



European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Turkey

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This article is the sole responsibility of the author(s).

1 Introduction

There are 17.8 million non-institutional civilian young people in Turkey, representing a quarter of the total non-institutional civilian population of 70.5 million (Turkstat, 2009, population aged 15-29).¹ As elsewhere in Europe, young people continue to face challenges – aggravated by the economic crisis - in education and training systems and in accessing the labour market.

It is still not clear that youth unemployment has been recognised as a problem at the highest political level, judging from the latest draft of the National Employment Strategy document. The Turkish employment rate was 41.2 % in 2009, which is quite significantly below the EU overall headline target of 75 % (rising from 69 %). The youth employment rate (for the population aged 15-29) is 37 %, which implies that a proportionately larger increase in youth employment is needed.

In order to raise the level and quality of young people's labour market integration, there is a need to address the *structural challenges* which have been exacerbated since the advent of the economic crisis. Sustained economic growth in Turkey between 2002 and 2007 was not reflected in an increase in labour force participation, especially for women. The unemployment rate continued to grow and reached 11 % (13.6 % in the non-agricultural sector) in 2008. In 2009, these unemployment rates hit 14 % and 17.4 %, respectively. The unemployment rate is steadily increasing because the better educated (i.e. those with a high school education; the median education level in Turkey is primary) urban younger cohort participate more, but at present the jobs are not forthcoming.

If it were not for the decline in the Turkish participation rate, because women's participation is falling, the unemployment rate would have been higher. The Labour Force Participation Rate (LFPR) was 47 % in 2008, because of the ongoing rural-urban migration. Former uneducated unpaid family workers in agriculture do not participate in the urban labour market. This factor still dominates the overall participation rate, although rising urban education levels are pushing up participation rates of young women, at the same time. On the demand side, the Turkish historical (for the past forty years) net employment creation rate is less than 1 % per year. (Between 2000 and 2008, 2.75 million agricultural jobs were lost; the non-agricultural economy created 2.4 million jobs; see Ercan, forthcoming.)

Low-skilled young men from poorer regions who usually work during the construction and tourism season in western Turkey, and rural-urban migrant women who are at risk of non-participation, are the two prominent groups of disadvantaged young people. These people are under-qualified and their skills shortages would not be abated by Active Labour Market Policies (ALMPs) since they first need training in basic skills. ALMPs would not be effective for primary school graduates in today's knowledge and innovation economy because they do not meet contemporary labour market needs. Their exclusion, or exclusion from the primary (formal) segment of the labour force, will continue to be the case because the agricultural employment exodus will still be significant in the coming decade or so.

¹ All headline statistics in this article are computed by the author using the Turkstat online database for 15-29 year-olds. Turkstat's default reporting age group is 15-24 for young people.

These patterns will drive the participation rate and unemployment patterns of the urban youth in Turkey. *This is regardless of the impact of the recent economic crisis.* The crisis put the unemployment rates for all groups in the first half of 2009 at historic highs. It may have hastened this outcome by a few years, but this effect was going to dominate the statistics anyway.

The headline unemployment rate fell to 10.5 % in June 2010. This is a misleading figure for international comparisons, because of the high proportion of agricultural employment.² The urban unemployment rate is 13.1 %, down from 16 % in 2009. The non-agricultural unemployment rate is 13.4 %; this is a three-point improvement from 2009 to 2010.

After stabilising at 20.5 % between 2002 and 2008, the youth unemployment rate of under 25 year-olds registered an over-proportionate increase of five percentage points in 2009 (to 25.3 %). Further breakdowns of these employment and unemployment trends by five-year age groups are reported in the Annex. Participation and unemployment statistics for young people paint a negative picture (Figures 1a and 1b for males and females, respectively; the young female non-agricultural unemployment rate is shown in both figures). The non-agricultural unemployment rate for young males hit 28 % in 2008 and came back down to its 2006 level in 2009. The young female non-agricultural unemployment rate hit 33 % in 2009 and came back down to its 2006 value in 2010. Regardless, these rates are very high. Note also that young women's LFPR is very low at 25 % between 2004 and 2008, and a still very low 28 % in 2009.

