



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

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non-standard contracts**

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Summary

Self-employment made up 23.3 per cent of total employment in Turkey as of 2015 (the figure rises to 35.6 per cent if unpaid family workers, mostly in agriculture, are included). There has been a declining trend since 2008 especially among those who work on their own account. Self-employment is less common among women, but this increased during the 2008 economic crisis as women decided to participate in the labour market as a reserve workforce.

Part-time workers and those who are on a contract of limited duration were 14 and 18 per cent of all employed individuals, respectively, in 2015. Both part-time and limited-duration employment have increased significantly over the last decade from their level of 7.5 and 9.5 per cent, respectively, in 2006. We are not aware of any statistics on other forms of non-standard work.

Earlier research found self-employed people to be more at risk of poverty compared with waged workers, and to be in a similar situation to the unemployed (Ercan, 2010; Azevedo and Atamanov, 2014). Self-employed people are found to have lower years of education compared with waged workers. We are not aware of any studies that distinguish between formal and informal self-employed people, nor of any studies on non-standard workers. An exception to this is seasonal agricultural workers.

Social protection coverage for both the self-employed and non-standard workers depends on registration with the social security system. For those registered, a benefit package that covers retirement, sickness, maternity and healthcare is provided. Since the social security reforms of 2008, the conditions and the benefits have been similar to those for waged workers. Family benefits and long-term care provisions are non-existent both for self-employed people and most waged workers.

Informal working is the main problem in respect of self-employed people. Official statistics based on the main employment categories show the informal working rate to be 59 per cent among self-employed people, compared with 19 per cent among waged workers. Another facet of informal working is the issue of underreporting of income. This results in low levels of benefit payments and a higher risk of poverty in retirement. Statistics are not available for non-standard workers.

One of the major issues for self-employed people is the failure to pay premiums. Alper (2011) reported that among non-agricultural self-employed people only 44 per cent had been paying premiums regularly. As benefits are paid only if there is no premium debt, a large portion of self-employed people have to pay off accumulated debt in order to claim benefits. For non-standard workers, it is often difficult to complete the minimum required days of work to be entitled to benefits.

Needless to say, those in the informal sector cannot claim any benefits, and social assistance programmes are the only form of social protection for such people. As half of the self-employed are informal and the social assistance programmes are far from being satisfactory, decreasing the prevalence of informal working stands as the most important challenge in improving the provision of social security to self-employed people. Finally, the financial implications of a decrease in informal working are difficult to predict, as is its impact on the labour market in general.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

Self-employment is defined in Law no. 5510, entitled 'Social Insurance and Universal Health Insurance Law'. According to Article 4(b), self-employment primarily includes those who are employed but are not subject to any labour contract, as well as business owners/partners. Since the social security system applies only to the formal workforce, the law requires either payment of taxes, being registered as a partner of a company, or being on the registry of artisanship ('esnaf and sanatkâr'). The category also includes those working in the agriculture sector on their own account. Finally, headmen in rural and urban areas ('muhtar') are also counted in this category.¹ There is no provision for unregistered self-employment in the law other than relevant penalties for failure to register.

Non-standard work relations are mostly legislated for in Law no. 4857, entitled 'Labor Law' (part-time work in Article 13, fixed-term contracts in Article 11, on-call work in Article 14). As for social protection, conditions and benefits are defined in Law no. 5510, with some special provisions for certain professions such as taxi drivers or people working in home cleaning services in cases where the contract is for a term shorter than ten days.

The Turkish Statistics Institute (TurkStat) uses ICSE (1993) categories and classifies employed people as waged workers, those working on their own account, employers, and unpaid family workers. According to the TurkStat figures, shown in Table 1, as of 2015 18.7 per cent of employees worked on their account, 4.6 per cent were employers, and 12.6 per cent were unpaid family workers. In urban areas, the rates were 11.4 per cent, 5.7 per cent and 2.1 per cent, respectively. Over time, there has been a decrease in all these categories. Note that the share of those working on their own account among employed people experienced a decrease from 22.3 per cent in 2008 (and from 15.3 per cent in urban areas). In other groups, namely employers and unpaid family workers, the change was not significant.

