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SELF EMPLOYMENT AND RELATIVE POVERTY IN TURKEY

Ahmet Burcin YERELI

Hacettepe University/Associative Professor
Hacettepe University, Department of Public Finance, 06800, Ankara, Turkey
E-mail: aby@hacettepe.edu.tr

Necmiddin BAGDADIOGLU

Hacettepe University/Associative Professor
Hacettepe University, Department of Public Finance, 06800, Ankara, Turkey
E-mail: necbag@hacettepe.edu.tr

Alparslan A. BASARAN

Hacettepe University/Research Assistant
Hacettepe University, Department of Public Finance, 06800, Ankara, Turkey
E-mail: aab@hacettepe.edu.tr

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(The complete version will include the income and expenditure analysis as well.)**

Abstract

In developing countries, despite of the fact that self-employment could prevent poverty and inequality in small and medium size enterprises, it might cause an increase in inequalities especially within the households in small family enterprises in rural area. The aim of this study is to calculate relative poverty and income inequality index by using the 2003 household income and expenditure data in Turkey. After the calculation relative poverty index, this index is decomposed by categories such as education, age, size of household and sex for the self-employed households. These decompositions are also made based on the rural-urban separation

and seven regional districts. These decomposition helps to understand comparative differences and inequalities in rural-urban area and seven regional districts for self-employed persons.

Key words: Relative poverty, self-employment and inequality.

Jel Classification:

1. Introduction

Relative poverty is the one of the most important issues in Turkey due to its various implications on unequal income distribution, informal sector, undeclared work and shadow economy, which all need to be address along the way to full European Union membership. Also there exists a strong association between the types of employment and the poverty status of individual or household. Informally employed or casual workers have a noticeably higher rate of poverty (World Bank and State Institute of Statistics, 2005). To escape absolute poverty after the 2001 economic crisis with higher unemployment rate relatively self-employed poverty rate became higher associated with a lack of registration at a social security institution.

Self-employment in Turkey, as in the most developing countries, characterized by low entry barriers in terms of skill, capital and organization; family ownership of enterprises; small scale of operation; labor-intensive production with out-dated techonology; unregulated and competitive markets;and low levels of productivity and a low capacity for accumulation (ILO, 1972).

According to Hanley (2000), self-employment in the region functions largely as a refuge from poverty in Eastern Europe. Also his findings do not support the assertion that the self-employed have been relegated to peripheral sectors of economy. On the contrary, the self-employed in Poland, Slovakia, and the Czech Republic appeared in large numbers in many advanced sectors of economy, such as business and professional services. Unlike in the advanced sectors, Jumani (1991) points out the social and economic dynamics of self-employment of the rural poor (Ward, 1996).

The aim of this paper is to analyse the link between relative poverty and self-employment by calculating poverty and inequality indices based on the concepts of informal economy, age, gender, and regional differences.

2. Data and Methodology

In this study, the relative poverty and income inequality in Turkey are calculated, using raw data from the State Institute of Statistic (SIS) Household Income and Expenditure Survey of 2003. In order to calculate, income was normalised for household composition using the OECD Equivalence Scale;

$$\text{OECD} = 1 + [\text{number of children under age 14}] \times 0.5 + ([\text{number of adults}] - 1) \times 0.75$$

When calculating the relative poverty index for the rural and urban classification, we assumed households with an annual disposable income strictly less than half of the household income median as poor. The following presents this definition where HMI_j refers to a half of median income level in the region, while $HHDI_j$ defines household total annual disposable income for region.

3. Poverty Profile in Turkey, in 2003

As can be seen in table 1, there are 25.764 households and 107.614 people in the 2003 household income and expenditure survey. Of those 4.146 households which is 16,09% of population, is in the poor category. This is equivalent to 24.175 people, which is 22,64% of the whole survey population. It is observed in table 5 that as households get crowded they tend to be poorer.

	Household	Individual	Household %	Individual %
Non Poor	21.618	83.439	83,91	77,54
Poor	4.146	24.175	16,09	22,46
Total	25.764	107.614	100,00	100,00

More than two third of households (nearly 71%) are at the urban side. Also the 70% of the poors are at the urban side too. Last 50 years, rapid increase in population causes migrations from rural side to urbans and this social process carried poverty together with rural habits to big cities.

