ANKER LIVING INCOME REFERENCE VALUE

RURAL TURKEY 2020

LIVING INCOME
TRY 3,551 PER MONTH (US $507)*

*The USD value of the living income estimate is provided for expositional purposes for readers, since this living income is estimated in Turkish lira. Its USD value is sensitive to the lira to USD exchange rate and this has been very volatile in recent months.

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The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.
Anker Living Income Reference Value

Rural Turkey 2020

1. Anker Living Income Reference Value for rural Turkey 2020

The Anker Living Income Reference Value for 2020 for rural Turkey is TRY 3,551 (US$507) per month with a 95% confidence around it from TRY 3,147 (US$450) to TRY 4,008 (US$503). This is the income required by a rural family to be able to afford a basic but decent living standard in a typical rural area of Turkey.\(^3\) The Living Incomes may be defined as:

“Remuneration received for a standard month by a family in a particular place sufficient to afford a decent standard of living. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition).

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker and Ian Prates. This methodology is based on a rigorous statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural (or urban) areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (or urban) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (or urban) locations, the margin of error may be larger for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

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\(^1\) Prepared by: Azfar Khan, Ian Prates, Martha Anker and Richard Anker.

\(^2\) Exchange rate used to convert to US dollars is TRY 7 to USD. This is approximately the average exchange rate for 2020 according to IMF data, which saw major changes in the exchange rate which began the year around 6 and ended the year around 7.5.

\(^3\) Our living income estimate does not take into consideration the payment that farmers are supposed to make to government social security to cover retirement pension and health insurance (minimum of around 800 TL per month) for two reasons. First, only a small percentage of farmers pay into this in practice. And second, even for farmers who pay this, this should appropriately be considered as a business expense.
3. Country Context

**Geography and demographics**

Part of Turkey is located on the eastern tip of Europe with the main part of Turkey between the Black Sea in the north and the Mediterranean Sea in the south. The Bosporus Straits, connecting the Mediterranean to the Black Sea is the continental divide between European and Asian parts of Turkey with almost 97% of Turkey’s landmass lying in Asia. It borders, Armenia, Iran, Iraq, Syria and Georgia in the east, while Bulgaria and Greece are on its western border. Turkey is a fairly large country by area, being the 36th largest globally.

Turkey’s population is almost 84 million in 2020, making it the 17th most populous in the world.\(^4\) In 2000, its population growth rate stood at just over 1%, falling from roughly 1.5% in 2010 and roughly 2% in 2000. Its total fertility rate (TFR) of 2.01 reflects ‘replacement level’ fertility although it is worth noting that TFR is much higher in rural areas than in urban areas being 2.73 and 2.16 respectively in 2013 according to DHS data. Turkey’s age structure has a fairly normal pyramidal distribution with the age cohort 25 to 54 years having the highest share (43.3%). Many believe that the country has entered a demographic transition similar to what East Asia experienced in the 1980s, where the productive working population is the large relative to children and retirees, thereby providing the potential for rapid income growth.

Over three-quarters (76%) of the population lives in an urban area with an annual urban growth rate of 2.04% between 2015 and 2020.\(^5\) Istanbul, straddling the continental divide, is the largest city, with a population over 15 million and 18% of the total population of Turkey.

**Economy**

Turkey is considered an upper middle-income country.\(^6\) It has the 20th largest nominal GDP in USD, and the 13th largest GDP in PPP (purchasing power parity). It was a founding member of the OECD in 1961 and the G20 group of countries.