TABLE 1: Proportion of some categories of self-employed people in total employment (per cent), 2008-2015

Years	Unpaid family worker					
	Own Account		Employer		All	Non-Agr.
	All	Non-Agr.	All	Non-Agr.		
2008	22.3	15.3	5.7	6.9	13.1	3.1
2009	21.1	13.8	5.7	7.0	12.7	2.8
2010	20.4	13.1	5.9	7.1	12.7	2.6
2011	20.8	13.4	5.7	7.0	13.5	2.8
2012	20.1	12.6	5.3	6.6	13.6	2.6
2013	19.4	11.9	5.2	6.4	13.7	2.4
2014	18.9	11.2	5.0	6.2	13.2	2.4
2015	18.7	11.4	4.6	5.7	12.6	2.1

Source: TurkStat

Among employed women the ratio of those working on their own account is smaller (10.7 per cent), employers are rarer (1.2 per cent), but unpaid family workers are more prevalent (31.4 per cent nationwide and 4.3 per cent in urban areas), when compared with similar statistics for men.

¹ *Muhtars* are part-time government employees, selected by local units. They do not have any legislative or administrative power but act as liaison officers between the government and the local people.

Statistics on non-standard workers are more scarce. The major categories of non-standard workers are part-time workers (who made up 14 per cent of those employed in 2015) and individuals with a work contract of limited duration (18 per cent of those employed). There has been a sharp increase in these figures since 2006, the earliest year we have data for, from 7.5 and 9.5 per cent respectively.²

We should note that informal working is common among self-employed people. According to TurkStat, 60 per cent of those working on their own account are informal (51 per cent in non-agricultural areas). Among non-standard workers official statistics are not available. Informal working is more common among women who work on their own account, at 85 per cent as of 2015. In agriculture, almost all—i.e. 96 per cent of the women who work on their own account—are informal. Ercan (2010) notes that during the economic crisis of 2008, self-employment increased among women, which can be interpreted as a coping mechanism against unemployment of a male household member.

According to the Statistics of Income and Living Conditions, the ratio of those at risk of poverty or social exclusion was 37.1 per cent for employees in 2013, but the figure rose to 44.3 per cent for employed people other than employees.³ Azevedo and Atamanov (2014) find from the Labor Force Survey of TurkStat that, as of 2011, 26.2 per cent of the self-employed were poor and 33.2 per cent vulnerable (based on the World Bank's regional poverty lines of 2.5 and 5 USD/PPP, respectively). The rates were closer to the rates for unemployed people (33.6 per cent and 34.1 per cent) than for employees (12.4 per cent and 30.5 per cent). They also make a comparison with 2002 and find that, while employees and self-employed people had been poor (48.7 per cent and 50.7 per cent, respectively) and vulnerable (29.4 per cent and 31.4 per cent, respectively) at similar ratios in 2002, employees appear to have improved their position significantly more than self-employed people over time. This comparison indicates less improvement among self-employed people compared with waged workers, but this comparison should be treated with caution because 2002 was a year after a severe economic crisis in Turkey.

Also notable is that self-employed people have fewer years of education compared with regular waged workers, and they are comparable in that respect to non-standard workers such as casual waged workers employed daily or seasonally (see, e.g., Küçükkırca, 2012; Topsak, 2015). Based on this observation, Ercan (2010) assesses the self-employed as a flexible workforce with little, if any, job security. While studies usually find self-employed people to be poorer, we are not aware of any research which specifically investigates vulnerable groups among self-employed people.

We are not aware of any assessment regarding dependent self-employment (viz. those workers who are formally self-employed yet under conditions of work similar to those of dependent employees). That is most probably because informal working is quite common in Turkey (34 per cent of employed people in 2015 according to TurkStat) and provides an escape from the burden of formal employment contracts.

Vocational education and training for entrepreneurship are among labour market policies adopted by the government. 63,621 people participated in 2,460 such education programmes in 2016 (İŞKUR 2017). İŞKUR specifically targets women (27,752 people in 2016), for whom labour force participation is rather low, and young people (11,902 people younger than 24 years in 2016), for whom the unemployment rate is quite high.