	Rural	Urban	Total
Non Poor	6.234	15.384	21.618
Poor	1.252	2.894	4.146
Total	7.486	18.278	25.764

29% of the survey population lives in rural areas. Both in rural and urban areas about the same percentage (16%) of people are poor households. The number of poor households living in urban areas is more than double of those living in urban areas.

East and central Anatolia have large number of poors. Anatolian shores have great oppurtunities for the people in the mean of agriculture, fishing, tourism, international trade etc. Migration from inner regions to the shores still goes on. Especially the people who retired, move their residence to the shore cities. Eleven early retirement projects that carried out in the last 35 years, caused more than 200.000 early retired people. They were retired before the age of 45. So, they keep working in the shadow economy in order to get their pension and extra salary together. They want to benefit from the various job oppurtunities of big shore cities.

	Non Poor	Poor	Total
Istanbul	2.696	146	2.842
West Marmara	1.580	125	1.705
Aegean	3.489	417	3.906
East Marmara	1.811	197	2.008
West Anatolia	2.303	345	2.648
Mediterranean	2.810	518	3.328
Central Anatolia	1.404	284	1.688
West Black Sea	2.052	449	2.501
East Black Sea	1.065	104	1.169
Northeast Anatolia	436	168	604
Centraleast Anatolia	796	258	1.054
Southeast Anatolia	1.176	1.135	2.311
Total	21.618	4.146	25.764

It is also seen that the cities at the east Anatolia have big poverty rates among the households. About half of the households (49%) living in Southeast Anatolia are in the poor category. This is followed by Northeast Anatolia and Centraleast Anatolia with 27% and 24% respectively. The highest percentage of poor households are living in Southeast Anatolia (about 5% of the whole sample), while the lowest percentage is in East Black Sea area (lower than half percent).

	Non Poor	Poor	Total
Istanbul	2.696	146	2.842
Tekirdag	774	51	825
Balikesir	806	74	880

İzmir	1.492	157	1.649
Aydin	907	63	970
Manisa	1.090	197	1.287
Bursa	1.254	144	1.398
Kocaeli	557	53	610
Ankara	1.376	128	1.504
Konya	927	217	1.144
Antalya	863	52	915
Adana	1.466	320	1.786
Hatay	481	146	627
Kirikkale	501	110	611
Kayseri	903	174	1.077
Zongulak	873	86	959
Kastamonu	577	104	681
Samsun	602	259	861
Trabzon	1.065	104	1.169
Erzurum	248	90	338
Agri	188	78	266
Malatya	502	73	575
Van	294	185	479
Gaziantep	337	181	518
Sanliurfa	600	547	1.147
Mardin	239	407	646
Total	21.618	4.146	25.764

More than half of the population is poor in Mardin (63%) and Sanliurfa (47%), while more than one third of the population is poor in Van (38%) and Gaziantep (35%). Tekirdag, Antalya, and Aydin have the smallest proportion of poor population by 0.6%. this ranking does not change when we consider the ratio of poor to the whole population.

Household structure	Non Poor	Poor	Total
Parents with one child (<18)	2.568	200	2.768
Parents with one child (>18)	1.507	64	1.571
Parents with two child (<18)	3.449	536	3.985
Parents with two children (one child>18)	1.591	138	1.729
Parents with three children (<18)	1.882	1.076	2.958
Parents with three children (at least one child>18)	1.434	604	2.038
Parents with no child	3.205	116	3.321
Larger family*	544	60	604
Larger family with children (<18)	1.727	528	2.255
Larger family with children (at least one child<18)	1.611	512	2.123
Single parent**	960	58	1.018
Single parent with children (<18)	318	117	435
Single parent with children (one child>18)	667	122	789

Individuals living in the same house (students, workers etc.)	55	4	59
Relatives living in the same house	100	11	111
Total	21.618	4.146	25.764

* Larger family consists of relatives of at least two generation living in the same house (grandparents, parents, aunt, uncle etc.)

** Other parent away from house due to various reasons such as working in another city, or divorce, or death, etc.

The higher proportion of poor households are among larger families of those with three children or more (between 23% and 36%).

Table 6			
Gender and Relative Poverty			
Gender	Non Poor	Poor	Total
Men	40.824	11.728	52.552
Women	42.615	12.447	55.062
Total	83.439	24.175	107.614

About the same proportion of men and women are poor.

