

# ANKER LIVING WAGE REFERENCE VALUE



**URBAN  
TURKEY  
2021**

**LIVING WAGE**

**(TRY) 4,954\*  
PER MONTH**

\* This is the average living wage for 2021. It would be higher in December, because: (i) it represents an average value for 2021 and Turkey's high inflation rate spiked further in the second half of 2021, and (ii) payroll deductions and income tax increased starting in June.

\*\* USD value of the living wage is not indicated, because the lira to USD exchange rate has been so volatile and fallen so rapidly in 2021, ranging from 6.9 in February 2021 to 13.6 on November 30 (and from 11.6 to 13.1 in a single day, November 24).

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COALITION

*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 Wage and Living Income Research Institute – Founded by Richard Anker and Martha Anker, the Global Living Wage Coalition, and Clif Bar & Company. Social Accountability International (SAI) is the institutional host.*



*We are grateful to Primark for funding this Reference Value Country Report.*

# Anker Living Wage Reference Value<sup>1</sup>

## Urban Turkey 2021

### 1. Anker Living Wage Reference Value for Urban Turkey

The Anker Living Wage Reference Value for 2021 for urban Turkey is TRY 4,954 per month.<sup>2</sup> This is the average living wage over 2021 required by an urban worker to be able to afford a basic but decent living standard for himself or herself and his/her family in a typical urban area of Turkey. It is important to note that the living wage would be higher than this at the end of 2021 for two reasons. First: Turkey has a high inflation rate, which spiked further in the second half of 2021 to an annual rate of around 20% in October, according to TURKSTAT (and said to be even higher according to others), and the recent large depreciation of the lira is likely to further exacerbate inflation. And second: payroll deductions and income tax due on the living wage started increasing from June. In addition, it is also important to keep in mind that in such a large and diverse country like Turkey, living costs and living wages are necessarily higher than average in expensive and developed cities such as Istanbul, Izmir and Ankara.

The Living Wage is defined by the Global Living Wage Coalition as:

*“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. 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 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 every year, 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.

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<sup>1</sup> Prepared by Azfar Khan, Ian Prates, Martha Anker and Richard Anker.

<sup>2</sup> A USD value of this living wage is not indicated as is usually done in Anker Reference Value reports, because the lira to USD exchange rate has been so volatile and has depreciated so rapidly during 2021. It was 6.9 in February, 8.5 in September, and between 10.0 and 13.6 in November (and between 11.6 and 13.1 on a single day, November 24). <https://tradingeconomics.com/turkey/currency>.

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 (urban) areas of a country which is around + or - 15% for Turkey 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 is larger than this for 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. This is the case for Turkey which has expensive and developed cities such as Istanbul, Izmir and Ankara as well as small and relatively inexpensive cities and towns where living costs are lower than average.

### 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 Bosphorus 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 36<sup>th</sup> largest globally.

Turkey's population was over 84 million in 2020, making it the 17<sup>th</sup> most populous in the world.<sup>3</sup> In 2021, its population growth rate stood at 0.7%, falling from roughly 1.5% in 2010 and roughly 2% in 2000. Its total fertility rate (TFR) estimated to be 1.94 in 2021 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 large relative to children and retirees, thereby providing the potential for rapid income growth.

Over three-quarters (76%) of the population lives in urban settings with a projected annual urban growth rate of 1.11% between 2020 and 2025.<sup>4</sup> Istanbul, straddling the continental divide, is the largest city, with a population of 13.8 million, which accounts for 18% of the total population of Turkey. The other important urban centers are Ankara, Izmir, Bursa, Adana, Gaziantep, Konya, Antalya, Diyarbakir and Mersin.<sup>5</sup>

<sup>3</sup> <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=TR>. The World Bank figures are based on United Nations DESA-Population Division's estimates that incorporate results of the last census.

<sup>4</sup> [https://www.indexmundi.com/turkey/demographics\\_profile.html](https://www.indexmundi.com/turkey/demographics_profile.html)

<sup>5</sup> See, <https://www.statista.com/statistics/255483/biggest-cities-in-turkey/>

## Economy

Turkey is considered an upper middle-income country.<sup>6</sup> It has the 20<sup>th</sup> largest nominal GDP in USD, and the 13<sup>th</sup> 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.<sup>7</sup> 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 with 8.8% growth in 2010 and 9.2% in 2011.<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup> In 2019, the sectoral distribution of GDP was as follows: agriculture 6.4%, industry 27.7%, and services 55.9%.<sup>11</sup> Agriculture employs 16.7%, Industry/Construction 27.1%, and Services 56.2% of the working age population. Most of the industrial activity is located in urban areas of the country with Kocaeli - a city 60 kms north of Istanbul hosting the biggest industrial zone mainly comprising manufacturing concerns. Istanbul is important as the primary location of both formal and informal service sector activities.