As discussed in detail below, the social protection system is quite inclusive of the self-employed who are in the formal system and pay their dues. A similar statement can be made regarding non-standard workers who are formally registered with the system, with the exception of apprentices and trainees. This has largely been achieved after the reforms

² <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00159&plugin=1> and <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00073&plugin=1>

³ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps02&lang=en

of the social security system in 2008. We are not aware of any policy discussion about further extending social security provisions for self-employed people.

2 Description and assessment of social protection provisions for the self-employed and people employed on non-standard contracts

2.1 Description of social protection provisions for the self-employed and people employed on non-standard contracts

Social protection provisions for the self-employed and non-standard workers depend on whether or not they are formally registered with the system. Informal workers are not covered under the social security system, but they may receive some support from social assistance. They face the same conditions as those who work informally under contractual arrangements. Apprentices and trainees are an exception in that they are covered only for healthcare and occupational or work-related injuries and sickness.

For registered workers, social protection schemes are legislated for in Law no. 5510, entitled 'Social Insurance and Universal Health Insurance Law'. The law creates three categories: waged employees, government employees, and self-employed people. Participation is compulsory and the rules are quite similar for all (see below for details and Annex 1 for summary tables). For the self-employed, serious compliance problems have been reported (Alper, 2011). For non-standard workers, the major issue arises over completing the necessary time limits to gain rights to benefits, due to non-standard employment periods. Unemployment insurance is legislated for separately (Law no. 4447) and does not include self-employed people.

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Turkey has had a universal public health insurance scheme in place since 2008. The system is financed by the premiums paid to the Social Security Institution (SSI). For those registered with the SSI, their premiums are set at 12.5 per cent of their income. The premium covers dependants as well. Those individuals who do not pay their premiums become indebted and have to pay the full cost of healthcare. There are no specific provisions applying to self-employed people, as the rules are the same for all. For non-standard workers, the rules are the same for periods of employment: for any shortfall relative to full-time work they have to pay additional premiums at the rates corresponding to unemployed individuals. For a part-time worker, for example, who works half-time only, half of the premiums are paid according to the reported income and the other half has to be paid according to the rules indicated in the next paragraph.

For those not registered with the SSI, including informal self-employed people and non-standard workers, health insurance premiums change with income. Since informal income is often difficult to observe, the system is based on a means-tested scheme that uses various proxies to determine the household income level. Premiums range from no payment for low-income households, to 395.91 Turkish Lira (TRY) (EUR 131) for those with household per capita income higher than two times the gross minimum wage in 2016.⁴

Public health insurance coverage is the same for all; there is no specific provision for self-employed people or non-standard workers.

⁴ Those with per capita household income of less than one-third of the gross minimum wage make no premium payments, but their premium payments are paid by the government to the SSI. In 2016, those with per capita income up to the gross minimum wage paid 65.88 TRY (EUR 21.80) per month; up to two times the gross minimum wage paid 197.71 TRY (EUR 65.50); and more than two times the gross minimum wage paid 395.91 TRY (EUR 131). The currency conversion is made at 3.02 TRY/ EUR , the average exchange rate for the period from 1.1.2016 to 12.12.2016.

Sickness benefits are covered by additional premiums, ranging from 1 to 6.5 per cent of the reported income⁵, the rate varying according to the degree of hazardousness of the occupation. The benefits also cover maternity. Self-employed people are entitled to benefits only for cases of sickness related to the work they perform. For waged employees, including non-standard workers, benefits cover cases not related to work as well.

To be entitled to benefits, a minimum of 90 days' premiums should have been paid during the year before the sickness and the beneficiary should be an active employee at the date sickness starts. A medical report is required for the benefits to be claimed. The benefit is equal to half of the reported daily income for inpatient care and two-thirds of it for outpatient care. Payments start from the third day of sickness and cover the period of the medical report.

