entrepreneurs themselves. The specific needs of women entrepreneurs require particular attention as they comprise only 6.1% of MSE entrepreneurs in Turkey. Women entrepreneurs face constraints at every stage of business in the male-dominated culture and they are forced to confront restrictive organisational and administrative policies in both public and private institutions (Hö, 2007). Representative organisations of these small enterprises are also dominated by men, giving little or no attention to the problems of women entrepreneurs. Finally, a 'trust-building' process is needed to address the general and widespread public mistrust of MSEs following a long history of negative practices among the public institutions, professional organisations, business associations and entrepreneurs themselves. This lack of public confidence strongly and negatively affects their performance.

We also need to ask whether internal functional and external functional flexibility are applied in Turkish enterprises. More qualitative forms of functional flexibility involving organisational methods enhancing adaptability to change, such as job rotation, multitasking and an increased employee role in decision making (internal functional flexibility) are just as important as the numerical flexibility generally covered in the public conception of the term. Research also suggests some advanced forms of internal flexibility (mainly increased autonomy and complexity of tasks combined with flexibility of working time) are positively associated with better income security and working conditions. Conversely, high levels of rotation and team work combined with high work intensity and limited autonomy result in lower job satisfaction and worse health conditions (European Commission, 2007).

There is little information available on the extent and use of functional flexibility in Turkish enterprises although some indications were provided by the European Working Conditions Survey. Turkish workers are working harder and longer than their colleagues in the EU and the work is much more intensive - 41.75% work at very high speed compared to 25.4% in the EU-27, and 43.6% work to tight deadlines (28.2% in the EU-27) (EWCS, 2005). However, only 36.7% have a pace of work dependent on production or performance targets (compared to 42.1 in the EU-27). The work involves a higher percentage of monotonous tasks than in the EU (64% to 42.9%) and many short repetitive tasks (47.8% to 24.7%), but these tend to be less complex (45.5% to 59.4%). Some 78% of workers do not use computers at work compared to 46.5% in the EU-27, While 80.35% never use the Internet or e-mail for work purposes (around half in the EU-27). Task rotation is less widespread than in the EU (33.6% to 43.7%), team work is less common (46% to 55.2%) and autonomous team work occurs in only 16.7% of Turkish enterprises compared with 26.7% in the EU (EWCS, 2005).

Autonomous team work is one of the most important aspects of functional flexibility comprised of two elements: team work for work organisation, and the extent of autonomy the team has over the distribution and execution of tasks. The incidence of autonomous team work is relatively more common in Nordic countries or the Netherlands which are also well advanced in the implementation of flexicurity. In Turkey, work is more commonly organised in hierarchical teams with limited worker autonomy (Eurofound, 2010). Little information is available on external functional flexibility such as subcontracting and outsourcing. Temporary work agencies are not yet permitted although subcontracting and outsourcing appear to be widely used in industry. This means MSEs are more likely to be subcontracted and medium-to-large companies are more likely to subcontract (Ozar, 2005).

The key conclusions of the analysis above are as follows:

1. Turkish companies use 'numerical flexibility' widely ('external numerical' through easy hiring and firing in the informal sector or 'internal numerical' through long working hours in most parts of economy).
2. Use of this mechanism provides the companies with a degree of flexibility and helps them survive, but it does not help create a productive and competitive edge for companies allowing them ultimately to grow and provide more and better jobs.
3. The majority of these entrepreneurs and their workers appear to be trapped in a vicious cycle of informality, lower-skills, low-productivity, low-wages and low-competitiveness.
4. The primary segment of the labour market is very small and possibly not flexible enough for higher mobility.
5. Although there is little division of work, multitasking (or rotation) must be fairly common in small firms due to their nature, but the low-skill levels of most workers severely limits incidence of more advanced forms of internal flexibility.

4. EFFECTIVE ACTIVE LABOUR MARKET PROGRAMMES

Secure and efficient labour market transitions lie at the heart of the flexicurity framework and active labour market programmes (ALMPs) form a major pillar in securing these transitions. Public Employment Services (PES) have traditionally been the major provider of active labour market programmes but they now work principally as a mediator in partnership with employers, employees, social assistance organisations, private employment services, lifelong learning institutions and civil society (European Commission, 2009a). The capacity to anticipate future skill needs or deal with increasingly diverse clients represent important challenges that add pressure when optimising operational setup (increased subcontracting of services, case management) and improving existing partnerships and the skills and motivation of PES staff (*ibid.*).

Within the flexicurity framework, active labour market programmes could mainly:

- facilitate restructuring and secure job-to-job transitions by providing information, guidance, advice and training for employees threatened with lay-offs and support and consultation to enterprises;
- facilitate transitions from unemployment-to-employment with the focus on job brokering and job search assistance, training, information and guidance;
- channel inactive people, especially very high numbers of women and the elderly, into employment;
- alleviate the impact of unemployment, sometimes in combination with an employability component (e.g. public works);
- stimulate job demand (through business incubators, micro-credits, wage subsidies, public works).

While active labour market programmes play an ever more important role, they also have some major shortcomings and expectations should be kept realistic. International experience shows active labour market programmes often have little positive impact and certainly do not constitute a panacea for large-scale unemployment (Kuddo, 2009). Proponents argue that active labour market programmes are necessary for specific hard-to-place groups when correcting specific market failures. They present a good instrument to counter social exclusion for at-risk groups and can have a positive impact if well targeted. Active labour market programmes can use public funds to increase the allocation function of the labour market, direct the distributional outcomes of labour markets or increase the political acceptability of reforms. Opponents tend to dismiss these programmes as a waste of public money and most evaluations indicate modest or no return in terms of employability and earnings, including deadweight costs³⁴, substitution effect³⁵, displacement effect³⁶ and selection bias or 'creaming'³⁷ (Martin and Grubb, 2001; Betcherman et al., 2004). However, these programmes often address multiple objectives, many of which involve significant trade-offs, so the monitoring and evaluation of active labour market programmes is an extremely important and complicated task.

These initiatives are further hampered by the fact that early deficits in education are known to make later remediation difficult. When the early opportunities for the formation of skills are missed by sections of society, remediation is costly, and full remediation is often impossible. Once they have dropped out of school, early school leavers (and low-skilled workers) have difficulty in accessing adult training because they have a low stock of human capital on which their adult investments can build and be productive. Remediation investments in adult workers are very costly and are largely ineffective for low-skilled individuals (Heckman and Jacobs, 2010).

Nevertheless, an efficient PES and well-targeted active labour market programmes could help overcome segmentation and be accessible to labour market insiders and outsiders at the same time, as one of the core objectives of flexicurity is to promote more open and inclusive labour markets. The European Commission (2009a) study shows PES in various EU countries put considerable effort into specialised support and motivation for the unemployed – including those with special needs. Their activities include direct provision and referral to other service providers to remove various obstacles to work. PES in many countries also initiate and participate in networks and programmes to re-integrate disadvantaged groups and the long-term unemployed into the workforce through various forms of subsidised work trials, subsidised employment and pre-employment training for specific sectors and employers. They still, however, fall short on the services offered to inactive groups such as the disabled, women returning to work after childbirth, uneducated youth and people in early retirement (European Commission, 2009a).

³⁴ Programme outcomes contribute nothing that would not have occurred in the absence of the programme. For example, public funds are spent on unemployed individuals who could be hired anyway without subsidies.

³⁵ A worker in a subsidised job is substituted for an unsubsidised worker who would otherwise have been hired. The net employment effect is thus zero.

³⁶ This usually refers to displacement in the product market. A firm with subsidised workers increases output, but displaces the output of firms without subsidised workers. This can also occur when individuals are given help to start enterprises that reduce or 'crowd out' regular employment elsewhere in the economy through competition in the goods market.

³⁷ Programme outcomes are influenced by unobservable factors usually self-selected by gender, education, or individuals on the 'most likely to succeed' basis (the 'creaming' effect).

The study also finds that PES could play a crucial role in flexicurity as they are uniquely placed to directly observe, assess, and evaluate the effects of political and legislative initiatives on legislation relating to the labour market, social benefits, pensions and education and training. With close monitoring of labour market with qualitative and quantitative data, they are in the right position to become active promoters and evaluators of flexicurity. The PES could provide labour market information and lead debate on the anticipation of future labour and skill needs. They could also lead the field on lifelong learning: providing qualifications for the unemployed in an ALMP setting, and acting as a knowledge centre for jobseekers providing guidance and information on training and education opportunities. Finally, the PES must work to increase the labour market participation of inactive women and those on social assistance (in cooperation with social assistance organisations) and disadvantaged groups (ibid.).

This chapter will assess the coverage and effectiveness of Turkish active labour market measures and PES in providing employment security to individuals, in particular towards those hard-to-place groups of disadvantaged people, and facilitate labour market transitions from jobs to jobs, unemployment to employment and inactivity to activity for women.

4.1 INSTITUTIONAL SETUP FOR ACTIVE LABOUR MARKET PROGRAMMES AND CURRENT CHALLENGES

ISKUR is the public employment agency affiliated to the Ministry of Labour and Social Security and it is responsible for contributing to national employment policy, job brokering, implementation of active and passive labour market measures, regulating the PES and providing labour market information services. ISKUR's predecessor was the formal channel for sending Turkish workers abroad in the 1960s and 1970s, mostly to Germany. This entity never really functioned as an employment agency and had become practically defunct until reorganised as ISKUR in 2003 (Law No 4904). After the revamp, ISKUR assumed a more active role in promoting employment, but it remained small and was unable to shake off the stigma of a blue-collar employment agency. College graduates have only recently started to register for employment with this entity but most still seek work through private agencies while ISKUR caters for the less educated segment.

ISKUR is made up of a Directorate General in the headquarters, 81 local provincial directorates and 27 branch offices. As of 2009, ISKUR had 2,312 employees, 509 of whom work in the headquarters in Ankara. There are 78 experts in the central administration covering employment and occupation as well as training. ISKUR has only 79 experts working in the field at the local level, while it plans to recruit another 1,000 people in 2010 (MoLSS, 2010). Staff numbers are much higher in many countries with similar populations and comparable or lower unemployment levels. The PES in Germany had 85,000 staff in 2003, while figures were closer to 22,000 in Canada, 15,000 in Japan, and 8,500 in Spain (ILO, 2003).

The caseload given in number of clients per member of front office staff was 392 before the recent crisis (ETF, 2009) but these numbers increased in 2009-10 with the rapid increase in the number of registered unemployed. Caseload figures are closer to 100 per member of staff in the EU. The total number of unemployed registered with ISKUR in August 2010 was 1,632,604 out of a total of around 3.5 million unemployed, meaning some 48% of the unemployed are registered with ISKUR. As ISKUR administers unemployment insurance benefits, it currently falls short of its mandate as a strategic player in the labour market on the count of inadequate staffing levels alone, not to mention levels of skill and motivation within the institution.

The annual ISKUR administrative budget was YTL 131.24 million in 2008, with an annual placement and ALMP budget of YTL 125 million (in 2008). Government spending on active labour market programmes is negligible at less than 1% of GDP (in 2008) but the percentage was to rise in 2009 when ISKUR was told to spend more on active labour market programmes (Turkish GDP contracted in 2009). In 2009 and 2010, the state increased its share of funding for the Unemployment Insurance Fund from 30% to 50% in order to counter the negative impacts of the recent economic crisis (MoLSS, 2010) but total public funding for active labour market programmes is hard to estimate as other bodies are involved in implementation with funding from different sources.

The number of ALMP beneficiaries increased recently and will increase further in the near future. Around 100,000 people were targeted for active labour market programmes in 2009 and 2010 under Law No 5763 and the targets were recently revised. New targets will now cover 216,000 people in 2010 by expanding short-term services centred on individual job guidance and short-term re-training programmes. There will also be gradual development of more comprehensive and longer-duration up-skilling programmes. Given the total number of unemployed (3.5 million) and the registered unemployed (1.6 million), however, the target of 216,000 beneficiaries (not achieved yet) is very small.

However, Turkish employment services are unable to keep up with the current crisis and they also face the longer-term challenges of:

1. a fast growing working-age population with many new labour market entrants;
2. concerns on social inclusion moving up the political agenda;

3. the pressing need to increase female employment and measures for their activation;
4. huge regional discrepancies levels of socio-economic development and access to various public services including ISKUR where regional capacity is still underdeveloped.

Furthermore, its analytical capacity to monitor and assess labour market developments is weak in terms of current and future skill needs, job creation trends, individual transitions of the unemployed, and improvements for the specific hard-to-place groups. Particularly impact assessment of the active labour market measures implemented by ISKUR as well as other agencies is needed for a better targeting of beneficiaries in the future. Some monitoring and ad hoc evaluations do occur³⁸ (Ercan, 2010) but no systematic mechanisms were established for impact evaluation. Although active labour market measures are supposed to reach specific hard-to-place groups, correct market failures and counter social exclusion for at-risk groups, no impact evaluation has been carried out so far for the active labour market programmes and for the eight 'employment promotion packages' launched and implemented by the government.

Turkish public employment services are poorly equipped in comparison with EU peer organisations, with shortages of both financial and human resources. The standards of service required from PES by the flexicurity approach also presuppose highly qualified staff with the skills to collect and use advanced labour market information and administer relationships with different partners and stakeholders. Current staff numbers and levels of capacity are too low for the diverse roles foreseen for PES and active labour market programmes in particular. Targeting is very basic and no specific measures are applied for women or other vulnerable groups in daily routine work (apart from selected initiatives for the disabled or ex-convicts and donor-funded pilot projects to enhance the employment of women)³⁹. There have been recent EU funded initiatives to raise awareness of access to and equity in the labour market but the ISKUR implemented measures are not necessarily designed to improve the situation. PES relations with the demand side (employers) are limited due to the relatively low scale of PES activities and the extent of the informal sector although contacts and interaction with employers officially form part of the PES remit.

