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ACTIVATING VULNERABLE PEOPLE INTO GOOD JOBS IN TURKEY

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ACRONYMS AND ABBREVIATIONS

ALMPs	Active Labor Market Programs
ALS	Active Labor Services
CCTs	Conditional Cash Transfers
CESI	Centre for Economic and Social Inclusion
DSP	Department of Social Protection
EJML	European Job Mobility Laboratory
EU	European Union
GDP	Gross Domestic Product
GDSA	General Directorate of Social Assistance
İŞKUR	Turkish Employment Agency
IT	Information Technology
JVCs	Job and Vocational Counselors
LAFOS	Labor Force Service Centers
LLL	Lifelong Learning
LM	Labor Market
MIS	Management Information System
MoFSP	Ministry of Family and Social Policies
MSD	Minister for Social Development
MW	Minimum Wage
NAV	Norwegian integrated labor and welfare service
NDLP	New Deal for Lone Parents
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Co-operation and Development
PA	Personal Adviser
PES	Public Employment Services
PISA	Programme for International Student Assessment
PLD	Persistent Labor Market Difficulties
SA	Social Assistance
SABER	Systems Approach for Better Education Results
SAIS	Social Assistance Information System
SASF	Social Assistance and Solidarity Foundations

SILC	Survey on Income and Living Conditions
SNAP	Supplemental Nutrition Assistance Program
SWC	Social Welfare Centers
TANF	Temporary Assistance for Needy Families
TFP	Total Factor Productivity
TIMSS	Trends in International Mathematics and Science Study
TUBITAK	Scientific and Technical Research Council of Turkey
TUIK	Turkish Statistical Institute
TVET	Turkey's Vocational Education and Training
UK	United Kingdom
UR	Unemployment Rate
US	United States
VET	Vocational Education Training
WAP	Working-Age Population
WfD	Workforce Development
WFIs	Work-Focused Interviews

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This is a joint study by the World Bank (WB) and the Turkish Ministry of Development (MoD). This report was prepared by a team comprising Rebekka Grun v. Jolk (WB), Cristobal Ridao-Cano (World Bank), Herwig Immervoll (OECD), Ahmet Levent Yener (WB), Katia Herrera-Sosa (WB), Gökhan Güder (MoD), Sinem Çapar (MoD), Dan Finn (CESI) and Gökçe Uysal (BETAM). Cristobal Ridao-Cano (WB) and Herwig Immervoll (OECD) initiated the dialogue to start this work and conceptualized the components and analytical focus of the report. Amy Gautam substantially improved the report through her professional editing, and Norosoa Andrianaivo. Overall guidance was provided by Martin Raiser (Country Director for Turkey, WB), Roberta Gatti (Sector Manager, Human Development Economics, Europe and Central Asia, WB), and Ana Revenga (Director, Human Development, Europe and Central Asia, WB).

Executive Summary

Introduction

Despite Turkey's strong economic performance and rich job creation in recent years, the Turkish labor market continues to suffer persistent low activity rates and low labor productivity. About half of the Turkish working-age population (WAP) does not enter the labor market and nearly 40 percent of workers are informal (holding jobs without social security benefits). While the overall unemployment rate in 2012 stands at a moderate 9.2 percent, this rate does not reveal the particular situation of women and youth.

Only 29 percent of working-age women work (the lowest among OECD countries) and over 50 percent of female employment is informal. At the same time, there are large returns to increasing female employment: According to a World Bank simulation, increasing the share of working women by just 6 percentage points could increase income by 7 percent and reduce poverty by 15 percent.

Above 30 percent of youth (ages 15-24) are neither working nor going to school (the highest among OECD countries). Urbanization, agricultural shedding, and the predicted strong increase in the WAP until around 2020 will continue to push up the number of people looking for non-agricultural jobs. Most of them will be young and low-skilled. Poor labor market integration of young people creates very significant costs for individuals and for the productive capacity of the economy as a whole.

The diverse opportunities and challenges of the Turkish labor market motivated a comprehensive and programmatic policy engagement between the Turkish government and the World Bank, broadly following the objective of "Creating Good Jobs." Four analytical reports were prepared to support this heading, by defining: (i) what "good jobs" are in Turkey; (ii) how good jobs are created in the economy; (iii) the kinds of workers and skills required for good jobs; and (iv) how policy can facilitate the matching of the existing labor force with good jobs.

The fourth topic is the focus of this report, which is particularly interested in how women and youth can be assisted to find productive and secure employment. The relevant policies are generally called "activation policies." Activation policies have a role to play both for first-time labor market entrants (often women) and for young people who have already been facing labor market difficulties for a while. Indeed, international evidence shows that well-designed employment activation

policies can have a greater impact on youth than on older people.

Turkey recently significantly expanded the scope of its activation policies, which were far more modest than those of many other OECD countries. The authorities have identified a very large group that could potentially be targeted by activation policies: namely, all those out of a regular formal sector job, roughly two-thirds of the WAP.

With such a large target population, there is a real need to find ways to prioritize assistance. Other countries have achieved this using profiling (i.e., dividing the vulnerable population into relatively homogenous subgroups of decreasing order of need). Subgroups or "profiles" receive a tailored mix of social benefits and active labor market assistance designed to maximize the incentives of recipients of government support to join the labor market and work themselves out of dependence. Turkey intends to follow this course and has recently taken a number of steps in this direction. As the scope of activation policies grows, however, Turkey needs to develop more robust profiling methods, as the initial experience suggests that Turkey's Employment Agency (İŞKUR) is unable to process the large wave of clients transferred from social services.

This report presents the results of a highly simplified profiling exercise to demonstrate the initial steps of profiling and draw some initial conclusions on the types of clients that might be covered by activation policies in Turkey, and the extent of their socio-economic vulnerability as well as labor market employability. A key conclusion is that policy makers will need to decide whether to put the emphasis on the former or on the latter so that the dual objectives of protecting the vulnerable and helping them move out of transfer dependence are achieved.

The initial profiling exercise shows that several large subgroups of the vulnerable comprise inactive females, often with limited or outdated skills. A priority might be to rethink the offer of public services involved in upskilling the workforce, such as lifelong learning, in order to mobilize the largest identified segments.

This Executive Summary reflects on four connected background papers. A Conceptual Framework first defines vulnerability and activation policies. A second background paper takes stock of the progress of activation policies in Turkey to date. A third background paper profiles the large and diverse group of vulnerable people in Turkey into units of higher or lower priority, while the final background paper examines how the capacity and skills of the vulnerable, especially those in the high priority units, can be built.

Conceptual Framework

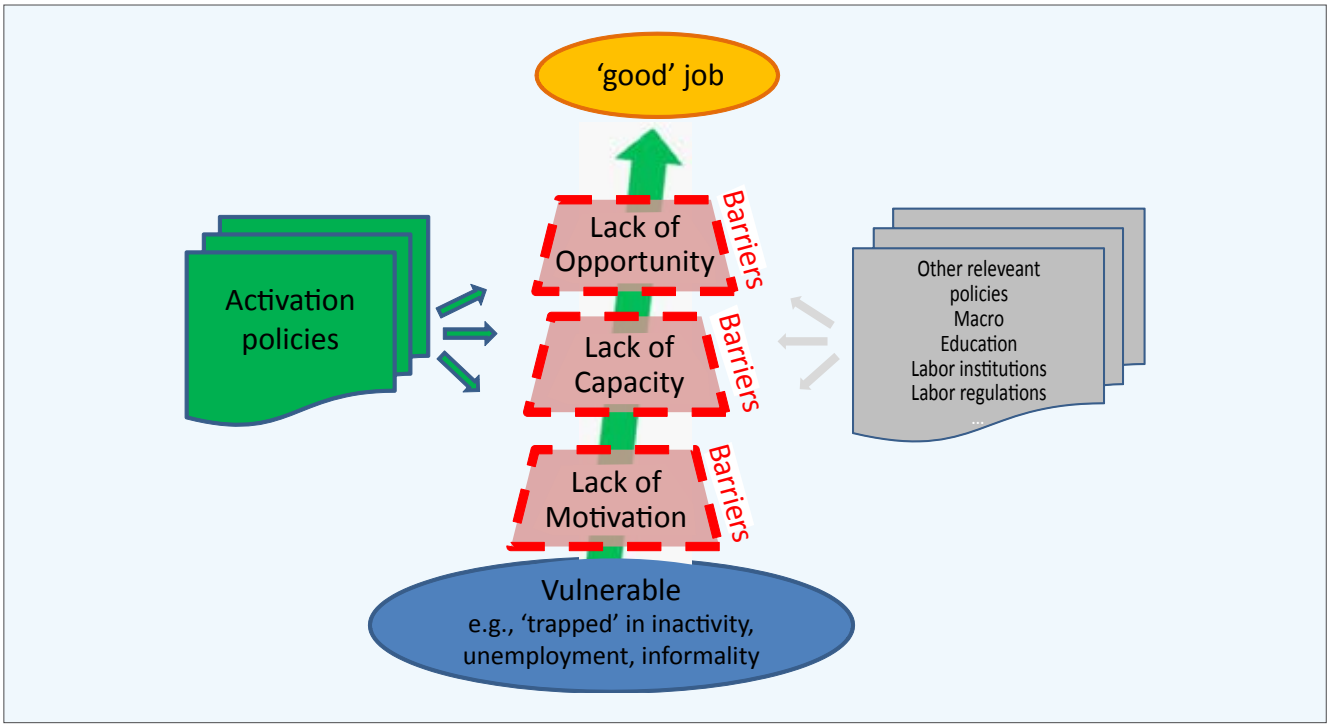
The vulnerable are working-age people who are able to work but are at high risk of not getting a "good job." They are, in other words, individuals who are "stuck" without a job or in low-productivity/low-wage jobs (notably informal workers). As the group of vulnerable people is relatively large and heterogeneous in Turkey, it is important to consider carefully which individuals should be a high priority for activation. Among the vulnerable, the report focuses on two groups of particular significance for overall labor market performance and social outcomes in Turkey today: women and youth.

This report's focus on activation policies is motivated both by the size of the jobs challenge for the vulnerable in Turkey and by Turkey's heretofore relative under utilization of activation strategies compared to other OECD countries. The 10th Development Plan recognizes that activation policies play a key role in the agenda to reduce employment barriers, and that İŞKUR's role in this regard will grow.

Activation in this report describes policies that help vulnerable people break out of a low-productivity (or even poverty) trap by building their aspirations, human capital, and job seeking efforts, with the ultimate aim of achieving their productive participation in society and self-sufficiency. This definition comprises a broad set of policy instruments. Work-incentive measures seek to strengthen the **motivation** for making use of existing earnings opportunities. Training, workforce development, and related active labor market programs (ALMPs) address specific employment barriers on the labor supply side by improving the **capacity or skills** of job seekers and other activation clients. Finally, employment services and ALMPs that support labor demand expand the set of earnings **opportunities** that are accessible to those with no or only limited income from work.

FIGURE 0.1

From vulnerability to "good" jobs



Source: Authors.

Well-designed and implemented activation policies can promote growth (by increasing employment and making labor markets more efficient) and family incomes (by strengthening earnings prospects and helping to direct public support to those who need it most). There is, however, conflicting empirical evidence on the effectiveness of activation policies: Studies show that they can have a positive impact on a range of outcomes but that, in many cases, they have failed to do so. Their mixed success points to an important role for customizing and coordinating activation policies. Coordination between activation measures is especially important when, as is often the case, vulnerability is associated with multiple barriers that all need to be addressed in turn (Figure 0.1).

Strengthening Policies to Activate Social Assistance Beneficiaries into Employment in Turkey

Implementing policies to enhance productive employment in Turkey through "good jobs" is a priority for the government as it seeks to raise living standards, increase productivity, and enhance social cohesion. A complementary objective of the government is to activate the vulnerable into good jobs to benefit from the above mentioned multiple gains. The Turkish government is aware that better targeting, by customizing activation efforts and providing coordinated services, might lead vulnerable people into good jobs.

The 'Activation Action Plan' and its status

Towards this end, an Action Plan on Linking Social Support System to Employment and its Activation was accepted in April 2010, followed by a protocol signed between the Ministry of Family and Social Policies (MoFSP) and İŞKUR in February 2012, to incentivize job search, job finding, and productive participation in society for social assistance (SA) beneficiaries to become and remain self-sufficient.

As of 2012, there were around 6.4 million SA beneficiaries, 1.8 million of which were men in the WAP. In the first year of implementation, MoFSP sent information on 1.1 million SA beneficiaries to İŞKUR for registry, but the data transfer had to be put on hold (in December 2012) due to this high volume; a screening/prioritization mechanism to identify the top priority beneficiaries was thus initiated.

İŞKUR's newly recruited job and vocational counselors (JVCs) had registered 330,000 beneficiaries into İŞKUR's database by the end of March 2013. Of those, 111,000 were directed to open positions and 26,000 were employed. Another 62,000 beneficiaries were directed to İŞKUR's vocational education training (VET) programs, of which 17,000 participated in them. By the end of 2013, İŞKUR plans to reach all 1.1 million SA beneficiaries transferred into the İŞKUR database, but timely delivery of services is still an issue as the JVC system was not designed to handle this increased caseload.

An initial diagnosis

Better profiling and prioritization is the key to restarting the data transfer process and helping MoFSP and İŞKUR reach their mutual targets. Countries with well-developed public employment services (PES) make an initial employability assessment of job seekers that is then used to "profile" them into different groups receiving different support packages, with the bulk of resources going to the hard-to-employ. In the activation process of SA beneficiaries to employment, İŞKUR and MoFSP are working closely to develop

broader and more detailed definitions of "employability" and "proper jobs."

One weakness of the activation program is the reluctance of some SA beneficiaries to be transferred to İŞKUR's database, as they are afraid of losing their SA. To address this, MoFSP implemented pilot programs to test mechanisms to increase participation. Raising awareness and providing better information to SA beneficiaries about the activation program may increase participation and could even create strong advocates. Once all households are informed about the program's successful results, the attitudes of reluctant SA beneficiaries may change.

In the middle to long term, İŞKUR and MoFSP should evaluate the introduction of compulsory registry measures for SA beneficiaries into İŞKUR's database, and evaluate some punitive actions to discontinue SA to employable SA beneficiaries not participating in the activation program. If provided for a long period of time, SA may blunt the skills and motivation of beneficiaries. The government has implemented successful programs with scarce resources, but the sustainability of these rigorous programs is questionable in the long term. To raise the living standards of SA beneficiaries and enhance social cohesion, İŞKUR and MoFSP should consider options to continue SA only to the "impossible-to-employ" and to require employable SA beneficiaries to take part in the activation program. International best examples in the activation of SA beneficiaries that are applicable to Turkey may help İŞKUR and MoFSP improve their current model and accelerate the process.

Case studies illustrate some of the policy design and implementation elements that can facilitate more effective coordination of Turkey's SA and PES systems

The first priority concerns the development of national priorities and local agreements outlining service protocols, working methods, and respective organizational responsibilities. Such protocols typically contain agreement on the following elements: (i) the clients to be served and the operating model; (ii) management arrangements and supervision of operations; (iii) personnel to be allocated to deliver the services; (iv) budgeting and monitoring of expenditure; and (v) any services to be outsourced or purchased from external service providers.