<sup>6</sup> These classifications, *inter alia*, include: CIA World Factbook, the World Bank Indicators and the Economist Intelligence Unit reports.

<sup>7</sup> Eriñç Yeldan (2002) *Behind the 2000/2001 Turkish Crisis: Stability, Credibility, and Governance, for Whom?*, Universitäts- und Landesbibliothek Sachsen-Anhalt, 2002. p178.

<sup>8</sup> Yilmaz 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)

<sup>9</sup> World Bank (2020) "Turkey Economic Monitor; Adjusting the Sails", <https://www.worldbank.org/en/country/turkey/publication/economic-monitor>

<sup>10</sup> See "Turkey's lessons for emerging economies", *Caixin* (2018), <https://www.caixinglobal.com/2018-08-19/turkeys-lessons-for-emerging-economies-101316583.html>

<sup>11</sup> <https://www.statista.com/statistics/255494/share-of-economic-sectors-in-the-gross-domestic-product-in-turkey/#:~:text=Share%20of%20economic%20sectors%20in%20gross%20domestic%20product%20in%20Turkey%202019&text=In%202019%2C%20agriculture%20contributed%206.43,percent%20and%2055.91%20percent%20respectively.>

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.<sup>12</sup> The country ranks 8<sup>th</sup> 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.<sup>13</sup>

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 resulting in a slowdown of economic activity and higher levels of unemployment. There were also difficult geopolitical events taking place in the region that affected Turkey acutely.<sup>14</sup>

2020 and 2021 were difficult for Turkey because of the adverse effects of the COVID-19 pandemic. 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 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 the GDP and aids and abets income earning of many medium and small businesses and low-income households) that may have contracted by as much as 70% in 2020, according to estimates of the Turkish Ministry of Tourism and Culture. How the economy recovers from this pandemic malaise 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.<sup>15</sup>

### *Social Conditions: Inequality and Poverty*

The provision of essential services in Turkey is excellent. with 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%.<sup>16</sup> 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 none-the-less useful for observing trends in the poverty rate), the share of people living in extreme

<sup>12</sup> <https://www.nationsencyclopedia.com/Asia-and-Oceania/Turkey-INDUSTRY.html>. See also <https://fanack.com/turkey/economy/>

<sup>13</sup> [https://en.wikipedia.org/wiki/Economy\\_of\\_Turkey](https://en.wikipedia.org/wiki/Economy_of_Turkey)

<sup>14</sup> EIU Country Report: Turkey <https://country.eiu.com/turkey>

<sup>15</sup> See, The World Bank in Turkey: Economy, <https://www.worldbank.org/en/country/turkey/overview#3>

<sup>16</sup> Ibid.

poverty dropped from 28.8% in 2003 to 1.6% in 2014.<sup>17</sup> Turkey uses 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. However, World Bank data point to a decline in the poverty headcount ratio at national poverty lines, from 18.6% in 2005 to a low of 13.5% in 2016. Since then, the data show that the poverty rate went up during the crisis to 14.4% in 2018.<sup>18</sup>

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 low-income developing country. This suggests higher poverty rates and deprivation in the lesser serviced and less developed regions.<sup>19</sup> 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%.<sup>20</sup> 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.<sup>21</sup>

After a period when inequalities were portrayed as an incentive for economic and human development, recent studies have highlighted the harmful impact of inequality on health and wellbeing of societies.<sup>22</sup> Research has shown that policies aimed at improving income distribution 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.<sup>23</sup> The government has recognized reducing income inequality as a priority to tackle poverty. 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

<sup>17</sup> Azevedo, J. and A. Atamanov (2014) "Pathways to Middle-Class in Turkey", *World Bank Policy Research Working Papers*, No. 6834, quoted in OECD (2016), *OECD Economic Surveys: Turkey 2016*, OECD Publishing, Paris. pp 62-63, [https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-turkey-2016\\_eco\\_surveys-tur-2016-en](https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-turkey-2016_eco_surveys-tur-2016-en)