2.1.2 Maternity/paternity cash benefits and benefits in kind

As stated above, premiums for the self-employed, as well as waged employees including non-standard workers, for work-related sickness and maternity benefits are set between 1 per cent and 6.5 per cent of the reported income. Maternity benefits are not provided for trainees and apprentices. The rate varies with the degree of hazardousness of the employment. To be entitled, a minimum of 90 days' premiums should have been paid during the year before the delivery. To receive the benefits, people should have a medical report and should have paid all social security premiums. For maternity, the benefits, equal to two-thirds of the reported daily income, are paid for the eight-week periods before and after the delivery (five weeks of the period before the delivery may be transferred to after the delivery).

There is also a payment of 122 TRY (EUR 40) to the husband upon delivery of the baby if the husband or the wife is a registered employee. This payment requires premiums to be paid for a minimum of 120 days during the year before the delivery.

Since 2015 all Turkish citizens are entitled to a one-time payment following the birth of each of their first three children (300, 400 and 600 TRY [EUR 99, 133 and 199] for the first, second and third child, respectively).

2.1.3 Old-age and survivors' pensions

The Social Security Law (No. 5510) sets the minimum number of contributory days for self-employed workers to become eligible for a retirement pension at 9,000 days (25 years) (Article 27), which is higher than that for waged employees in the private sector (7,000 days) but the same as that for government employees. The minimum number of contributory days for non-standard workers is the same as for waged employees. For part-time workers contributory days are found by dividing the hours of work by 7.5.

The social security system went through a major reform in 1999, and hence has different provisions regarding the minimum retirement age. For those who started working after 1999 it is 58 for women and 60 for men. For others, it varies based on their seniority. The minimum retirement age is set to gradually increase after 2036 towards 65 years in 2048 for both men and women as seen in Table 2.

⁵ Income reported to the SSI is often lower than the actual income, even for contractual employees, in order that people pay lower income tax and social security contributions.

Table 2 – Pension Entitlement Ages

Pension Entitlement Ages by Gender: 2007-2048		
Years	Female	Male
2007-2035	58	60
2036-2037	59	61
2038-2039	60	62
2040-2041	61	63
2042-2043	62	64
2044-2045	63	65
2046-2047	64	65
2048	65	65

Source: Law no. 5510, Article 28.

Social security premiums for self-employed people are set at 20 per cent of the reported income, with a minimum of 20 per cent of the minimum wage and a maximum of 20 per cent of six and a half times the minimum wage. Also, for employers, reported income cannot be lower than the highest wage paid to their employees. The rates are the same as for waged employees including non-standard workers.

For waged employees, including non-agricultural non-standard workers (other than trainees and apprentices) whose contract is for more than ten days in a given month, the premiums are again 20 per cent, but 11 percentage points are paid by the employer. Non-standard workers may make additional premium payments for missing days in any given month.

If their contract is for less than ten days, an employee is required to make the premium payment on his/her own. There are specific rules regarding premiums for drivers, home cleaners and artists. There also are specific rules for workers with a limited-duration contract in agriculture regarding the level of premiums.

The replacement rates (RR) for pension benefits are 2 per cent for every year (360 days) of the contribution period with an upper limit of 90 per cent, and the monthly pensions (MP) of the self-employed are calculated as follows:

$$MP = RR \times AME,$$

where the AME is the average monthly earnings obtained by multiplying by 30 the updated present value of the average daily earnings reported to the social security authority during the contribution period.

Survivors' benefits are available to spouses and children, as well as parents, who qualify as dependants. Benefits consist of a lump-sum payment, monthly payment, payment for funeral expenses, and payment to daughters until they get married. For the payments to be made, the deceased should have paid his/her premiums for 1,800 days (900 is sufficient if s/he has been registered with the SSI for at least five years) or has already retired. For the payments to be made, all previous debt has to be paid. The spouse is entitled to 50 per cent of the pension calculated for the deceased (75 per cent if there is no other person receiving the survivor benefit and the spouse has no other income). Children are entitled to 25 per cent of the pension (50 per cent if both mother and father are deceased). While there is an age limit of 18 for male children, female children are entitled to payment as long as they are not married. There is no age limit for disabled people either.