Table 7			
Age and Relative Poverty			
Age	Non Poor	Poor	Total
0-15	22.923	10.582	33.505
15-30	21.704	6.316	28.020
30-45	18.465	4.281	22.746
45-60	12.821	1.875	14.696
>60	7.526	1.121	8.647
Total	83.439	24.175	107.614

The proportion of poor decreases with age. This is also true as a percentage of the whole population. About 15 percent of poor is in age category of below 30.

Table 8			
Health Insurance and Relative Poverty			
	Non Poor	Poor	Total
Compulsory	57.294	5.250	62.544
Voluntary	878	204	1.082
Compulsory and Voluntary	829	127	956
Green Card	1.590	2.900	4.490
None	22.848	15.694	38.542
Total	83.439	24.175	107.614

The highest proportion of poor is those with green card (around 65%).

Table 9			
Education and Relative Poverty			
Education Level	Non Poor	Poor	Total
Illiterate	6.971	4.16	11.131
Illiterate with no formal education	15.336	6.549	21.885

Primary (5 years)	26.141	6.116	32.257
Primary (8 years)	5.131	1.801	6.932
Secondary	5.156	734	5.89
Secondary (vocational)	203	26	229
High	10.326	1.016	11.342
High (vocational)	2.131	107	2.238
University (2 years)	1.164	39	1.203
University (4 years)	3.109	33	3.142
Master/PhD	206	0	206
Total	75.874	20.581	96.455

75% of poor is with no or primary education. With education level the percentage of poor reduces.

	Non Poor	Poor	Total
1	9.201	3.059	12.260
2	52	6	58
3	203	24	227
4	4.433	679	5.112
5	177	3	180
6	1.235	612	1.847
7	4.266	713	4.979
8	1.039	221	1.260
9	1.420	233	1.653
10	257	3	260
11	630	63	693
12	1.645	98	1.743
13	1.227	27	1.254
14	661	40	701
15	663	224	887
16	403	118	521
17	2	0	2
Total	27.514	6.123	33.637

	Non Poor	Poor	Total
1	2.675	147	2.822
2	1.814	20	1.834
3	1.328	45	1.373
4	1.435	73	1.508
5	2.814	474	3.288
6	8.921	2.758	11.679

7	3.912	1.010	4.922
8	2.329	365	2.694
9	2.286	1.231	3.517
Total	27.514	6.123	33.637

Table 12			
Employment By Status and Relative Poverty			
	Non Poor	Poor	Total
Regular Employee	12.346	1.593	13.939
Casual Employee	1.514	1.166	2.680
Apprentice	23	4	27
Employer	1.671	68	1.739
Self Employed	6.035	1.385	7.420
Unpaid Family Worker	5.925	1.907	7.832
Total	27.514	6.123	33.637

The highest percentage of poor is in casual employees category (44%). 6% of the total is poor unpaid family workers.

Table 13			
Social Security Registration and Relative Poverty			
	Non Poor	Poor	Total
1	7.032	672	7.704
2	2.944	22	2.966
3	2.966	157	3.123
4	43	0	43
5	14.529	5.272	19.801
Total	27.514	6.123	33.637

Table 14						
Employment By Status in Social Security Registration						
	1	2	3	4	5	Total
Regular Employee	7.296	2.962	42	43	3.596	13.939
Casual Employee	236	2	4	0	2.438	2.680
Apprentice	11	2	0	0	14	27
Employer	4	0	1.164	0	571	1.739
Self Employed	5	0	1.867	0	5.548	7.420
Unpaid Family Worker	152	0	46	0	7.634	7.832
Total	7.704	2.966	3.123	43	19.801	33.637

4. Self-Employment and Relative Poverty in Turkey

Men have the great part of the self-employment. As it is seen in the table below, there are 954 women and 6.466 men who declared that they work for themselves. Women have almost

%13 of total self-employment but the poverty for the self-employed men is nearly %18, and for the self-employed women is nearly %17. That is to say, both genders have about the same poverty level for self-employment.

Table 15			
Gender of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
Men	5.246	1.220	6.466
Women	789	165	954
Total	6.035	1.385	7.420

The self-employed persons in Turkey are predominantly with married status. Self-employment by divorced or separated persons is very low. But the highest rate of poverty are at the married groups. It is %18.