Turkey has suffered many economic and political shocks in the course of its existence but has also demonstrated strong resilience in overcoming these difficulties. At the turn of the century in 2001, Turkey experienced a serious economic crisis. Though financial in nature, the shock brought about a significant devaluation of the currency, significant job losses and increased income inequality.\(^7\) Turkey’s subsequent economic recovery was a success according to the IMF. Between 2002 and 2007, GDP grew at an annual rate of 7.2%. Turkey also performed relatively well in the 2008 global financial crisis. After a slowdown in GDP growth to 0.6% in 2008 and a subsequent recession (which saw a 4.6% contraction in GDP), the economy strongly rebounded

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\(^5\) [https://www.indexmundi.com/turkey/demographics_profile.html](https://www.indexmundi.com/turkey/demographics_profile.html)

\(^6\) These classifications, *inter alia*, include: CIA World Factbook, the World Bank Indicators and the Economist Intelligence Unit reports.

with 8.8% growth in 2010 and 9.2% in 2011.\(^8\) Average annual growth rates between 2002–2016 were the highest among all Organization for Economic Cooperation and Development (OECD) countries.

At the beginning of the 2010 decade, economic challenges included the country’s current account deficit, its over-reliance on short-term external financing, and unfinished reforms.\(^9\) Reforms introduced by successive governments were able to reduce the current account deficit. More recently in 2018, however, the country experienced another recession brought about, yet again, by a currency crisis related to low savings rate, heavy reliance on foreign borrowing and high inflation.\(^10\)

In 2019, the sectoral distribution of GDP was as follows: agriculture 6.4%, industry 27.7%, and services 55.9%.\(^11\) Agriculture employs 18% of the working age population but suffers from low productivity due to the large number of small farms. In contrast, high productivity reigns in the commercial agricultural sector. The country is a net exporter of agricultural products, and Turkey is the world’s third largest exporter of tobacco.

Turkey has a fairly diverse industrial base and its manufacturing includes consumer electronics and home appliances, textiles and clothing, motor vehicle and automotive parts and transport (train and road), and machinery. The country ranks 8\(^\text{th}\) in the world when it comes to steel production, invests heavily in science and technology and has a thriving defense armaments industry. Industrial production has shown a steady increase since 2001.

Overall, the Turkish economy was generally believed to be healthy until the Covid-19 pandemic hit. The biggest risk to economic development was posed by the structural current account deficit caused by high energy imports, high levels of intermediate goods imports to support the export sector, and domestic consumption fueled by easily available credit. However, domestic policies led to uncertainties that eroded investor confidence and foreign investment flows and led to a slowdown of economic activity and higher levels of unemployment. There were also difficult geopolitical events taking place in the region that affect Turkey acutely.\(^12\)

2020 has been difficult because of the adverse effects of the Covid-19 pandemic. GDP contracted by an estimated 3.9%, though a weak rebound to 3.6% is forecast for 2021.\(^13\) With the onset of the Covid-19 pandemic, the shock to global demand has had large negative impacts on Turkey’s trade and financial flows. These, combined with government containment measures, led to a sudden drop in Turkey’s domestic demand and output over the early months of 2020. The fallout

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\(^8\) Yılmaz Argüden (2007) “An Overview of the Turkish Economy: Outlook and Current Perspectives”, The Middle East Policy Institute, Policy Brief, December. [https://www.files.ethz.ch/isn/55945/No_04_An_Overview_of_the_Turkish_Economy.pdf](https://www.files.ethz.ch/isn/55945/No_04_An_Overview_of_the_Turkish_Economy.pdf)


\(^12\) EIU Country Report: Turkey [https://country.eiu.com/turkey](https://country.eiu.com/turkey)

\(^13\) Ibid.
of the pandemic was also evident in the worsening employment situation that has negatively affected the well-being of large segments of the Turkish population. Services have suffered, in particular, tourism (which accounts for 4% of GDP and supports many medium and small businesses and low-income households) that may have contracted by as much as 70% in 2020 according to the Turkish Ministry of Tourism and Culture. How the economy recovers from this pandemic is indeterminate and many are forecasting the current account deficit, which had been reduced significantly over the last five years, to increase and deepen in the upcoming years amid a rebound in imports.