Private employment bureaus have also been authorised to perform employment services. In 2009 there were 271 private employment agencies registered and operating in the market. They are entitled to provide intermediary services relating to job matching, the labour market, employment and human resources in Turkey and abroad. However, they are not allowed to provide job matching services for the public sector or operate as temporary work agencies and ISKUR dictates procedure. A draft law allowing private employment agencies to conclude temporary work agreements was recently vetoed by the President following objections from the trade unions.

Finally, local level Provincial Employment and Vocational Training Boards (recently unified and re-named) are expected to: identify measures to maintain and improve provincial employment; help develop a provincial employment policy and enforce local policies; review annual labour training plans; monitor and evaluate the implementation of actions, and; plan, improve and evaluate vocational training. Boards are convened under the chairmanship of a governor and consist of: mayors; the general secretary of special provincial administration; the provincial directors of education, industry and trade, and ISKUR; head of the provincial chamber of commerce and industry; representatives from each trade union confederation; employer's union confederations; the confederation of disabled people; the head of the provincial tradesmen and artisans union, and; an academic in a related area.

KOSGEB is an autonomous public agency established under the Ministry of Industry and Trade (Law No 3624 in 1990) with 825 staff to provide services to SMEs and it is expected to play a special role. The KOSGEB remit is to develop support mechanisms for Turkish SMEs, encourage entrepreneurship and improve the capacity of SMEs. This will be achieved through technological development and innovation, consultancy and training, market research and export promotion, international cooperation, information technology, quality improvement, regional development and support for entrepreneurship that includes financial grants and loans. Although they can be active, the role of other stakeholders and bodies such as training institutions, municipalities, and providers of social benefits and social assistance have not been defined in the provision of active labour market programmes.

From an institutional point of view, Turkey appears to have developed several diverse institutions, but it is unclear how these will work coherently to support employment promotion actions in the labour market. Coordination of these works among the institutions and efficient use of public resources targeting the most needy people could be areas for further improvement. Some of these institutions appear dependent completely or partially on international donor projects and have not yet identified their place in the market. The main institution, ISKUR, is understaffed and in need of further development, it has a poor track record in dealing with labour market issues in any consistent manner and will need extensive input in capacity building if it is to cope with labour market related aspects including active labour market programmes.

³⁸ Such as the Evaluation of Active Labour Market Projects Programme and the 2006 ETF-supported New Opportunities Programme. Some of the weaknesses spotted in these evaluations, such as the restricted role of regional and ISKUR local staff and the lack of sophistication in the methods used to reach women are now being addressed in new projects.

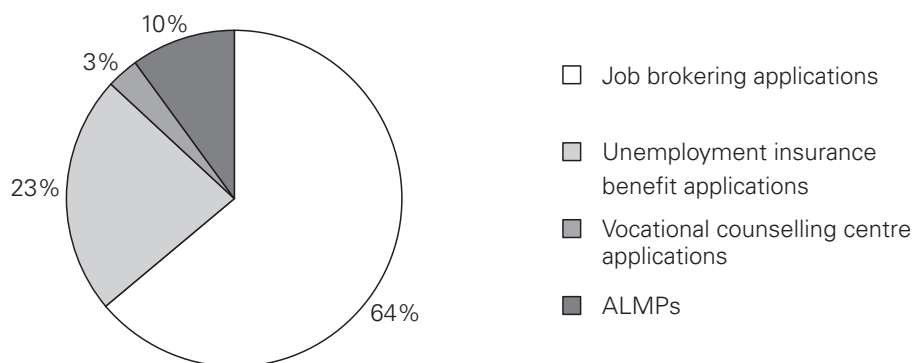
³⁹ The Strategy Development to Increase Employment of Women project is financed by the British Ministry of Foreign Affairs and implemented by the British Council and is currently nearing completion. This project aims to boost ISKUR capacity for effectively increasing female participation in employment in Turkey. Implementation of the project includes the drafting of a three-year strategy plan and one-year action plan.

4.2 REVIEW OF ACTIVE LABOUR MARKET PROGRAMMES

The bulk of employment services and active labour market programmes in Turkey are run by ISKUR. These were only introduced in the 1990s and until very recently they were only implemented on a project by project basis with funding from the World Bank or EU. ISKUR staff and approximately 50,000 clients were provided training (and 9,000 thousand jobs were found) within the framework of the EUR 50 million EU-funded ALMP project (2003-06). The EU also helped strengthen capacities in ISKUR through supported development of employment policies.

ISKUR currently offers a limited range of services to a small group of the unemployed. The focus is largely on the administration of unemployment benefits, job brokering, training, and supporting the disabled and ex-convicts to find employment. ISKUR also offers career counselling services, it compiles and disseminates labour market information and some public works and internships were introduced in 2009. The new Employment Package allowed all unemployed people to register with ISKUR and access the right to services such as public works, vocational training, career counselling and job placement services previously only offered to the insured unemployed.

FIGURE 4.1 SHARE OF DIFFERENT ISKUR ACTIVITIES, 2009



*Note: The percentages are based on the number of applications to each service (including group applications to vocational training centres) and the number of participants in different active labour market programmes. Not all activities are included.
Source: ISKUR.*

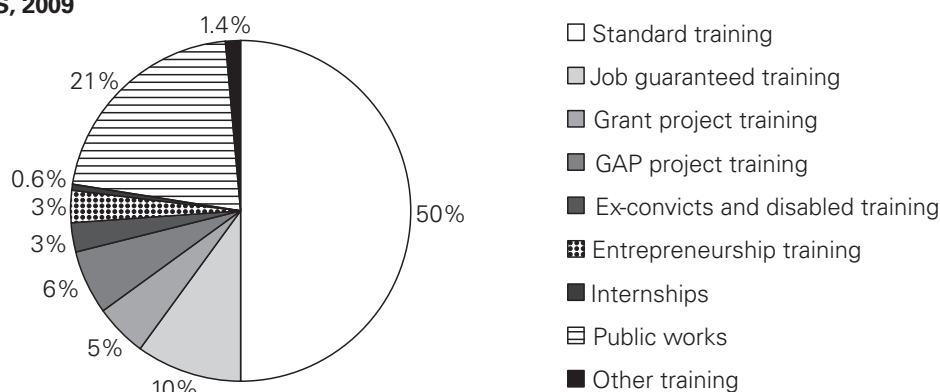
Job brokering

Job brokering is the most common (and traditional) service provided by Turkish PES. In 2009, 1,435,024 ISKUR applicants were looking for work and 118,278 jobseekers were placed in appropriate jobs. The application to job placement ratio was far better in 2007, before the crisis, although less than a fifth of all applicants were placed in a job. One quarter of 2009 placements were in the public sector. Most ISKUR applicants are men, reflecting proportions in the labour force, and women made up only 36% of all applicants in 2009. The job placement rate among all applicants stands at about 8%, but only 6% for women. A considerable percentage of the placements made in the private sector were for individuals with disabilities or ex-convicts as there were quotas set for large companies until 2008 before the private sector was allowed to opt out. These patterns suggest that companies only use ISKUR channels when they are seeking individuals with special characteristics. Placement rates for these groups are also much higher than the average placement rate; with the overwhelming majority of placements made in the private sector.

Training courses

Training courses are the most common mechanism used to increase the employability of unemployed people and current workers. PES offer vocational training for the unemployed, some of which includes training programmes where companies guarantee employment of at least 30 days for trainees, training and rehabilitation programmes for individuals with disabilities and ex-convicts and internships. Special business set-up and training is organised for entrepreneurs.

FIGURE 4.2 below shows the share of active labour market programmes based on the number of participants and includes those public works classified as training activities. General vocational training expanded massively on previous years in 2009 and accounted for 50% of all training offered, followed in popularity by recently introduced public works mainly offered to the unemployed in industrial regions hit by high unemployment. Other types of training organised by ISKUR for the disabled, ex-convicts, the young (internships) and entrepreneurs were less important in terms of number of participants.

FIGURE 4.2 SHARE OF DIFFERENT ACTIVE LABOUR MARKET PROGRAMMES OUT OF TOTAL PARTICIPANTS, 2009

Note: Only training activities (as classified by ISKUR) are included. These are activities implemented by ISKUR only.
Source: ISKUR.

In 2008, EUR 16,525,368 was spent on training courses, while more than EUR 224 million was allocated for this in 2009. This was a massive jump which was made possible with changes introduced in the spending of the Unemployment Insurance Fund through the employment promotion package. This amount was expected to increase to EUR 227 million for 2010 but the actual figures are not available yet for confirmation. More than EUR 9.25 million was allocated for projects for the disabled and ex-convicts in 2009 and this amount is expected to be more than EUR 10.2 million for 2010 (MoLSS, 2010).

The duration of general vocational training cannot exceed six months and an unemployed individual can only receive training once in each two-year period. In 2009, ISKUR trained 213,852 unemployed, 43.8% women. Of these, 108,630 unemployed received general vocational training and 21,608 were provided with job-guaranteed training programmes. Some 10,149 people were trained in the grant projects and another 12,818 under the South-Eastern Anatolian Project known as GAP project, while some 6,965 people benefitted from programmes for ex-convicts and the disabled and another 6,655 people received entrepreneurship training (ISKUR statistics).

Internships

In October 2009 internships began to be offered to young jobseekers with minimum education to provide them with some job experience and improve their employability. In 2009, 555 internships were organised with 1,285 participants (of which 558 were women) (ISKUR statistics). In 2010, a total of 45,000 young people were targeted to be sent for internship as part of the programme (the actual 2010 figures are not available yet for confirmation). A per diem of YTL 15 is paid during the training by ISKUR on internships for up to six months. The number of internships offered is really insufficient and the impact on the labour market and the quality of internships should be closely followed.

Career guidance and job counselling services

Career guidance and job counselling services are used to facilitate labour market transitions and the PES provide these through 57 career information and 37 job and career counselling centres that offer services for groups and individuals. Career guidance and counselling encompasses many different activities including information sharing, individual interviews, labour and training market research and occupational research. In 2008, a web platform was established for job brokering and some forms of career guidance. The number of beneficiaries remains largely unknown due to system used for classification, but the number of applications for vocational counselling centres (individual and group services including schools) totalled 133,950 while there were a mere 6,853 individual job and career interviews in 2009 (ISKUR statistics). Individual job and career interviews increased to 7,487 in the first eight months of 2010, but this is still too low given the total number of registered unemployed. This thread is known to be the most cost-effective of all active labour market programmes in dealing with the unemployed and it is widely used in the Balkan countries.

Public works

Public works can be classed as training in Turkey and may be used to alleviate the impact of high unemployment in specific regions or in disaster or crisis relief. However, these may also be used to activate the unemployed and prevent

discouragement among the long-term unemployed. An individual can only be accepted for public works once in each two-year period for a maximum of six months. Payment is calculated according to the work period on the basis of the minimum wage. ISKUR also pays insurance premiums, unemployment insurance premiums and employer contributions, taxes and other legal deductions.

Budgetary restrictions prevented Turkey from implementing any large scale public work programmes until 2009, when 1,613 public works were implemented with the participation of 47,718 unemployed people (only 12,120 of them women) (ISKUR statistics). Targets 2010 are for 25,167 beneficiaries. The cost of programme activities will be approximately EUR 72.5 million in 2010, and EUR 67.8 million will be transferred from the Unemployment Insurance Fund (MoLSS, 2010).

Entrepreneurship support

KOSGEB is responsible for supporting SMEs development and entrepreneurship support including training and financial grants and loans. The KOSGEB database records around 80,000 enterprises applied for their services since 2003 and around 40,000 received help in the form of training for SMEs (delivered by KOSGEB or bought from local providers) on management, marketing, production, HR and financial management, information technology, CE marking and certification, technical and vocational skills. Under the entrepreneurship development programme, KOSGEB provides training on how to start a business and complete a feasibility study, business plan and marketing plan and it also provides targeted training and services for young entrepreneurs, woman and new entrepreneurs. A total of 60 business incubators provide one-stop-shop services to improve the survival and growth prospects of start-ups.

Although not directly related to the entrepreneurship support programmes, figures provided by TOBB (the Union of Chambers and Commodity Exchanges of Turkey) in 2008 show a total of 48,010 company start-ups, 1,312 cooperatives and 47,582 individual entrepreneurs (self-employed) who started their own business somewhere in Turkey. At the other end of the spectrum, there were 11,658 companies and 2,561 cooperatives dissolved (wound-up companies). Closures for 2008 included 9,927 companies, 1,815 cooperatives and 38,331 individual entrepreneurs (self-employed) who closed their business.

ISKUR runs entrepreneurship programmes in cooperation with KOSGEB providing advice to unemployed people interested in setting up a business. To be eligible they must hold a valid certificate or diploma or be a graduate of a vocational education programme and 5,000 people were expected to benefit from the programme in 2010 although the actual figure of beneficiaries is not available yet. Beneficiaries of the programme will have access to KOSGEB funding.

ISKUR is also involved in several different projects including: (i) GAP II (a regional development project) where ISKUR supports employability and skills development, poverty reduction and widened access to employment for disadvantaged groups in the south-eastern Anatolian provinces, with increased ISKUR capacities at local level; and (ii) 'Active employment measures and support to the Turkish employment organisation at local level', which aims to improve ISKUR capacity to design, develop and implement policies and programmes that contribute to human resource development in alignment with the European Employment Strategy in Turkey. The project also aims to increase the employability of young people and women through active employment measures including a grant scheme with joint funding from Turkey and the EU initiated in 2007. The selection criteria for project applications were altered following consultation meetings between ISKUR and NGOs for women, adding a 'social improvement' dimension for women and 'specific requirements' in providing care services for children and the elderly in order to increase project effectiveness and sustainability.

Some other projects are specifically aimed at women: (i) 'Promoting women's employment' grant scheme with a budget of approximately EUR 24 million under the 2007-09 programming for the human resources development component of the EU Instrument for Pre-accession Assistance (IPA). This project covered 43 provinces in 12 NUTS II regions. Some 4,000 women are expected to attend entrepreneurship courses, 1,200 women will attend child and geriatric care courses, 12,000 women will attend courses with a guaranteed job, and 18,000 women will benefit from advice and guidance services; and (ii) the project 'Active labour market policies for gender equality through decent work for women' conducted by ISKUR and the ILO in three pilot provinces of Ankara, Gaziantep and Konya aims to strengthen the capacity of provincial ISKUR branches and social partners, increase the gender sensitivity of policy-makers and directly contribute to increasing female labour market participation through specific training in women's rights, communication skills and job searching skills (MoLSS, 2010).