The experiences of OECD countries that have reformed their delivery of employment services to clients receiving SA benefits would be beneficial for Turkey to examine. These experiences include (but are not limited to: (i) organizational reforms designed to better connect the respective PES and SA delivery systems, from cooperation to co-

location to integration; (ii) incentives and conditionality regimes that link the receipt of benefits to active job search and participation in labor market programs; (iii) initial employability assessments and profiling systems used to determine who is able to work and the degree of market readiness and special needs of people that are able to work; and (iv) the role of job counselors and their work in assessing employability, assisting with job search, agreeing on individual action plans, and monitoring progress and compliance.

The capacity of the Turkish PES system to work with SA clients could be developed by reallocating some of the resources now invested in relatively high-cost training programs to support targeted core job search assistance and counseling services. The employment needs of the client group should be identified to broker access to complementary services, such as child care, and to develop links with likely employers. Many employment services could be delivered more cost-effectively on a group basis, or through external providers that complement İŞKUR skills and capacities, especially if they have particular expertise working with specific client groups.

The integrated information system already in place in Turkey can be used to evaluate the performance of the overall activation system and to make improvements, as the system architecture collects data from a wide range of government agencies. By setting clear and traceable performance indicators for monitoring and evaluation in line with their strategic targets and action plans, İŞKUR and MoFSP may enhance their ability to fine tune the system and their institutional objectives. More efficient cooperation between related agencies would also help to resolve problems in implementation and help in the further development of a pro-employment SA system in Turkey.

Very importantly, in developing their approach, Turkish policy makers might be assisted by further knowledge on the characteristics, employability, and circumstances of existing SA beneficiaries. This knowledge could aid in the planning, design, and delivery of employment services, and could be used for future program evaluations. In the future, such data might be captured through the initial employability assessment undertaken by social workers and İŞKUR's registration process.

These data would also help to prioritize the stock of SA beneficiaries so that it can be processed more effectively. One promising strategy for grouping a beneficiary population is profiling.

Profiles of Vulnerable People in Turkey

Spells of unemployment are a necessary element of a market-based growth process. If job reallocation is efficient, in the sense that jobs move from less productive to more

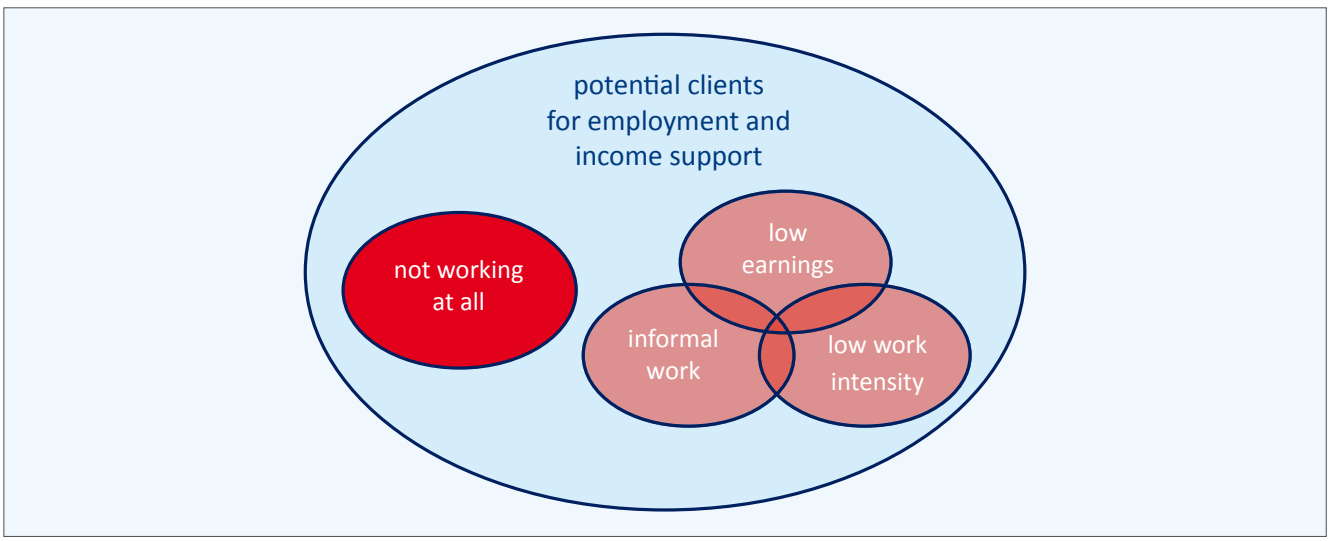
productive firms or sectors, then it leads to a more productive economy and higher incomes. This is especially true during a prolonged growth process, such as the one seen in Turkey. But it also holds for the aftermath of economic downturns, which tend to be associated with significant restructuring and changes in the sectoral composition of an economy.

Different barriers can prevent or slow down efficient job reallocation, creating significant economic and social costs. For some groups, a combination of policy-related barriers and insufficient skills or work experience means that they remain "stuck" without a job or in marginal employment for extended periods of time. Due to Turkey's rapid growth process, with its associated social and economic transformations, the circumstances and labor market histories of the WAP are both already more diverse and evolving more rapidly than in other parts of the OECD.

Using the Survey of Income and Living Conditions (SILC), which follows individuals over a four-year period, it is possible to examine some of these trends, and the histories of people's labor market experiences, in some detail. Four different types of labor market difficulties or "vulnerability" are distinguished (and shown schematically in Figure 0.2): (i) not working at all; (ii) working only a few months during the year ("low work intensity"); (iii) low earnings; and (iv) informal work. Some of those categories can overlap (e.g., those working informally or sporadically will typically have a higher risk of low earnings).

FIGURE 0.2

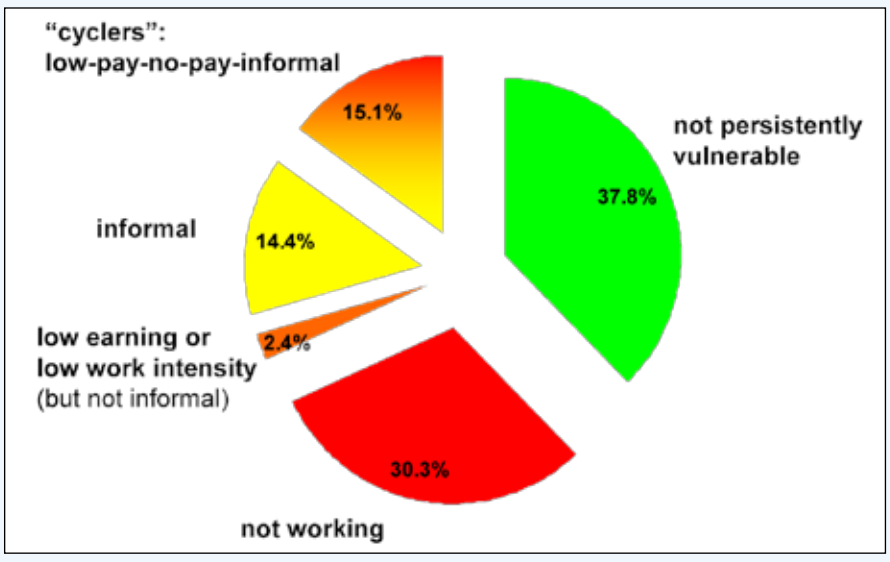
Different types of labor market difficulties/vulnerability



Between 2005 and 2008, nearly two-thirds of working-age individuals were either out of work or in marginal or informal employment for an extended period of time (Figure 0.3). While low employment rates in Turkey are a well-established fact, the very large share of people who are persistently vulnerable highlights the challenges for activation policies. Among the persistently vulnerable, only about half (30.3 percent of working-age individuals) are persistently jobless (either unemployed or labor market inactive). About half as many are in persistent informal, low-paying, or unstable work, meaning that they do have both some labor market attachment and some work experience. About the same number again move between joblessness and marginal, sporadic, or informal work. This pattern indicates that persistent labor market difficulties (PLD) are indeed far from one-dimensional.

FIGURE 0.3

Broad categories of persistent labor market difficulties (PLD), 2005-2008



Notes: Persistence is defined as experiencing the relevant status during at least one-half of the observed years using the following categories. "Not working": not reported to have worked during any month of the year, or no labor income at all (either in cash or in kind). "Low earnings": labor income less than 2/3 of the full-time, full-year minimum wage, and not informal. "Low work intensity": employed or self-employed for at least one, but less than six months during the year, and not informal. "Informal": positive labor income but no (employer) social security contributions, or labor income is mainly earned in kind, or the person reports being an unpaid family worker. "Cyclers": those who are in more than one of these categories during the period. In all cases, those who are younger than 15 or older than 64 and those in education or military service during most of the year are not categorized as facing labor market difficulties (and are therefore not in any of the above categories).

Source: World Bank staff calculations based on TUIK SILC data, waves 2006-2009 (with 2005 to 2008 as the reference year for incomes and activity calendars).

Designing and targeting employment and income support measures requires knowledge about the combined characteristics of people affected by PLD. For instance, case workers at the employment office or benefit administration need to have as full a picture as possible about their clients' education, income, family situation, health status, and work experience. They also need to know if there are larger groups of comparable clients with relatively similar barriers or needs.

"Latent class analysis" is a statistical approach used to search for suitable groupings over a wide range of demographic, family, social, and labor market characteristics. The results of such analysis provide a set of groups characterized by similar characteristics of members within each group and dissimilar characteristics between groups. A latent class analysis conducted using SILC data in Turkey partitioned the PLD population into 12 separate groups.

The full set of groups is depicted in Figure 0.4, showing only those characteristics that are particularly relevant for distinguishing each group from the others. Groups are ordered by their size, with the largest group shown first. (The share of the group in the overall PLD population is given by the percentage in the first line of each box; e.g., 13 percent are "housewives with working husband.") Given the very low female employment rates in Turkey, it is not surprising that the largest groups consist mostly of women.

Together, the "female only" groups 1, 2, 3, 8, and 11 account for about half of the persistently vulnerable individuals in Turkey. The summary in Figure 0.4 clearly shows the great diversity in the circumstances and, hence, the potential employment barriers, of women with PLD. They include those with significant work experience but low-paid, informal, or unstable employment (groups 3, 5, and 8), as well as large numbers of women who have been persistently out of work with no or very short employment histories (groups 1, 2, 10, and 11).

Among men, the groups accounting for the largest shares of the persistently vulnerable are the "informal, low-earning" group 6 (9 percent of all persistently vulnerable in Turkey), as well as two groups of older men (the "older, self-employed family men" group 9 and the "retired urban career worker" group 7). In addition, there is a sizable group of younger and relatively well-educated single men (group 4). But unlike the "young and educated single women" group 10, who are mainly out of work, the young men do have some labor market attachment and significant work experience (40 percent of them report four years or more).

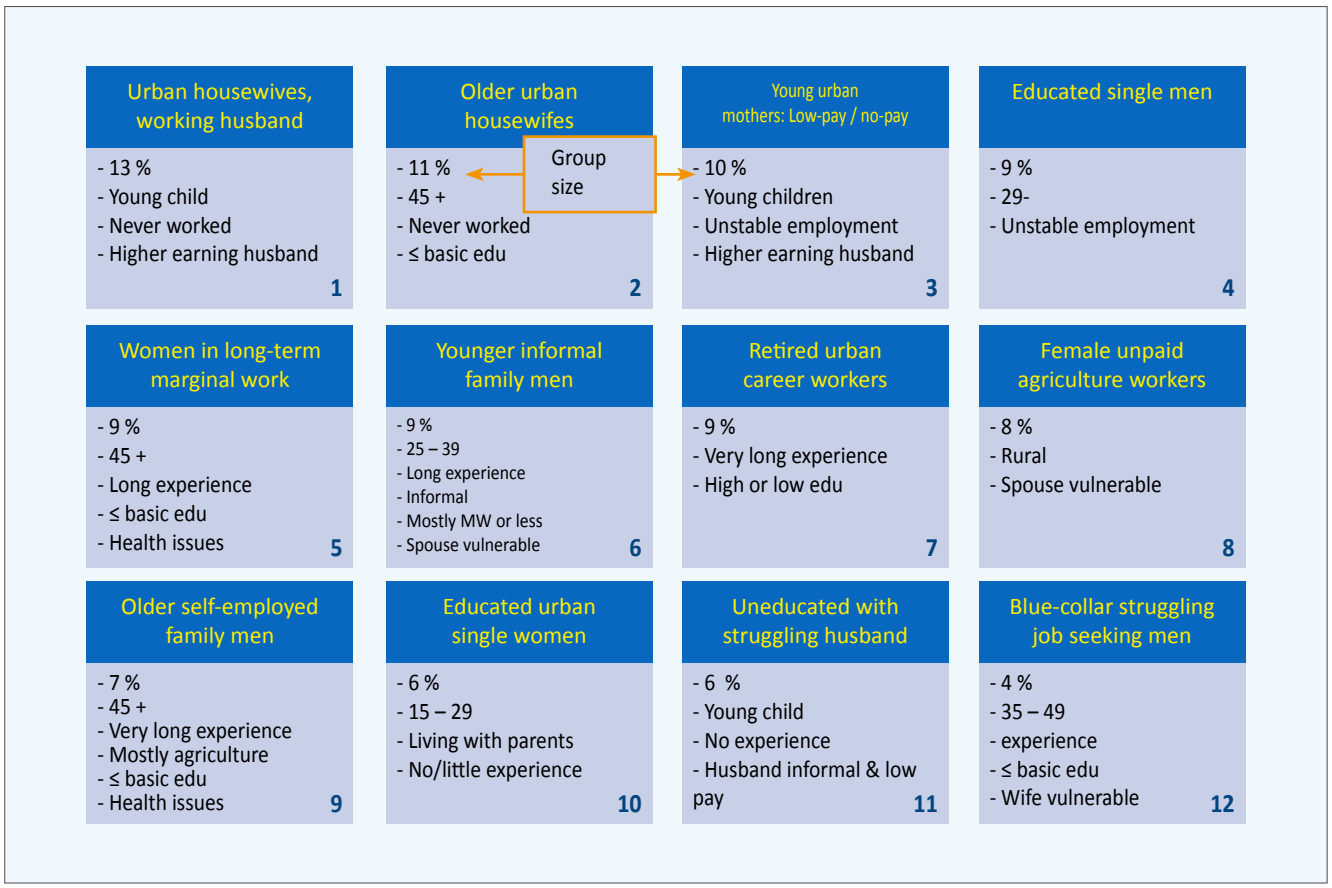
Interestingly, only a small proportion

of the persistently vulnerable can be described as typical unemployed job seekers with no or very little earnings and actively looking for a job (group 12 of "blue-collar, struggling, job-seeking men"). Given the small size of this group relative to the total number of persistently vulnerable and the relatively large size of groups with inactive females, as well as limited budgetary resources, a fundamental policy decision is how to prioritize government support among the 12 groups. Two notable criteria that might be used for deciding on suitable targeting strategies are:

- People's living standards; and
- The likely extent of their labor market difficulties.

FIGURE 0.4

Groups with PLD: complete groupings for the period 2005-2008



Notes: Group sizes are the percent of all individuals in the PLD group.

Source: World Bank staff calculations based on TUIK SILC data, waves 2006-2009 (with 2005 to 2008 as the reference year for incomes and activity calendars).