2.1.4 Unemployment benefits and social assistance benefits

The unemployment insurance system was introduced in 2000. The coverage and the benefits are rather limited. Only those who have been employed in formal jobs are entitled to unemployment insurance benefits for a period of six to ten months. It also covers non-

standard workers other than apprentices and paid trainees. A person is entitled to benefits if s/he is unemployed without her/his fault or intention and has been paying unemployment insurance premiums for 600 days during the previous three years (of which 120 days should be immediately before unemployment). Beneficiaries receive 40 per cent of the average gross pay they received during the previous four months, but the amount cannot exceed 80 per cent of the minimum wage. The unemployment benefit covers only those working under a labour contract and hence excludes self-employed people.

Social assistance does not cover those registered with the social security system. Hence, formal self-employed people are not covered. Informal self-employed people may benefit from social assistance. We should note that Turkey does not have a minimum income scheme and its social assistance system is quite fragmented, with various coexisting schemes such as old-age pensions (those provided by Law no. 2022), disability benefits, and in-kind and cash assistance to poor households at varying amounts by a variety of institutions. Although a formal means-testing mechanism complemented by home visits is in place, the final decision lies with local offices, which are able to exercise discretionary powers.

2.1.5 Long-term care benefits

There are no specific long-term care benefits for waged employees or self-employed people. Long-term care is provided by the Ministry of Family and Social Policies at various rest houses and alms-houses. The Ministry's priority is to support poor households either through a home-care system, where relatives are paid to take care of the needy household member or, in cases where such a relative does not exist, through subsidised rest houses.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

The rules for short-term occupational injuries are the same for self-employed people and waged workers as well as non-standard workers. Benefits are similar to those in case of sickness: one-half of the reported income for inpatient care and two-thirds of the reported income for outpatient care for the duration of the medical report. There is no requirement for minimum days of prior premiums, but for self-employed people the beneficiary should not be indebted for earlier premiums.

Long-term occupational injury benefits are provided if the beneficiary can certify by a medical report that at least 10 per cent of his/her earning capacity is lost. Benefits are found by taking 70 per cent of the product of the reported income and the impairment ratio. In cases where the beneficiary requires continuous care from someone else, 100 per cent is paid rather than 70 per cent.

Invalidity pension benefits, equal to 60 per cent of reported income in the previous year, have been granted to the registered self-employed since the reform of the social security system was enacted in 2008. Before then, only waged employees had the right to invalidity benefits. Non-standard workers are also entitled to the benefit under the same conditions as waged employees.

To receive the invalidity pension benefits, a person has to certify through a medical report, and supported by the SSI Health Commission, that their earning capacity is reduced by at least 60 per cent due to a work-related injury or illness. It is a requirement to have been first registered with the social security authority more than 10 years before the invalidity and to have a minimum of 1,800 contributory days. In cases where the beneficiary requires continuous care from someone else, 1,800 contributory days are sufficient and the 10-year condition is not imposed. Another requirement for self-employed entrepreneurs is that their business should be terminated.

In cases where someone is entitled to both long-term occupational injury benefit and invalidity pension, s/he receives the full amount of the greater benefit and one-half of the lesser.

2.1.7 Family benefits

There are no family benefits provisions for self-employed people. They do not exist for those working under contractual arrangements either, with the exception of government employees. For the latter, spouses who are not employed and children are entitled to certain monthly payments.

2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

The Turkish social security system was quite different for self-employed people and waged workers up until 2008. Self-employed people had a limited set of benefits compared with waged workers. Following the reforms in 2008, however, the coverage for self-employed people became very similar to salaried workers. They are currently subject to similar rules for retirement, healthcare and most of the other benefit programmes. We are not aware of any studies analysing the implications of the reform.

That being said, failing to pay the premium is found to be common among self-employed people. For waged employees, the premium is deposited with the SSI by the employer and the process is monitored by the government. For self-employed people, however, payment is made by the individual himself/herself based on the reported income. This, for most cases, results in non-payment of premiums, and a considerable debt gets accumulated over time. As payment of the benefits requires there to be no debt, the people concerned are left out of the social protection system until the debt is paid in full. Although regular amnesties for these dues are put in place, some people still remain out of coverage.