Figures for active labour market programmes rose immensely in 2009 in comparison with 2007 or 2008 with a total of 15,000 to 22,000 individuals (depending on the source) receiving some sort of training from ISKUR in 2007. The numbers benefiting from training services increased to 6% of the total unemployed in 2009, but this means that less than one in five of the registered unemployed are covered and the rate is still too low. Recently there have been more ALMP projects in particular for women, but the actual results of these projects mentioned above – i.e. whether they increase the female employment rate – are to be seen. Women have consistently been a small minority among trainees,

and while their low participation rates make this hardly surprising, ISKUR needs to adopt a more aggressive and inclusive policy to recruit more women, boost their participation in the labour market and increase their employability.

4.3 EFFECTIVENESS OF ACTIVE LABOUR MARKET PROGRAMMES

It is difficult to assess the effectiveness of these measures to improve employability due to the lack of systematic monitoring and evaluation and the lack of data on the employment of trainees three or six months after training. The current small scale and coverage of active labour market programmes and poor targeting methods make it unlikely for such initiatives to be effective and cost efficient in helping most jobseekers to find jobs or move to better, more productive jobs. Therefore, the risks of deadweight costs, substitution effect, displacement effect and selection bias ('creaming') are high as there is no impact assessment study of these programmes and other employment promotion packages.

Moreover, Turkey still is far from having a good local, regional and national Labour Market Information System. Constant efforts are being made to improve labour market information system capacities and usage. In 2005, a methodology for enterprise-based surveys of short and medium-term qualification demands on the labour market was drawn up within the framework of the SVET project. However, the surveys are only implemented on an ad hoc basis and it is still unclear how the findings feed into ISKUR activities. A labour market information system, an efficient brokerage system and improvement of the guidance services aiming employers and unemployed are expected with support from the EUR 17 million 'Improving Public Employment Services' project funded under the IPA human resources development component.

Other projects are being implemented for vocational qualifications and vocational education in the labour market and employment policy. 'Strengthening the Vocational Qualifications Authority (MYK) and national qualifications system (NQS) in Turkey' is being implemented by the VQA to ensure the provision of formal and non-formal vocational and technical training according to labour market needs. It also plans to strengthen the relationship between education and employment by supporting the MYK, developing occupational standards, and improving vocational knowledge and skills testing and certification centres (VOC-TEST). Successful implementation of this project will increase the impact of PES by helping to standardise the occupational qualifications and certification of training provided by ISKUR and other institutions. This project does not have any direct impact on current ISKUR performance.

4.4 CONCLUDING REMARKS

Active labour market measures are quite a recent phenomenon in Turkey. State support in job brokering dates back to the 1960s mainly as a mechanism to send Turkish blue-collar workers abroad. PES has only recently been restructured as a national employment agency and while measures such as training have been introduced they were initially only available to the insured unemployed of the primary labour market. Coverage of active labour market programmes has now been expanded and, in principle, these are offered to all jobseekers. However, coverage remains very limited despite recent increases (13% of the registered unemployed with active labour market programmes excluding job brokering and job and career counselling, but only 6% of the total unemployed) as the ALMP budget is limited. Local and national PES capacities are still underdeveloped given the extremely limited numbers of staff and lack of fully fledged systems and instruments. Other institutions and private agencies are still minor players.

Job brokering is the most commonly offered measure, but the clientele remains traditional and PES are most successful for specific groups of the unemployed such as the disabled or ex-convicts who are subject to legal employment quotas. Training has increased considerably in volume over time but effectiveness and efficiency are unknown. Other measures are either rather basic or still rarely used. Some efforts are being introduced to reach other disadvantaged groups in the labour market such as women and youth but they are far from successful as yet.

In conclusion, active labour market programmes currently play a limited role in facilitating labour market transitions and improving employability although they already provide a remedy for some market failures. There is still a large problem in catering for those jobseekers most disadvantaged in the labour market such as the low-skilled jobseekers in the informal sector who form a large part of the working population. A balance must also be struck on serving the 'easy-to-place' and 'hard-to-place' unemployed taking cost efficiency and social equity into account.

5. MODERN SOCIAL PROTECTION SYSTEM

The flexicurity approach forms links between employment, education and social protection systems. If job protection is reduced, the loss of security must be replaced by similar levels of security in the social security area, firstly in the form of an income support system that ensures a high level of wage replacement and then through a system of active labour market measures that increases the chances of redeployment (and access to learning opportunities and skills recognition in general). A well-functioning risk mitigation system may also help to foster job-to-job and inactivity-to-job transitions, raise employment levels and lead to better labour market matching.

Another aspect of flexicurity is the promotion of flexible forms of working that will allow companies to adjust and get more people into the labour market by allowing them to balance work with other commitments. However, traditional social security systems were mostly established to support the majority of workers in full-time regular employment (mainly male bread-winners), and unless these are adapted to cater for atypical situations (temporary jobs, part-time jobs) and new labour market entrants (women, youth, elderly), there is a clear risk of flexibility being promoted without security. Furthermore, improving income security for people working in atypical employment has another benefit as it can strengthen the incentive to take up work in the first place.

Flexicurity approach calls for 'modern' social security systems in terms of systems that provide adequate income security for those unable to work for short or long spells, while at the same time making it easier for people to escape economic dependency and unemployment into employment and financial independence.

Different European social security systems are associated with different types of inflexibility in the labour market. The breadwinner model reduces the labour supply because women leave the labour market for long periods. The individual-oriented model is typically associated with quite generous benefits that compensate for the lack of family support and allow disadvantaged individuals to lead a respectable life. In cases where the individual is able to work, generous benefits may, however, create 'traps' in the form of situations where the marginal benefits of employment or increased working hours are very small (European Commission, 2009a). In order to avoid such situations, many EU countries are currently introducing flexible benefits, pensions and activity requirements as eligibility criteria for social rights and benefits. They are also introducing the principle of the portability of benefits and pensions allowing unemployed people to take up employment in fixed-term contracts or reduced-time contracts where their future social benefits or pension would have been diminished if they had been employed on a full-time permanent contract. Many countries are also experimenting with partial disability benefits to activate partially disabled individuals who would have lost their benefits had they worked under the previous regime. Flexible retirement and pension size are instruments that also influence the supply of labour (enhancing or impeding flexicurity).

This chapter aims to assess the Turkish social security system from a flexicurity perspective and particularly in terms of effectiveness in providing income security to various groups of workers, unemployed and underemployed individuals, as well as incentives and disincentives for different labour market transitions.

5.1 SYSTEM OF SOCIAL PROTECTION AND INSTITUTIONAL SET-UP

The Turkish social protection system consists of the social insurance system and the social services and assistance system. The social insurance system aims to provide insurance for the society at large, mainly in the form of health care services, pensions and unemployment benefits, on a self-financing principle, whereas the second system aims to alleviate poverty and provide social care for needy individuals and groups.

It is difficult to provide a full picture of social security spending and beneficiaries as there are many different institutions providing social security: the SSI provides insurance-based benefits and disability and old-age pensions to the elderly and disabled poor not covered by any other social security scheme, to treasury retirees, to non-commissioned and civilian officers who were disabled in service, their widows and orphans; the Ministry of Health provides a Green Card for health care relief to those with no social security coverage; the Directorate General of Social Assistance and Solidarity provides assistance to poor individuals and families with no social security; the Directorate General of Foundations pays disability benefits and provides charity to the disabled; the Social Services and Child Protection Institution assists children, the elderly and disabled; and municipalities and NGOs provide some in-kind assistance to people in need.

The share of social expenditure to GDP differs according to the source and methodology used (see draft EU-Turkey Joint Inclusion Memorandum from 2005, Bugra and Adar [2007], OECD statistics). There is also lack of good quality comparative data⁴⁰ on social expenditure that has been seen to reflect both the low capacities of the Turkish social security system and the relatively low priority of social protection issues on the political agenda (Bugra and Adar, 2007). Figures produced on the share of social expenditure in GDP shows that Turkey spends less than EU countries. According to the OECD, Turkey spent 13.7% of GDP on social expenditure in 2005 (OECD statistics) where 7.8% went on pensions and 5.4% on health services. The greatest difference in comparison with OECD countries is in the negligent level of spending on means-tested income support and social services (0.5% of GDP), while means-tested support is used as a major instrument to prevent social exclusion and combat poverty in many other countries.

A new social security reform was implemented in 2008. The three social insurance institutions (Pension Fund – ES for public servants; the Self-Employed Social Insurance Institution –BAGKUR for the self-employed; and the Social Insurance Institution – SSK for workers) were merged under one roof as the new Social Security Institution (SSI). Other reforms were introduced to improve the sustainability of the social security system on the basis of a pay-as-you-go system, with a clear emphasis on pension provision. However, the pension system currently forms an important barrier to the more rapid expansion of the formal-sector economy due to early retirement followed by further work in the informal sector and widespread avoidance of the relatively expensive old-age contributions (OECD, 2006).

SSI insurance linked to previous contributions includes: old-age, disability, death, work accidents, occupational diseases, illness and maternity benefits. A total of 57,116,113 people (81% of the population) were covered by the SSI in 2008. These included 15,491,942 active individuals who are workers, self-employed and civil servants; 8,723,807 pensioners (passive insured who are on pension); and 32,900,364 family dependants. Thus, only 27% of the 57 million SSI members are actively working and contributing to the system while the rest is predominantly dependents and pensioners. Unemployment insurance is administered by ISKUR.

The social insurance scheme is mainly funded by contributions from employees and employers, with some government funding. Contributions are charged at 20% of a declared wage for old-age, disability and survivor's benefit, 1%-6.5% for occupational diseases and work accidents, 12.5% for universal health insurance and 3% for unemployment insurance. The contribution rate for the self-employed was reduced to 33.5% from former levels of 40%.

Social protection funds still fall short of guaranteed coverage for the entire population and the size of the benefits is relatively low. At the same time, the prevailing contribution and benefit rates of the mandatory social security system are high in Turkey by international comparison given the productivity level of the economy and the productivity distribution structure. When combined with a high minimum wage or average wage ratio, mandatory social contributions create strong incentives for informal employment both in the supply and demand sides of the labour market.

The recent Employment Package reduced employer social security contributions for young and women workers. The exemption covers total employer contributions in the first year of employment for eligible workers, 80% in their second year, reducing in steps to 20% in the fifth year. When combined with the personal income tax allowance granted to low income workers in 2007, these cuts represent a notable first step in the reduction of labour tax wedges in Turkey.

5.2 RETIREMENT SCHEME AND ITS INTERFACE WITH FLEXICURITY

Retirement schemes play a big role in enhancing or impeding flexicurity. They provide incentives for people to retire at specific ages, thus impacting significantly on the supply of labour. In Turkey people withdraw from the labour market at a relatively young age although many re-join in the informal sector. Low pensions combined with high contributions on (relatively low) wages encourage individuals to move into retirement as soon as they meet the minimum age and number of contributions. Retirement schemes (particularly early retirement schemes) are often conditional on a specified insurance period in such a way that they reduce incentives for career or job change, career breaks or atypical working.

The former system had a very low retirement age that undermined the sustainability of the entire social security system. For those insured after September 1999, the social security retirement age is 60 for men and 58 for women while for those insured before September 1999, the retirement age ranged from a mere 41 to 56 years, with its real impact still continuing within the system. The following measures were introduced to balance the system.

- Pension entitlements were increased to 7,200 days of work for normal workers and 9,000 days for civil servants (for those who start working after the introduction of the new system).
- The retirement age was increased across the board to 60 for men and 58 for women.
- Retirement ages will gradually increase from 2036 to reach a maximum of 65 for men in 2046 for women in 2048.

⁴⁰ Data for Turkey are not available in the Eurostat database on social expenditure.

The minimum old age pension for a regular employee was YTL 683 in 2010, YTL 555 for the self-employed, YTL 480 for agricultural employees and YTL 380 for the self-employed in agriculture. Average pensions remain relatively low as well with a maximum limit for regular employees of YTL 1,150. Civil servants are the most privileged with a minimum pension of YTL 831 and an upper limit of YTL 3,828 after an extended period of required contributions.

Workers in the informal sector have no access to pension benefits and the pension arrangements of atypical workers will be examined in Section 5.3 below. Some types of employees in small companies especially in agriculture are not obliged to register, but neither are they entitled to old-age benefits later. Those who are in need in old age can however receive some sort of social assistance (YTL 90.70 per month in 2009).

5.3 SOCIAL SECURITY OF ATYPICAL WORKERS

Several issues and indicators must be considered in order to assess the level of social security of atypical and flexible workers (European Commission, 2009b). Key issues and indicators include:

- *non-coverage*, where the self-employed are not eligible for unemployment benefits and part-time employees working less than a certain number of hours per week are not liable for social contributions and are therefore not insured against major risks, while temporary workers on contracts below a certain duration are not eligible for selected benefits;
- *disadvantage*, where the self-employed are only eligible for a fixed rate benefit while regular employees get wage-related benefits, the maximum duration of benefit payments is shorter for the self-employed or part-time workers (the self-employed are subject to a waiting period whilst regular employees are immediately eligible for benefits) and part-time employees working less than a certain number of hours per week have a reduced entitlement to benefits;
- *flexible workers* are considered to be treated equally if the amount of benefits paid is linked to wages or hours worked, which prevents them from getting full benefits and actually works against their interests.