Targeting based on living standards

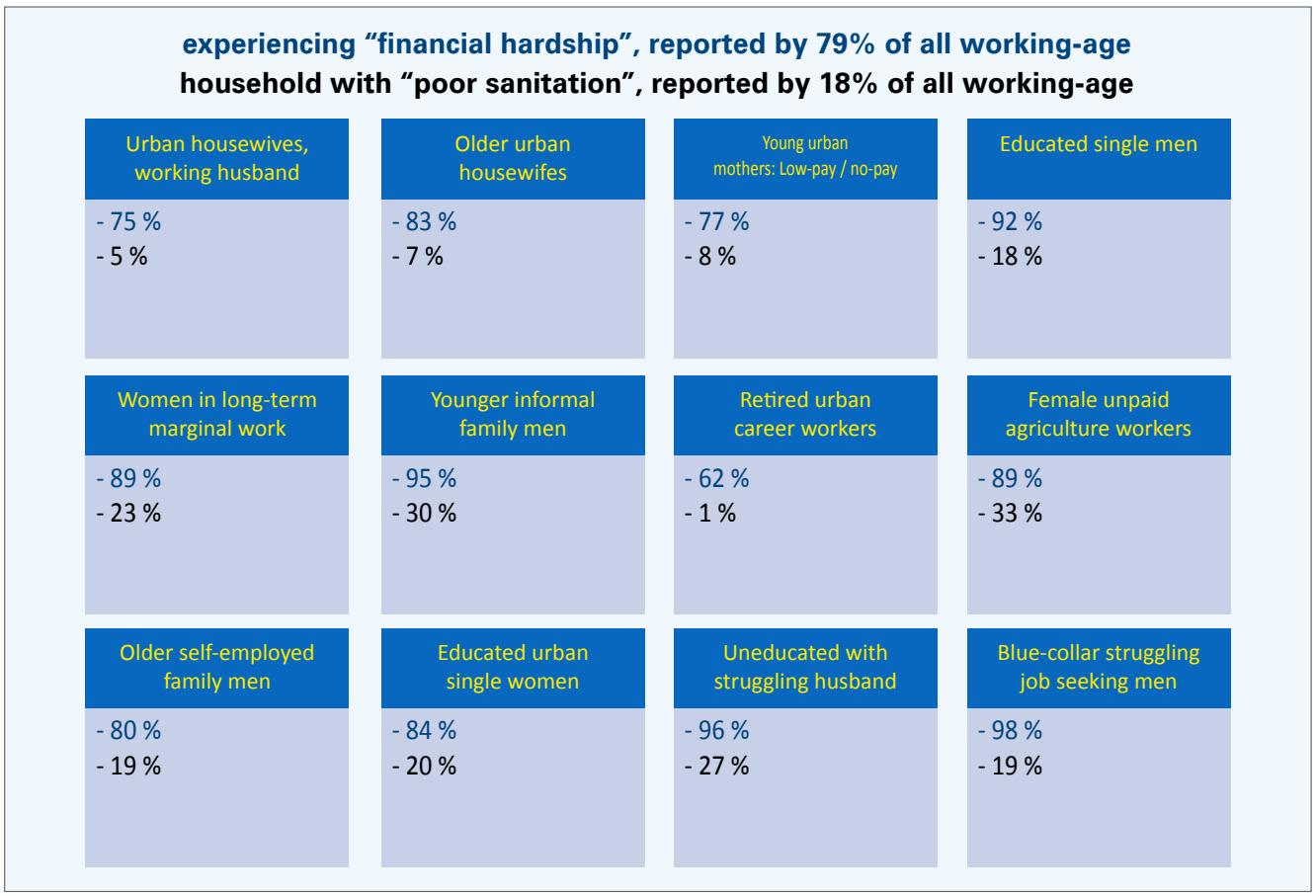
With labor income the primary income source for working-age people and their families, extended spells without adequately paid employment leave families financially vulnerable and at a high risk of poverty. As a result, income support is an essential element of an overall support package that fosters stable employment and reduces poverty risks.

Figure 0.5 illustrates differences in living standards and material deprivation across groups by showing the proportions of people facing forms of "financial hardship" and "poor sanitation."[1] Both measures show a considerable divergence of living standards between groups and, hence, the importance of careful targeting. Three of the mostly urban groups ("urban housewives," "retired urban career workers," and "young urban mothers") show the smallest incidence of financial hardship. In fact, in all three groups, the proportion of people experiencing hardship is less than the 79 percent average for the WAP as a whole (i.e., including the "non-PLD" groups). The proportions of people reporting poor sanitation are also significantly lower than the average (18 percent for the entire WAP) in these three groups. The largest proportion of people with poor sanitation is found for the mostly rural "female unpaid agricultural workers." Perhaps more surprisingly, the mostly urban group of "educated single women" also shows an above-average incidence of poor sanitation (as well as a high incidence of financial hardship). The highest incidence of financial hardship is reported for the group of "educated single men," but it is also high for groups where both spouses are persistently vulnerable ("younger informal family men," "uneducated women with struggling husband," and "blue-collar struggling job-seeking men"). The results underline the importance of the family situation and of addressing labor market difficulties at the family level, rather than as a purely individual issue.

1- Using information in the SILC data, a household considered to be experiencing financial hardship is defined as unable to afford at least three of the following four items: a one-week vacation away from home; unexpected expenses; replacement of old/broken furniture; or new clothes. A family is considered to have poor sanitation if it reports having either no bath or shower, no toilet, or no piped water in its household.

FIGURE 0.5

Targeting based on living standards: some groups have much greater need for support



Source: See Figure 0.4.

Targeting based on distance from the labor market

Targeting issues also arise with activation measures, employment services, and other types of ALMPs, such as training. A crucial but difficult question is whether resources should be channeled to those who are, in some sense, furthest from obtaining or holding a stable job or to groups where policy interventions are likely to have the greatest probability of success. Those two criteria need not, and generally do not, provide the same answers about the desirable targeting mechanisms. This is illustrated in Figure 0.6, which shows the shares of people with predicted "high" and "low" risk of PLD in each

group.

If the objective is to focus activation policy efforts on those who are, in a sense, furthest from finding and holding a stable and adequately paid job, then policy should focus on those with a high risk of PLD (shown in red in Figure 0.6). Using such a criterion, groups 2, 5, 8, and 11 should be priorities for activation measures. One can think of these group members as those with multiple or relatively major employment barriers – they therefore clearly need support, but the challenges of successful and continuing labor market integration will often be formidable.

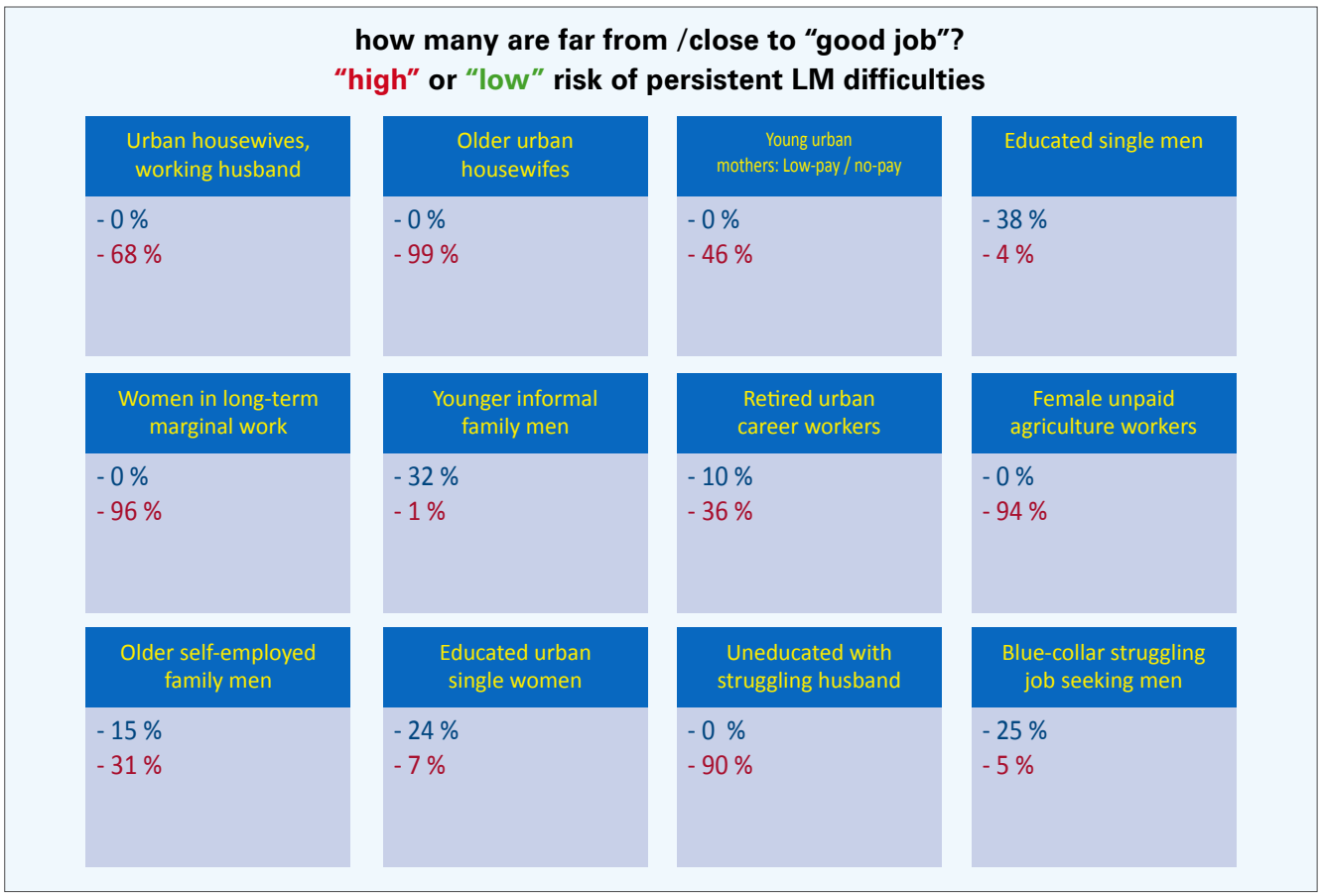
A very different set of priorities would result if the objective is to focus efforts on groups where a significant number of individuals have relatively low risks of PLD. Groups 4, 6, 10, and 12 would need to be prioritized in this case. Such a strategy may be attractive, as policies would have to "bridge" a smaller gap since people may already be relatively well-equipped to find a good-quality job. The probability of successful activation would therefore likely be higher. But at the same time, some of those "low-risk" individuals may well succeed in overcoming their PLD even without active policy support.

In practice, it is useful to consider a wide range of information when deciding on policy design and targeting. The information in Figure 0.5 and Figure 0.6 should arguably be read in combination to inform an integrated policy approach that seeks to tackle both employment barriers and PLD risks as well as economic hardship.

For example, the red percentages in Figure 0.6 signal the share of people in each profile that have a high risk of PLD. Among the three largest segments of the PLD population, this percentage is at least 46 percent ("young urban mothers") and as much as 99 percent ("older urban housewives"); it is also above 90 percent for "women in long-term marginal work," and "female unpaid agriculture workers." While these groups may face barriers to work based on social norms or the availability of public services (for child or elder care), arguably the greatest barrier they face is a lack of skills.

FIGURE 0.6

Targeting based on distance: some groups have much better chances of overcoming PLD



Mobilizing Skills for Productive Employment in Turkey

Turkey's overall population is young and its WAP has increased over the last decade. The country can benefit from the growing number of young people in the labor force if they are gainfully employed, improving individual living standards and contributing to national economic growth. To do this, they must acquire and maintain skills relevant to Turkey's emerging economy.[2]

This skills transition is critical for Turkey, as low educational attainment can constrain the movement of workers from inactivity to more productive jobs. The report's focus on skills is restricted to the segment of the WAP that has completed formal education, and it assesses the extent of skill barriers for

2- World Bank. 2013. "SABER-Workforce Development. Barometer Report. Turkey 2012." Washington, DC: World Bank.

their productive employment.[3] The report: explores the supply of and demand for skills and their intersection in the labor market in Turkey; discusses existing and proposed government policies to help young people develop skills and find gainful employment; and proposes additional policy options for skills development to enhance job entry.

The skills of the Turkish population and its employed workforce have increased at all levels, albeit slowly

The 1997 educational policy that increased the duration of compulsory education from five to eight years contributed to an improved educational profile of the population. The flow of young people entering the labor market has more and higher quality skills than those already in it. The gender gap is closing fast, but women are still at a disadvantage when compared to men, as their educational levels are much lower. The education system in Turkey has shown substantive improvements in education quality, as measured by the 2003 and 2009 PISA assessments. The scores of Turkish students in the three PISA disciplines (reading, math, and science) increased the equivalent of a half year of additional schooling in each of the tested subjects, but Turkey still needs to increase the skills of its population to catch up with other OECD countries.

A growing share of wage employment in total employment reflects the rise in skill-intensive sectors that were able to absorb a substantive part of the growing number of educated youth. Higher levels of education are associated with greater formal wage employment. The skills gained by the younger generations are reflected in the higher share of educational attainment among the population in all employment categories. Vocational high school graduates have increased their shares among the employed as well. Increasingly, Turkey's workforce has the skills required for good jobs.

Nonetheless, unemployment and inactivity are important, generally more so for the less educated

The educational profile of the unemployed is mixed. Individuals with below primary education have very low levels of unemployment although their unemployment rates increase with age. Across all age groups, unemployment is highest among individuals with primary education only. The high unemployment among youth with rising skill levels suggests a slow school-to-work transition. Possible explanations

3- Although education is a barrier for women to participate in the labor force (particularly since almost 70 percent of women with tertiary education degrees participate in the labor force), the most frequently reason that women cite for not participating is "household work".

include information failures and unclear pathways to link school graduates with the world of work.

Among young people, inactivity rates are similar for those with both lower and higher levels of education. However, as age increases, inactivity rates rise for those with lower levels of education and decrease for those with higher levels of education. Inactivity also captures the discouraged workers, those who have given up looking for jobs. Almost every second person in Turkey (48 percent of the population) is either unemployed or inactive, suggesting that while Turkey can take advantage of its increasingly abundant labor, it is not fully utilizing it, and more policies are required to activate people into employment. Upgrading the skills of the "stock" of existing workers, particularly women, could be a critical factor in these sets of policies.

The changing skills profile of the Turkish labor force is slowly starting to reflect employers' needs

A number of factors suggest that some mismatch between the demand for and supply of skills remains: (i) unemployment rates are relatively lower for high school graduates and higher for primary and tertiary education graduates; and (ii) returns to education are high for vocational and higher education levels. At the same time, the occupational profile of the labor force has changed over the last decade. A demand for different types of skills (e.g., an increased demand for routine cognitive skills and a decline in demand for routine manual skills) has emerged and is reflected in the composition of the employed, while the type and number of vacancies available has also changed (favoring high school graduates).

Current policies generally favor the skills transition to better match labor market demand

Preliminary results of the Systems Approach for Better Education Results (SABER-WfD) instrument on workforce development in Turkey show good governmental and non-governmental championship at the national and regional levels. Through different ministries, the Government of Turkey has taken concrete steps to set a strategic direction to improve the skills of the population and reduce the demand-supply skills mismatch. SABER reveals that there are relevant, solid standards for quality programs in workforce development. There is also a well-developed skills testing process for major occupations. Private provision of training is well-recognized and regulated and employers share their demands and priorities for workforce development with the government and the public. The Government of Turkey is

working on six priority areas as part of its national *Action Plan on Linking Social Support System to Employment* and its Activation to reduce unemployment and inactivity and to improve the match between skills demand and supply.