The latest available data (from January 2011) on self-employment in non-agricultural activities (previously covered by Law No. 1479) indicate that only 44 per cent were fully up to date with their contribution payments, whereas 33 per cent were in arrears with their contributions. Further, the remaining 23 per cent had never paid any contributions after registering themselves. The same percentages were 52 per cent, 30 per cent and 18 per cent, respectively, for people working on their own account in agriculture, i.e., those previously covered by Law No. 2926 (Alper, 2011).

The gross replacement rate for pensions was 75.7 per cent in 2014, higher than the OECD average of 52.9.6 It is however the case that most individuals, both self-employed people and waged workers, report their income at the lowest level (i.e. the minimum wage), and this results in low levels of retirement benefits, which is yet another facet of informal working. Poverty among elderly people is lower than for the general population but is still higher than the OECD average. Especially for those who underreport their income, the benefit payments are rather low, with the lowest pension around 1,100 TRY (EUR 364) for self-employed people (878 TRY— EUR 290.5—for those in agriculture), and provide very limited relief.7 Yet, considering the large deficits run by the social security system, mostly due to the generous retirement policies of the 1990s, it is not likely that it would be financially feasible to increase the level of benefits.

Public health insurance provision may be considered as an exception to the low level of benefits. Following the reforms in healthcare in the 2000s, which included transition to the new public health insurance system, satisfaction with public health services has increased significantly (Stokes et al., 2015). Here the major problem appears to be the large number of self-employed people who fail to make premium payments and who cannot make use of healthcare services because they are indebted. In 2014 an amnesty was declared for those who failed to make their premium payments.8 While the late fees and interest charges on

⁶ <https://data.oecd.org/pension/gross-pension-replacement-rates.htm#indicator-chart>

⁷ The latest official figure regarding the average pension is from 2011, and it is provided by the SSI only for waged employees (885 TRY- EUR 291) and civil servants (1121 TRY- EUR 371).

⁸ The number of those in arrears was around seven million according to the SSI. Of these, around five million were automatically registered for health insurance and were assigned to the highest premium level because they did not apply for means-testing (Bülbul, 2015). This figure, five million, is likely to include a large number of

unpaid premiums were cancelled, premiums were to be paid in at most 18 instalments. Later, following an amendment, a specific group of uninsured people, composed mainly of rural people and self-employed people, had their debt frozen, meaning that they could make use of healthcare services if they resumed payment of premiums in the coming months even if they remained indebted for the earlier period.

Since the benefits and social security contributions for social protection are quite similar for self-employed people and waged workers, it is difficult to argue that the social protection system and related contributions have a role in transitions between waged employment and self-employment. Informal working is common and provides a more commonly used path to avoid social protection contributions (as well as bureaucratic nuisance). A job providing social security coverage, particularly public sector employment, is often the primary career goal for most people, well-educated and less-educated alike, unless self-employment is a family tradition. Those landing in such a job are typically not willing therefore to give up formal contractual employment to face the challenges and risks of self-employment.

For non-standard workers, the major problem is that of completing the minimum requirements for eligibility for retirement pensions and other benefits. Although they have the option to pay the premiums on their own, it is quite a burden given the fact that this group is already at the risk of poverty.

The most important issue is the prevalence of informal working among self-employed people. Informal workers are not entitled to social protection measures. As for social assistance, anecdotal evidence suggests that it is more difficult for those who are able-bodied, and fit to work, to obtain assistance. Furthermore most cash and in-kind transfers are irregular.

Hence, a major improvement in coverage of social protection could be achieved by reducing the prevalence of informal working. Informal working is quite common, at 60 per cent in 2015, among self-employed people and none of the benefits listed above apply to informal self-employed people. Government efforts to reduce informal working are ongoing. Hence, for both waged workers and the self-employed, a significant challenge is to bring informal workers under the coverage of the system. We are not aware of any studies that look into the financial implications as well as the labour market consequences of a change in coverage that would drastically reduce informal working in the labour market.

The main reason for informal self-employment is tax evasion (corporate/income taxes and other public payments). Tax evasion has been of great importance in Turkey, at a more general level, bringing about considerable economic and societal costs. It is a truism that both business and households in the country are indeed looking for ways to evade taxes of all sorts, thus contributing to the shrinking of revenues collected through the tax system (Adaman and Çarkoğlu, 2013).