Discrimination between definite and indefinite contracts or between full-time and part-time contracts is not allowed in Turkey. However atypical workers are more likely to receive discrimination. In real terms the entire social security system is designed and organised along the lines of full-time and indefinite labour contracts for male bread-winners (with housewives staying at home). Despite the legal introduction of atypical forms of employment, many security aspects are still deficient or unclear. This makes the trade unions (HAK-IS, TURK-IS and DISK in increasing degrees) highly critical of further flexibilisation as the social security system needs to reflect and respond to the new forms of working. Areas such as part-time and on-call work currently fall into regulatory gaps on social security coverage that lead to exclusion due to under-insurance (in the present system part-time workers can never achieve pension rights due to the rigid eligibility criteria, low rates of pay and consequent low contributions). The same is true for unemployment insurance benefits and disability benefits. The self-employed are in an even less advantageous situation as they have no access to unemployment benefits at all.

The new employment package has already introduced some new measures to extend the social security coverage of non-traditional workers but these may still not be optimal. Part-timers and on-call workers are now able to register with the SSI and they will also be included under general health insurance. Those who work less than normal working hours can benefit from the full rights of social insurance if they pay the excess premium. Those self-employed in agriculture were encouraged to pay half the premium paid by minimum wage earners by increasing the premium gradually each year. Women who work at home can register with the SSI on a voluntary basis (MoLSS, 2010). Social security reform has also improved access to some benefits for the self-employed who are now entitled to benefits for invalidity, work injuries and occupational illness as well as maternity and sickness. However, a full and careful review of gaps in coverage and the disadvantages facing atypical workers with regard to social security falls beyond the scope of this report.

5.4 PASSIVE LABOUR MARKET MEASURES

Passive labour market policies consist of four main programmes: (i) unemployment insurance (Yıpsizlik sigortası); (ii) wage guarantee fund (Ücret Garanti Fonu); (iii) short-work pay (Kısa Çalışma Ödeneği); and (iv) work-loss compensation (Yıp Kaybı Tazminatı). All have very short histories in Turkey and no evaluation analyses are yet available on their impact assessment. All are targeted on insured workers who face income loss or reduction due to unemployment or underemployment and as such these are often treated as the major security measures to counterbalance the loss of job protection in the flexicurity debate.

Unemployment insurance

The unemployment insurance scheme was enacted in 1999 (Law No 4447) and an unemployment insurance fund was set up to cover unemployment benefits, health expenditure for the unemployed and their training and job placement expenses. The first contributions started in June 2000 and the first payments were made in March 2002. Insured workers who lose their jobs are eligible, excluding civil servants and the self-employed. The duration of unemployment payments depends on the length of service and the contributions made. Payments are made for six months (to those who contributed 600 days), eight months (900 days) or ten months (1,080 days) respectively. Contributions are jointly paid by the employer (2%), worker (1%) and the state (1%) on the basis of premium base earning. The amount of unemployment benefits is 50% of the worker's daily net wage, not exceeding the net minimum wage in any case. The worker must have been working as an insured worker for at least 600 days during the three-year period and must have been working continuously and paying contributions for at least 120 days prior to termination of the contract to be eligible. Contract termination must be either by dismissal with notice or for a just cause (except in the case of serious misconduct or immoral behaviour on the part of the worker) or resignation for a just cause or on expiry of a fixed-term contract or redundancy because of privatisation.

The worker must register with the Turkish Employment Agency (ISKUR) in person and state that they are available for work. In addition to these payments, the unemployed person also receives health and maternity insurance coverage, vocational training, vocational development and retraining services and job-seeking support provided by ISKUR offices. Despite the modest level of unemployment benefits, health and maternity insurance coverage has a significant impact on registration. The SSI is the body responsible for collecting unemployment insurance contributions. A committee consisting of employer, employee and treasury representatives and headed by the director general of ISKUR manages the Unemployment Insurance Fund. The total assets of the unemployment fund stood at USD 27.9 billion at the end 2009, which accounts for 4.6% of Turkey's GDP (a rich source that has attracted government attention) mainly due to the huge accumulation of insurance premiums, strict payment conditions and profitable investment of funds in free market conditions. Eligibility criteria for unemployment benefits have always been very strict and few workers could meet the stringent requirements and deposits coming in easily outstripped the benefit payments going out. The amount of outgoing payments has recently been increased and a parliamentary committee is currently considering amendments designed to relax eligibility criteria for the benefits.

The restrictive eligibility criteria and the fact that eligible people normally qualify for other severance payments from their employers mean few people currently receive the benefits. According to ISKUR figures, 1,768,422 people received unemployment payments between 2002 and 2009 worth a total of USD 1.9 billion. In February 2009, when the economic crisis led to a peak in unemployment, there were 281,882 unemployed people receiving unemployment benefits from the system. There were a total of around one million unemployed registered with ISKUR at the time (while total unemployment was around 3 million) meaning that unemployment insurance was only provided to around 28% of the registered unemployed and 9.4% of the total unemployed – still a very low rate. In June 2009, 306,000 of the 500,000 registrants received unemployment benefits of an average of YTL 332 per person (EUR 158) (ISKUR statistics). Although the low level of benefits may act as a spur to seek a new job, there are no actual mechanisms in place to ensure the unemployed actively look for work or keep their spell of unemployment to a minimum.

Neither informal sector employees nor first-time jobseekers can benefit from the system either, and it would therefore be correct to say that unemployment insurance only serves the needs of formal economy workers. Furthermore, unemployment insurance beneficiaries overwhelmingly have primary and secondary education and three quarters of them are less than 35 years old (TABLE 5.1).

Wage Guarantee Fund

Established in 2004 (Labour Law 4857, decree N° 33) guarantees the last three months' wages of workers (capped at the top) should the employer fail to make these payments due to bankruptcy. Funding comes from the Unemployment Insurance Fund with one percent of total employer contributions to unemployment insurance transferred to the Wage Guarantee Fund. In 2007, payments were made to a mere 2,223 individuals.

Short-work pay

Instituted in 2004 (Unemployment Insurance Law 4447, with amendments in 2008), this aims to compensate workers whose work attachment continues with a given employer when there are temporary layoffs due to external shocks such as economic crises and disasters. Employers applying short-time working must inform ISKUR and the trade union of the situation and the causes of this. Short-work allowance is provided on the basis of the usual unemployment insurance

TABLE 5.1 TOTAL REGISTRATION POOL AND UNEMPLOYMENT INSURANCE RECIPIENTS, JANUARY-JUNE 2009

	Total registrations			Unemployment insurance beneficiaries			Total (%)
	Male	Female	Total	Male	Female	Total	
Total	1,143,353	454,666	1,598,019	109,911	27,706	137,617	100.0
Education level							
Illiterate	15,120	15,670	30,790	318	171	489	0.3
No diploma	19,296	11,604	30,900	757	234	991	0.7
Primary	572,283	151,837	724,120	46,047	6,989	53,036	41.9
Secondary	385,849	170,718	556,567	42,586	10,633	53,219	38.7
2-year college	80,223	56,675	136,898	11,626	5,305	16,931	10.6
College	67,879	45,620	113,499	8,239	4,104	12,343	7.5
Masters	2,555	2,467	5,022	317	262	579	0.3
Ph.D.	148	75	223	21	8	29	0.0
Age group							
15-19	36,122	24,633	60,755	1,656	841	2,497	1.5
20-24	201,264	115,257	316,521	18,334	7,458	25,792	16.7
25-29	304,803	115,627	420,430	36,341	8,910	45,251	33.1
30-34	224,573	78,493	303,066	24,945	5,081	30,026	22.7
35-39	178,753	53,963	232,716	15,597	2,726	18,323	14.2
40-44	108,519	33,417	141,936	6,933	1,499	8,432	6.3
45-54	76,229	26,281	102,510	5,243	1,053	6,296	4.8
55-64	11,344	5,782	17,126	792	123	915	0.7
65+	1,746	1,213	2,959	70	15	85	0.1

Source: www.iskur.gov.tr

benefit rules for a maximum period of three months. The law defines 'short work' as at least a one-third reduction in normal working hours for at most three months or a total or partial work stoppage of at least four weeks. General economic crisis or force majeure is accepted causes for temporary work reduction for all or some workers in the workplace.

TABLE 5.2 provides data for 2009 (this measure was not widespread before the crisis and there were only forty recipients of this clause in 2007) but the numbers are nowhere near LFS values for underemployment. Short-time work allowance (payment at the level of unemployment benefit of between USD 194-388) is provided to workers in proportion to the period of time they could not work whilst still considered employed and payment for those who qualify comes from the unemployment insurance scheme. In an effort to alleviate the effects of global economic crisis in 2008, 2009 and 2010, the maximum payment period of three months was increased to six months, and the amount of payment was increased by 50%. This mechanism helped approximately 192,000 people to remain in employment in 2009.

TABLE 5.2 SHORT-TIME WORK COMPENSATION RECIPIENTS FROM ISKUR, 2009

Month	Number of recipients	Total payment (YTL '000)	Average pay (YTL)	Per recipient (EUR)
January	651	492	756	360
February	6,935	1,679	242	115
March	27,491	12,397	451	215
April	41,753	18,217	436	208
May	66,405	24,348	367	175
June	82,439	23,925	290	138

Source: www.iskur.gov.tr

Compensation for loss of job in privatised establishments

The 1994 Privatisation Act No 4046 regulates compensation for loss of work for workers in privatised state-owned enterprises. Compensation for loss of work is an additional payment from the privatisation fund and does not replace any of the other compensation schemes. The worker must register with ISKUR in person and must not be receiving social security benefits. Registration also serves as an application for unemployment benefits. Compensation for loss of income is equal to the daily net wage. It is payable for three months if the person in question was employed for an uninterrupted period of at least 550 days at the time of termination, for four months in the case of an employment period of at least 1,100 days, six months in the case of an employment period of at least 1,650 days and eight months in the case of an employment period of at least 2,200 days. The redundant worker also receives help with finding a new job, training to acquire new skills and career guidance. Over the 2005-07 period, 27,845 individuals benefited from this programme.

5.5 SOCIAL ASSISTANCE

Turkey only has basic means tested social assistance programmes and the incidence of poverty is still high. Extended family-based social support mechanisms are in place and in times of crisis people resort to various coping mechanisms such as reducing expenditure. Turkey has quite a segmented structure in combating social exclusion and poverty. Some new institutions were created recently and this makes coordination between the institutions even less effective. There is also municipal 'aid' (food and coal) that is widely provided during election periods. The Green Card scheme introduced in the 1990s provides means-tested access to health services for poor people.

Access to the various measures is not fully equitable and social policy measures still need to be better targeted on the most vulnerable groups. Informal workers are normally not covered by any kind of insurance-based social protection and a low degree of very basic social assistance is available to them only in cases of poverty. The European Commission study on poverty and social exclusion in Turkey showed social programmes to be under-funded, plagued by administrative and organisational problems (which translate to efficiency losses), and falling short of equity criteria. Education, health and pension schemes currently provide low quality and inadequate services and specifically designed schemes aimed at alleviating poverty fail to meet their targets (Adaman and Keyder, 2006). This study, based on interviews with casual workers and inhabitants of slum areas, clearly pointed out that respondents were not asking for 'assistance (in cash or in kind) but rather increased opportunities in the formal job market – they were in deadly need of job security, social security and a secured monthly income on which they could build their decisions' (Adaman and Keyder, 2006, p. 71).

The number of beneficiaries of Law 2022 (which defines social assistance for people with disabilities and for those over 65 years of age) reached a total of 1,277,813 people in 2009, while another 15,070,645 people benefitted from social assistance and social services provided by all the above mentioned institutions in 2007. The poverty reducing impact of the social security system is however limited. Indicators of the risk of poverty rates before and after pensions and social transfers indicate that the impact of pensions and social transfers in income redistribution in Turkey is lower than any nation in the EU-25. In Turkey, pensions reduce the poverty rate by only 1 percentage point. The risk of poverty before social transfers (including pensions and survivors' benefits) and after all transfers was 40% and 16% respectively in the EU-25, whereas it was 31% and 26% respectively in Turkey (MoLSS, 2010 after Eurostat, data for 2003).

Some efforts are currently being made to improve the social assistance system through new types of support in line with emerging needs, more effective targeting, better use of resources and service provision, organisational restructuring under a single roof and better employment promotion. Social assistance provision is increasingly characterised by a rights based approach, support for the individual as part of a household, multiple forms of social assistance dependent upon family situation, social assistance to low income individuals covered by the social security system and capacity building to promote employment.

However, improved social assistance coverage and raised benefit levels may create a disincentive for seeking a paid job or employment in the formal sector – a factor already in play for some Green Card holders.

5.6 CONCLUDING REMARKS

The Turkish current model of social protection is based on the principle of protecting jobs rather than encouraging new employment and it strongly reflects the traditional male bread-winner and female care-taker model. Strict regulations applied in the formal sector protect jobs by making it relatively difficult and expensive to lay off employees. At the same time, almost half of the labour force has no access to social protection, the social protection system is not self-sustainable and there are very high dependency rates. Although reform is under way, Turkey does not yet have a system to deal with the labour market efficiently despite attempts to take some of the social security burden from companies and to reduce the tax wedge. New pillars of social protection are being introduced to facilitate labour market transitions in the form of unemployment insurance benefits or active labour market programmes.

Passive labour market measures aiming to counterbalance increased flexibility in the labour market and economic downturns have very limited coverage with less than 10% of registered and unregistered unemployed receiving unemployment benefits. The replacement ratio of unemployment benefits also remains very low. Other measures to target the underemployed in times of economic downturns are rarely used. There is a persistent distinction between primary and secondary labour market workers where informal workers are deprived of any insurance-based benefits despite the fact that low quality and low paid informal work are the only option available for achieving income security. A small amount of generally inadequate social assistance is available to the poor and disabled but little systematic effort is invested in reliable mean-tested methods and wider coverage. Despite reform, the retirement scheme still has many shortcomings and social security for atypical workers is peppered with so many gaps that there is little incentive for workers to take jobs under the new, more flexible forms of contract.