Employment rates for all young age groups (15-19, 20-24, and 25-29) have fallen between 2008 and 2009 (see Annex). Unemployment rates have risen significantly by four or five points in each group. The younger, lower skilled were hit harder. The immense disparity (of close to 20 percentage points) in the unemployment rates of the skilled 20-24 and the skilled 25-29 age groups very strongly suggests that there are barriers to entry to the first job, even for the high-skilled.

The long-term unemployment rate fell during the crisis because the longest-term unemployed (two years and above) became discouraged workers (Ercan, forthcoming). The NEET rate is 38 % in Turkey for 15-24 year-olds. Finally, although the young constitute a quarter of the population, 52 % of the unemployed are young (15-29 year olds, 2009).

² Ercan (forthcoming) argues elsewhere that return migration of job losers and their subsequent classification as unpaid family workers (with an increase of 450 000 in 2009) in agriculture helped the employment and unemployment statistics to look better in Turkey. The non-agricultural unemployment rate is a more realistic indicator for international comparisons.

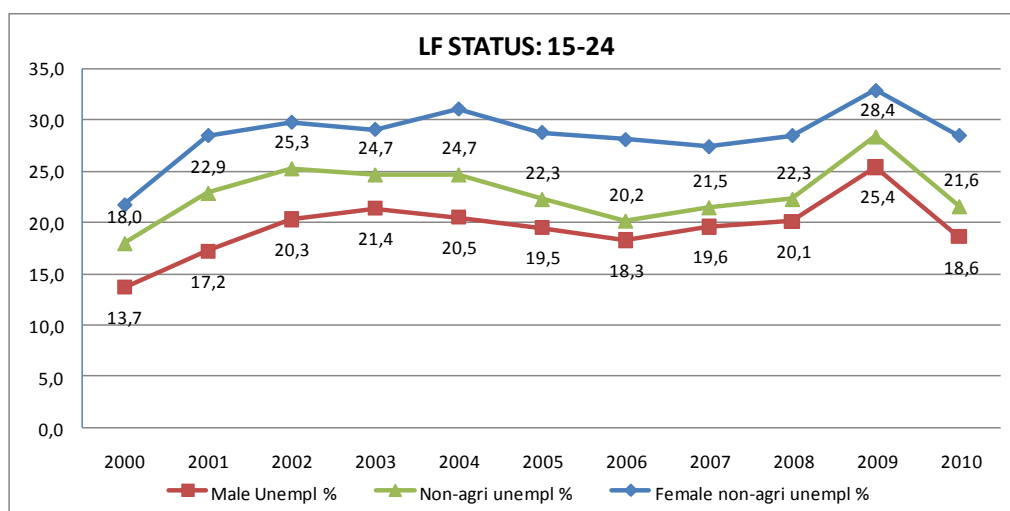


Figure 1a. Male unemployment rate and female non-agricultural unemployment rate (youth).

Source: Turkstat.

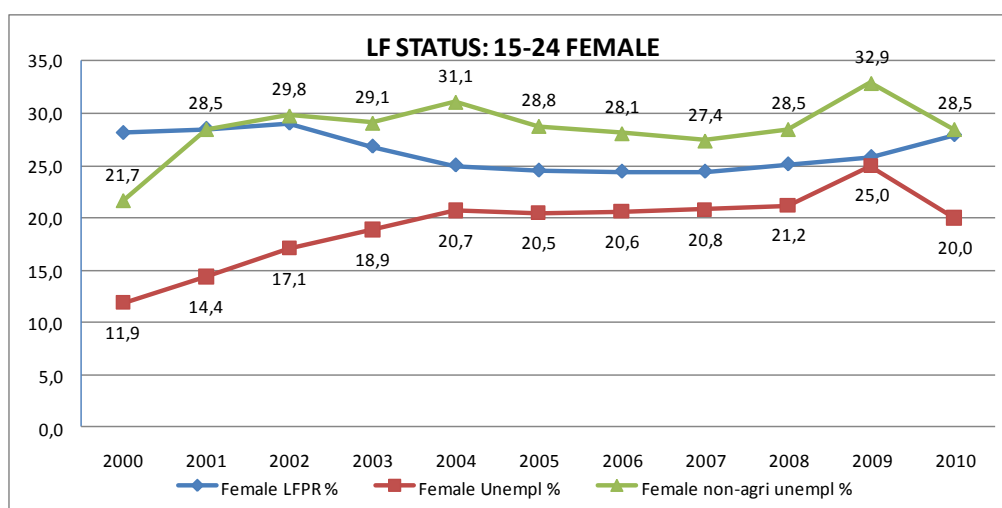


Figure 1b. Female LFPR and unemployment rate (youth, June 2010).