As the legislative system is quite comprehensive in Turkey, loopholes are almost non-existent for someone wanting to evade taxation. Therefore, tax evasion can only be realised through corrupt activities. Therefore, the informal working-tax evasion-corruption nexus should be seen as an integral part of a major governance failure at the national level. Despite the fact that recently successive governments ratified important international and EU conventions on anti-corruption as well as taking relevant and imperative legal and administrative measures nationally in that direction, corruption continues to be an important problem (Adaman, 2011).

Finally, regarding pension benefits, we should note that, in 2003, Turkey passed legislation to give working individuals the option to purchase complementary retirement plans provided through privately managed pension companies. Starting in spring 2017, participation in these private schemes will become compulsory for all working individuals

informal self-employed people but not registered ones. The remaining two million is composed mostly of self-employed people.

younger than 46, including the self-employed, with the option to opt out after the first two months. Currently, the self-employed make up about 27.6 per cent of all those who have purchased optional pension plans (EGM, 2016).

3 Conclusions and recommendations

We conclude that the legislation for self-employed people in Turkey is well developed, and following recent reforms the legislative structures for self-employed people and waged earners are becoming harmonised and remaining differences reduced. Yet, for any given sector, self-employment would mean bearing a higher risk compared with a wage-based system, and so most people would have an inclination towards a less risky option and opt for salaried work.

But the legislation does of course apply when economic activities are being undertaken in formal structures. Given the high prevalence of informal working in Turkey, any reform attempts at the legislative level will be at most partially effective, as in most cases agents find it easy to conduct some or all of their activities informally instead. For most cases of self-employment, such shifts can be performed much more easily than that in situations where waged earners are involved.

According to the general literature, agents in Turkey opt for informal working either due to free riding and/or due to coordination failures. Given the low level of governance effectiveness, and thus the inability of the state machinery to check and control these cases, some people will continue to resist involvement in formal mechanisms. The fact that roughly one-third of the Turkish economy is informally conducted brings about severe financial and social burdens for society. Tax evasion translates into a low rate of collection of public funds compared with European counterparts. On the other hand, those who work informally are left outside the coverage of most health and other social services—and may be vulnerable to economic and personal shocks. And since the self-employed section of the labour market is especially open to informal working, most self-employed people are not covered properly.

Although harmonisation of the legislation among different types of employment should be seen as an on-going activity, attention should be especially given to the fight against informal working.

Annex

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: SELF-EMPLOYED

(For formal self-employed paying the dues regularly)

	On her/his own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Liberal professions (e.g. doctor, notary, lawyer)
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Partial - only work related	Partial - only work related	Partial - only work related	Partial - only work related	Partial - only work related
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full
Unemployment benefits	None	None	None	None	None
Social assistance benefits	None	None	None	None	None
Long-term care benefits	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity
Invalidity benefits	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full
Family benefits	None	None	None	None	None

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT (NON-STANDARD CONTRACTS)

(Formal employment only)

	Full-time employee	Part-time employee	Fixed-term employee	Temporary agency worker	Casual and seasonal workers	On-call workers	Zero-hour workers	Apprentices	Paid trainees
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	n.a.	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	n.a.	Full	None
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	n.a.	None	None
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full	Full	n.a.	None	None
Survivors pensions and death grants	Full	Full	Full	Full	Full	Full	n.a.	None	None
Unemployment benefits	Full	Full	Full	Full	Full	Full	n.a.	None	None
Social assistance benefits	None	None	None	None	None	None	n.a.	None	None
Long-term care benefits	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	Partial - limited capacity	n.a.	Partial - limited capacity	Partial - limited capacity
Invalidity benefits	Full	Full	Full	Full	Full	Full	n.a.	None	None
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full	Full	n.a.	Full	Full
Family benefits	Partial - limited range of services	Partial - limited range of services	Partial - limited range of services	Partial - limited range of services	Partial - limited range of services	Partial - limited range of services	n.a.		

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