Table 16			
Mariage Status of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
Single	250	41	291
Married	5.503	1.290	6.793
Widowed	231	46	277
Divorced	42	6	48
Seperated	9	2	11
Total	6.035	1.385	7.420

The majority of self-employed persons are between 30 and 60 ages. Among the age groups, from youngs to elders the poverty rate are decreasing. It might easily be explicable that people earn their living after years and improve their living standart year by year.

Table 17			
Age of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
15-30	674	213	887
30-45	2.280	625	2.905
45-60	2.065	392	2.457
>60	1.016	155	1.171
Total	6.035	1.385	7.420

When we look at the regional and provincial distribution of self-employed, we can see the great part of the self-employed are living at the shores. Central and eastern regions and provinces have low trading practice on self-employment and thus the poverty level is comparatively higher.

Table 18			
Regional Distribution of Self Employment and Relative Poverty			

	Non Poor	Poor	Total
Istanbul	333	19	352
West Marmara	487	47	534
Agean	1.024	108	1.132
East Marmara	371	33	404
West Anatolia	492	89	581
Mediterranean	892	125	1.017
Central Anatolia	380	59	439
West Black Sea	846	263	1.109
East Black Sea	446	49	495
Northeast Anatolia	194	93	287
Centraleast Anatolia	189	83	272
Southeast Anatolia	381	417	798
Total	6.035	1.385	7.420

The largest percentage of poor self-employed is in Southeast Anatolia.

Table 19			
Provincial Distribution of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
Istanbul	333	19	352
Tekirdag	281	18	299
Balikesir	206	29	235
İzmir	246	29	275
Aydin	287	14	301
Manisa	491	65	556
Bursa	290	22	312
Kocaeli	81	11	92
Ankara	160	19	179
Konya	332	70	402
Antalya	262	8	270
Adana	473	69	542
Hatay	157	48	205
Kirikkale	143	27	170
Kayseri	237	32	269
Zongulak	269	22	291
Kastamonu	295	56	351
Samsun	282	185	467
Trabzon	446	49	495
Erzurum	137	61	198
Agri	57	32	89
Malatya	110	16	126
Van	79	67	146
Gaziantep	66	33	99
Sanliurfa	239	240	479
Mardin	76	144	220
Total	6.035	1.385	7.420

The highest proportion of poor self-employed is in Mardin and Sanliurfa.

	Non Poor	Poor	Total
Legislators, Senior Officials and Managers	991	97	1.088
Professionals	62	0	62
Technicians and Associate Professionals	84	8	92
Clerks	5	0	5
Service Workers and Shop and Market Sales Workers	173	39	212
Skilled Agricultural and Fishery Workers	3.520	915	4.435
Craft and Related Trades Workers	551	101	652
Plant and Machine Operators and Assemblers	439	53	492
Elementary Occupations	210	172	382
Total	6.035	1.385	7.420

The poverty by jobs has an interesting proportional scale. Self-employed professionals and clerks are doing well. On the other hand, nearly the % 10 of legislators, senior officials and managers are under the poverty level.

	Non Poor	Poor	Total
Agriculture, Hunting, Forestry	3.488	911	4.399
Fishing	27	5	32
Manufacturing Industry	354	58	412
Construction	115	22	137
Wholesale and Retail Trade; Motor Cars, Motor Cycles, Repair of Personal and Home Tools	1.339	285	1.624
Hotels and Restaurants	110	15	125
Transportation, Communication and Storage Services	406	53	459
Financial Services	7	0	7
Real Estate and Rental	89	2	91
Education	2	0	2
Medical Care and Social Work	16	1	17
Other Social, Public and Personel Services	78	32	110
International Organizations and Representations	4	1	5
Total	6.035	1.385	7.420

	Non Poor	Poor	Total
Declared to S.S.K.	5	0	5
Declared to Bağ-Kur	1.744	123	1.867
Undeclared	4.286	1.262	5.548

Total	6.035	1.385	7.420
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Table 23			
Health Insurance of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
Compulsory	3.196	167	3.363
Voluntary	42	7	49
Compulsory and Voluntary	106	11	117
Green Card	207	186	393
None	2.484	1.014	3.498
Total	6.035	1.385	7.420

About half of the self-employed without health protection is poor.