**Social Conditions**

**Inequality and Poverty**

The provision of essential services in Turkey is excellent. 99% of the population has access to an improved source of drinking water; 97% has access to improved sanitation facilities; and the literacy rate stands at 96%.\(^{14}\) Turkey’s strong economic growth has enabled a reduction in poverty. Using an outdated poverty line (which although much too low for Turkey today is nonetheless useful for observing trends in the poverty rate), the share of people living below the national poverty line dropped from 28.8% in 2003 to 1.6% in 2014.\(^{15}\) Since then, Turkey has used a relative poverty line to measure its poverty rate in keeping with the practice of OECD (50% of median household income) and the EU (60% of median household income). This makes it difficult to know how poverty rates differ across Turkey, because TURKSTAT uses region-specific relative poverty lines.

Household disposable income varies greatly across Turkey. The skewed geographical pattern of economic development is a striking feature of Turkey’s economic and social profile. The northwestern and west of the country is relatively developed whereas the southeast and to a lesser extent the east display the attributes of a developing country. This suggests higher poverty rates and deprivation in the lesser serviced and less developed regions.

There are deep social and economic divisions within Turkey. The World Inequality Database figures indicate that the top 1% in 2019 received 23.4% of total income and the top 10% received 53.3%, while the bottom 50% received 15.4%.\(^{16}\) Turkey’s Gini coefficient at .40 places it among the worst performers in the OECD group, although not high for a developing country as evidenced by OECD countries Mexico and Chile ranking below it.\(^{17}\)

After a period when inequalities were at times portrayed as an incentive for economic and human development, recent studies have highlighted the harmful impact of inequality on health and wellbeing of societies.\(^{18}\) Research has shown that policies aimed at improving income distribution

\(^{14}\) Ibid.


\(^{16}\) [https://wid.world/country/turkey/](https://wid.world/country/turkey/)


are more effective in affecting poverty than policies targeted to improving consumption and growth. Indeed, analysts in Turkey have cogently argued how inequalities in income and wealth distributions are adversely affecting economic growth.19 Reducing income inequality to tackle poverty has been recognized by the government as a priority. Some redistribution has taken place, which is evident in the increased outlays on social protection over the years. There has been an increase from 9.33 % in 2005 to 12.83 % in 2016 in social protection expenditures as a share of GDP.20 The Human Development Index (HDI) has also improved from 0.655 in the last decade to 0.866 in the present one. However, issues related to disruptions caused by the refugee crisis and the Covid-19 pandemic have piled up and the initiative to alleviate poverty has slowed down according to the Borgen Project.21

**Education**

Education is an espoused objective in the country’s secular constitution. It is also at the heart of the national economic agenda aimed at achieving convergence with OECD levels of income and productivity. Expenditures on education constitute the largest share of the Turkish government budget; the percentage of education spending as part of the overall Turkish budget increased by one-third between 2006 and 2013, from 8.5 percent to 12.4 percent.22 Those increases notwithstanding, an OECD report indicates that the 4.6 percent of the gross domestic product (GDP) that Turkey spent on education in 2013 was less than the OECD average.23 Overall, Turkey has progressed considerably on many standard education indicators in recent years, but in relative terms it continues to lag behind most other OECD countries.

Until the 2012/13 school year, the Turkish school system was based on a 1997 law, which mandated eight years of compulsory elementary education, followed by three years of optional secondary school. In 2012, compulsory education was extended to 12 years and provided free of charge. The new system was split into three levels of four years each (4+4+4 system) and many argue that this was designed to reverse the efforts of the secularist government to restrict enrollment in religious schools after five years of elementary studies and making pupils stay in general elementary schools for eight years. The new system puts Islamic education on a par with secular education and has given rise to allegations of the Islamization of Turkish society.

Among the failings of the Turkish government has been the slow pace of education reform. Even though the period of compulsory school education was extended, no measures were taken to improve the quality of education provided. Quality of education also differs by region and socio-economic background, with the quality of education better in relatively well-off regions and richer communities.24 The OECD previously identified a need for Turkey to prioritize raising the quality

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24 Ibid.
of education across all levels and strengthening inclusiveness so that all students can access quality and engage in education regardless of the pathway they follow.