Nonetheless, challenges remain in the training system. First, the funding mechanism for Lifelong Learning (LLL) needs to be strengthened, as low funding of Turkey's Vocational Education and Training (TVET) system's institutions often results in low-quality, supply-driven programs, removed from the private sector's needs. Second, recognition of prior learning is not well organized. New jobs will require new skills and competencies; workers will need to maintain and upgrade their skills to be relevant in the market. LLL is supported when students are able to transfer across courses and gain access to higher levels of training. Third, there is limited awareness of the skills constraints in priority sectors and no incentives for employers to upgrade employees' skills. More effort is needed to improve the skills of people already in those sectors and to induce high-skilled individuals to move into them. Turkey's government is actively committed to improving the skills of its workforce in a way that supports Turkey's population from inactivity to higher productivity occupations.

There are further options to overcome the skills barrier

Additional policy options to overcome the skills barrier include: diversifying the pathways for skills acquisition, complementing vocational programs with life skills training to facilitate LLL and increase the impact of training; and developing information dissemination mechanisms to reduce information asymmetries on the demand for (vacancies) and supply of (graduates) skills between employers and jobseekers.

1. Conceptual Framework and Motivation

Abstract: The focus of this report is on groups in a vulnerable labor market position and how to activate them into good jobs in Turkey. This requires defining who the vulnerable people are as well as understanding the characteristics and uses of activation policies. The conceptual framework presented in this chapter addresses both of these issues in turn before outlining how the rest of the report brings them together to provide relevant and timely advice to policy makers in Turkey.

1.1 The Vulnerable

The vulnerable are defined as working-age people who are able to work but are at high risk of not getting a "good job." They are, in other words, individuals who are "stuck" without a job or in low-productivity/low-wage jobs (notably informal workers). The report therefore evaluates vulnerability in dynamic terms rather than for a specific point in time. This dynamic perspective, which considers both the frequency and duration of labor market problems, provides a rich understanding of the employment barriers faced by different groups. It is therefore a better basis for targeting and customizing activation efforts than a static approach.

The group of vulnerable people is relatively large and heterogeneous in Turkey, where about half of the working-age population (WAP) do not work and nearly 40 percent of workers are informal (i.e., they hold jobs without social security benefits).[4] Turkey has the biggest share of non-working individuals in the OECD, and among the highest informality rates, so it is important to carefully consider which individuals (or types of individuals) of this large group should be a high priority for activation.

Among the vulnerable, this report focuses on two groups that are of particular significance for overall labor market performance and social outcomes in Turkey today:

- **Women:** Only 29 percent of working-age women in Turkey work (the lowest among OECD countries) and over 50 percent of female employment is informal. Women account for the majority

4- There is a significant wage gap between informal and formal workers even after controlling for their characteristics. These differences are likely to be caused, at least in part, by productivity differentials between these sectors. There are also large differences in total factor productivity (TFP) between formal and informal firms even after controlling for firms' and entrepreneurs' characteristics (World Bank 2010, Country Economic Memorandum on Informality and Economic Growth).

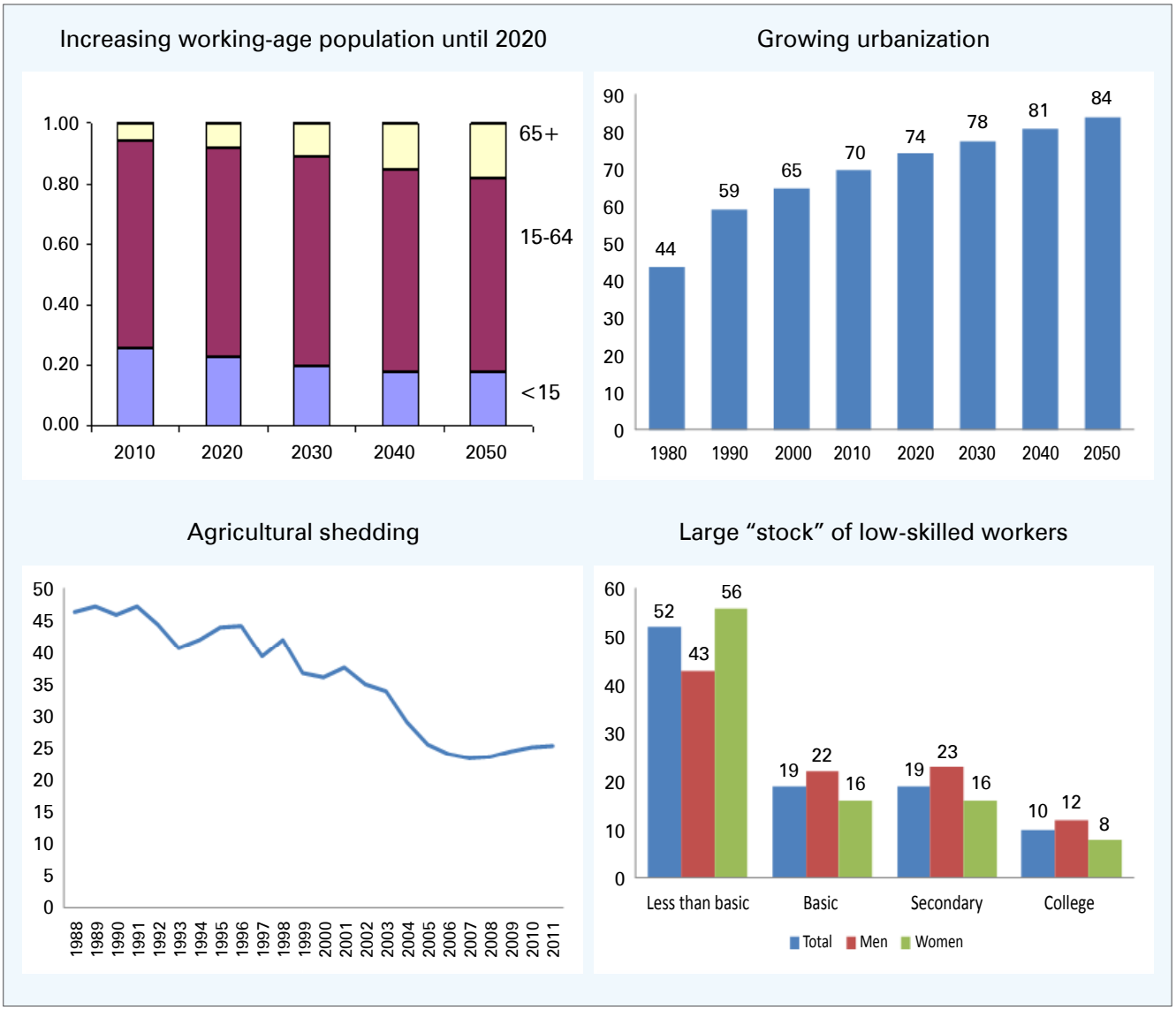
of non-working youth (those 15-24 years old), although employment rates are even lower for prime-age and older women. There are large returns to increasing female employment: according to a World Bank simulation[5], increasing the share of working women by just 6 percentage points could increase income by 7 percent and reduce poverty by 15 percent.

- **Youth** (ages 15-24): above 30 percent of youth are neither working nor going to school (the highest rate among OECD countries). Urbanization, agricultural shedding, and the strong increase predicted in the WAP until around 2020 will continue to push up the number of people looking for non-agricultural jobs. Most of them will be young and low-skilled (Figure 1.1). Poor labor market integration of young people creates very significant costs for individuals and for the productive capacity of the economy as a whole. Activation policies have a role to play, both for first-time labor market entrants and for young people who have already been facing labor market difficulties for a while. Indeed, international evidence shows that well-designed employment activation policies can have a greater impact on youth than on older adults.

5- World Bank 2011: "Female Labor Force Participation in Turkey: Trends, Determinants and Policy Framework"

FIGURE 1.1

Targeting based on living standards: some groups have much greater need for support



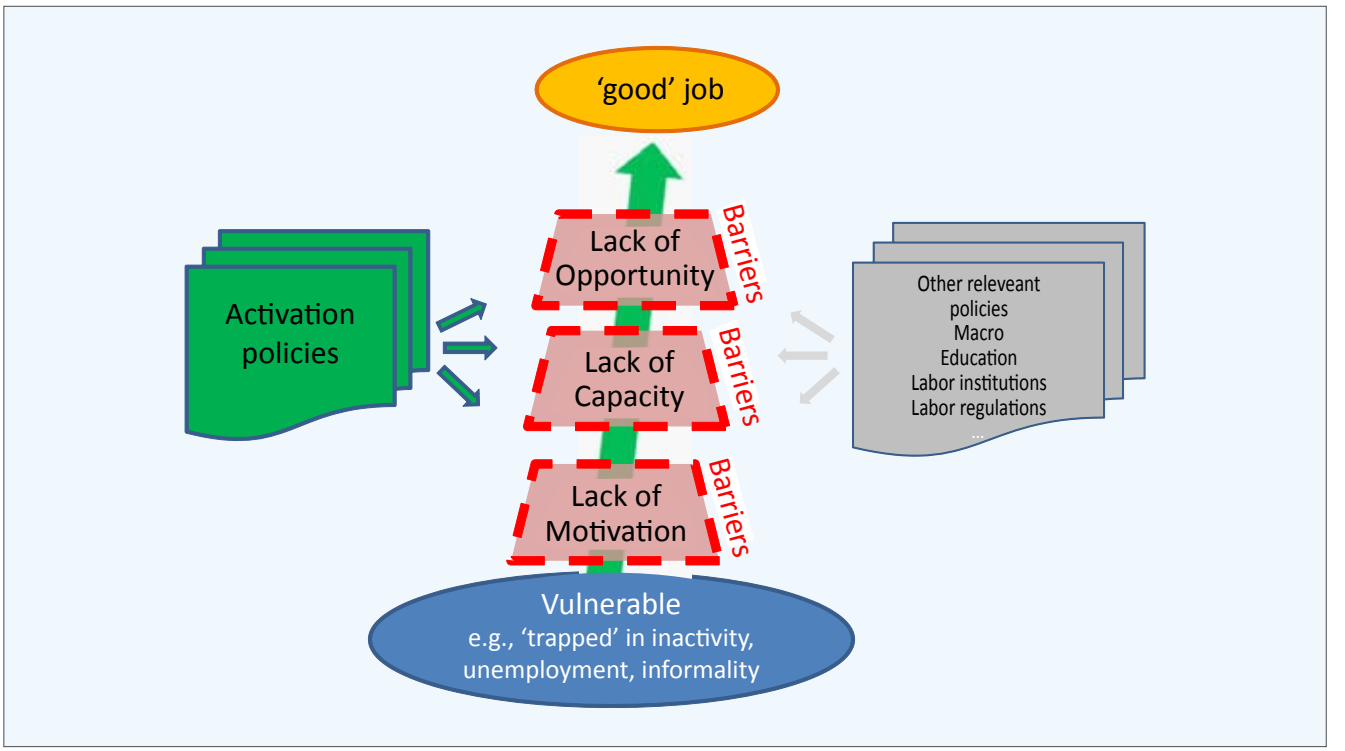
Source: TUIK (Labor Force Survey data), UN (urbanization, population projections), and authors' calculations.

1.2 Activation Policies

In this report, activation describes policies that help vulnerable people break out of a low-productivity- or even poverty trap, by building their aspirations, human capital and ultimately, job seeking effort; with the aim of achieving their productive participation in society and self-sufficiency. This definition comprises a broad set of policy instruments. Work incentive measures (including in-work support as well as obligations of benefit recipients, and associated sanctions) seek to strengthen the **motivation** for making use of existing earnings opportunities. Training, workforce development and related active labor market programs (ALMPs) address specific employment barriers on the labor supply side by improving the **capabilities or capacity** of jobseekers and other activation clients. Finally, employment services and ALMPs that support labor demand (e.g., wage subsidies) expand the set of earnings **opportunities** that are accessible to those with no or only limited income from work.

FIGURE 1.2

From vulnerability to 'good' jobs

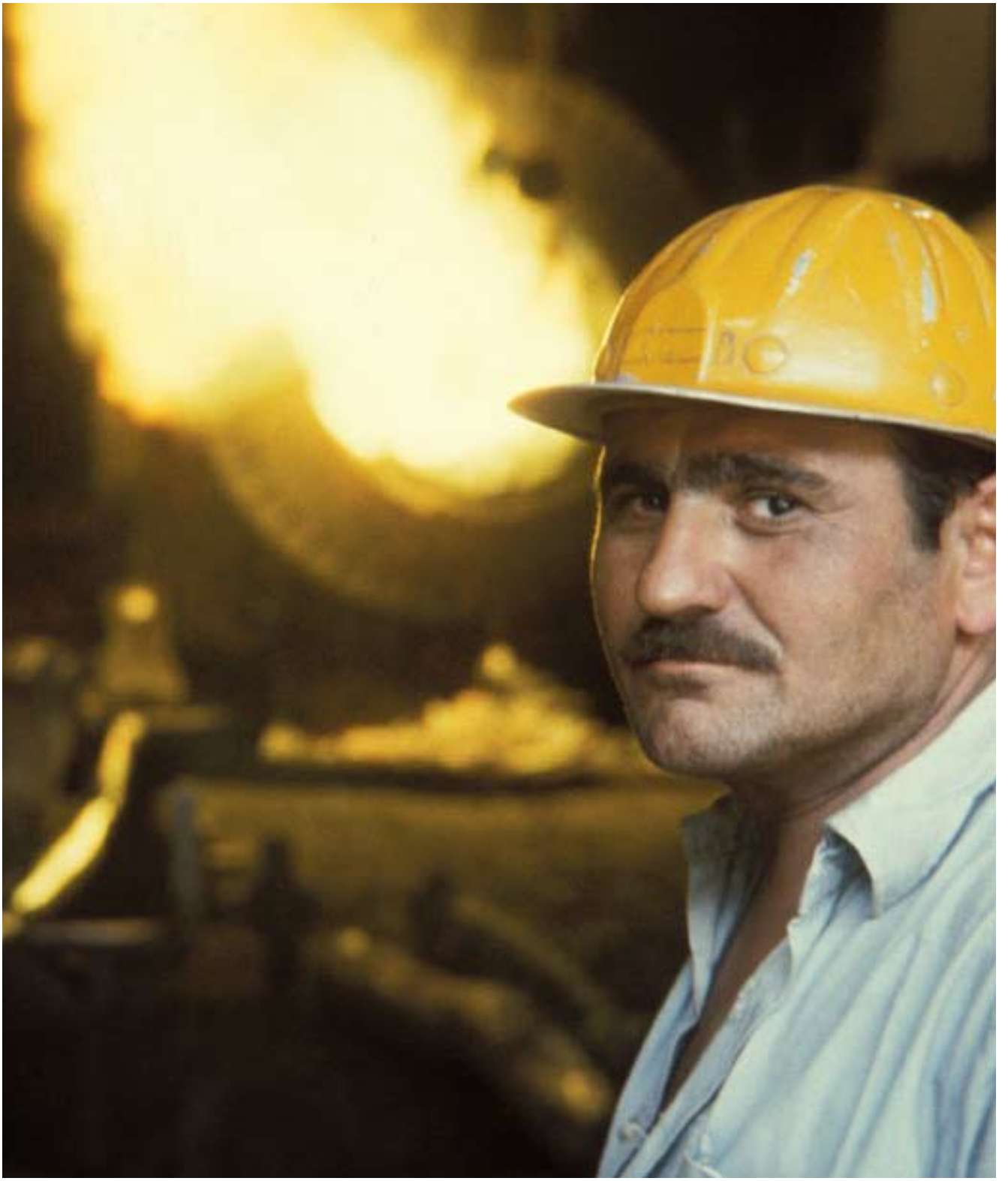


Source: Authors.