The relatively wide coverage of social protection in terms of insurance, social assistance and pensions is generally ineffective in reducing poverty rates and cannot currently provide full support for workers due to low payment levels, poor targeting, weak measures and the segmented institutional set-up. There is no comprehensive set of incentives or infrastructure to encourage inactive individuals into paid employment and low-skilled women are particularly overlooked. Employment Promotion Packages offering employers subsidies to hire women and young people have had little or no impact on increasing female employment rates. Meanwhile, the retirement system continues to provide incentives for early retirement and further employment in the informal sector. Finally, the prevalent informal labour market, widespread poverty and weak social protection system help shape the flexicurity debate differently in Turkey than within the EU. Unemployment traps hardly exist in Turkey where there is relatively high job turn-over but little disincentive to take a paid job in the first place. The high tax wedge, widespread non-compliance with regulations and the high share of low-skilled and low-productivity workers foster informal employment here to an extent not seen within the EU.

6. SOCIAL DIALOGUE AND TRUST IN SOCIETY

6.1 MAIN SOCIAL PARTNERS IN THE LABOUR MARKET

The foundations of modern employee-employer relations in Turkey were laid in the 1961 Constitution that gave employees the right to unionise and conduct collective labour agreements with employers and also outlined the rights to strikes and lock outs. Labour Act No 4857 of 2003 is the main law on working life in general, but industrial relations (unionisation and collective negotiations) are regulated by Trade Unions Act No 2821 and Collective Labour Agreements, Strikes and Lock-outs Act No 2822, both of which were enacted in 1983, with plans of amendment. Public employees' unions and their confederations are governed by the provisions of the recent Trade Unions for Public Employees Act No 4688 (2001). Unionisation in the private sector is predominant in the textiles, food and metallurgical industries with geographical coverage limited to Istanbul, Izmir, Bursa and Ankara. Around 12% of workers are in a union according to official employment data and the share of workers covered by some form of collective bargaining agreement is far lower (Eurofound, 2009).

There are many NGOs representing different social actors. TISK (the Turkish Confederation of Employer Unions) represents formal private employers in industrial relations although there are other types of business organisations too (e.g. the Turkish Industrialists and Businessmen's Association TUSIAD, the Independent Industrialists and Businessmen's Association MUSIAD etc). There are also TOBB (the Union of Chambers and Commodity Exchanges of Turkey) and TESK (the Confederation of Turkish Tradesmen and Craftsmen), mainly representing medium and small enterprises and tradesmen and craftsmen most of whom are informal workers. Formal workers, both public and private, are currently represented by 94 trade unions either affiliated to one of the three trade union confederations (TURK-IS, HAK-IS and DISK) or independent. Finally civil servants are mainly represented by KAMU-SEN (Confederation of Turkish Trade Unions for Public Employees), KESK (Confederation of Public Employees' Trade Unions) and MEMUR-SEN (Confederation of Trade Unions for Civil Servants).

Turkish Confederation of Employer Unions (TISK)

Established in 1962 and is composed of 23 sector employers associations, covering almost 10,000 enterprises with 1,300,000 workers mostly large-scale private enterprises in the formal sector (www.tisk.org.tr). The key sectors covered include timber and wood, glass, food, paper and printing, sugar, textiles, gravel and aggregates, maritime, public enterprises, cement, leather, pharmaceuticals, metal, chemicals, petro-chemicals, construction, ICT, health, education, tourism and local government. TISK is officially involved in national social dialogue mechanisms and structures; it is a member of Business Europe at European level and is responsible for implementing many projects and activities in industrial relations.

Union of Chambers and Commodity Exchanges of Turkey (TOBB)

Established by law in 1950 (Law No 5590, amended by Law No 5174 in 2004) to represent the interests of 1.3 million enterprises. Its structure is similar to continental European systems with the compulsory registration of all companies. The three main types of enterprises registered include traders, industrialists, and capital-intensive enterprises. There are 365 local chambers in the country that fall into four categories: (i) chambers of industry, (ii) chambers of commerce, (iii) maritime chambers, and (iv) combined chambers of industry and commerce. TOBB maintains an enterprise database of around 74,000 industrial companies registered by sector and by geographical area in each province and runs the Turkish Trade Registry system for all commercially active companies. They also regularly publish the Turkey Trade Registry Journal (www.tobb.org.tr).

Confederation of Turkish Tradesmen and Craftsmen (TESK)

Established by law in 1964 (Law No 507, amended by Law No 5362 in 2005) as a legal non-governmental entity with compulsory membership to safeguard the interests of tradesmen and craftsmen. It has 13 sector and occupational federations and 491 vocational branches covering service and production sectors including commercial vehicle drivers, grocers and vendors, barbers and hairdressers, shoe-makers, metal workers, owners of coffee-houses and kiosks, tailors, electric-electronic technicians, bakers, butchers, food producers and chefs, carpenters and joiners. TESK runs 82 unions of chambers of commerce that cover every province, 3,171 chambers covering towns, with a database of 1.9

million registered tradesmen and craftsmen. TESK is legally authorised to provide apprenticeship training and issue certification for the levels of 'assistant', 'master' and 'craftsman' in cooperation with MoNE. Every trader and craft worker must register with a TESK chamber if working as a sole trader while larger companies should register with TOBB. However, many micro enterprises with low total annual revenues (traders with annual revenue below YTL 107,000, and craft workers earning below YTL 60,000) may opt to register with TESK which charges lower subscriptions and guarantees lower levels of taxation (www.tesk.org.tr).

Confederation of Turkish Trade Unions (TURK-IS)

Established in 1952 and, as of July 2009, a confederation of 35 unions representing 2.2 million workers (other sources cite 1.75 million members, www.turkis.org.tr). TURK-IS is the biggest trade union confederation in Turkey, including most public sector workers. Key sectors covered by the confederation include agriculture, forestry, wood, glass, food, paper and printing, sugar, textiles, leather, mining and oil, metal, gravel and aggregates, cement and chemicals, maritime and seaports, road-sea-railway and air transportation, construction, energy and infrastructure, health, education, tourism, journalism, banking and insurance, cooperatives and local government. It is an official member of the European Trade Union Confederation (ETUC) and the International Trade Union Confederation (ITUC).

Confederation of Turkish Real Trade Unions (HAK-IS)

Established in 1976, it has nine member unions in agriculture and forestry, food, textiles, wood, metallurgical industries, health and municipal services, representing around 350,000 workers mostly in the private sector. It forms part of national mechanisms for social dialogue and is a member of the International Confederation of Free Trade Unions and ETUC. In 2007, HAK-IS implemented a joint project with TISK to build a model of bipartite social dialogue for effective enforcement of the Turkish Labour Code, signing a memorandum of understanding on the principles for collaboration, including the flexicurity clauses of the law, in order to find a middle to balance the interests of workers and employers (www.hakis.org.tr).

Confederation of Revolutionary Trade Unions (DISK)

Established in 1967 as a breakaway union from TURK-IS, it has a membership of 327,000 mostly private sector workers through the affiliation of 17 member unions. It is also a member of ETUC and ITUC (www.disk.org.tr). DISK has recently withdrawn from International Labour Organisation (ILO) talks as a protest against the 'government failure to take any forward steps on union and social rights', and it has suspended its membership of the Economic and Social Council and the joint EU-Turkey advisory committee.

Finally there are seven confederations of public employees' unions (KESK, KAMU-SEN, MEMUR-SEN, BASK, HUR KAMU-SEN, BIRLESIK KAMU-SEN, HAK-SEN) that represent civil servants. These confederations have a total of 1,005,443 members as of July 2009⁴¹. KESK has 11 member unions and is also a member of ETUC and ITUC, while KAMU-SEN and MEMUR-SEN have 11 member unions each and the others have fewer. Trade unions and employers associations have traditionally been regarded as the social partners, but this situation may now be changing due to the increasing numbers of environmental and women's NGOs that are increasingly visible despite their exclusion from the political process so far.

The main characteristic of industrial relations in Turkey is low unionisation rates with a total trade union membership (TURK-IS, HAK-IS, DISK) of roughly 3 million (approximately 12.5% of the 24.3 million workers in 2009, see Section 1.3). Even when the one million of public employees in public trade unions are included, this overall total of 4 million unionised workers and public employees only covers 16.6% of the total labour force. There is also a new trend toward the de-unionisation of the workforce and union membership is falling. Turkish trade unions and employers in general are increasingly fragmented along political and ideological lines and there is great rivalry and hostility among the 94 trade unions that cover 28 separate branches of the labour market. This dispersal makes representation very difficult as an individual union must reach the threshold of 10% of all workers in any branch of the labour market in order to be recognised as a negotiating partner. Fragmentation is also prevalent in unions for public employees where there are currently 61 unions in 11 branches of work and 7 confederations (Sural, 2007b).

Traditionally, trade unions mainly attracted manual workers from the industrial and manufacturing sectors, particularly male blue-collar workers from the State Economic Enterprises. With the demise of these enterprises the unions would have lost their leading role if they had not expanded membership amongst non-manual and female workers and adjusted to changing market contexts and new power relations introduced through the EU harmonisation process. Unionisation in the private sector proved extremely difficult for the unions and certainly more modern and democratic

⁴¹ Ministry of Labour and Social Security's communiqué on the number of public employees' unions and the members of confederations of public employees' unions, published in the *Official Gazette* of 7 July 2009. In total there are 1,005,443 members registered in the public employees' unions.

laws on trade unions and collective agreements are needed. The unions are generally less interested in recruiting members from the informal and female workforce and the male-dominated union staff and management cadres are not sensitive enough to the problems of these types of workers. Some of the enterprise organisations such as TESK and TOBB suffer from the same lack of sensitivity toward female entrepreneurs, self-employed women and informal sector.

The history of trade unionism only dates back to the 1960s in Turkey and union development was always hindered by legal obstacles, weak industrialisation, a harsh political approach to trade unionism and a lack of class consciousness. The relationship between the trade unions and the state has been particularly difficult, with access to governmental power mainly through ideological affinity to political parties rather than any official structured mechanisms. Each trade union is therefore closely linked to certain ideological line or political party and a Mediterranean style of conflict between unions and employers has been quite common in industrial relations (Ercan, 2010; Sural, 2007b).

This conflict style has softened more recently and there have been efforts for cooperation among social partners, particularly since the 1990s and throughout the recent periods of stagnation and economic crisis. Negotiations and renewals of collective agreements are now much quicker and easier than they were before and almost no strike and lock-out practices have been recorded. There is increasing openness to social dialogue and better understanding of common interests rather than destructive conflicts. Increasing collaboration has been noted in many joint projects on worker training, health and safety measures and measures to address sector problems. The main reasons for this change can be put down to Turkey's increasing integration with the world economy, the higher number of newly established social dialogue structures at national level (tripartite or multilateral), and the EU accession process that places emphasis on social dialogue in the *acquis* and related projects. It must be recalled that this is the story of large and unionised companies since unionisation is almost impossible and non-existent in the small sized and informal firms – as a general practice the unionised workers are fired very quickly in this regulation-free segment.

6.2 SOCIAL DIALOGUE AT NATIONAL, SECTOR AND COMPANY LEVEL

Turkey has a number of advisory and consultative bodies for official representation of social partners and the government at national level including various bipartite and tripartite mechanisms for social dialogue including the Economic and Social Council (established in 2001), Tripartite Consultation Board (from 2003), Work Assembly, Supreme Arbitration Board, Minimum Wage Determination Board, Apprenticeship and Vocational-Technical Training Council, National Occupational Health and Safety Council, Labour Market Information and Consultation Board, managing boards of the ISKUR Unemployment Insurance Fund, the Vocational Qualifications Authority (MYK) and SSI. These established institutions provide openings for dialogue and discussion between social partners and the government, but the efficiency of this dialogue and the amount of effective cooperation outcomes are debatable.

The Provincial Employment Board of the Turkish Employment Agency and the MoNE Provincial Vocational Training Board are organised into 81 Provincial Directorates at national level and they provided the most significant dialogue mechanisms at the local level. The two boards were merged into the Provincial Employment and Vocational Training Boards in 2008 to improve effectiveness and efficiency on issues of vocational training and employment at provincial level.

There is a large gap between Turkey and the EU in terms of social dialogue at company level. Collective bargaining and union representation are the most visible forms of social dialogue at company level and shop stewards are represented on committees and commissions for annual paid leave, workplace consultation and discipline, occupational health and safety, firm closure, total quality management and some joint training projects. However, there is a huge distance between the few large companies that follow these practices in Turkey and the predominance of small companies with no unionised workers. There is also a gap between the public and private sectors. Particular sectors, such as industry or services, do not take an active role, probably due to their extensive internal heterogeneity and fragmentation among the actors. The compulsory provisions foreseen in legislation for collective agreements are complemented by some voluntarily mechanisms for social dialogue at company level but collective bargaining does not generally extend beyond union contracts, a situation that leaves most of the Turkish workforce with no champions.

The 2009 European Company Survey showed only 17% of companies or employees covered by collective wage agreements (compared with 63.8% in the EU 27) (ECS, 2009)⁴². A mere 16% of companies have employee representation compared to 41.25% in EU 27, although employee representation is more likely in larger companies (49.9%) than medium and small companies (26.3% and 13.6% respectively). Employee representatives do not seem to have good access to key resources such as information, timely information, training or paid time off. They report having little influence over many issues such as working time arrangements, wage determination, structural changes or career management (much the same opinion is cited in the EU) and they are rarely consulted on those issues. Meanwhile, employers state that they do consult employees before introducing changes in remuneration (67.9%), working time

(85.8), work process (76.4%) and restructuring (80.1%). They also claim they regularly evaluate training needs (59.9%), including training for the low-skilled.

Sural (2007b) reported collective bargaining as the most widespread form of social dialogue in Turkey, but this is narrowly restricted to wage bargaining as the social partners expect everything to be dictated by the government in the form of laws. He cites as the main obstacles to effective social dialogue: fragmentation and the consequent fierce competition on the labour side; diversity reflecting political and ideological differences of the country; confrontational culture of unionism (opposed to cooperation), including highly political behaviours of union executives (non-compromising, either-win-or-lose attitude is the norm); and difficulties of adaptability to change (defenders of status quo due to long historical development with the state being the main employer) (Sural, 2007b, pp. 144 ff). Despite the many inadequacies and shortcomings, social partners show great willingness on labour market and employment issues and the Ministry of Labour and Social Security is making special efforts to promote social dialogue. The path toward an effective participatory role for social partners as envisaged in the law will not be particularly easy to achieve however and the government will possibly play a dominant role in national development policies in the coming years.