Source: Turkstat.

2 Measures taken to promote youth employment

Turkey did not have youth employment policies in place before the economic crisis and did not take additional action during the crisis. There were no measures to reduce the high level of youth unemployment and to raise youth employment rates, during the crisis, at the national level. There are no regional or local level initiatives to promote employment (or youth employment) either, because policies are centralised. Furthermore, Turkey had no financial resources for such measures in 2009 because of falling tax revenues. Social partners do not have the resources as their member base and influence has been eroding, with the unionisation rate currently at less than 8 %.

Anti-crisis measures in Turkey were late and inadequate (leading to a severe contraction and immense job losses in just a few months, although the crisis was having an impact abroad for at least three quarters before it affected Turkey later in 2008). The first comprehensive jobs-related package was announced in May 2009, after the municipal elections. By then, over a million people had already lost their jobs and budgetary funds had dried up because of falling

tax revenues. Consequently, only modestly expansionary fiscal policies were introduced. There were no cash resources available, with the exception of the unemployment insurance fund, which had to be generously put to use outside its legally intended scope (in financing infrastructure projects). The incentives, therefore, had to be designed as non-cash, in the form of a deferred tax burden on new employment. Jobs were lost and there was hardly any new employment creation during the crisis. This observation indicates that the crisis measures in Turkey were unsuccessful.

2.1 School education and training policies

Early school leaving rates are different in Turkey according to school type. General high schools have an early school leaving rate of 9 %, whereas vocational high schools have an early school leaving rate of 18 % (Ministry of National Education, 2008-09 statistics). The ninth grade is critical: 64 % of girls, and 76 % of boys, who leave do so in this grade. The Education Reform Initiative (ERI) of Sabanci University in Istanbul has conducted a survey of school leavers (2010). Girls cite economic reasons and opposition from their father as reasons for leaving school. Boys cite personal reasons despite their families' support for staying in school. These gender-related attitudes later evolve into barriers to women's labour force participation. Drop-outs remain unskilled in the labour market (activity status by education level is reported in Table 1, below). ERI reports that there are no governmental prevention initiatives to prevent early school leaving or reduce the NEET rate.

Note that vocational school graduates constitute 8 % of the 2008 Labour Force Survey (LFS) sample (micro data), but 11 % of the unemployed (Table 1). The quality of vocational education in Turkey is an ongoing concern, as noted by this author in previous EEO Review articles. Early school leavers would have benefited from recognition of their non-formal (if any) acquisition of skills, but no such system yet exists in Turkey. International recognition of skills is in development, through the recent Occupational Licensing Institution, which is currently in the process of completing occupation definitions and licensing requirements.

The Turkish Employment Agency (ISKUR) does not specifically target young people in its training programmes. The apprenticeship system has a long history in Turkey and is effective to a certain extent but is also in need of reform. Overall, the vocational education system needs an overhaul in order to link education to today's labour market needs.

In Table 1, education levels by activity status are reported. In the last column, population proportions by education level are shown. As expected, people in the illiterate and no-diploma categories are overrepresented in the inactive population. The median education level in the population is still primary in Turkey. Basic education/secondary graduates are over-represented in the unemployed and inactive categories. General high school graduates are over-represented in the unemployed category. Vocational high school graduates are active, either employed or unemployed. This is similar to those who have completed tertiary level education. The overall unemployment rate for the data is 10.9 %. Excluding the illiterate category, with the exception of primary and tertiary education levels, at all levels of education unemployment rates are higher than the overall unemployment rate. College graduates constitute the managers, engineers, and professional occupations. Primary graduates are the bulk of the unskilled or informal employment.

Table 1. Education level completed by work status (2008).