Well-designed and implemented activation policies can promote growth (by increasing employment and making labor markets more efficient) and family incomes (by strengthening earnings prospects and helping to direct public support to those who need it most). There is, however, conflicting empirical evidence on the effectiveness of activation policies: Studies show that they can have a positive impact on a range of outcomes but that, in many case, they have *failed* to do so. Their mixed success points to an important role for customizing and coordinating activation policies. Coordination between activation measures is especially important when, as is often case, vulnerability is associated with multiple barriers that all need to be addressed in turn (Figure 1.2). Likewise, activation policies are more likely to be effective when embedded in a broader growth and employment-friendly policy framework.

In countries with higher activity rates, activation policies often focus on facilitating job transitions and re-integration for those experiencing temporary labor-market problems. Improving labor market dynamics is also an important goal in Turkey, and is part of the agenda of the 10th Development Plan, which provides a detailed roadmap for addressing, for example, contractual issues (hiring and dismissal). As the Development Plan recognizes, a specific challenge in Turkey, more so than in other OECD countries, is activating the large number of vulnerable youth and women who have no employment experience or whose experience is limited to low-quality jobs.

This report works through the issues identified in the conceptual framework as follows: Chapter 2 takes stock of the progress of activation policies in Turkey to date, with specific regard to the cooperation between İŞKUR and the General Directorate of Social Assistance. Chapter 3 presents a mechanism to divide the large group of vulnerable people into units of higher or lower priority for activation; in other words, it defines “customer segments” for social sectors and services. Finally, Chapter 4 focuses on the key issue of some priority segments and examines how the skills of the vulnerable can be built.



2. Strengthening Policies to Activate Social Assistance Beneficiaries into Employment in Turkey

Abstract: As in many other countries, public employment services (PES) and social assistance (SA) programs in Turkey are the responsibility of different national ministries and are delivered through different institutions. Because the Turkish government aims to improve the ways in which both systems work together, the Ministry of Development brokered the development of an Action Plan to establish more effective connections between SA and employment services. The goal is that people capable of working who have applied for and receive SA will be "registered to the Turkish Employment Institution (İŞKUR)'s system by related institutions." Those people directed from SA institutions to İŞKUR "will be contacted; their skill levels will be tested, they will be directed to training programs they need and they will receive job seek support or will be directed to vacancies and placed to jobs." İŞKUR will also develop special programs for these new clients. This report first describes the current situation in Turkey with respect to the effectiveness of SA and PES delivery. It then enumerates some possible policy options, derived from an assessment of OECD countries that have sought to better integrate their PES and SA system, that could inform Turkey's strategy to do the same.

2.1 Background and Summary of Findings

In the past few years, the Turkish government has introduced substantial advancements in its labor market policy. With the labor reform in 2008, non-wage labor costs were reduced significantly, to the OECD average, and Active Labor Market Programs (ALMP) were directed to all registered unemployed people. An action plan to reduce informality was introduced in 2008. The 2011 Omnibus Law reduced disincentives to part-time work and extended subsidies to new hires (women and youth). Collectively, the new government programs include measures to improve: labor market flexibility, worker protection, ALMP, the relevance of education to market needs, and the employability of vulnerable groups, including youth and women.

Despite these latest efforts and Turkey's strong economic performance in recent years, the Turkish labor market continues to be characterized by persistently low activity rates and low labor productivity. Turkey has the lowest working-age population (WAP) employment rate in the OECD, with less than half of the WAP employed, of which only about a quarter are women. About 35 percent of youth, mostly women, are neither working nor attending school. Informal employment has fallen remarkably, but still affects 42 percent of workers, contributing to Turkey's lower labor productivity compared with OECD and other peer countries.

Implementing policies to enhance productive employment in Turkey through "good jobs" is a priority for the government as it seeks to raise living standards, increase productivity, and enhance social cohesion. While the definition of what constitutes a "good job" varies by country as well as over time for the same country, good jobs for development in Turkey can be defined as formal wage sector jobs because: (i) these are typically associated with higher incomes, higher productivity, and better protection and social inclusion of workers and their families than in informal wage employment or self-employment; and (ii) a large segment of the WAP does not have access to these jobs (the vulnerable). Accordingly, the Turkish government has channeled its efforts into promoting formal wage employment in high productivity sectors and sectors with high productivity growth potential through incentives and supports.

A complementary objective of the government is to activate the vulnerable into good jobs to benefit from the multiple gains in terms of social equity and productive employment. The vulnerable are working-age people who are able to work but are "stuck" with their current conditions (i.e., individuals without a job, in informal low-productivity/low-wage jobs, or not working as they don't want to lose their social assistance (SA)). The Turkish government is aware that better targeting, by customizing activation efforts and providing coordinated services, might lead vulnerable people into good jobs. Towards this end, a new activation strategy is being developed to incentivize job search, job finding, and productive participation in society for SA beneficiaries to become and remain self-sufficient.

An *Action Plan on Linking Social Support System to Employment and its Activation* was accepted on April 1, 2010, with the aims of establishing a link between Turkey's SA system and the public employment service (PES) and supporting the economic activation of SA beneficiaries. The Ministry of Family and Social Policies (MoFSP) and İŞKUR (Turkish Employment Agency) signed a protocol on February 17, 2012, to direct

all SA applicants to İŞKUR's database of jobseekers and provide them with active labor force services.

The first part of this report provides an audit and assessment of the current Turkish programs and services targeted at SA beneficiaries and of how some better coordinated PES and SA services are already being delivered in Turkey. The second part compares the experience, impacts, and lessons learned over the past two decades in selected OECD countries that have reformed their delivery of employment services to clients receiving SA benefits. This section includes an assessment of:

- Organizational reforms designed to better connect the respective PES and SA delivery systems, from cooperation to co-location to integration;
- Incentives and conditionality regimes that link the receipt of benefits to active job search and participation in labor market programs;
- Initial employability assessments and profiling systems used to determine who is able to work and the degree of market readiness and special needs of people that are able to work;
- The role of case workers and/or job counselors and their work in assessing employability, assisting with job search, agreeing on individual action plans, and monitoring progress and compliance;
- Five case studies of best practice employment programs targeted at particular groups of employable SA recipients. Information is given on how these programs have been designed, commissioned, delivered, monitored, and evaluated; and
- The role, selection, and contracting of external and non-profit providers for the delivery of employment programs and services targeted at hard-to-employ SA clients.

2.2 Coordination and Delivery of PES Programs Targeted at SA Beneficiaries in Turkey

2.2.1 The Current Situation

İŞKUR has started to play a key role in enhancing their PES. Since 2008, İŞKUR has increased the coverage and quality of vocational training, introduced job and vocational counselors (JVCs), and linked SA receipts to registration in İŞKUR. Participation in ALMP has been opened to all registered unemployed regardless of whether they are eligible for unemployment insurance (UI), and the number of vocational trainees increased from 30,000 in 2008 to 464,000 in 2012, representing almost one-fifth of the

registered unemployed.[6] İŞKUR has been working to improve the quality of training through the development of the national vocational qualification system[7] and, more recently, through the selection of training providers on the basis of specific quality and performance criteria.

A new regulation published in March 2013 introduced a number of initiatives to improve the effectiveness of vocational training, including: (i) the addition of new modules to training programs to improve employability of participants (e.g., job search skills, interview techniques, and basic skills); (ii) rewards for job placement performance and accreditation by the Vocational Qualification Institution (VQI) when awarding contracts to providers; and (iii) an increased job placement rate requirement for job-guaranteed courses.

In line with the new regulation, service providers with a low job placement performance face a more stringent supervision. ISKUR first legally warns non-performing service providers. If they still do not provide services in accordance with the contract requirements then İŞKUR can collect an upfront agreed performance security. In more severe cases, debarring is an option. Providers of general training are now also subject to more stringent job placement requirements (at least 50 percent of trainees must find employment for a period which cannot be lower than the duration of the course or at least 120 days). The new regulation also links training to job search, and trainees who refuse job offers suitable to their characteristics are not allowed to benefit from an ALMP for 24 months. Finally, JVCs will be more active in the selection of participants for training programs.

İŞKUR's efforts to transform into an efficient employment agency have been remarkable, but the low levels of labor force participation and formal employment have continued to cause a gradual surge in the need for SA; hence, both the content and magnitude of SA in Turkey have increased rapidly over the last decade. Social spending (including SA and services) increased from 0.5 percent of GDP in 2002 to 1.43 percent of GDP in 2012. Social expenditures include the SA provided by the Social Assistances General Directorate (mainly in the form of family support and conditional cash transfers (CCTs) for health and education), support to specific groups (i.e., handicapped citizens, poor citizens over 65, widowed women), health insurance

6- With the amendments to law no. 5763 in 2008 and to law no. 6111 in 2012, the ceiling of the annual amount transferred from unemployment insurance fund to active labor force programs was raised and determined to be 30% of government's share transferred to this fund in a year. With this change, the expenditures on active labor force programs increased from 35 million TL to 1 billion TL. Accordingly, the number of persons benefitting from these programs has increased in these years.

7- This includes the development of 294 national occupational standards in 16 sectors, 127 of which are under implementation.

coverage of poor people, and social services for children and youth.

2.2.2 Strategic Planning and Legal Arrangements

Recognizing that the provision of social benefits can create disincentives for formal employment and that programs that link the receipt of social benefits to activation can have a large payoff, the government started developing strategies to strengthen the link between employment and social protection. The MoFSP, the Ministry of Labor and Social Security, the Ministry of Development, and the Ministry of National Education have been working on developing an effective and integrated social protection system that includes all parts of society in line with economic, social, and fiscal policies, with the aims of both avoiding needy citizens' dependence on SA and encouraging them to participate in the labor force. The recent reforms address this by linking SA receipt to registration in İŞKUR, opening up SA to formal sector workers, and reducing the disincentives to formal employment for green card holders.

After the development of the Action Plan on Linking Social Support System to Employment and its Activation, MoFSP and İŞKUR began to register SA beneficiaries into the İŞKUR database. The Economic Coordination Council accepted the Action Plan on April 1, 2010, with the aims of establishing a link between the SA system and employment and of supporting the economic activation of SA beneficiaries. The Action Plan envisaged 13 actions to be carried out in the short, medium and long term, including: registering SA beneficiaries who are capable of working into İŞKUR's database; developing suitable employment programs for SA beneficiaries; adjusting the scoring formula for other institutions that execute SA activities; and maintaining the green card status of individuals participating in İŞKUR's vocational training programs and community work programs. MoFSP and İŞKUR signed a protocol on February 17, 2012, to direct all SA applicants to İŞKUR's database and provide them with active labor force services. İŞKUR's JVCs contact SA beneficiaries, administer skill level tests, and then direct clients to open positions, vocational education and training courses, or other labor adaptation programs.

Thanks to significant improvements in the infrastructure and administration of SA, activation of SA beneficiaries into employment is now much easier. Since the establishment of MoFSP in 2011 and placement of government agencies dealing with social services under it, SA and services have been planned and implemented in a more coordinated fashion. A new, integrated Social Assistance Information System (SAIS) was developed, while common mechanisms were revisited to target benefits more effectively. The General Directorate of Social Assistance (GDSA)

of MoFSP is currently coordinating the SA system, with the help of around 1,000 local Social Assistance and Solidarity Foundations (SASF) at the district level. Applications are checked by the SASF through a need-poverty inquiry via SAIS. SAIS is interlinked with other government databases to monitor the assistance and prevent duplication. SASFs make necessary checks and controls and register beneficiaries into the system. Payments for each household are calculated in accordance with the eligible support schemes and transferred to the bank accounts of actual beneficiaries (e.g., to the mother in the case of a CCT for her children's education). One of the household members can apply to a SASF by filling an application form for all members in his household.

Box 2.1 Information Cross-Checked by SAIS at Beneficiary Registration

SAIS makes the following checks and controls:

1. Applicant(s)' address, copies of birth/family/personal registrations and incident information (from MERNIS database of Ministry of Interior General Directorate of Civil Registration and Nationality).
2. Whether the applicant has an İŞKUR record, and s/he receives Unemployment Insurance, Short-time Working Allowance or Job Loss Compensation.
3. Whether the applicant has received a Poverty Allowance (from the database of General Directorate of Foundations).
4. Whether the applicant has received a Home Care Allowance (from the database of General Directorate of Social Services and Children Protection)
5. Whether the applicant has benefited from a Conditional Cash Transfer, Income-Generating Projects, or Other Assistance (from the database of General Directorate of Social Assistance).
6. Whether the applicant has Social Security; s/he benefits from health services and receives Allowance (assistance) according to the Law No. 2022 (from the database of Social Security Institution).
7. Whether the applicant has a Tax Liability and has registered a motor vehicle (from the database of Revenue Administration).
8. Whether or not the person has a green card (from the database of Ministry of Health).
9. Whether the applicant has registered real estate (from the General Directorate of Land Registry and Cadaster).
10. Whether the applicant receives scholarship or credit (from the General Directorate of Credit and Dormitories Agency).
11. The amount of cultivated/fallow land, registered wet/dry land and information about agricultural products cultivated on these lands (from Farmer Register System of the Ministry of Agriculture, Food and Livestock).
12. Temporary village guard salary (from the Ministry of Interior).
13. The student's attendance and school success (from the Ministry of Education's e-school database).

Source: MoFSP 2011.

In 2012, the Social Assistance and Solidarity Law was amended to clarify the eligibility of SA beneficiaries. Under the amendment (in Article 2 of the law), eligibility is defined by taking the total income of all household members into consideration; an employed beneficiary is eligible for SA if the total income of all households is less than one-third of the net minimum wage. Under such circumstances, all households may be eligible for different kinds of SA (education support for children, coal support to the family for heating, provision of home-based care, etc.).

There is still room to direct SA beneficiaries to productive employment, as 28 percent of all SA beneficiaries are working-age males. The development of SAIS makes valuable data available to all institutions that deal with employment and SA. Almost one-third of the entire Turkish population is registered in SAIS (Table 2.1). Efficient use of this impressive information system should enable MoFSP and İŞKUR to track beneficiaries and provide them with appropriate services.

TABLE 2.1

Social assistance figures, 2012

SA registration and beneficiaries	Number
Population	75,627,384
People registered in SAIS	23,668,942
Households registered in SAIS	6,768,126
SA beneficiaries (people)	6,370,100
SA beneficiaries (households)	2,101,611
SA beneficiaries (regular transfers)	1,657,144
SA beneficiaries (irregular transfers)	1,994,470

Source: TUIK database and MoFSP 2013.

2.2.3 Activation Implementation

The beneficiaries of all SA programs[8] are covered by the new activation strategy; however, no screening tools or objective tests of beneficiaries' work capacity are used during this process. The built-in control mechanisms of the SA payment system are being improved, and the SASF staff make

8- SA can be provided regularly (i.e., monthly payments to widowed women), temporarily (i.e., housing benefits), or provisionally (i.e., CCTs).

necessary checks and controls at each payment interval (generally bi-monthly). In addition to these controls, MoFSP inspectors perform home visits to verify the eligibility of SA beneficiaries by using a Household Visit Information Form, developed with the Scientific and Technical Research Council of Turkey (TUBITAK) under the "Defining a Scoring Formula to Identify the Beneficiaries for Social Assistance Project." During both of these processes, beneficiaries are informed about the activation program and asked whether they would like to be directed to İŞKUR to receive employment services. Information about those who volunteer and who are in the WAP (those 15-64 years old) is sent to İŞKUR. No priority criteria or classification exist during this information collection phase, and there is no other control related to the employability of the beneficiary. MoFSP and İŞKUR are working closely to develop criteria for employability of household members and to improve the Household Visit Information Form.