The context of industrial relations (which appear to operate according to a Mediterranean conflict-style model) makes the process complex and emotional. Although the present system is severely criticised by all stakeholders, any new reform proposal draws reactions against the motions from trade unions in a pattern that follows the established polarisation and credibility gaps between players. Job security is given the highest priority by trade unions that become increasingly fragmented in the absence of consensus for the reform. Constructive opposition or any form of compromise is regarded as a sign of weakness whereas an aggressive hard-line approach is equated with strength and influence. This type of attitude represents a cultural constant in the political system and all other areas of life including private and family life in Turkey (Sural, 2009, p. 341).

The social partners tend put pressure on governments for legal changes in their favour rather than discussing issues and trying to reach amenable solutions through bilateral negotiations. This impedes the development of genuine collective bargaining and stifles social dialogue. Collective bargaining is reduced to mere wage bargaining in a situation where collective agreements should be playing a far bigger and broader role in determining employment relations. The Turkish governments have been bypassing these obstacles by introducing only marginal reforms with extra-long transition periods or by leaving 'insiders' largely untouched and making reforms applicable only to the new entrants into the labour market.

6.3 TRUST AND CONSENSUS-BUILDING IN TURKISH SOCIETY

We have already seen that income inequality is a serious issue in Turkey which has one of the most unequal distributions in the world (Gini index of 0.41 in 2008). According to IMF estimations, per capita GDP (PPP) in Turkey reached USD 13,000 in 2010, while the nation ranked 83rd (down from 79th positioning in 2009) in the UNDP Human Development Index behind the EU, Eastern European and Balkan countries⁴³. The WEF Gender Gap Index presents an equally bad picture with Turkey ranking 126th in 2010, well behind all western countries and several of the Asian, African and Arab states (WEF, 2010)⁴⁴. These human development rankings, particularly on education, health and labour market indicators⁴⁵, sit uncomfortably with its middle income level given that countries with similar income levels have far higher human development levels. These low rankings increasingly reflect deficient human development and uneven economic growth in the country.

Although the absolute poverty rate is relatively low, the 'general poverty line' as determined by relative food and non-food expenditures places 28% of the population (almost 20 million people) in poverty. There is a good deal of regional income discrepancy in Turkey with greater general poverty and larger family sizes in the eastern regions. Poverty is closely correlated to place of residence, education level and employment status. The poverty rate is higher among the illiterate and low-skilled, people employed in agriculture in the rural and eastern areas, informal and casual workers and largely female unpaid family workers. In fact 82% of the 'working poor' are employed in the informal economy (Ercan, 2010). Even in urban areas where more opportunities are available, only 10% of the poorest urban households benefit from public safety net programmes such as cash, or in-kind fuel or food support. Unemployment-related benefits (such as unemployment insurance benefits or active labour market programmes) are out of reach for the overwhelming majority of the unemployed. **TABLE 6.1** shows Turkey facing a serious challenge with relative poverty⁴⁶, as the bottom 20% of the population receive only 6% of the total income while the top 20% take 46%.

⁴³ See HDI rankings at: <http://hdr.undp.org/en/statistics/>.

⁴⁴ See http://www3.weforum.org/docs/WEF_GenderGap_Report_2010.pdf.

⁴⁵ The infant mortality rate also gives an indication of the quality of health services. According to the WDI database, Turkey has an infant mortality rate of 21.4% which is very high given the level of income (4.7% in the EU and Croatia, less than 10 in Eastern Europe and the Balkans).

⁴⁶ Relative poverty refers to any individual living below the average welfare level of any society.

TABLE 6.1 INCOME DISTRIBUTION BY QUINTILES (% OF INCOME)

Quintile	Turkey		Urban		Rural	
	2003	2004	2003	2004	2003	2004
I. Bottom	6.0	6.0	6.1	6.4	6.4	6.3
II. Quintile	10.3	10.7	10.3	10.8	11.0	11.2
III. Quintile	14.5	15.2	14.5	15.2	15.0	15.8
IV. Quintile	20.9	21.9	20.8	21.4	21.2	22.7
V. Top	48.3	46.2	48.3	46.1	46.3	43.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source TurkStat, calculated by Ercan (2010).

Results from the first Eurofound quality of life survey in Turkey in 2003 clearly demonstrate the subjective evaluation of public policies by citizens. This element is important in a democracy as it indicates how far citizens consider their needs are being met by the actions of the government. Results show policies on education and health – areas of primary importance for individual well-being and human capital contributing to economic and social development – are rated poorly by the large majority of the Turkish people. On a 10-point scale, the Turkish health service is rated in the bottom half of the scale by 78% of Turks, while the majority of Romanians and 71% of people in the EU-15 rank their health services in the upper half. Some 71% of Turks rate public education in the bottom half of the evaluation scales, while 71% of respondents in the EU-15 and the majority of people in new member states are positive about their national education systems. Turkish people also have negative perceptions of the state pension system and social services (two policies of critical importance in preventing social exclusion) while two-thirds of respondents in the EU-15 are positive about these (Eurofound, 2007, pp. 35-36).

Almost half of all Turkish households experience difficulties in paying for one or more necessities at some point during the year, meaning income levels in the lower half of Turkey's income quartiles are in urgent need of increase. Low evaluation of the quality of public services by most Turkish householders emphasises the need to improve access to and the standard of state services for the majority of Turkish citizens. Turkish women find greater difficulty in accessing services and balancing the demands of home and work life and the few Turkish women who do work are likely to be unmarried or free of family commitments, a fact that clearly demonstrates the difficulty of doing both (see Eurofound, 2007, p. 40).

The outcomes of various Turkish values surveys, some of which form part of the World Values Survey also confirm these perceptions⁴⁷. According to Kalaycioglu (2006), the level of social tolerance in Turkey appears lower than in comparable Southern European and Latin American countries with lower than average scores (not to mention Western countries). Interpersonal trust is considered very important for democracy and is needed for the formation and operation of all voluntary associations including political organisations, trade unions, NGOs and other pressure groups. Turkey ranks especially low among new and old democracies on the scale of interpersonal trust. Indeed it has the lowest trust level, on a par with Brazil, at 6-7%, while the other less trusting societies score better: Chile (22%), Portugal (21%), Mexico (30%), Spain (32%) and Italy (33%). Finally, perception of corruption in Turkey is not very impressive either with the country ranking 56th of 180 countries in the Transparency International Corruption Perceptions Index in 2010⁴⁸.

Such poor conditions in the socio-political environment point to the difficulty of consensus-building in Turkish society. A minimum level of trust is needed for any negotiation and compromise-making, especially where the parties dislike each other. Hard consensus building hardly exists at all in Turkey today and this element is in urgent need of development as it is essential to the reform process in a country where problems are generally not handled rationally and where issues are discussed on an emotional rather than technical basis. The strong general tendency toward politicised debate hampers consensus building and mutual compromise, slowing the introduction of labour market reforms in a way that has serious implications on the flexicurity debate.

⁴⁷ The World Values Survey (www.worldvaluessurvey.org/) is an ongoing academic project designed and carried out periodically from 1981 by a group of social scientists led by Ronald Inglehart of the University of Michigan to assess the socio-cultural, political and religious values of different cultures around the world. Professor Yilmaz Esmer from Bogazici University (Istanbul) was involved in implementation in Turkey. These surveys found the issue of trust and democracy had values that crossed most cultural boundaries, and gender equality was the most significant difference between cultures. The results given here also include results of a field survey of socio-political orientations in Turkey by Ali Carkoglu and Ersin Kalaycioglu (2006).

⁴⁸ See www.transparency.org/policy_research/surveys_indices/cpi/2010/results.n. Studies into clientelism in the Turkish political system have given interesting outcomes particularly in terms of how the peasant and urban poor earned bargaining power for services to be exchanged for votes in a way that legitimised patron-client relations and how political parties became an important means of access to state resources used to create loyal supporters in the periphery (subsidies, credits, employment). For more info, see Günes-Ayata, 1994.

6.4 ATTITUDES OF SOCIAL PARTNERS TOWARDS THE FLEXICURITY DEBATE

Besides legislation, traditions and labour market actors can stimulate implementation of the regulatory framework or hinder its adoption, reducing the whole process to a rhetorical exercise. The role of social partners is both crucial and decisive in the modernisation of work in Turkey but the labour market and social partners here are ensnared in a long tradition of rivalry. Blanpain (2006) explains the basis of this rivalry back to previous labour legislation and the restrictive state approach to unionism, where the labour market is highly diverse and segmented and unions operate on a local level. The state intervened with restrictive legislation and used rivalry amongst the unions for its own purposes instead of working to resolve issues with social partners like other countries. This approach has resulted in strict limits on the collective bargaining powers of unions and continued rivalry where there is a notable lack of the mutual trust and cooperation needed to achieve the new equilibrium between flexibility and security.

Deficiencies in social dialogue present obstacles to various flexicurity practices as social partners are normally expected to reach agreement on internal flexibility combinations that present a better match for both market pressures and worker demands for an improved work-life balance. Improved social dialogue, increased mutual trust and strengthened capacity in social partners are important preconditions for progress toward more and better jobs. National traditions, cultural and historical circumstances and national perceptions of social partnership may hinder innovative legislation and the organisation of industrial relations is a key determinant of success in this area. Blanpain (2006, p. 186) identifies four main stumbling blocks in Turkey:

- the paternalistic state attitude to social partners and the long tradition of the state as the main employer with guaranteed life-long employment (civil servants still receive many privileges);
- the heavy role of legislation due to the traditional reliance of social partners on government legislation to resolve industrial problems as opposed to seeking bilateral initiatives to resolve their own problems by improving the already present collective bargaining system – a situation that results in excessive regulation with little room for collective bargaining;
- the weaknesses of social partners particularly in the fragmented labour sector where polarisation and competition between trade unions has led to compromise by any union being regarded as a sign of weakness and cause for attacks from competing unions;
- substantial differences in perspective and approach among employers and trade unions that adopt extreme positions (full flexibility for employers, full security for trade unions) regardless of the demands placed on the other party or employment creation.

The Government and public organisations try to ensure the implementation of rules and observance of the law but there is room for improvement, especially in transforming the large informal sector, modernising the social security system, and providing more and better quality education and/or training for all Turkish citizens. The Turkish social security system provides comprehensive protection to several groups within the formal labour market, especially civil servants, but has excluded others, including flexible workers. These problems could be overcome with more innovative, alternative solutions but genuine political will is needed for these to be implemented.

The general low education levels of the population mean these developments bode ill for unskilled workers as more educated workers can adapt better to a changing work environment and longer schooling years raise productivity. Employers are well disposed towards atypical types of employment since they permit greater flexibility in labour management but trade unions are largely hostile as they fear it may lead to downward pressure on labour standards and unionisation rates. A balance must be struck between the two aims of making companies productive and competitive while providing workers with a minimum standard of security. Any flexicurity debate limited to the usual social partners of worker and employer unions will be quite limited and flawed as the debate excludes agricultural workers, nearly all workers in the service sector and almost all female workers. The government does not always involve all social partners in major policy initiatives in a manner that does nothing to further an integrated and open approach.

Discussion of flexicurity with the social partners mainly focuses on the component of contractual arrangements and the numerical flexibility dimension. There is great consensus on the need for and importance of components such as lifelong learning, active labour market programmes and social protection among social partners but these three components do not get sufficient coverage in their discussions. The social partners have traditionally avoided involvement in these fields as they considered them primarily a state responsibility. However, their lobbying role would be useful in pressing public institutions and governments for better services through active engagement in social discussions and the careful monitoring and evaluation of policies. The various types of flexibility and security cannot be approached in an *à la carte* manner that selects a few choice elements and leaves others aside. The interaction between flexibility and security is complex and can lead to trade-offs through the bargaining process, virtuous cycles where everybody wins and vicious cycles where everybody loses depending on the circumstances or logic of each situation. The two possible trade-offs occur when flexibility reduces security or where security reduces flexibility. When flexibility and security are mutually reinforcing it results in a virtuous cycle but when flexibility and security are mutually destructive the outcome is a vicious cycle.

Social partners do not have yet clear opinions and detailed policy proposals on the three other essential components of flexicurity. While the state has more direct responsibility on lifelong learning, active labour market programmes and social protection in general, the social partners could be more demanding and lobby for better services for the entire population. Discussions with social partners must take a comprehensive approach to include all four types of flexibility and all four types of security. The whole range of workers – including half of workers in informal employment, all female workers and the 85% not represented by any trade union or association – must be included in the debate. Current discussion with social partners covers only the 10% of unionised workers and 10% of public employees who form the group of privileged workers in Turkey.

7. CONCLUSIONS AND RECOMMENDATIONS

The EU concept of flexicurity shifts the focus from labour market flexibilisation and deregulation towards a balanced approach addressing the needs of both enterprises or employers and workers. It tries to reconcile the two opposing objectives of flexibility and security (where more of one implies less of the other) emphasising their complementary nature. Flexicurity requires an integrated approach to enhance both flexibility and security rather than ad hoc measures or actions which promote either one or the other probably at the expense of both.

The implementation of the flexicurity approach covers four main policy components:

- comprehensive lifelong learning strategies;
- sufficiently flexible contractual arrangements;
- effective active labour market policies;
- modern social protection systems.