Health

Turkish healthcare has shown great improvement over the past twenty years. So much so that life expectancy at birth and at age 60 are higher than in the USA.\textsuperscript{25} The Ministry of Health’s \textit{Health Statistics Yearbook 2016} indicates that annual expenditure on health by the government was 6.3\% of GDP (lowest among OECD countries). However, the proportion publicly funded was 75.2\%, which is rather average for OECD countries.\textsuperscript{26}

Major reforms were undertaken in 2003 to address major inequities in health outcomes, and universal healthcare was introduced.\textsuperscript{27} At this time, the Social Security Institution was established as a single payer institution, pooling both risk and funds from contributory health insurance and the government-financed Green Card scheme. The provision of free health care services for costly interventions and reduced cost sharing lowered out-of-pocket and ruinous expenditures. Consequently, satisfaction with health services grew from 39.5\% in 2003 to 75.9\% in 2011.\textsuperscript{28} The healthcare seeking behaviour of the population also improved with hospital visits, including inpatient admissions, increasing from 124.3 million in 2002 to 337.8 million in 2011.\textsuperscript{29}

The country has a mixed healthcare system with both public and private providers. Private healthcare has increased in Turkey in the last decade due to the problem of long queues in state-run hospitals. Most private hospitals have contracts with insurance companies so now treatment received varies from the state-run bodies. This is believed by some to have been a positive development as the quality of care has improved in state hospitals, possibly because of competition from private entities. But despite, the rapid growth of the private health institutions, it is believed that only a small group of about 2\%, living mainly in the urban areas, has private health care and about 75\% of private health expenditures are out-of-pocket rather than being covered by insurance.\textsuperscript{30}

The Health Transformation Program (HTP) launched in 2003 for universal healthcare has brought about significant progress in health care delivery. Life expectancy at birth rose from 71 before HTP to 76 in 2011; infant mortality decreased from 31 in 2000 to 7.7 per 1,000 live births in 2012; and maternal mortality decreased from 70 in 2002 to 20 per 100,000 live births in 2013.\textsuperscript{31} However, there is still room to improve the quality of healthcare, especially mental healthcare, better access to modern technology, and care of elderly population. These issues have been

\begin{thebibliography}{99}
\bibitem{26} See Ministry of Health (2016) \textit{Health Statistics Yearbook} 2016, Istanbul, Turkey: General Directorate of Health Research.
\end{thebibliography}
highlighted as requiring special attention. Also, a greater proportion of annual budgetary outlays are needed for health care. And since health care provisions vary significantly within the country, improved public health services are needed in the neglected and rural areas.

**Labor Market**

ILO modeled estimates show that agriculture accounted for 18.0%, industry for 26.1% and services for 56% of the employed labor force in 2020. Labor force participation rates (LFPR) according to 2019 labor force survey data for males and females age 25-54 were 90.5% and 44.5% respectively with the latter especially low for an OECD country. Rural unemployment rates for males and females ages 25+ according to ILO modeled data were 7.8% and 11.0% respectively.\(^{32}\) Part-time employment rates (fewer than 35 hours per week) for males and females ages 25+ in 2020 were 11.0% and 13.9% respectively according to ILO modeled data.

Despite Turkey’s strong economic growth over the last two decades, the importance of informal jobs has not significantly decreased, and labor informality remains high at about 36 percent.\(^{33}\) The informal economy remains a major source of jobs, particularly for low-skilled workers many of whom are women with most of these workers are found in agriculture, construction and low and medium technology services.\(^{34}\)

The situation is exacerbated by the employment of informal workers in formal sector establishments looking to pay lower wages and avoid taxes. It has been suggested by the World Bank that the high-degree of informality of employment in Turkey is due to excessive regulation, in particular the stringency of employment protection. Another factor cited is that many consider the minimum wage high, and this contributes to the reluctance of formal firms to create formal jobs. In 2016, the government enacted a set of regulations to allow for more flexible forms of employment. These included, better-regulated temporary work contracts, part-time work, and home-based work, but the success of these has been limited and they were deemed by the World Bank as not being beneficial to workers.\(^{35}\)