İŞKUR registration of "able" beneficiaries applies to the entire stock of SA beneficiaries; however, registry into İŞKUR's database is not mandatory. Any new applicant or existing SA beneficiary may inform the SASF personnel that s/he would like to be registered into İŞKUR's database during the regular controls that are performed by the SASF personnel at the time of each transfer (usually bi-monthly) or anytime s/he wishes. If the SA applicant is unemployed, between 15-64 years old, and willing to be registered into the İŞKUR database, relevant information is provided to İŞKUR. İŞKUR registry takes place in line with the provisions of the protocol dated March 17, 2012, and is completed by İŞKUR staff upon the receipt of information from MoFSP. Starting in January 2013, each SA beneficiary directed to İŞKUR is assigned to one of İŞKUR's 4,000 JVCs. A JVC working in the closest İŞKUR unit to the transferred SA applicant monitors the applicant individually. The eligibility of a SA beneficiary may change over time; an SA beneficiary that receives support is called "active." JVCs track the information of both active and passive SA beneficiaries under a separate section of their IT system and they can see whether a newly registered person receives SA.

JVCs provide services in accordance with the new Active Labor Services (ALS) Regulation, which states that a SA beneficiary has to receive active labor force services within two weeks of being transferred into İŞKUR's database. Thus JVCs contact and give appointments to the transferred SA applicants to administer skill level tests to them, and to direct them to vocational education programs and labor adaptation programs. Beneficiaries can participate in all programs but the social benefits of beneficiaries participating in public works programs are eliminated. Still, SA beneficiaries do not have to accept job offers or enroll in vocational training.

FIGURE 2.1

ALMP offered by İŞKUR

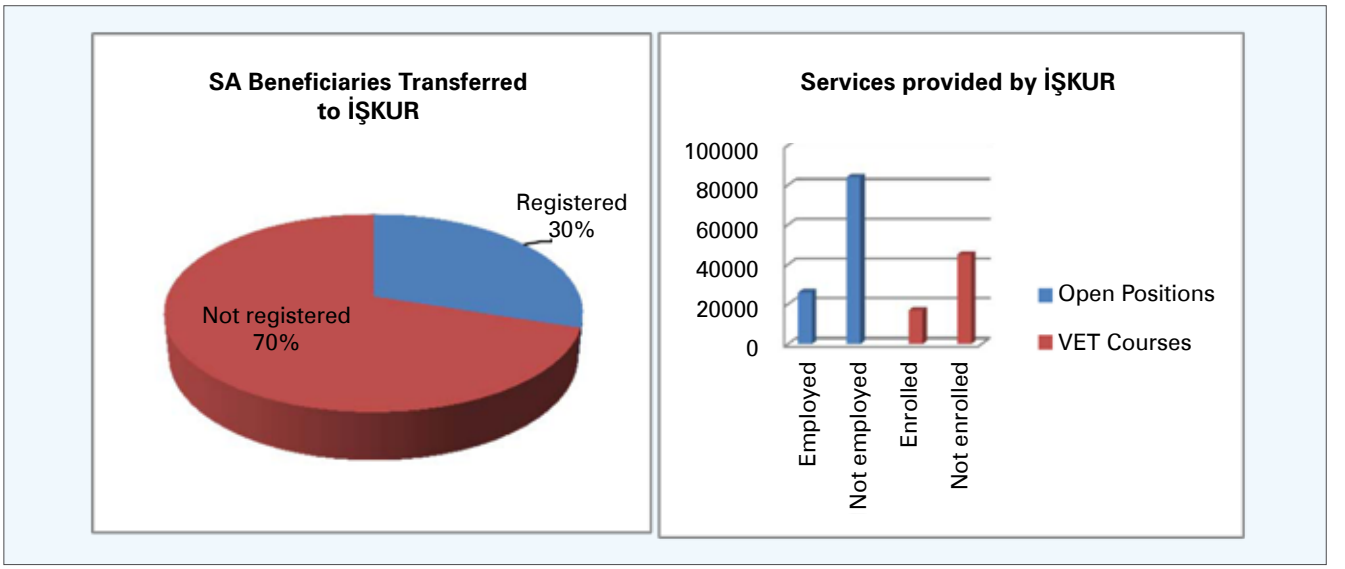
Source: Authors.

The activation program is still in its first year of implementation. Although MoFSP sent information on 1.1 million SA beneficiaries to İŞKUR for registry, the data transfer had to be put on hold in December 2012 to deal with this high volume and to initiate a screening/prioritization mechanism to identify the top priority beneficiaries. Though the situation differs from one province to another, the workload of JVCs has increased due to the additional number of SA beneficiaries assigned to them. Problems have arisen as these additional people are not subject to any sort of prioritization by the MoFSP and their contact information is not always correct, yet İŞKUR's regulation dictates that JVCs must contact SA beneficiaries within two weeks to provide employment services. Despite these problems, İŞKUR staff had registered 330,000 beneficiaries into İŞKUR's database by the end of March 2013. Of those, 111,000 were directed to open positions and 26,000 were employed. Another 62,000 beneficiaries were directed to İŞKUR vocational education and training (VET) programs, of which 17,000

participated in them. It is not clear when the data transfer from MoFSP to İŞKUR will resume, but İŞKUR plans to reach all 1.1 million SA beneficiaries by the end of 2013. The JVCs will contact all of these SA beneficiaries at least once and record which ones do not want further contact. The JVC system was not designed to handle the caseload of SA beneficiaries, and there currently exists no clear time frame for increasing their number (from 4,000). Therefore, timely delivery of services is still an issue to be addressed.

FIGURE 2.2

İŞKUR beneficiaries and allocation of services



Source: Own calculations (based on data from MoFSP and İŞKUR database).

2.2.4 Next Steps

Better profiling and prioritization is the key to restarting the data transfer process and helping MoFSP and İŞKUR reach their mutual targets. Using İŞKUR's JVCs will most certainly result in a better match of trainees to employment services, but their current workload makes it hard for them to assess the employability of job seekers and thus their need for training or other services. Countries with well-developed PES do make an initial employability assessment of jobseekers that is then used to "profile" them into different groups receiving different support packages, with the bulk of resources going to the hard-to-employ. In the activation process

of SA beneficiaries to employment, İŞKUR and MoFSP are working closely to develop broader and more detailed definitions of "employability" and "proper jobs." It is expected that with these new definitions, SA beneficiaries can be better grouped and prioritized by the SASF staff, and thus receive better employment services once they are registered in İŞKUR's database.

One weakness of the activation program is the reluctance of some SA beneficiaries to be transferred to İŞKUR's database, as they are afraid of losing their SA. To address this, MoFSP has been implementing pilot programs to test mechanisms to increase participation. Most SA beneficiaries are aware that they lack necessary basic and technical skills for good jobs, for which open positions are limited, and that if they are employed, their wages may not be sufficient to cover the additional costs of employment (e.g., transport, clothing). To overcome this, MoFSP initiated a pilot project in Denizli province to continue making SA transfers to SA beneficiaries for a transitory period after they are employed through İŞKUR services. This pilot project not only covers the beneficiary's compulsory costs in the first few months of work but also enables better cooperation between the İŞKUR JVC and the SASF social worker assigned to the SA beneficiary. The pilot will be expanded to Kocaeli, Gaziantep, and Şanlıurfa before being implemented nationwide. MoFSP has also initiated a pilot study in Karabuk and Kirikkale, where all public administration offices (including the municipality) will establish integrated cooperation for social services.

Raising awareness and providing better information to SA beneficiaries about the activation program may increase participation and could even create strong advocates. All jobseekers transferred to İŞKUR should receive some services, but some will still be among the hard-to-employ. Once İŞKUR's JVCs have informed households about the program's successful results, the attitude of reluctant SA beneficiaries may change. JVCs may work with these groups on an action plan to find employment and to monitor their progress.

In the middle to long term, İŞKUR and MoFSP should evaluate the introduction of compulsory registry measures for SA beneficiaries into İŞKUR's database, and evaluate some punitive actions to discontinue SA to employable SA beneficiaries not participating in the activation program. If provided for a long period of time, SA may blunt the skills and motivation of beneficiaries. The government has implemented successful programs with scarce resources, but the sustainability of these rigorous programs is questionable in the long term. To raise the living standards of SA beneficiaries and enhance social

cohesion, İŞKUR and MoFSP should consider options to continue SA only to the "impossible to employ" and to require employable SA beneficiaries to take part in the activation program. International best examples in the activation of SA beneficiaries that are applicable to Turkey may help İŞKUR and MoFSP improve their current model and accelerate the process. These examples are discussed next.

2.3 A Review of OECD Activation Reforms

Section 3 considers several factors that have shaped the design and implementation of pro-employment SA programs in other OECD countries. This includes findings on different organizational reforms designed to better connect the respective PES and SA delivery systems. The section reviews the design of activation incentives and requirements targeted at SA recipients, the sanctions used to enforce requirements, and the different ways in which the relative employability of claimants is assessed. It considers findings on the role and tasks of frontline case workers in such delivery systems and the ways in which PES services have been supplemented for SA clients by contracting with external providers. The section also includes brief case studies of coordination reforms and employment programs from other countries, including examples of those targeted at employable women with child-care responsibilities who are receiving SA.

2.3.1 Defining the Concept of Activation

Research findings in the 1980s, especially in Europe, suggested that in many countries, the poor design of benefit entitlements and the weak organization of UI and SA systems weakened work incentives and induced welfare dependency. Since then, OECD and EU policy makers have encouraged member countries to implement activation reforms for the unemployed, and increasingly in the 2000s, argued for the extension of such policies to employable people of working age in receipt of disability, early retirement, and lone parent or other "inactive" SA benefits. Activation policies are intended to bring long-term unemployed and inactive people into the effective labor supply and enhance their employability. They are regarded as a response to the challenge of aging populations and an effective way to reduce poverty and social exclusion while containing the costs of social protection systems.

It is useful to distinguish between particular types of ALMP, such as job search assistance, skills training, or employment subsidies, and wider "activation" strategies that typically encompass a combination of different ALMP within a reformed service delivery system.

The precise nature of national activation strategies varies, but an important variation across the OECD is whether individual countries implement a "work first" strategy that requires unemployed people to enter employment as swiftly as possible, or a "human capital development" strategy that emphasizes the importance of improving benefit recipients' skills so that they may gain access to higher quality employment. The former approach is most closely associated with "welfare-to-work" reforms in English-speaking countries, such as the U.S., the U.K., and Australia. The latter approach has been associated more with welfare states in Western and Northern Europe, especially the Scandinavian countries.

2.3.2 Organizational Reforms to Improve Coordination and Cooperation between PES and SA Delivery Systems

In many OECD countries, responsibility for the delivery of benefits and employment services was often fragmented between different institutions and agencies comprising national PES, benefits agencies, municipal welfare departments, and social insurance bodies. These were generally accountable to different ministries and levels of government, and social partners exercised a great deal of influence and control, especially in social insurance systems. A major criticism of such systems was that they often performed poorly in placing the long-term unemployed into work, and although employable SA claimants often had to register with the PES, they were viewed as low priority and consequently received little attention.

OECD governments have introduced various reforms that seek to improve the coordination of service delivery; these developments have been reviewed by the OECD and the European Commission. In some countries, such as Japan and Slovenia, reforms have involved greater cooperation between the social welfare system and the PES. In others, such as Finland and Norway, reforms have resulted in the co-location and coordination of PES and SA services; and in others, such as Britain and Ireland, benefit delivery and employment services have been fully integrated. In Ireland, current reforms are being implemented despite high unemployment and deep public expenditure cuts because the government and international agencies see such reforms as vital to future recovery. A further variant has involved more targeted reforms, as in countries like Switzerland and Australia, where policy makers have sought to improve cross-institutional cooperation for particular disadvantaged client groups or localities.

The different approaches reflect the particular circumstances of each country, but five examples give insight

into design and delivery factors that Turkish policy makers may want to consider as they implement the current reform and consider possible future options.

Case study 1: Slovenia

Slovenia's government has sought over time to ensure that SA recipients who are able to work become a part of the employment system (OECD 2009). Since 2000, 62 Social Welfare Centers (SWC), which assess eligibility and distribute family and SA benefits, have been required to refer employable claimants to the PES. After an initial assessment of employability at the SWC, the PES registers a person as unemployed if s/he meets the criteria defined in legislation ("younger than 60 years, not homeless, not drug- or alcohol addicted, not in the process of detoxification, not ill"). In 2007, nearly 40 percent of the people registered with the PES received SA. Many of these claimants were young people under 25 who did not qualify for unemployment benefits and the level of SA payment they received was below subsistence.

The PES provides activation and placement services for those registered and reports to the SWC any change in the status of the claimant. There is structured formal cooperation between SWC and PES advisors. Joint case management is provided in the case of clients who need more intensive support from both services, and there is a joint assessment of clients who lose (temporarily or permanently) their work ability while they are unemployed. Linked databases were established in 2006 and data sharing protocols enable daily transfer of data between the systems. This means that SWC case workers have access to PES records, including where a client starts employment and if sanctions have been imposed, allowing them to decide on further payment of SA. PES counselors do not, however, have access to benefit records.

An OECD review found that while there had been progress, the strategy was less effective than it could be and that while the elements of an activation system were in place, the impact was limited "because the institutional incentives to provide the services and controls necessary to make activation work are not in line with the responsibilities of actors" (OECD 2009: p. 109). In particular, as the PES was not directly responsible for paying SA, these clients, who were more difficult to place, were given fewer services; PES advisers prioritized their work with UI recipients; and PES staff had excessive administrative functions which reduced their capacity to deliver job counseling.

Case study 2: Japan

In Japan, there have been recent efforts

to improve coordination between the PES ("Hello Work") and prefectures and municipalities, which are responsible for paying SA (Duell et al. 2010). Few people who are capable of work qualify for SA because of strict eligibility rules, but recently the number has increased somewhat, especially of lone parents.

Welfare offices do not oblige employable clients to register with the PES, but they do generally advise them to. There is no computer interface with the PES, but to better understand recipients' job search activity, the welfare office sometimes reviews how clients are using PES services and asks the PES for information.

Since 2005, welfare offices and Hello Work have developed a special Employment Support Program for welfare recipients and recipients of the Child Rearing Allowance (see Box 2.6) that aims to enhance clients' independence and self-support capability. First, employment consultants or other case workers in welfare offices identify suitable clients for the program and approach the local Hello Work office for cooperation. Next, employment and welfare officers develop an individual action plan for the client in a joint interview. The client is registered for work at the PES office and is referred to vacancies once his/her job preparation is completed.

For those with special difficulties, the welfare office may appoint a "navigator" who works from the Hello Work office to give support on a one-to-one basis. Navigators are supposed to increase their clients' work focus and propose appropriate activities, such as work experience or public or private vocational training. Some Hello Work offices have set up a support team "corner" or access point in collaboration with municipal welfare institutions. Such specialist service points are also targeted at other mothers seeking employment (see Box 2.2).