There is a relatively complex interrelationship between flexibility and security. There are four types of flexibility (external and internal numerical flexibility and internal and external functional flexibility) and another four types of security (job security, employment security, income security and option security). The interaction between these eight dimensions can lead to 'trade-offs' (when flexibility reduces security, and when security reduces flexibility); 'virtuous cycles' (when flexibility and security are mutually reinforcing); and 'vicious cycles' (when flexibility and security are mutually destructive) (Schmid, 2009). In the case of trade-offs, there is a need for bargaining among stakeholders, and if successful this policy process may lead to a 'negotiated security' or 'negotiated flexibility' depending on the country context. In the case of virtuous cycles, the result is more likely to be one of 'protected flexibility' where everybody wins as flexibility and security mutually reinforce each other. Finally, in vicious cycles, flexibility and security become mutually destructive meaning that nobody wins and the only policy solution would be the development of 'minimum standards' to prevent unacceptable abuses.

Turkey is half-way along the path to modern labour market management. A large proportion of the active population is employed in agriculture and a substantial share work in the informal sector in low-productivity jobs where there is no social security. This leads to a situation where the majority of workers and jobs are unprotected despite an official level of very protective labour legislation. This effectively results in the formation of separate primary and secondary labour markets with little flow between them. Primary labour market workers traditionally benefitted from increased security based on job protection and more recent changes resulted in additional employment and income security through unemployment insurance and active labour market programmes for formal sector workers. Informal workers normally have no access to regular insurance-based social security and they are forced to rely on the ineffective social assistance system when things go wrong. Their low skills and low productivity levels prevent them from joining the formal sector with its high tax wedge and high job protection.

More than half the working-age population (aged 15-64) is economically inactive and is not deployed in a way that makes best advantage of the demographic window of opportunity. Most of the inactive population are women, especially among the low-skilled who are kept from the labour market by high opportunity costs and the lack of both supply and demand side incentives. While the informal sector and secondary labour market offer greater numerical flexibility, enterprises and workers operating in this section of the economy are actually highly inflexible and unable to successfully adapt to the changing environment or expand. Low-skilled workers are therefore trapped in low paid, casual jobs and the majority of companies with low-skilled entrepreneurs operate on a tight profit margin, exiting as soon as difficulties arise or restricting their own growth. Improving the quality of work and workers is therefore a major challenge for the Turkish labour market. Low labour market activity amongst women and youth unemployment are key problems and there are further concerns over economic growth, social (human) development and inequality.

This report shows that the Turkish labour market is not functioning in an optimal manner; missing out on much of its human potential (almost two-thirds of the working-age population are either inactive, unemployed or underemployed). The result is less worker protection and lower employment rates despite the strict labour protection provisions enshrined on paper. Modernisation of the Turkish labour market is already underway but further modernisation is needed to deal with the issues of informality, female inactivity and the unequal division of wealth. In particular current human development indicators show the status quo is not sustainable in the longer-term as it presents the risks of serious social instability and permanent damage to the development prospects of the country. Determined public action is needed to increase activity and employment rates, counter social exclusion, improve (gender) equality and create better wealth distribution.

In the terms of Schmid (2009), the current situation in the Turkish labour market leads to vicious cycles where the flexibility and security practices work in a mutually destructive way and all parties lose in the end. The labour market is plagued by deficiencies and inefficiencies with vicious cycles in the informal sector where the lack of security for workers does not mean real flexibility for employers. Primary labour market workers enjoy job security and access to both severance payments and insurance-based benefits while non-wage labour costs are relatively high and the lack of proper enforcement provides an incentive to avoid social protection contributions or to only pay the minimum. The breach between the primary and secondary labour markets and the lack of flow between them means separate assessment is needed of the balance between flexibility and security in each segment but the lack of individual micro-data showing life-course developments in time perspective and limited reach of available statistics hamper further exploration of the topic.

Insufficient data is available on employer practices for full exploration of the flexibility issue but the little data available suggests that functional flexibility and internal numerical flexibility (working on atypical contracts) are largely underdeveloped. Although most Turkish companies appear to use numerical flexibility (external or internal), this does not help provide the long awaited productive and competitive edge for companies that would ultimately allow them to grow and create more and better jobs. Conversely, the majority of these entrepreneurs and their workers appear trapped in the vicious cycle of informality, low-skills, low-productivity, low-wages and low-competitiveness. Furthermore, although work division tends to be low and multitasking or rotation is common in small firms, the low skill levels of most workers severely limit the incidence of more advanced forms of internal and functional flexibility in Turkey.

Security is most frequently referred to in terms of job security, which is mainly applied to the small primary segment of the labour market. Other forms of security (employment security and income security) are not available for the majority of workers and no option security is given to the female working-age population. Based on the limited data available, we may conclude that the primary segment provides the traditional type of job security as well as some new forms of employment security (such as limited access to active labour market programmes) and limited income security (unemployment benefits). However, the most important type of employment security possible is ensured through the employability of individuals, and the picture here does not look promising for the majority of the Turkish population and work force. Human development level is not comparable with economic development level of the country. Human capital stock is very low and the Turkish education system currently faces many challenges. Although education levels are gradually increasing, they are still very low by international standards and there is wide variation by gender and region.

Education and training is the key to employment security, but not all sections of the population have equal access to a good quality education. Illiteracy still exists among a substantial part of the population, in particular among women. An overwhelming majority of the employed population has only primary education, with little possibility of further training. Among the younger generations, enrolment rates at all levels (from pre-primary, primary, secondary to tertiary) are low by international standards and the education system has so far been unable to overcome the inequalities faced by disadvantaged groups such as girls, the poor, the disabled and people resident in the rural and eastern regions. There are problems related to the quality of education and the type of competences and skills provided to students as these do not appear to increase employability in the expected manner, particularly among girls and at secondary education level. Given this situation, increased educational attainment levels would be a precondition to any advance for Turkey starting with equal access to a good quality education for all.

Active labour market programmes and social protection systems still leave some gaps despite the reforms. Active labour market programmes are small-scale and are not targeted on vulnerable groups (with some exception for the disabled and ex-convicts). Their effectiveness and efficiency is not monitored and evaluated in any systematic manner. The pension system is being reformed very slowly and the lack of social protection for atypical workers often puts them in a disadvantaged position. Insufficient incentives and infrastructure are in place to increase the supply of female labour. The secondary labour market offers employers some flexibility with easier and cheaper firing procedures and some data also suggest there may be greater flexibility in working hours and functional flexibility. Generally low levels of worker skills and low productivity affect the quality of work and hamper the transition of workers into better jobs and the formal sector. The security of these secondary segment workers is heavily undermined as they lack income security in the event of unemployment, illness or accident and they do not have access to measures such as continuing vocational training and active labour market programmes that could improve employability. In the event of poverty they may rely on social assistance which is usually inadequate in quality. These conditions result in a situation where the family is the only source of security although this depends heavily on the availability of family resources.

The findings indicate that poor quality public services are largely responsible for this situation and institutional deficiencies or rigidities have a significant impact on the balance of flexibility and employment security. The implementation of flexicurity would require a huge effort from public institutions, particularly in the fields of education and training, active labour market programmes and social protection. An assessment of these services shows policies with a limited reach for a limited number of beneficiaries, and little final impact. A lifelong learning strategy was developed and adopted by MoNE, but was not well-connected to the rest of the education system. This ambitious plan lacks the necessary resources and effective means to achieve its 16 broad objectives as the objective of full literacy

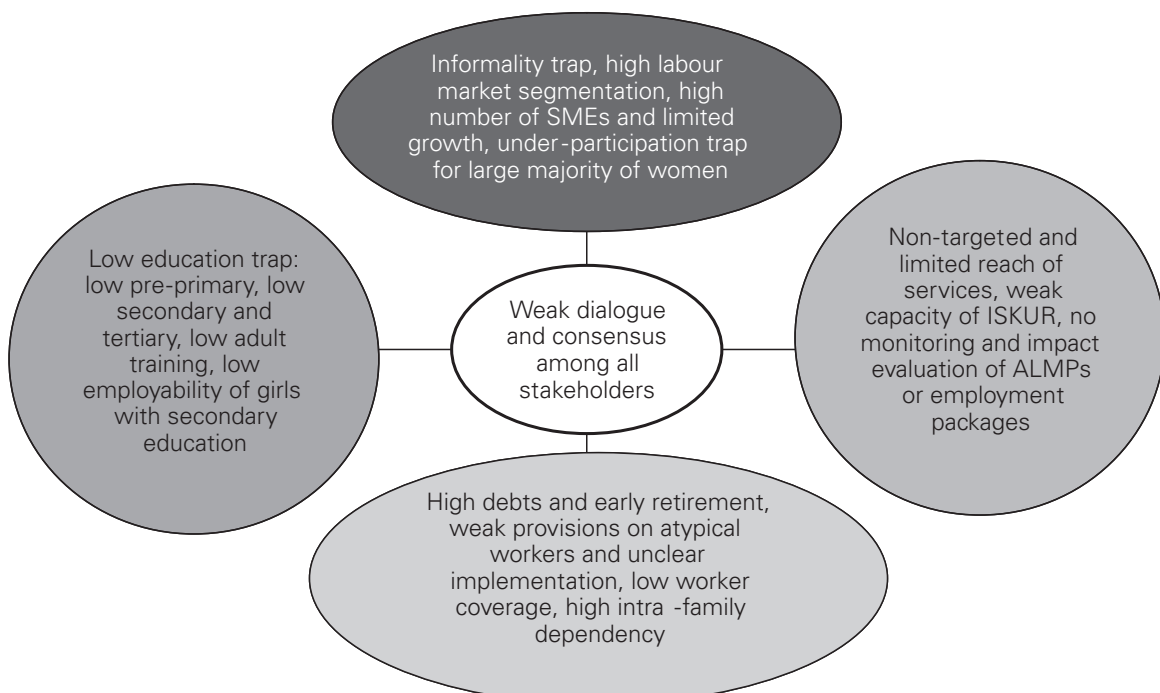
alone would demand immense amounts of human and financial resources and a minimum of a decade to achieve. The SSI is struggling with massive debts in payments and is unable to propose innovative solutions to the increasing problems of social protection for workers on atypical contracts or informal workers outside the system. The state has been unable to change the conditions that encourage informal employment such as early retirement, eligibility conditions for a Green Card, or the lower benefits of formal female employment.

Immediate labour law issues still pending include easier application of atypical contracts, the failed draft regulation on temporary work agencies (vetoed by the president in 2010) and the Draft Law on Trade Unions, all of which have a strong influence on the flexicurity debate. The Ministry of Labour and Social Security has recently been working with academics to develop a National Employment Strategy where flexicurity seems to be adopted as the key policy approach to the challenges. The details of the strategy have not yet been publicised, but the main policy areas will strengthen links between education and employment, and between employment and social protection, flexibilising the labour market and increasing the employment of young people, women and other disadvantaged groups. In a speech on 13 October 2010, Labour Minister Omer Dincer stated that labour market reform is urgently needed to deal with a number of challenges using the flexicurity approach.

Institutional inertia means labour market systems and institutions in each country are strongly path-dependent, just like other systems, but nations learn quickly and seem capable of changing their policies to become more successful. Within the EU, South Mediterranean countries like Portugal tend to have lower education levels, lower labour productivity, lower labour force participation and higher unemployment. Particularly closing the existing education gaps takes long years and a lot of effort and investment. These conditions create higher vulnerability and less security on their labour markets, yet they seem to have also the least flexible regulations as seen in the OECD EPL Index; possibly as an outcome of high vulnerability. Turkey must find the right mix of social and economic concerns as there is no one-size-fits-all solution and a step-by-step approach to adjust policies and seek country-specific answers is possibly the best option.

The flexicurity concept requires simultaneous actions in all four policy areas – lifelong learning, contracts, active labour market programmes and social security – but certain policies must be prioritised given Turkey's limited resources. The weakest component of flexicurity in Turkey appears to be education and lifelong learning where the low education trap substantially worsens all other components. Low employability (low education levels) makes people less secure and more rigid. The existing vicious cycle couples flexibility with informality or precarity, and security with strict legislation. Informal employment deprives workers of security, but employers get few of the benefits of flexibility either as there is no increase in productivity or competitiveness. In fact, most informal micro-companies never achieve growth, meaning that most workers and employers are vulnerable. These key findings are summarised in **FIGURE 7.1**. In these conditions, the priority should be to decrease labour market segmentation and increase education levels for all. The current labour and education situation coupled with weak trust and social dialogue seriously hinders Turkish labour market adaptation to innovation and global economic challenges, slowing the development of the entire country.

FIGURE 7.1 THE KEY CHALLENGES OF FLEXICURITY ANALYSIS IN TURKEY



Key policy recommendations

Concentrate all efforts primarily on the education system, making the next 10 years an 'education decade' to provide a good quality education for all

This includes increasing the duration of mandatory basic education to 12 years, providing minimum vocational education and training to everybody before leaving education and entering the labour market, prioritising gender equality in all types and at all levels of education, VET and adult training. Girls must graduate from secondary general or vocational schools just as employable as boys, with the support of better career guidance and counselling services and with education and training of a higher quality and relevance to labour market needs. Increased public investment, especially in pre-primary, primary and secondary education (good quality education for all aged 3-25), is strongly needed and justified for both equity and efficiency reasons. Once dropped out of school, early school leavers (and low-skilled workers) have greater difficulty in benefiting from adult training because they have a low stock of human capital on which adult investments can build and be productive.

As confirmed in the latest EU strategy (2010b), education and training system must deliver the right mix of skills, including digital and transversal key competences, media literacy, and communication in foreign languages. They must also ensure that young people, graduating from secondary and tertiary education, possess the skills and competences needed to make a rapid and successful transition to employment. Fighting against early school leaving and low educational achievement in basic competences such as literacy, numeracy and science, including among adults, is an essential element for inclusion, employment and growth. Continuing training must reach the benchmark of 15% of all adults participating in lifelong learning.

Preventive investments in early education are the most cost-efficient public policy offering far larger benefits for the individual, society and economy. Turkish children and young people should not be allowed to miss this opportunity during their early education period. In addition, mechanisms could be set up for second chance training for adult workers and the working-age population. This should be specifically targeted at disadvantaged groups in order to justify the use of public money. Such action would imply the development of an adult education system in order to make lifelong learning a reality for most people, designing skill-upgrading programmes according to labour market needs, implementing active labour market measures in a more systematic and targeted way and undertaking strict monitoring and evaluation of these activities and policies based on equity and effectiveness criteria. More resources must be provided with more effective means to achieve ambitious goals in line with the objectives set by the lifelong learning strategy including more effective and targeted use of existing funds, establishments and mechanisms such as vocational and technical high schools, vocational training centres and public education centres to provide more labour market-related and good quality training.