<sup>18</sup> <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=TR>

<sup>19</sup> OECD (2016) "Boosting Regional Competitiveness in Turkey: Highlights" [http://www.oecd.org/global-relations/Boosting\\_Regional\\_Competitiveness\\_Highlights.pdf](http://www.oecd.org/global-relations/Boosting_Regional_Competitiveness_Highlights.pdf)

<sup>20</sup> <https://wid.world/country/turkey/>

<sup>21</sup> UNDP (2016) "Case Study on Income and Social Inequalities in Turkey" prepared for the Regional Human Development Report 2016. p 3.

<sup>22</sup> See, for example: Richard Wilkinson and Kate Pickett (2009) *The Spirit Level: Why Equality is Better for Everyone*, Allen Lane, London; J. Stiglitz (2012) *The Price of Inequality*, W.W. Norton and Company, New York; A. Atkinson (2015) *Inequality: What can be done?* Harvard University Press, Cambridge.

<sup>23</sup> Op cit. Kayakçı (2019) and Ayşe Buğra and Volkan Yılmaz (2016) "Inequalities in Turkey: An Overview", Paper prepared for the UNDP Regional Human Development Report 2016.

GDP.<sup>24</sup> 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.<sup>25</sup>

### *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.<sup>26</sup> 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.<sup>27</sup> 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.<sup>28</sup> The new system has put Islamic education on a par with secular education and given rise to allegations of the Islamization of Turkish society.<sup>29</sup>

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.<sup>30</sup> The OECD previously identified a need for Turkey to prioritize raising the quality

<sup>24</sup> See Tamkoc, N. & Torul, O. (2018). "Cross-Sectional Facts for Macroeconomists: Wage, Income and Consumption Inequality in Turkey", Bogazici University, Working Papers, 2-20. Also see OECD Income Distribution Database, <http://www.oecd.org/social/income-distributiondatabase.htm>

<sup>25</sup> The Borgen Project, "The Status of Poverty in Turkey" <https://borgenproject.org/poverty-in-turkey/>

<sup>26</sup> World Education News and Reviews-WENR (2017) "Education in Turkey" <https://wenr.wes.org/2017/04/education-in-turkey>

<sup>27</sup> OECD (2020) "Education Policy Outlook in Turkey" OECD Education Policy Perspectives No.: 23, Paris.

<sup>28</sup> Op.cit WENR (2017). See specially the section on "The Structure of Turkey's Education System"

<sup>29</sup> Ibid

<sup>30</sup> Op.cit OECD (2020)



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, such that now life expectancy at birth and at age 60 are higher than in the USA.<sup>31</sup> The Ministry of Health's *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.<sup>32</sup>

Major reforms were undertaken in 2003 to address major inequities in health outcomes, and universal healthcare was introduced.<sup>33</sup> 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.<sup>34</sup> 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.<sup>35</sup>

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% (1.2 million) of the Turkish population, living mainly in the urban areas, accesses private health care and about 75 percent of private health expenditures are out-of-pocket rather than being covered by insurance.<sup>36</sup>

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

<sup>31</sup> Mortality Collaborators (2018) "Global, regional, and national age-sex-specific mortality and life expectancy, 1950–2017: a systematic analysis for the Global Burden of Disease Study 2017", *Lancet* 2018; 392: 1684–735

<sup>32</sup> See Ministry of Health (2016) *Health Statistics Yearbook 2016*, Istanbul, Turkey: General Directorate of Health Research.

<sup>33</sup> Rifat Atun (2015) "Transforming Turkey's Health Care System – Lessons for Universal Coverage", *The New England Journal of Medicine*, 373:14, 1285-1289

<sup>34</sup> Atun R, Aydın S, Chakraborty S, et al. (2013) "Universal health coverage in Turkey: enhancement of equity", *Lancet* 382:65-99.

<sup>35</sup> Op.cit Atun (2015)

<sup>36</sup> Library of Congress-Federal Research Division (2008) "Country Profile: Turkey". <https://www.loc.gov/rr/frd/cs/profiles/Turkey.pdf>.