Table 24			
Education Level of Self Employment and Relative Poverty			
	Non Poor	Poor	Total
Illiterate	417	253	670
Illiterate with no formal education	473	165	638
Primary (5 years)	3.845	844	4.689
Primary (8 years)	13	6	19
Secondary	544	68	612
Secondary (vocational)	19	1	20
High	458	37	495
High (vocational)	110	8	118
University (2 years)	34	1	35
University (4 years)	116	2	118
Master/PhD	6	0	6
Total	6.035	1.385	7.420

The proportion of self-employed poor tend to diminish with education.

5. Undeclared Self-Employment and Relative Poverty in Turkey

Nowadays, the labor force especially employed in the urban areas of developing countries is classified in two different groups. The first one is formed by employees who work in the organized sectors which can be called as formal or institutionalized sector. The second one consists of the persons who generally migrated to urban areas, could not find job in short order, working as day labourer-temporary with unskilled labor force and earning income by working in her/his own job without capital or with only a small volume of capital in the service sector. The above mentioned sector is called as informal or institutionalized sector. Unofficial sector has been widespread in developing countries. The official sector can be classified classically

into three sub-groups (agriculture, service, industry); and identified as institutionalized facilities.

Undeclared work is term which is mostly used for the people who work independently. The example of facilities which can be counted as independent works are commercial facilities, and agricultural facilities. The types and scope of these facilities are identified in the tax legislations and job regulations in detail.

There is a need to know about two significant subjects in order to be able to investigate the undeclared work in Turkey. The first one can be summerized by the following statement: Undeclared work might be realized in the light of the current situation which can be explained by individual's own will and self-control. As a result of this fact, not only dealers, traders artisans, industrialists, self-employed, or farmers have a tendency to work unregistered with their own will, but also some wage earners wish to work unregistered as a feedback of their self-control. The persons who still works although they are retired or the widows and orphans who still works even though they have a monthly pay from the social security funds of the public sector can be mentioned as the examples of above mentioned topic. The other point is about the undeclared work which is ocured by the wish of the employer via enforcement in regardless to the will of the worker. The wage earners who experience the above mentioned situation is either unaware of the situation or could not raise any objection (or declaring their working time or salary in a misleading way) as a result of the threats about being fired.

Years	A	B	C	Unemployment	Economic Growth
1988	0,387866109	0,502584721	0,304494762	0,087	0,010
1989	0,353293413	0,497452693	0,286027878	0,087	0,000
1990	0,296788483	0,507238793	0,272506608	0,082	0,094
1991	0,277481906	0,508524704	0,256895479	0,078	0,030
1992	0,254496054	0,512898331	0,257413022	0,080	0,064
1993	0,192440743	0,492753623	0,231904427	0,077	0,081
1994	0,229642290	0,554546955	0,261971409	0,081	-0,061
1995	0,234826336	0,567072182	0,267366171	0,069	0,080
1996	0,247355663	0,565573770	0,268708125	0,060	0,071
1997	0,251531798	0,556258902	0,278060743	0,067	0,083
1998	0,186142284	0,547252063	0,244420975	0,068	0,039
1999	0,261763224	0,516648256	0,266328012	0,076	-0,061
2000	0,275934401	0,485154671	0,278717390	0,066	0,063
2001	0,284757779	0,487238622	0,281592641	0,084	-0,095
2002	0,271152941	0,460876494	0,270347476	0,103	0,078

2003	0,241183338	0,463186290	0,260148012	0,105	0,050
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Source: T.C. Çalışma ve Sosyal Güvenlik Bakanlığı, Sosyal Sigortalar Kurumu, T.C. Bağ-Kur, T.C. Emekli Sandığı, T.C. Başbakanlık, Devlet İstatistik Enstitüsü, Hane Halkı İşgücü Anketleri, calculated by authors.

A = Regular and Casual Undeclared Employees / Total Regular and Casual Employees

B = Undeclared Self-Employment / Total Self-Employment

C = Total Undeclared Work / Total Employment

As it is seen on the table above, the share of the self employment who are self-employed is relatively high in the undeclared work statistics of Turkey.