Education Level completed	work status		15+		Unemployment rates
	Employed	Unemployed	Inactive	Total	
Illiterate	6,064	455	21,918	28,437	7.0%
column %	4.48	2.75	13.74	9.13	
No diploma	6,010	883	13,872	20,765	12.8%
	4.44	5.34	8.69	6.67	
Primary school	54,364	5,633	61,820	121,817	9.4%
	40.2	34.06	38.74	39.12	
Secondary/basic education	20,389	3,161	30,778	54,328	13.4%
	15.08	19.11	19.29	17.45	
General High School	14,667	2,394	17,048	34,109	14.0%
	10.84	14.47	10.68	10.95	
Vocational High School	14,251	1,852	8,426	24,529	11.5%
	10.54	11.2	5.28	7.88	
Tertiary education	19,505	2,161	5,711	27,377	10.0%
	14.42	13.07	3.58	8.79	
Total	135,250	16,539	159,573	311,362	10.9%
%	100	100	100	100	

Source: 2008 Turkstat LFS micro data. Data are tabulated by the author. Row maximums are in red.

2.2 Labour market and employment-related policies

An employment package for Turkey was announced in 2008 and some anti-crisis measures were implemented in 2009. The 2008 package was not a response to the global economic crisis; it aimed to tackle the issue of the steadily climbing unemployment rate. The package did not involve cash subsidies; it had the usual labour demand stimulation framework for reducing labour cost through smaller social security contributions. It was more advantageous to hire women or young workers. The 2009 measures, like the 2008 employment package, were economy-wide horizontal policies not necessarily addressing the labour supply issues. Finally, there was a sector-specific consumption tax decrease in the automotive and consumer durables sector. There were no schemes on job-search assistance and guidance, for example, at any point. Perhaps the 2008 package would have achieved some positive results but Turkey was hit by the crisis shortly after its announcement. Judging from the subsequent unemployment rates for the target groups, as reported in the previous section, it had no effect. During the crisis, the low skilled component of the labour force was hit proportionately harder and young women, for example, belong to this group. There was no substitution effect observed as a result of the 2008 package. In the long term, if the recovery favours women and young workers, one could make an impact analysis.

One could conjecture that, spending on active labour market policies (ALMPs) would favorably affect the job prospects of the participants during the recovery. Note that ALMP expenditures in Turkey before 2009 were negligible and not even reported to the OECD. In 2009 the government allocated TRL 500 million (EUR 250 million) to ISKUR and the same amount in 2010. There will also be further training for 200 000 unemployed in 2010 and 2011, before the elections, half of it already completed. Such sums were not spent previously on ALMPs and there is no impact analysis yet, as ISKUR does not conduct follow up surveys. ISKUR does not specifically target women or young people.

The following table shows the Active Labour Market Policy and internship components of the May 2009 crisis employment package for Turkey. The third row is half-implemented (100 000 recipients trained) and the rest are planned to be trained before the elections in 2011.

Table 2. ALMP and internship components of the May 2009 crisis employment package.

Policy area	Description of measure	Aims and objectives	Legislative Status	Positions of social partners	Preliminary assessment of the measure against:	
					Criteria for the measure to succeed in the short term	Criteria for the measure to succeed in the long term
Increasing labour productivity	May employment package.	Labour supply and demand (human capital investment for presently employed).	Adopted. Not implemented yet.	Positive.	The target is 200 000 ALMP recipients who are in employment. It should show later in ISKUR (PES) bulletins.	Increased productivity (to be seen in later statistics).
Increasing labour supply	May employment package.	Internship facilitation in firms.	Adopted. Not implemented yet.	Positive.	100 000 young interns are aimed to be supported for internships at firms with financial support from the Turkish Employment Agency.	The proportion in employment after the support measures expire in six months (to be seen).
Investment in human capital, increasing access to employment	May employment package.	Labour supply and demand (human capital investment for the unemployed).	Adopted.	Positive.	The target is 200 000 ALMP recipients in present unemployment rosters. It should show later in ISKUR (PES) bulletins.	Increased productivity (to be seen in later statistics).

Source: Turkish economic media sources.