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.<sup>37</sup> 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 highlighted as requiring special attention. In addition, a greater proportion of annual budgetary outlays are needed for health care. Moreover, since health care provisions vary significantly within the country, improved public health services are needed in the neglected and rural areas.<sup>38</sup>

### *Labour 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.<sup>39</sup> 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.<sup>40</sup> 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.<sup>41</sup>

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 in employment protection. Another factor cited by some is that the minimum wage is considered high and this contributes to the reluctance of formal firms to create formal jobs – but this argument is on shaky ground unless one accepts the argument that being 72% of a living wage is too generous (see next section). In 2016, the government enacted a set of regulations to allow for more flexible forms of employment. These included better-regulated

<sup>37</sup> WHO (2012) *World Health Statistics 2012*, Geneva: World Health Organization; Available at [https://apps.who.int/iris/bitstream/handle/10665/81965/9789241564588\\_eng.pdf?sequence=1](https://apps.who.int/iris/bitstream/handle/10665/81965/9789241564588_eng.pdf?sequence=1)

<sup>38</sup>Kadir Gursoy (2015) "An Overview of Turkish Healthcare System after Health Transformation Program: Main Successes, Performance Assessment, Further Challenges, and Policy Options", *Sosyal Guvence*. [https://www.researchgate.net/publication/304241347\\_An\\_Overview\\_of\\_Turkish\\_Healthcare\\_System\\_after\\_Health\\_Transformation\\_Program\\_Main\\_Successes\\_Performance\\_Assessment\\_Further\\_Challenges\\_and\\_Policy\\_Options](https://www.researchgate.net/publication/304241347_An_Overview_of_Turkish_Healthcare_System_after_Health_Transformation_Program_Main_Successes_Performance_Assessment_Further_Challenges_and_Policy_Options)

<sup>39</sup> OECD (2020) *Labour Force Statistics 2020*, Paris, OECD.

<sup>40</sup> World Bank (2018) "Doing Business 2018: Reforming to Create Jobs", Flagship Report, Washington DC.

<sup>41</sup> World Bank (2019) *Jobs Diagnostic: Turkey*, International Bank for Reconstruction and Development, Washington D.C.

temporary work contracts, part-time work, and home-based work, but these had limited success and the World Bank deemed them non-beneficial to workers.<sup>42</sup>

#### 4. Minimum Wage

Each year, the Turkish government through the institution of the Minimum Wage Determination Commission adjusts the minimum wage. The Commission announced at the end of 2020 a gross minimum wage of TL 3,578 (US\$ 419) for 2021 (before deductions for social security premiums and income tax), which was an increase of 21% over the previous year. Consequently, the monthly net minimum wage was TL 2,826 (US\$331) for unmarried single employees, whereas for a married worker with three children and a non-working spouse, the net monthly minimum wage was calculated to be TL 3,013 (US\$ 353).

The main reason the government gave for the large increase in the minimum wage was the annual inflation rate which was running at 14% according to TURKSTAT and was making it difficult for workers and their families to eke out an accepted quality of life. The minister announced that the increase in the minimum wage was primarily motivated by the fact that the government was adamant to not let Turkish “workers (to) be crushed by inflation” and also by the negative impacts of the pandemic on their working lives.<sup>43</sup>

In theory, the minimum wage applies to all employees, or at least to a large majority of employees. It has been suggested that almost 50% of Turkey's 30 million-strong labor force is paid at or near the minimum wage.<sup>44</sup> At the latest increase, Turkey labor organizations felt that the minimum wage announced was too low as it was below their demand of TL 3,800 which they felt was needed to compensate for the income losses suffered by workers during the pandemic. The government, however, was of the view that their main concerns for raising the minimum wage had been duly taken into account and that given the debt burden of the country any further increase would have stoked inflation and created fiscal problems for the Central Bank.<sup>45</sup>

#### 5. Living wage ladder and gaps to living wage

Figure 1 below provides a wage ladder for urban Turkey and so context on gaps to a living wage. It compares the Anker Living Wage Reference Value for urban Turkey with five other indicators: the World Bank poverty line wage for an upper middle-income country such as Turkey; the national poverty line wage; the average wage in agriculture; the average wage for plant and

<sup>42</sup> Ibid. p 78.