There is a need to investigate the surveys about the labor force of households in order to determine in which sectors the undeclared work is intensified In the following table; the distribution of the workes from various economical sectors can be seen in regard to either they are declared to any social security organization or not. The evaluation of the table can be summarizied with the following statement. 2.229.000 persons who work in non-agricultural activities and work as plant and macine operators and assemblers; 6.531.000 persons who are related wth agricultural activities; 721.000 persons who work in service sector; 1.042.000 persons who work as shop and market sales workers contiunue their activities without making any declaration to any social security instituions. As it is obviously seen, undeclared work is mostly common in agricultural sector and manufacturing industry. In 2003; more than the half of 10.943.000 persons (the guess about the number of the undeclared working persons) who are making no declaration to a social security institution was occupied as workers in agricultural sector. This observation is a very important indicator which would prove the existance of hidden unemployment in agricultural sector which has been a very popular subject in argument for long years.

	Declared to S.S.K.	Declared to T.C. Emekli Sandığı	Declared to Bağ-Kur	Undeclared	Others	Total
Regular Employee	5.125	2.177	17	1.713	11	5.550
Casual Employee	146	0	1	1.515	2	2.177
Employer	99	0	759	194	2	2.455
Self Employed	122	0	1.656	3.463	9	10.943
Unpaid Family Worker	59	0	22	4.057	0	23
Total	5.550	2.177	2.455	10.943	23	21.147

Source: Devlet İstatistik Enstitüsü, İş Gücü Veri Tabanı, <<http://lmisnt.pub.die.gov.tr/dev60cgi/rwcgi60.exe>>, 30.07.2006.

Another interesting point about the table is that more than half of the 21.147.000 persons who participate into labor force work as undeclared workers. If the number of the persons who

making activities as declared workers is quessed about 11 million; it can be said that a population which is approximately 110 percent of the declared workers is making activities as undeclared workers.

As a result of our studies on the datas for the same period, it is observed that poverty is relatively high in the sectors in which hidden economic activities are intensified.

In other words, unregistered activities are preferred by most people in order to challenge to the poverty. In addition, when we investigate the income of the persons who makes no declaration to a social security instituion, it is obviously seen that their earnings are above the poverty line. So, the above mentioned proposition is approved by this second observation, too.

Regions	A	B	C	D	E	F
Meditterenean	23,8	94,7	20,9	62,4	96,3	53,0
East Anatolia	14,2	92	16,6	77,9	99,1	66,8
Agean	14,1	87	10,9	49,3	97	46,5
South East Anatolia	38,0	96,2	42,6	84,8	99,6	72,0
Central Anatolia	15,3	86,6	11,4	51,8	97,3	40,0
Black Sea	14,0	86,9	13,2	80,3	99,2	70,3
Marmara	19,8	93,4	17,8	60,4	95,2	39,0
Turkey	18,9	91,5	18,4	65,9	98,0	51,7

Source: T.C. Başbakanlık, Devlet İstatistik Enstitüsü, İş Gücü Veri Tabanı,
<<http://lmsnt.pub.die.gov.tr/dev60cgi/rwsgi60.exe>> calculated by authors. 30.07.2006.

A: Undeclared Regular Employees / Total Regular Employees

B: Undeclared Casual Employees / Total Casual Employees

C: Undeclared Employers / Total Employers

D: Undeclared Self-Employment / Total Self-Employment

E: Undeclared Unpaid Family Workers / Total Unpaid Family Workers

F: Undeclared Work / Total Work

In 2003, the average undeclared working ratio of self-employment was about %65.9 in Turkey. When the same anaylsis made for every region of Turkey, the following ratios are calculated: Mediterranean Region %62, 4, East Anatolia Region % 77, 9, Southeast Anatolia Region % 84, 8, East Black Sea Region % 80, 3. 49, 3, 60, 8 and 51, 8 percent of self-employment is undeclared in Agean, Marmara and Cental Anatolia, respectively.

The working ratio of women without making declaration to a social security institution is relatively higher than men. In 2003, 4.2 million women were occupied as undeclared workers. In the other words; 71 percent of the employed women had not any social security. The number of the members of various sub-groups in the undeclared women workers can be counted as the followings: 2.859.000 unpaid family worker, 655.000 self-employment, 10.000 employer, 337.000 causal, 347.000 regular. For the same period, 37 percent (6.742 thousand) of the total

employed men (15.256 thousand) worked without making declaration any social security institution.