It is hard to qualify for unemployment insurance in Turkey. Dayioglu and Ercan (2009, and forthcoming) show that only one in twelve job losers could qualify for unemployment insurance in 2009. There were no specific benefits or support programmes for young people. With the intention to remedy this situation, the government announced its intention to employ 500 000 people in infrastructure and municipal maintenance projects in April 2009. The number fell to 120 000 as the budget figures came in, proposed to the parliament as ‘an intention, not target’ in May, and disappeared quietly afterwards. The measure would have addressed the third priority area of the EU, increasing access to employment, as it was planned to have some portion of this new employment allocated to first-time job seekers who have little hope of finding a job in the middle of a crisis.

Turkey instead has provided broad-ranging incentives, not necessarily targeting young people, by reducing employment costs for new recruits in its anti-crisis measures. These hiring subsidies (reduction of non-wage labour costs by paying social security contributions) apparently did not encourage companies to recruit young people and/or to create additional

jobs for young people. They were not effective as evidenced from the unemployment levels reported in the first section of this report and in the Annex.

It was argued by this author in the previous EEO Review on self employment that self-employment in Turkey is close to the casual (daily) wage work, another option after ‘failing’ to obtain regular wage-salary work. Unlike in the rest of the EU, self-employment in Turkey has not been an important driver of entrepreneurship but rather a coping mechanism for the lack of primary segment jobs. Micro-finance facilities do exist in the eastern and southeastern parts. Anecdotal evidence suggests that for many, these programmes serve as income support programmes.

2.3 Addressing problematic features of youth employment

An employment package was instituted in 2008, which was not designed as a crisis measure but was meant to address the problem of rising unemployment. The tool was employment cost reduction for new recruits, favouring women and young people. In the May 2009 package, there was the 200 000 target of vocational training by ISKUR. Half of this target received their training; the remaining half will receive it in the coming months. Finally, there was short-time work compensation for a few months in 2009. These three measures make up the total of employment promotion measures in Turkey which have been implemented in the past two years, for general employment promotion, or for youth employment promotion.

Undeclared workers felt the brunt of the employment losses and their proportion diminished in the workforce. The government does not suggest increased audits against undeclared work (UDW), fearing even more low-skilled unemployment. The Turkish Employment Agency has paid out to a record number of beneficiaries at 318 000 in April 2010, when the number of unemployed was twelve times this level. The official reach is thus fractional and there remains an open question regarding how to design effective policies for the informal unemployed, who are mostly young and unskilled. The 325 000 drop in unemployment in the previous eight months is closely matched by the 350 000 increase in agricultural employment because of return migration, which is unregistered employment. (All crisis incentives required formal contracts, obviously.)

Not surprisingly, the Turkish Employment Agency’s annual survey of establishments (2009) reports eight of the top ten occupations as unskilled occupations, such as manual work or general (unspecified) services. Long-term supply of skilled occupations depends on urbanisation and the resultant increases in schooling levels. This development will also push age at first marriage up and increase women’s labour-force participation rates eventually, first increasing, and then gradually helping to reduce youth unemployment. The recent migrants - uneducated urban young men and women who at present find themselves marginalised - would diminish in proportion as the group’s schooling levels go up in the cities. But the government does not give political priority to the issue of twelve-year mandatory education.

Employment cost subsidies are a long-standing tool to support business creation in Turkey for its underdeveloped regions. They are not generally effective, as shown by the fact that these policies have been in effect for the past forty years or so but regional per capita income levels failed to converge to the national mean. The measures used in response to the economic crisis were not any different than those that were used during times of economic stability, including the regional priorities. The hardest hit industrial western regions of Bursa and Istanbul had no

targeted local actions implemented. This type of crisis reaction is indicative of the failure of the government and the economic bureaucracy in grasping the extent and significance of the impact of the crisis on the economy. As tax revenues fell swiftly, they did not have the resources to take other action.

2.4 Roles of the labour market actors

The Turkish government refused to acknowledge that the global crisis would hit Turkey and would hit it hard, as later statistics confirmed. The country's unemployment rate climbed up to 16 % from a pre-crisis 10 % in just six months and the economy contracted by 14 % in the first quarter of 2009, a post-war record for the country. The 'employment package' in May 2009 was considered to be so unbalanced, in introducing private sector agencies to provide temporary workers to establishments, that the measure was dropped in June with strong public and social partner opposition. Such unilateral decision-making practices do not instill confidence that the government could respond to new needs or has an inclination to involve employers or social partners in designing employment schemes.