<sup>43</sup> “Turkey Raises Minimum Wages for 2021 by 21.56%”, *Daily Sabah*, 28 December 2020. <https://www.dailysabah.com/business/economy/turkey-raises-2021-minimum-wage-by-2156>

<sup>44</sup> See, <https://tradingeconomics.com/turkey/minimum-wages>

<sup>45</sup> “Turkey Hikes Minimum Wage by 22%, Far Short of Labor Demands”, *Bloomberg*, 28. December 2020. <https://www.bloomberg.com/news/articles/2020-12-28/turkey-hikes-minimum-wage-by-22-far-short-of-labor-demands>

machine operators; and the minimum wage for the principal earner in a family of four. The Anker Living Wage Reference Value is TRY 4,954 per month. This is almost four times more than the World Bank determined poverty line wage for an upper middle-income country, more than twice Turkey's national poverty line wage (which is based on a relative poverty line defined as 50% of average equalized household disposable income), and 38% higher than the official gross minimum wage. The Anker Living Wage Reference Value is also around 50% higher than the average wage of plant and equipment workers and around 92% higher than the average wage of agricultural workers.

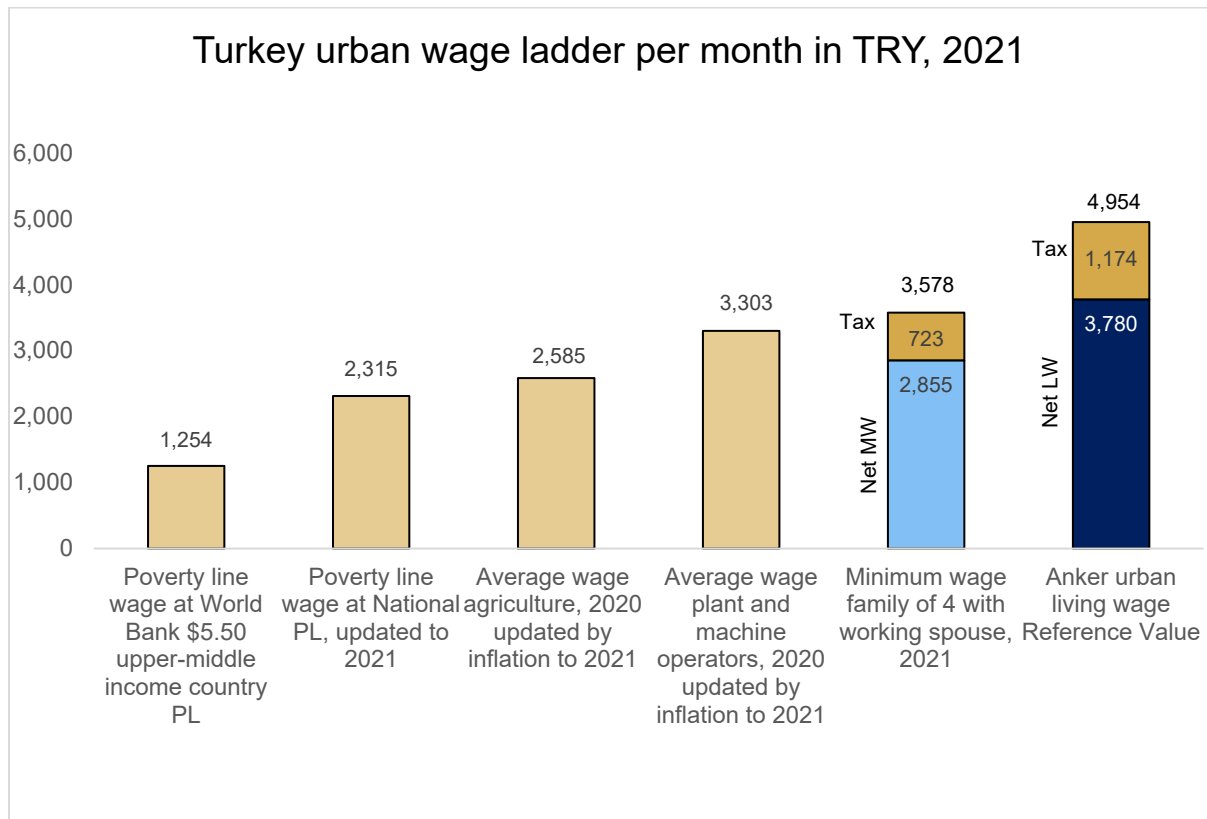
One reason for these large differences is the substantial amount of income taxes and payroll deductions that workers would have to pay on a living wage, which is close to 25% of our living wage (even considering the amount they receive for the MLA, Minimum Living Allowance). The taxation system in Turkey is complicated and the payroll taxes for workers includes mandatory social security contributions (old age and disability insurance of 9% and healthcare insurance of 5%), unemployment insurance (1%), and stamp duty (0.759%). Workers earning a living wage would also pay income tax at a 15-20% rate.<sup>46</sup> The “tax wedge”, a measure of tax on labor income and includes tax paid by both the employer and the employee, is high in Turkey. According to OECD, this was 39.7% in 2020 for a single worker, higher than the OECD average of 34.6%, and is 38.2% for an average married worker with two children, the highest among OECD countries.<sup>47</sup>