In 2009, an OECD review reported there were some 300 welfare office and Hello Work navigators targeting welfare and child allowance recipients, still less than one per PES office on average. In 2007, 12,422 persons (about 2 percent of the number of non-waged households in receipt of welfare) were referred to the PES from welfare offices. It was reported that 6,741 found employment, a success rate of 54 percent.

Box 2.2 Japanese PES for Mothers Seeking Employment

In Japan, specialized "centers, salons and corners," often located in PES offices, target mothers who are bringing up children and seeking employment or who wish to change jobs. Compared with the main Hello Work offices, these centers or corners offer more tailored services, such as information on child care (in collaboration with local government), more intensive jobsearch assistance and career counseling, special seminars, and some training (e.g., IT). They make special efforts to acquire vacancies from companies that offer conditions suitable for mothers (e.g., in terms of work-life balance). Free childcare is provided for visitors.

Mothers seeking employment can either register directly at the Mothers' Hello Work center or with the main Hello Work office. In the latter case, at the first counseling session, the employment officer can refer appropriate clients to the Mothers' Hello Work center, where jobseekers are assigned to a single counselor throughout the jobsearch period. Counselors aim to place jobseekers within three months after drawing up an Employment Realization Plan. This involves identifying the specific employment barriers faced by each mother, the type of preparatory activities she needs to carry out (e.g., training for job interviews), and enterprises that may offer her suitable work.

Case study 3: Finland

In Finland, organizational reform has been targeted at the long-term unemployed and others receiving minimum income benefits, which are delivered through municipalities (Duell, Grubb and Singh 2009). Between 2004 and 2007, the PES and municipalities created 39 specialized "Labor Force Service Centers" (LAFOS). Clients are referred to the LAFOS center by the PES or the municipality based on a needs assessment. Participation can last for two to three years, after which clients without another outcome return to the PES or municipality.

The 2007 LAFOS caseload of 23,500 represented about half of the number of long-term benefit recipients. One reason is because LAFOS centers are established only in densely populated areas where they may serve several municipalities. In 2010, it was reported that of 9,149 people completing the service, about 10 percent were in open employment and nearly 12 percent were participating in ALMP (EJML 2011).

LAFOS centers are jointly run by municipalities and local PES offices and are based on local, rather informal, cooperation contracts between the partners, and act under management jointly defined by them. Organizational models vary, with the lead managerial position being taken either by the PES or a municipality or sometimes shared between them in a rotating system.

The core LAFOS personnel comprise PES counselors and municipal social workers. In addition, health professionals, such as nurses, doctors, and psychologists, may be on site or part of multi-professional teams. The sizes of the LAFOS centers vary, with the largest offices offering a wide range of professional services. Clients can be referred to the full range of ALMP, but one possible type of placement is into subsidized work in social enterprises, which provide realistic work experiences designed to prepare disadvantaged groups for employment in the open labor market.

Case study 4: Norway

Norway's reform involved the integration of its PES and its social insurance agency to form NAV, the combined Labor and Welfare Service, which has now been co-located with the delivery of municipal SA benefits (Duell, Singh and Tergeist 2009). The objective was to bring separate frontline offices under one roof to create a single contact point per client to deal with all the needs of the individual, ensuring that the office is experienced by users as a single unit.

The co-located offices typically have two departments: reception and long-term follow-up. The reception department offers self-service and limited guidance to jobseekers and to employers with jobs to offer. The follow-up department gives more intensive assistance to the unemployed, to people on long-term sick leave or with disabilities, to those on vocational rehabilitation benefits, and to employable SA recipients. The units and divisions comprise employees from all three of the former services.

The reorganization included some 14,000 staff under government control and 4,000 municipal employees. The frontline offices had 6,000-7,000 staff when the network was finalized. In 2008, services were provided to an average of 150,000 unemployment benefit, SA, and vocational rehabilitation recipients and about 100,000 job seekers who were not benefit recipients (e.g., people registered for a potential change of job).

Local NAV offices were established through agreements between NAV at the regional or national level with the municipalities. These agreements related to the design and operation of the office and the interaction between the two organizations and could further determine that, apart from SA, other municipal social services may be provided. This has led to variation in the character of the agreements and in the services provided in local NAV offices.

In practice, local offices are steered by two different "owners" (municipalities and the central government). This means there is no single chain of command, staff are on different salary scales, and at the time of the

2009 OECD review, IT systems were not integrated to create a joint client database. Preliminary evaluations of the merger process showed that services became more integrated in that there was increased cooperation across previous agency borders. NAV offices still differed, however, in how each local area defined the approach to client treatment, with some case workers in some offices handling the whole spectrum of clients while other offices basically maintained the pre-NAV division of work.

Case study 5: Ireland

In 2011, Ireland's newly created Department of Social Protection (DSP) was given responsibility for developing an integrated one-stop system to administer all working-age benefits and employment services. This involved the integration of some 1,700 PES staff with existing benefit payments staff and the development of systems and procedures to deliver the new service.

In February 2012, the Irish government launched its wider Pathways to Work strategy, which combines reforms to the benefit system, employment programs, and services for jobseekers and employers (Government of Ireland 2012). The strategy aims to prevent increased unemployment from becoming entrenched in Ireland by transforming the comparatively passive system (as revealed in an OECD country review; see Grubb, Singh and Tergeist 2009). The new approach is primarily focused on those claiming benefits and the target is to get 75,000 currently long-term unemployed people back into the workforce and to reduce the average time spent on the live register from 21 months to less than 12 months by the end of 2015.

A key element of the Pathways to Work approach is the transformation of social welfare offices and the new service was officially launched as Intreo in four offices in October 2012; a full network of 70 offices is to be established by the end of 2014. The service delivery approach combines a number of key elements. These include the development of a personal progression plan and a "social contract" whereby clients commit to engage with the DSP's employment services as a pre-condition for the receipt of benefit. In addition to job search and availability for work, clients will be required to attend meetings and participate in employment programs. The system is underpinned by new sanctions which mean that failure to engage can lead to a reduction in, and ultimately a cessation of, income support payments.

On entry to the system, unemployed people are asked to complete a profile questionnaire so that their case worker can assess their "probability of exit" from unemployment during the subsequent 12 months. The results are

used to determine the level and timing of employment support to be given. Clients selected for support should benefit from at least four intensive case review interviews over 18 months. For most people, the first appointment consists of a group engagement where options and obligations are explained to groups of up to 20 jobseekers with similar characteristics. The group engagement is followed by more intensive "one-on-one" counseling interviews. If jobseekers are still on the live register at 18 months, they are mandated to attend a personal development and/or employment program.

Summary and implications of case studies

The client groups, budgets, benefit entitlements, and institutions in these five countries differ from those involved in the Turkish reforms, but the findings illustrate some of the policy design and implementation elements that can facilitate more effective coordination of SA and PES services, even when institutions are not as well resourced. The most significant factor concerns the development of national priorities and local agreements outlining service protocols, working methods, and respective organizational responsibilities. Such protocols typically contain agreement on the following elements:

- The clients to be served and the operating model;
- Management arrangements and supervision of operations;
- Personnel to be allocated to deliver the services;
- Budget and monitoring of expenditure; and
- Any services to be outsourced or purchased from external service providers.

In this respect, the steps taken by MoFSP and İŞKUR after the development of the *Action Plan on Linking Social Support System to Employment and its Activation* are to the point. To direct all SA applicants to İŞKUR's database and provide them active labor force services, MoFSP and İŞKUR signed a protocol that covers the operational model, implementation arrangements, and allocated personnel. With the efficient use of budget and monitoring of expenditures, more effective coordination of SA and PES can be attained.

A further key factor has been the development of shared information systems. A particular challenge for implementing reforms has been creating effective linkages between the separate established (legacy) data systems of PES and SA offices, especially in coordinating information flows and the "handover" of service users between the respective parts of the delivery chain. Some countries, such as Great Britain, merged the

existing benefit and employment service delivery organizations and created a new client management IT system. Other countries, such as the Netherlands, steered more integrated activity between the PES, municipalities, and social insurance agency through data sharing protocols, service level agreements, and joint performance indicators. Turkey's integrated SAIS, which is interlinked with the databases of all other government agencies, will be a very useful piece of infrastructure to further enhance the linkages between PES and SA services.

Such developments have been facilitated by the existence or development of reliable registers of clients, structured databases, and improvements in IT infrastructure that allow for the analysis of delivery and performance based on sound administrative data. At its best, investment in such information systems has enabled service providers to coordinate separate administrative data on clients, establish eligibility and referral mechanisms, track interventions, and monitor subsequent progress.

2.3.3 Activating SA Recipients: Work-Focused Interviews, Incentives, and Sanctions

Most OECD countries have fairly generous means-tested SA or minimum income programs for unemployed working-age people and their families. The terminology used to describe such income-transfer programs varies across countries, but they are often characterized as SA benefits (Immervoll 2009). Such benefits are typically means-tested and recipients qualify only if they satisfy reasonably stringent tests of the income and assets of individuals and their households. Such benefits may be generally available to poor people, including long-term unemployed people who have exhausted their UI benefits, or they may be categorical and targeted at specific population groups, such as lone parents, widows, or families with school-age children. In most OECD countries, SA benefits comprise regular cash payments supplemented by in-kind support. In many countries, SA benefit entitlement continues for as long as the person shows that s/he is in need, though other countries put a time limit on eligibility.[9]

The primary purpose of SA benefits is to alleviate poverty but a critical design issue concerns the extent to which such income transfers may reduce work incentives and encourage welfare dependency. This is a particular concern in those countries where SA benefits are relatively generous and without time limits. There are several ways in which policy makers can design their benefit entitlements to

9- In the U.S., for example, individual states now impose work requirements and lifetime entitlement limits of between two and five years on those working-age adults who are eligible for cash assistance from "Temporary Assistance for Needy Families" (most of whom are single parents with dependent children).

minimize such work disincentives and make their systems pro-employment. Some important factors concern the employment-related behavioral requirements that claimants are expected to meet; the avoidance of unemployment and poverty traps; and the use of sanctions and incentives that encourage claimants to take up employment opportunities or participate in services that would enable them to do so.

Behavioral requirements and benefit entitlement

Unemployment-related benefits, whether insurance-based or means-tested, have traditionally been subject to a series of rules or conditions that require recipients to be available for and actively seeking work, to be capable of doing the work for which they say they are available, and to be willing to accept offers of suitable employment. In OECD countries, such unemployed claimants are typically required to register with the PES, report on their job search, and attend periodic interviews. The PES is expected to assist individuals as they look for work, monitor their job search, and ensure that claimants meet their obligations. Recent activation reforms targeted at unemployed benefit claimants have typically widened who is defined as capable of work, the definition of what constitutes suitable and appropriate work for the person to seek, the level of job search activity to be undertaken, the types of employment programs in which they must participate, and when exactly such participation should begin (OECD 2007).

In some OECD countries, registration with employment services is now required before any cash benefits or in-kind assistance are provided. In some U.S. states, for example, "Temporary Assistance for Needy Families" (TANF) applicants must show they have actively looked for employment before they are considered eligible to apply for welfare benefits.

In many countries, job search and availability for work rules have been extended and adapted to cover a wider range of claimants, including those claiming SA benefits. In the U.K., Germany, and the U.S., for example, employment requirements now apply to single parents, spouses with child-care responsibility, and employable claimants with work-limiting health or disability conditions. Since 2005 in Germany, a person claiming the "basic allowance"has been considered capable of working if s/he can work for at least three hours per day under normal labor market conditions or is only prevented from doing so by health problems for a "foreseeable period." In most systems, there is often flexibility within legal regulations and such claimants may only be required to seek employment that fits with their child-

care or other caring responsibilities or that matches their reduced capacity to work. Nevertheless, such claimants are required to register with the PES and to show they are actively seeking employment within their agreed constraints.

In the U.S., mandatory job search and registration with employment services have been further extended and now apply to the primary means-tested cash and in-kind benefits available for poor families, including food stamps (see Box 2.3).

Box 2.3 Employment and Work Requirements Applied to SA Benefits in the U.S.

The main SA benefits in the U.S. comprise 'Temporary Assistance for Needy Families" (TANF) and the Supplemental Nutrition Assistance Program (SNAP), previously known as "Food Stamps."

TANF is a work-based cash assistance program targeted at poor families with dependent children. TANF budgets are devolved to individual U.S. states, which have much discretion in the local design of programs, but federal "work requirements" apply nationally and stipulate that:

- Recipients (with few exceptions) must work as soon as they are job-ready or no later than two years after starting assistance.
- Single parents are required to participate in work activities for at least 30 hours per week. Two-parent families must participate in work activities for 35 or 55 hours a week, depending upon circumstances.
- Failure to participate in work requirements can result in a reduction or termination of benefits to the family.
- States cannot penalize single parents with a child under six for failing to meet work requirements if they cannot find adequate child care.In addition, those with children under six are only required to complete a total of 20 hours of work activity per week.

TANF rules stipulate that states must make an initial assessment of a recipient's skills and may develop personal responsibility plans for each recipient to identify the education, training, and job placement services needed to move him/her into the workforce.

Poor able-bodied adults without children are not eligible for TANF but may be eligible for SNAP benefits. However, work requirements and time limits also apply. With some exceptions, able-bodied adults between 16 and 60 years old claiming SNAP must register for work, accept suitable employment, and take part in an employment and training program to which they are referred by the local office. Failure to comply with these requirements can result in disqualification from the program. Additionally, claimants who do not have any dependent children can get SNAP benefits for only three months in a 36-month period if they do not work or participate in a workfare or employment and training program other than job search. This requirement is waived in some locations.

Sources: http://www.acf.hhs.gov/programs/ofa/programs/tanf/about, accessed 29 April, 2013
http://www.fns.usda.gov/snap/applicant_recipients/eligibility.htm, accessed 29 April, 2013

The transition from voluntary programs to employment requirements – the case of mandatory work-focused interviews

The extension of job search requirements to SA benefits in different countries has taken some time. Of relevance to Turkish policy makers is that in several countries, such activation reforms often commenced with the introduction and testing of voluntary employment programs targeted at clearly defined groups of SA recipients.

This initial voluntary phase enabled policy makers to build system and delivery capacity and to accumulate knowledge about what works in assisting such claimants and about the relative financial costs and benefits of such interventions. For example, in several systems, policy makers were able to test new referral and attendance procedures concurrent with the development of effective programs. As activation requirements were extended to more disadvantaged clients, this also involved testing how to integrate employment assistance with other related services including, for example, access to supplementary provision, such as child care for lone parents or "condition management programs" for people with health or disability problems.[10] Such a developmental process characterized reforms in the U.K. and the design and delivery mechanisms that contributed to the creation of an employment-focused delivery system there may be of relevance in Turkey.

In the first phase of the British reform in the late 1990s, voluntary, relatively small-scale employment programs were introduced for lone parents, spouses, and people receiving disability benefits. Evaluations found that employment impacts in each program were high for those who participated but because the interventions were voluntary, they did not reach the majority of claimants. Nevertheless, during this period, experimentation with program design and funding helped build the operational knowledge and capacity of the PES system to cater to more diverse client groups, especially single parents (see Box 2.4).

10- Condition management programs are not intended to act as curative medical treatments but involve rehabilitation support designed to enable an individual to return to work and manage his/her health conditions. They were developed in the U.K. to complement job placement services targeted at clients with significant health barriers (Lindsay and Dutton 2013).