There were no reforms of labour market institutions, especially regarding the Public Employment Services, which is a contentious issue. ISKUR is severely strained with less than 3 000 employees while the Turkish labour force was close to 24 million with approximately 3.8 million unemployed at the peak of the crisis in 2009. There may finally be some focus on the role of the Public Employment Services as a result of the crisis. An additional 3 000 persons will be recruited in the coming three years, from 2011. This will increase the size of the public employment service, although it will still remain small in comparison to other European countries.

In 2009 ISKUR administered 508 000 persons who benefited from short-time work compensation and this represented the major cash-injection crisis stimulus package for businesses during the crisis. Annual average compensation per person was TRL 320 (EUR 160) and the majority qualified for one month of support. The other broad measure of the government was a temporary value added tax cut in automobile and consumer durable purchases in the summer of 2009, which did help the sales and helped to minimise the loss of employment in these sectors.

3 Conclusions

The recent economic crisis has come to Turkey rather late but it hit hard and swiftly. Most employment adjustment was over in late 2008 and early 2009 with a fast-growing unemployment rate, especially for the young. Unemployment levels for urban young people are considerably higher than the general rate. In the coming decade, it is likely that these rates will become the overall unemployment rate. The across-the-board employment support programmes during the crisis in Turkey have not made a difference for urban youth; although there have been labour cost support programmes for new recruits that could have favoured unemployed youth. This suggests that young people face significant barriers when trying to get a job or remain in one. There are difficulties in making the transition to the labour market, i.e. getting a first (full-time) job after finishing education and training, such as the issues of low-skills on the demand and supply side and a general lack of childcare facilities on the supply side.

What could have been done? An ALMP drive could have been instituted across industries that were slowing down: compensating and training workers on idle company time on company grounds, thus *preventing some layoffs and upgrading worker skills*. ISKUR announced a programme to do so in June 2010 with modest goals, almost a full year after the crisis affected Turkish production statistics. The policy would have been in line with the two of the three key priority areas for action as identified by the EU; maintaining employment and upgrading skills.

Given the high cost of providing new employment, Turkey's net employment creation problem - which disproportionately affects its youth - will remain for another generation or so, which suggests that the country's unregistered work problem will not go away soon either.

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Annex:

YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS						
Country	Turkey					
Data	Age group 15-19		Age group 20-24		Age group 25-29	
Year	2008	2009	2008	2009	2008	2009
Employment rate	22.0 %	21.0 %	39.9 %	38.1 %	54.4 %	52.9 %
Unemployment rate (total)	19.6 %	23.6 %	21 %	26.3 %	13.2 %	17.5 %
Unemployment for the low-skilled (ISCED<3) ¹	17.5 %	21.5 %	17.2 %	22.1 %	12.1 %	15.7 %
Unemployment for the high skilled (ISCED>3) ¹			29.6 %	32.8 %	10.8 %	13.1 %
Difference in youth unemployment rate ¹ between Q4-2009 and Q4-2007	19.6 %	3.0 % 22.5 %	20.6 %	4.9 % 25.5 %	10.8 %	3.3 % 14.1 %
Long-term unemployment as a % of unemployment ¹	22.4 %	19.2 %	23.8 %	23.6 %	27.9 %	25.8 %
Temporary work as a % of employment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NEET rate (% of the age group)	32.5 %		37.7% ²	37.5% ²		
Early school leavers (% of the age group) ³		11.3 %	n.a.	n.a.	n.a.	n.a.
Proportion in the number of unemployed Youth/adult unemployment ratio ⁴	12.6 % 1.6	11.6 % 1.1	21.7 % 2.8	20.9 % 2.1	20.1 % 2.6	20.3 % 2.0

¹ 25-34 for the third age group.

² 15-24 age group. Training data are not available.

³ Not available from Turkstat; Ministry of Education secondary school data for 2008-09 school year.

⁴ Age group unemployment rate / 30+ unemployment rate (7.7% in 2008, 10.1% in 2009).

Source: Data from Turkstat, www.turkstat.gov.tr ; calculations by the author.