Before finishing this report, three aspects of the current situation in Turkey are important to mention, because they affect how to use this TRY 4,954 urban Living Wage Reference Value. First, living costs and so living wages vary considerably across Turkey, which is a very large and diverse country ranging from Istanbul which is a major (partially European) city to relatively poor Asian regions in the South-East and East.<sup>48</sup> This means that living wages for Istanbul and other developed and expensive cities such as Izmir and Ankara are necessarily higher than our Reference Value which is for urban Turkey as a whole. To know more precisely what the living wage would be for say Istanbul, a full Anker Benchmark living wage study is needed. Second, we did not indicate the USD value of our Reference Value, as is usually done in Reference Value reports, because the Turkish lira to USD exchange rate has been so highly volatile and fallen so much in 2021. It was 6.96 in February, 8.21 in April, 8.53 in September, and between 10.0 and 13.6 in November (and between 11.6 and 13.1 in a single day, November 24). Third, Turkey's high inflation rate accelerated further in the second half of 2021 to around 20% per annum in October according to TURKSTAT (and even higher according to others) which means that our Living Wage Reference Value for 2021, which represents an average value for 2021, is an underestimate for the end of 2021.

<sup>46</sup> See, OECD (2020) “Turkey: Taxing Wages” Brochure, <https://www.oecd-ilibrary.org/sites/65a6c54b-en/index.html?itemId=/content/component/65a6c54b-en>

<sup>47</sup> OECD (2021), “Turkey: Taxing Wages” Briefing note. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Fwww.oecd.org%2Ftax%2Ftax-policy%2Ftaxing-wages-turkey.pdf&clen=366111&chunk=true

<sup>48</sup> According to government statistics, equalized per capita income is 2.7 times higher in Istanbul compared to the poorest region in Turkey.

**Figure 1**

**Notes:** <sup>a</sup> Turkey uses a relative poverty line. It is one-half of the median equivalized household disposable income. Last year available is 2020. We updated this by inflation to 2021. <sup>b</sup> The World Bank poverty line for Turkey was estimated using the World Bank poverty line for upper-middle income countries (\$5.50 PPP). <sup>c</sup> Family size of 4.0 (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 the urban average household size of 3.61 (excluding single person households and especially large households) and the child mortality adjusted urban total fertility rate (2.44) which implies a family size of 4.44. <sup>d</sup> Number of full-time equivalent workers per family in urban areas of 1.51 is used for expositional purposes to estimate poverty line wages. Urban labor force participation rates are from 2013 labor force survey tabulations which is the latest available year with LFPRs by age bands. Urban unemployment rates and part-time employment rates are ILOSTAT modelled estimates. <sup>e</sup> 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 reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies). <sup>f</sup> National minimum wage was last increased on January 1<sup>st</sup>, 2021. There is a net minimum wage and a gross minimum wage, the difference being income taxes and payroll deduction. Note that the amount of the minimum wage take-home pay is slightly affected by whether a worker has a spouse and if her/his spouse works as well by the number of children the worker has. Also, note that the amount of taxes needing to be paid changes over time in 2021, and we used average values for 2021. <sup>g</sup> Workers have to pay social security tax, unemployment insurance tax, stamp tax, and income tax but they also receive a MLA (Minimum Living Allowance) paid by the employer which is affected by whether the worker has a spouse, his/her number of children, and whether his/her spouse works. How these deductions and credits are calculated is complicated which is why we used an online calculator from PwC <https://www.pwc.com.tr/salary-calculation>. <sup>h</sup> Average wages for 2020 are from ILOSTAT and are based on household survey data.