Increase female activity and employment rates, in particular for the low and medium-educated women, through mechanisms addressing the 'under-participation traps'

All the figures in this report indicate that women are largely excluded from the labour market, reflecting a combination of economic, social and cultural factors that considerably hamper the socio-economic development of the country, wasting the potential contribution of female human resources toward a better quality of life. Women's status in society and their economic independence are indicative of the degree of democracy and have a strong impact on the welfare of societies and young generations. It is obvious that the labour market value of education at primary and secondary level (including upper secondary) is very low for women in Turkey. Unlike the other countries, secondary education does not increase the employability of women and does not enhance their employment opportunities. For lower skilled women the opportunity costs are too high in relation to the low wages expected and there is only limited access to the infrastructure needed to support the combination of work and family (limits on part-time jobs or flexible working time arrangements, scarcity of cheap good quality childcare facilities, even weak public transportation). Patriarchal values also confine women to the private sphere, burden them with all the household and family duties and provide little respect for the lower-end jobs performed by women.

Thus, incentives for the commodification and commercialisation of services traditionally provided by women within households for free offer huge potential for creating new jobs and attracting more female workers into the labour market. In turn, higher female activity would generate greater demand for additional goods and services in the economy and this could stimulate demand for the creation of new jobs. Making social services marketable (in particular child care, geriatric care and domestic work) and providing tax incentives for the private sector, easy entry to business, incentives for families that ensure sufficient purchasing power for social services or publicly-funded service agencies increases the size of the female workforce and ensures better quality low-cost services for recipients. Early childhood education is one of the key factors in determining the future success of children, especially for those from disadvantaged backgrounds, and commodification of good quality childcare services with modern education techniques could provide better chances for the three to six age group compared to the alternative of staying at home.

Address the problems of informal employment and reduce its share in the economy with a mixture of 'carrot' and 'stick' policies for enterprises

Extensive informal employment (half of the workforce) is a serious barrier in the implementation of any effective employment policies. By definition, half of the active workforce is beyond the reach of state policies and social protection despite low employment rates, low female activity and high youth unemployment. The OECD states that informality is above all an expression of a lack of trust in public institutions, a negative perception of the role of the state and a limited understanding of the benefits derived from social security. It is a sign of a broken social contract which limits high-value added sustainable development. Easing bureaucratic obstacles to job creation, in particular creating enabling environment for business growth of micro- and small-enterprises could encourage them to grow and move into the formal sector meaning they can create more decent jobs. Measures to reduce tax burdens on employment by reducing labour costs could significantly boost registered employment, in particular at the minimum wage level, as high labour tax wedges encourage slow formal employment growth in the country.

National statistics show that there is quite a high number of business start-ups every year, with equal numbers of firm closures and/or business exists. Entrepreneurial tendency is quite high in Turkey but most micro and small enterprises fail to grow and only maintain high returns by imposing very long working hours whereby their flexibility makes little positive contribution. The extent of informality consistently increases with enterprise size and there is a strong positive correlation between establishment size and the share of good jobs. Therefore, company growth policies should be a priority and more systematic and conditional support must be provided to the micro and small enterprises and SMEs. The conditional support should involve both 'carrot and stick' elements and encourage the companies to grow and formalise within a certain time perspective. Policies to provide an enabling environment in which micro and small enterprises can grow and expand their activities are undoubtedly necessary, but policies that would enhance the capabilities and competence of entrepreneurs and workers are a far more pressing need. This would encourage the generation of new jobs, expansion of the formal sector and more good jobs.

Reduce labour market segmentation into formal and informal, public and private, and primary and secondary labour markets and encourage higher labour mobility for better reallocation

The Turkish economy is characterised by its large informal sector, many small and micro-sized enterprises. Measures must be taken to decrease segmentation and break the vicious cycle that leads to separate labour markets and working conditions for different groups. Working conditions and expectations are completely different for poorly-educated and highly-educated workers in the Turkish labour market. In actual fact, the minimum standards for decent work and acceptable conditions in the legislation are not implemented for all workers under the current set up with half the workforce pushed into the informal sector. Actors in the formal sector are offered no acceptable middle solutions (legal differentiation between different groups is not allowed) and participants have no room for manoeuvre short of exiting the formal system.

Implementation of the flexible work provisions in the 2003 Labour Act has proved problematic and the poor level of uptake so far implies the need for further clarification and easier mechanisms for implementation in practice. Thorough discussion and reconsideration is also needed of pending issues and problems in relation to severance pay, the unemployment insurance system, temporary work agencies, labour taxes, social protection for atypical workers and the inclusion of females and young people in the labour market among the all stakeholders (the state, employers and workers). This requires substantial steps from all relevant stakeholders, but also more efficient and inclusive public services in the society, in particular in the field of education and training at all levels and types.

It is important to stress that flexibility provisions are expected to operate in such a way that informal workers gradually become included in the formal sector. Even if this process results in more temporary contracts, these workers will be still offered a degree of protection that is better than the current lack of protection in the informal sector. Reduction of labour market segmentation will necessarily include flexibility measures for the public sector and the large, formal and unionised private sector, while at the other end of the scale many aspects of security and formalisation are needed for micro and small enterprises and to increase the employability and security of informal workers. The ETF does not specialise in labour legislation and this report does not explore the specific changes needed to labour law and other laws. This task is the responsibility of the relevant stakeholders (the state, employers and workers) who must reach at least a basic level of agreement on the broader lines of labour market reform.

Increase the capacity and role of the Turkish Employment Agency (ISKUR), mainly by increasing the number of good quality staff

It is clearly unreasonable to expect an agency with 2,312 staff (including secretaries, drivers and other support staff) to effectively deal with the problems of 1.6 million registered unemployed (out of 3.5 million total unemployed) when a country like Germany, with a comparable population and similar unemployment figures, has 85,000 staff to do the same job. The high levels of registration with ISKUR show that the Turkish public have high expectations from the institution but there is currently a huge shortfall in performance. The caseload is far too heavy for any proper one-stop-shop

services for the unemployed, and the staff is unable to collect information on all existing vacancies, communicate closely with employers and address their needs. Under the current set up, the institution must develop partnerships and coordinate activities with other players in the field (MoNE, vocational training centres, private training providers, and private employment agencies) in order to provide higher efficiency services.

First and foremost, staffing levels must be increased to a realistic level in terms of numbers and expertise. New recruitment must be based on expertise in employment, occupation, training, career guidance and counselling, as well as labour market research and analysis. There must also be a clear division of responsibility between the Ministry of Labour and Social Security and ISKUR on employment policy making, implementation and the monitoring and evaluation of policies including impact assessment of the Employment Promotion Packages. ISKUR institutional capacity needs to be increased for active labour market measures to be implemented in a more systematic and targeted manner and strict monitoring and evaluation of active labour market programmes is crucial on the basis of equity and effectiveness criteria in order to ensure better results and success. The institution does not complete any in-depth analysis of the Turkish labour market, in terms of comparisons between LFS data and registered unemployment, and the outcomes of any public employment service provided. Analysis of current and future labour market needs is also necessary for the design of new training programmes and the provision of effective career guidance.

Reform the social protection system to achieve a better balance between adequate social assistance to those who need it most and to remove incentives for inactivity (e.g. early retirees, women)

Flexible working does not pay enough to ensure adequate social protection and workers taking up such posts lose their right to the limited social assistance available and the Green Card for free health services. Early retirees also feed the informal sector as they continue to work while claiming their pensions. The probability of women being inactive or in informal employment increases greatly where there is a formally employed person in the household since the system encourages the dependency through family membership. These features combine to show that the current model of the male bread-winner and female home-maker does little to encourage formal employment, particularly for women, while those in low-waged jobs and workers with atypical contracts are heavily punished.

The outcome is that most people voluntarily or involuntarily remain outside the system and there are extremely high dependency ratios in the Turkish social security system despite the young age structure of society. In fact, only 27% of SSI members are actively working and contributing to the system, while the rest is composed of primarily family dependents and pensioners. Social assistance coverage is extended slightly through the provision of free services to members of large families headed by informal workers, but the system encourages the tendency toward high informality and low coverage of the actual workforce. The welfare state cannot remove all individual risks, but it should help support members to actively master structural changes. People must be encouraged to work and take risks as a prerequisite for individual development and mobility, innovation and growth. Social security is necessary but is not a substitute for the potential benefits of risk-taking. If no insurance is provided against some individual risks, economically useful investment in areas like human capital becomes less attractive as the investor carries the full burden of risk and uncertainty.

Establish a well-functioning and transparent labour market information and research system for evidence-based policies

There has been little research into individual transitions in the Turkish education system and labour market. More information is needed on individual experiences of changes in employment status and transitions in the course of life including those from school to work in all types and levels of education as well as specific restrictions on females and informal workers. Many positive improvements have already been noted in the transparency and timely dissemination of LFS data and other recent initiatives in standard surveys like the transition module of the LFS, the adult training survey and the survey on continuing vocational training. However, the outcomes are worthy of deeper analysis and more extensive use by researchers in public and private institutions as well as universities. For its size, Turkey still has very few researchers able to provide this kind of analysis for public debate and policy making, and further development is needed of research capacity, monitoring and evaluation of performance in the education and training system and labour market operations. Public institutions, researchers and social partners must form closer networks for joint analyses and improved policy outcomes.

Analysis of the labour market and its interaction with the education and training system is dependent upon data being made available and accessible to the public and researchers in an easy, free and timely manner. This sort of information provision is crucial for evidence-based policy making, good management of public affairs and as a catalyst for fact-based analysis and open public debate. A well-functioning information system involving elements like censuses, labour force surveys, household budget surveys, establishment surveys, administrative registers for the unemployed and education and training statistics is an important institutional tool that is essential in developing evidence-based labour market policies. Thorough monitoring of individual transitions in the labour market is dependent upon multi-dimensional panel data over time, information on wages and skills, occupational codes, contract types, job tenure and worker turn-over

rates. These data should be compared with administrative registers such as the PES data on the registered unemployed, census data, education statistics and establishment surveys.

Ensure better information for and higher involvement of social partners and relevant public institutions in the comprehensive policy approach of flexicurity

Flexicurity is an integrated package that cannot be treated as an *à la carte* menu. It is not the form of flexibilisation understood in open labour markets like that of the United States, but the European answer to globalisation on the basis of a strong social tradition. More capacity building activities are needed if social partners are to play more important roles in public policy making. All relevant stakeholders need to understand all the components of flexicurity, and the four types of flexibility and security should be taken into account in national discussions. It is important to note that almost all current discussions of flexicurity in Turkey are merely restricted to numerical flexibility. Fuller discussion of the flexicurity concept could offer the opportunity for stakeholders to openly discuss long-standing critical issues (such as the informal sector, low education, lifelong learning shortcomings, the poor quality and labour market-relevance of education, the under-participation trap for women, deficiencies in the public employment services and active labour market programmes, the high dependency and low coverage of workers in social security) and move these up the political agenda.

More awareness-raising and information campaigns must be organised to ensure broader discussions with the participation of all stakeholders including the state, social partners and other civil society organisations. Distinct efforts must be made to include those currently not represented in debates on employment and labour market policies (women, informal workers, the young). Separate discussions should be held with these groups of each component of flexicurity in order to increase understanding and awareness of the indispensable elements of flexicurity, for only then will the social actors, in particular social partners, be able to develop opinions and policy proposals that include the comprehensive policy dimensions of the concept and move on from discussions limited solely to the flexibilisation of contracts. Equally important is the future performance and success of key public institutions such as MoNE, the Ministry of Labour and Social Security, ISKUR and the SSI, as the future level of socio-economic development in Turkey is dependent upon them. For example, 'business as usual' with the same level of public funding in the education field would postpone the human development of the country several decades, a 'lost opportunity' for catching up the most developed nations and a 'serious barrier' for sustained economic growth, innovation and global competition.

ACRONYMS

ACEV	Mother and Child Education Foundation (Turkish NGO)
ALMP	Active labour market programme
DISK	Confederation of Revolutionary Trade Unions
EPL	Employment Protection Legislation
ETF	European Training Foundation
ETUC	European Trade Union Confederation
EU	European Union
EWCS	European Working Conditions Survey (Eurofound)
GAP	South-Eastern Anatolian Project
GDP	Gross domestic product
GNI	Gross national income
HAK-IS	Confederation of Turkish Real Trade Unions
HDI	Human Development Index
HRD	Human resources development
ILO	International Labour Organisation
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
ISKUR	Turkish Employment Agency
ITUC	International Trade Union Confederation
KOSGEB	Small and Medium Enterprises Development Organisation
LFPR	Labour force participation rate
LFS	Labour Force Survey
MoLSS	Ministry of Labour and Social Security
MoNE	Ministry of National Education
MSE	Micro and small enterprise
MYK	Vocational Qualifications Authority
NGO	Non-governmental organisation
NUTS	Nomenclature of territorial units for statistics (Eurostat)
OECD	Organisation for Economic Cooperation and Development
PES	Public Employment Service

PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment (OECD)
PPP	Purchasing power parity
SME	Small and medium-sized enterprise
SSI	Social Security Institution
SVET	Strengthening the Vocational Education and Training System (EU-funded project)
TESK	Confederation of Turkish Tradesmen and Craftsmen
TIMSS	Trends in International Mathematics and Science Study
TISK	Turkish Confederation of Employer Unions
TOBB	Union of Chambers and Commodity Exchanges of Turkey
TUIK	Turkish Statistical Institute (sometimes called TurkStat)
TURK-IS	Confederation of Turkish Trade Unions
UIS	UNESCO Institute for Statistics
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USD	US dollar
VET	Vocational education and training
WDI	World Development Indicators
YTL	New Turkish lira

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