In Turkey; there is a close relationship between the undeclared work and the shadow economy. In last decades, the socio-economical developments which are experienced both in Turkey and worldwide have been causing a rise in undeclared work. The high rate of population growth and urbanization are can be counted as the most important ones of the processes which enlarge the volume of shadow economy. The migration from rural areas to urban areas and unemployment cause the increase of the numbers of undeclared workers when those are combines with high volatile and inflationist structure. The income distribution which has been becoming more and more unfair gradually since 1961 and the increasing poverty can be emphasized as some of the important reasons of undeclared work. The poor people who are not capable to pay premium match a great share of the undeclared workers. On the other hand; the globalization trend over the worldwide manipulated the producers towards smaller scales in order to minimize their costs of production and caused the transformation of the organizational structure in a post-fordist manner. Finally, working conditions which are out of the regular standards occurred inevitably. Some applications such as putting out and outsourcing have become very popular in Turkey. However, at the same time, the employment related fiscal burdens over the employer and employees caused the birth of some radical ideas about the cutted share of the wages. Wage cuts begun to anticipated as employment tax. The high number of bureaucratic operations and the complex procedure about entering and operating in the market encourage undeclared working. On the other hand the sectors which can not create any brand and which produce poor quality commodities in which contract techniques are commonly used at production stage, hire undeclared workers for the sake of competing in international area via minimizing the labor costs. For workers, having the possession of the deserved share of labor force from national income and feeling guarantee of the social security laws are only possible with a organized structure and union. However, the number of the workers who are members of the labor unions at the same time has been decreasing day to day. Individuals have no job guarantee and union assurance. The borrowing laws which are legislated frequently and applied backswep cause the people think like “I am sure, in future, parliament would approve a new borrowing law and by this way i could retire by borrowing” and those laws can be accepted a sort of support for the undeclared work. Some laws and applications, which are integrated into our social security system and accepted as cheaper social security instruments, such as preferential insurance implementation or The Act for Agricultural Workers Social

Security and green card accelerate the escape from obligatory insurance system. The unefficient structures of the punishments and the problems which are sourced by the organizational structure of the social security Institutions can be counted as additional reasons which cause the increasing trend of the undeclared work. The disutility sourced by the public services, especially social security services, increases the rate of undeclared work. The lack of coordination between the institutions of public sector is another reason of the undeclared work.

6. Conclusion

As a conclusion; poverty and unemployment are two important reasons which cause undeclared economy.

As a result of this fact, a battle against poverty and unemployment carries great importance in order to prevent undeclared work. The needed legal and administrative preventions should be applied for the sake of providing usage of the social security programs against by only the ones who really deserve that right. The determination of the poverty via objective criteria by related institutions is the most important factor against poverty. When the level of education of undeclared workers is taken into account, it is obviously seen the education level is very low and most of the undeclared workers are graduates of primary schools or not literate. So to develop education programmes for those persons would be an important step in order to create conscious individuals. Especially, the programmes which is adapted in order to increase the value-added created by labor force in production process should be prepared. The capability of paying premium should be increased both for employers and employees. Active employment policies should be used for the sake of winning victory versus unemployment. In the short run, increasing the popularity of the some applications which can match the labor force demand and supply such as labor force barometer and labor force database would be an important step against unemployment. The occupational educational programmes should be revisited in the light of the modern needs and demands. We are living in a century in which information is a highly appreciated asset. So we should educate information workers who create significant added value for the market and find job easily all over the world.

The shadow economy and undeclared work is at low levels in the countries in which tax rates are relatively low, bureaucratic system is not very complex and the number of legal regulations are not very high. As a result of the some economical models runned with data of different countries, the fundamental factors which determine the volume and development of the shadow economy and undeclared work are observed as the followings: High tax burden,

high shares of social security cuts and the various distortive factors which deregulate the elasticity of the declared labor force, plus it should be emphasized that the wage levels in the registered economy is another important point that affects the above mentioned factors.

In Turkey, as a result of the experienced economical conjuncture, it is not possible to decrease the fiscal burden of employers about the employment in the short run from the point of macroeconomic equilibrium and the budget performance. Nonetheless, a reduction in social security premiums would be possible if insurance premiums and the other fiscal obligations over the employment might be decreased and alternative sources could be found in order to compensate the loss. On the other hand, the fiscal deficit which is sourced by the decrease of the fiscal obligations over the employment could be compensated by the increase in tax revenues which is sourced by the rise in the ratio of registering.

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