### 4. Income ladder and gaps to living income in rural Turkey

Figure 1 provides an income ladder for rural Turkey and so context on gaps to living income. It compares the Anker Living Income Reference Value for rural Turkey with four other indicators. The Anker Living Income Reference Value of TRY 3,551 (US $531) per month is more than twice family income at the World Bank $5.50 (PPP) per person per day poverty line for an upper middle-income country such as Turkey, and 42% higher than family income at Turkey’s national poverty line which is a relative poverty line defined as 50% of average equivalized household disposable income. On the other hand, the Anker Living Income Reference Value is slightly lower than family income if adult family members earn the national minimum wage – attesting to the high level of the minimum wage in Turkey, especially for rural areas. Also, it is important to keep in mind that the minimum wage only applies in practice to workers with a formal contract in formal enterprises and that in rural areas even large commercial farms employ many workers on an informal basis.

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\(^{35}\) Ibid. p 78.
using temporary contracts and other flexible work arrangements. The Reference Value is 4% lower than national median disposable household income in 2019. However, it is important to keep in mind that household income is much lower in rural. It is also important to keep in mind that there are large regional differences in household income across Turkey and for this reason it would make sense to use the lower confidence limit of the Anker Reference Value (TRY 3,147) for the poorer and less developed regions and the upper confidence limit (TRY 4,008) for the richer and more developed regions. To determine more precisely regional differences in living incomes, full Anker Benchmark living income studies are required.\textsuperscript{36}

**Figure 1**

![Rural Turkey Living Income ladder, 2020](image)

**Notes:**
\textsuperscript{a} Turkey uses a relative poverty line. It is one-half of median equivalized household disposable income (which is the definition of poverty used by OECD). The last year available is 2019. We converted this into a poverty line for a family of 4 persons using the TURKSTAT equivalence scale (reference person in family is 1.0, each additional person age 14+ is 0.5, and each additional person below age 14 is 0.3) and updated this by inflation to 2020.

\textsuperscript{36} Living income is affected by prices (living costs for similar goods and services) as well as decency norms (that are related to household income). Prices do not vary much across Turkey. According to 2017 TURKSTAT data on living costs for Turkey’s 26 regions, the most expensive region (Istanbul) is only 15% more expensive than the average for Turkey and the most expensive region excluding Istanbul and Ankara is only 9% more expensive than the average for Turkey. In contrast as indicated earlier in this report, household disposable income per capita varies greatly across Turkey. The northwestern and west of the country is relatively developed whereas the southeast and to a lesser extent the east display the attributes of a low-income developing country. For example, median household income equivalized for family size is around 2.7 times higher in Istanbul and Ankara than in the poorest regions of Turkey.
b The World Bank poverty line for Turkey was estimated using the World Bank poverty line for upper-middle income countries ($5.50 PPP).
c Family size of 4 (2 adults and 2 children) was used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage. This family size is in between: (i) average rural household size of 3.67 when single-person households (that do not include children) and especially large households (that are likely to include more than two adult earners) are excluded, and (ii) nuclear family size of 4.5 based on the rural child mortality adjusted total fertility rate of 2.5. Note that a family size of slightly above 4 is the minimum family size required to ensure population reproduction.
d Number of full-time equivalent workers per family of 1.58 is used for expositional purposes to estimate poverty line wages. Labor force participation rates used are from 2019 labor force survey tabulations for rural males and females ages 25-59. Rural unemployment rates and national part-time employment rates are from ILOSTAT for males and females ages 25+.
e The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or a reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies).
f Minimum wage was last increased on January 1, 2020. It is a national minimum wage and so applies to rural areas as well as urban areas and to all sectors.