Box 2.4 The British New Deal for Lone Parents

The NDLP was a voluntary program targeted at lone parents on means-tested income support whose youngest child was under 16. Its aim was to provide the advice and practical help lone parent claimants needed to enter or return to employment. The program was launched in eight areas as a prototype in July and August 1997, and rolled out nationally in April 1998to lone parents making new and repeat claims for SA benefits. The program was extended to all such lone parents in October 1998.

At an initial interview, lone parents who wished to participate developed an individual action plan with their PES personal adviser (PA). The PA provided an integrated service, covering job search, help finding child care, advice on benefits, and help with claiming benefits. Participating lone parents were also eligible from the outset for the full range of programs for the unemployed administered by the PES and support for participating lone parents extended beyond the benefit claim period into the early weeks of employment.

Provision within NDLP was developed and augmented continuously with improvements, including, for example, the introduction of basic skills screening, the introduction of a self-employment option, an increased training allowance and additional support with child-care payments for the first 12 months of work. The PA also had flexibility to provide small cash payments that helped overcome barriers arising at the transition from benefit to work.

Evidence suggests that the advice, guidance, and support provided by NDLP was effective. Evaluations conducted by Dolton, Azevedo and Smith (2006) and Lessofet al. (2003) found that the proportion of lone parents who exited social security benefits within nine months of participation was 20-26 percentage points higher for those who participated in NDLP than for non-participants. The estimates for employment entry differed, however. Whereas the 2003 study estimated that NDLP increased the proportion of lone parents entering employment by 24 percentage points within nine months of participation, the 2006 study estimated it to be10 percentage points. Despite the variation in results, largely attributable to methodological differences, the positive outcomes recorded in both studies underpinned the confidence of policy makers to subsequently require other lone parents to engage with such services.

After the voluntary programs had been implemented, the next phase in British welfare reform concerned the introduction of an intermediate behavioral requirement in the Welfare Reform and Pensions Act (1999). The legislation introduced compulsory "work-focused interviews" (WFIs). These interviews did not require lone parents or disabled claimants to take a job but did require them to attend an interview with the PES and subsequently to

engage in reasonable steps that would improve their employability (see Box 2.5). Initially, WFIs applied only at the start of a benefit claim but Ministers subsequently extended the frequency with which high-priority groups of previously inactive claimants had to attend these interviews and participate in related activities.

In countries like Australia and the U.S., as well as the U.K., it was only after several years of testing such intermediate activation requirements, and developing related pro-employment services, that formal job search and availability for work rules were extended to lone parents with school-age children and wider groups of SA claimants.

Box 2.5 Work-Focused Interviews (WFI) and Mandatory Work Preparation in the U.K.

In the U.K., all working-age claimants are required to attend a face-to-face WFI with a Jobcentre Plus Personal Adviser (PA) at the start of their benefit claim. The PA has discretion to defer the WFI and there are some limited exemptions for prescribed groups, such as those with terminal illness. At the WFI, a claimant must be prepared to answer questions (if asked) about such matters as:

- Educational qualifications/vocational training
- Employment history and employment-related skills
- Any current paid/unpaid employment
- Caring responsibilities
- Any medical condition that puts the person at a disadvantage in getting a job

After the first WFI, different groups of claimants are subject to various interview requirements and further WFIs develop from an initial "one off" engagement at the start of a benefit claim into a flexible activation instrument targeted at lone parents, spouses, and people on disability benefits.

Since October 2005, most claimants who attend a WFI are also required to complete an action plan agreed upon with a PA that might include referral to an employment program. PAs now have discretion to encourage and require such claimants to participate in an unspecified range of work-related activities but may not require a person to apply for a job, undertake work, or undergo medical treatment.

This work preparation regime is also underpinned by a differentiated sanctions system. It is not as harsh as the one that applies to the unemployed, however, and the penalties involved reflect the nature of the rule breached, the conditionality group of the claimant, and any hardship that might be caused to children.

Work incentives: making work pay through earnings disregards and tax credits

In many OECD countries, there is a concern that the availability of relatively generous out-of-work benefits for unemployed working-age adults undermines employment incentives. There has been particular concern about the unemployment and poverty traps that may be created when the combination of work costs, income tax, social insurance contributions, and benefits withdrawal mean claimants have no financial incentive to work or to increase their earnings in the formal labor market. Variations in wage levels across regions may also create such traps in particular geographic areas.

Where cash transfers are of low value, as in Turkey, their impact on work incentives is usually negligible but there is a design issue concerning the treatment of earnings of SA benefit households. A "dollar-for-dollar" reduction rule may simply encourage dependency, undeclared earnings, and informal employment. Disincentives may also be compounded if such reduction rules mean that a person might lose entitlement to other benefits. This may be relevant in Turkey, where households may receive more than one means-tested benefit.

In many OECD systems, special "earnings disregard rules" and in-work benefit entitlements have been designed to encourage part-time or irregular work because they contribute to self-sufficiency and provide a route to a better job. The design issue for Turkey is whether the SA system encourages such employment and if so, how payments from any work undertaken should be offset against benefit entitlement.

In many of the EU8 countries (the most recent EU members), where SA levels are far lower than in other EU countries, policy makers have gradually created "earnings disregard" rules and/or introduced benefit tapers and in-work benefits or tax credits that can ease the transition to employment and ensure that claimants are better off in work. Estonia, for example, has introduced in-work tax credits for families with children, and Hungary and Slovakia have benefits that taper off gradually as claimants enter employment (Ringold and Kasek 2007).

The design of such in-work benefits and tax credits have been found to have a powerful impact on employment rates, especially in the U.S. and the U.K. (Meyer 2007; Gregg, Harkness and Smith 2009). One particular example that may be of relevance to Turkish policy makers concerns the design and impact of Japan's "Child Rearing Allowance," associated with the highest rate of lone parent employment amongst OECD countries (see Box 2.6).

Box 2.6 Lone Parent Employment and Child-Rearing Allowance in Japan

The exceptionally high employment rate of Japanese lone parents, at 85 percent, is related to their differential access to benefits in and out of work. Estimates vary, but there are at least 600,000 and possibly up to one million single-mother households in Japan, of which only about 93,000 received SA each month in 2006. In addition to the social stigma mothers face in claiming the benefit, municipal welfare offices evaluate the lone parent's capacity to work rigorously and often suggest that other family members support them.

In contrast, some 956,000 single-mother households in Japan received the in-work "Child Rearing Allowance" in 2006. This benefit can only be claimed by parents in paid work and it is paid until the youngest child is aged 18. The benefit amount is set well below subsistence level, which enables the benefit withdrawal rate in relation to earnings to be set at a low level. This creates a strong financial incentive to work long hours, a benefit absent in most other OECD countries.

When combined with preferential access to daycare centers at heavily subsidized rates for mothers on low incomes, the allowance makes it possible even for mothers with rather low earnings capacity to achieve net incomes similar to – although probably still lower than, in some cases – the out-of-work SA rates. These factors facilitate the high employment rate of single mothers and help explain why a large proportion of this group works full-time. Unfortunately, the high lone parent employment rate does not translate into lower levels of child poverty and many single mothers report that their lives, working full-time with still relatively low net incomes, are difficult (Duell et al. 2010).

Participation incentives and sanctions

The effective referral and attachment of SA claimants to the PES and subsequent engagement with and participation in services can be enhanced through the use of incentives, sanctions, or a combination of both.

A voluntary or mandatory approach to PES registration and participation in programs can be reinforced and made more attractive through the use of cash or in-kind incentives that help meet the direct costs of engagement. In several countries, frontline case workers are able to provide discretionary support that might include transportation subsidies or vouchers for attending the PES, attending job interviews, assistance with child-care expenses

and provision, and even assistance with work clothes and tools or equipment. Many PES services also provide modest participation or activity allowances or bonuses paid in addition to existing benefits for targeted individuals who engage in and complete longer duration employment or training programs. As mentioned in section 4, MoFSP has already started piloting these kinds of incentives, the results of which will be taken into consideration in nationwide expansion.

In many OECD countries, mandatory participation in services and related sanctions comprise an important component of activation systems. As Immervoll (2009) observes, imposing more demanding behavioral conditions for benefit receipt makes work relatively more attractive and limits opportunities for benefit claims that might be considered "undeserving" (e.g., from those with incomes from undeclared employment or a strong preference for leisure). At the same time, work-related behavioral requirements seek to improve employability. Both effects may help reduce the number of beneficiaries, and this effect can be further strengthened by providing job search assistance and other employment-oriented support. A possible negative effect is that stringent requirements may deter poor families eligible for assistance from claiming it.

In most systems, activation-related sanctions comprise financial penalties that typically escalate in severity if a service user continues to miss appointments or fails to undertake a required activity (see Box 2.7). Compliance activities might start with a warning, as in Japan or in some cases in Australia and the U.K. Failure to attend scheduled appointments with the benefit administration often results in the suspension of benefits until the client complies and a failure to attend a mandatory employment program is likely to result in a fixed period of non-payment or be construed as making an individual unavailable for work and therefore ineligible for benefits.

Where the sanction is designed to change behavior, financial penalties may often be suspended or withdrawn if the individual attends the interview, reengages with the service, and/or undertakes specified actions. In some U.S. states' TANF systems, individuals may be required to undertake employment-related activities before they are allowed to qualify or re-qualify for cash payments, especially for second or third penalties.

When sanctions are imposed, there are often safeguards designed to stop family incomes from falling below a given subsistence level or to minimize the impact of financial sanctions on particular groups, most commonly by ameliorating their impact on families with children or on otherwise vulnerable

clients (such as those with mental health issues).[11]

It is difficult to assess the contribution sanctions make to overall compliance or employment transitions because many people may respond to the risk or possibility of sanctions without ever experiencing them. There is, however, evidence from a range of OECD countries that welfare exit and employment transition rates increase prior to clients being required to attend interviews and engage in mandatory work programs or more intensive assistance, so the threat of sanctions may lead some to leave welfare and move into work before they ever experience a sanction (Finn and Casebourne 2012; Griggs and Evans 2010).

Experimental evaluations of welfare reforms in the U.S. have found that states that communicated, monitored, and enforced sanctions secured greater compliance with employment requirements and incurred lower welfare expenditure than those that did not (Kauff et al. 2007; Pavetti, Derr and Hesketh 2003). Studies have found that enforcing work requirements is important, but it is not clear whether complete or partial termination of benefits is more effective. Some findings suggest that the severity of sanctions may be less important than the effective communication of their existence and the speed of their implementation.

At this time in Turkey, where benefit coverage and generosity are limited and many employment programs and services are over subscribed by volunteers, the development of a regular sanctions regime may be inappropriate. However, in time it might be necessary to test different ways of imposing modest financial penalties to ensure that employable SA claimants do attend formal interviews with İŞKUR. Best OECD practice suggests such modest requirements might best be tested first in the Turkish UI system, one of the few in OECD countries where such sanctions do not currently apply.

Targeting activation requirements and sanctions at SA claimants who face significant employment barriers, such as lone parents or those with health issues or disabilities, needs careful design and consideration, especially with regard to when such requirements should be imposed. Equally, the sanction regime to underpin such requirements needs calibration to find the best balance between properly enforcing obligations and encouraging engagement with the services available.

11- It should be noted that in nearly all OECD countries, benefit entitlements have a legal, and sometimes constitutional, basis, which ensures fairness but adds to the administrative complexity of benefit sanction regimes. Claimants who feel they have been treated unfairly are normally entitled to ask for their case to be reviewed by an independent person within the public agency imposing the sanction. If claimants remain dissatisfied, they are often then entitled to appeal to administrative tribunals. Where legal entitlements have been breached, claimants may also be able to seek redress through the formal judicial system or have the right to take certain cases to an independent ombudsman.

Box 2.7 Benefit Sanctions for SA Claimants in Australia, Germany, and New Zealand

Australia introduced a revised compliance and sanctions regime in 2009. The improved liaison between Centrelink, the public benefits agency, and contracted employment service providers and sanctions was designed to achieve or restore engagement with services. The system comprises "connection failures," which apply to missed appointments, and a "no show, no pay" sanction that applies to non-engagement with activities, whereby a jobseeker who fails to attend without reasonable cause loses a day's benefit payment for every day missed (Disney, Buduls and Grant 2010). Persistent non-compliance results in a "comprehensive case assessment" and if a recipient is found to have been "'willfully and persistently" non-compliant or has unreasonably refused a job, s/he may be subject to an eight-week non-payment penalty. The non-payment period is not applied to some "vulnerable" jobseekers and can end earlier if a claimant undertakes a "compliance activity" (generally 25 hours per week for eight weeks in a "Work for the Dole" project).

In ***Germany***, welfare claimants are informed about the possibility of sanctions in their integration contract and each time they are assigned to a program. If a case manager, employed by a municipality or the PES, detects non-compliance, s/he may impose a sanction, which usually lasts for three months. For minor non-compliance, such as a failure to report to the welfare agency, benefits are cut by 10 percent. More severe infringements (lack of job search effort, refusal to accept a suitable job offer, refusal to participate in a program) lead to a benefit reduction of 30 percent. Where severe infringements are repeated within a year, a second sanction of a 60 percent reduction or a third sanction of a 100 percent reduction can be imposed. Sanctions are stricter for those aged under 25 (Schneider 2008).

New Zealand implemented a revised sanction regime in 2010 alongside the extension of work obligations (of up to 20 hours per week) to lone parents and those on sickness benefit. The new regime introduced a 50 percent reduction in the rate of main benefit, followed by a 100 percent suspension and cancellation for second and third failures, respectively. There is a safety net for lone parents and couples with dependent children, who remain eligible for 50 percent of benefits for second and third failures. Those sanctioned are given "opportunities to comply and restore benefit payment" (MSD 2010: p.1).

2.3.4 Eligibility for Employment Services and Assessing Employability

In most OECD countries, access to more expensive publicly funded employment services and ALMP is targeted at priority groups (with access to wider job-broking and information for jobseekers and employers increasingly available only through self-service channels). Eligibility rules will typically target services and programs at people who are receiving different cash benefits and may be directed at particular categories of service users who are perceived to face common barriers, such as disadvantaged youth, single parents, married women returning to the labor market, people with disabilities, minority ethnic groups, and so on. It is important that policy makers define program eligibility rules in ways that reflect the resources available and the capacity of the system to deliver the services envisaged.

Simple eligibility rules, determined by factors such as age, education, skills, work experience, or caring responsibilities, have obvious advantages in terms of their ease of operation and equality of treatment. Such criteria are, however, a "rather blunt instrument" and may be "inefficient in terms of achieving a good match between individual client needs and provision of support" (Hasluck 2004: p. 5). In many systems, the PES or benefit payment agencies now employ more focused profiling instruments using administrative data and/or answers to a short questionnaire to gather additional information about clients' characteristics. The results are then used to assign a client to a particular category based upon a regression model, which predicts the client's probability of becoming long-term unemployed as a function of his/her characteristics. The categories range from easiest-to-place to hardest-to-place, with different categories referred to different employment services and programs.

Such profiling methods are used extensively in Europe, Australia, and the U.S. to score and weight the barriers facing individual service users and to assign them to unsupported job search, particular programs, and/or other forms of support (Konle-Seidl 2011). In addition, there is a wide range of other diagnostic and usually more time-intensive assessment tools used to assess skills and employability that help shape the services given to users, especially those with significant employment barriers (see Annex 1 for a brief review of such profiling and assessment tools).

In the Turkish context, where there are widely differing groups of poor people receiving various SA benefits, it is important that policy makers establish clear eligibility criteria about those

claimants they consider will benefit from İŞKUR services and the priority they should be given in the interview and referral process. It should be noted that both MoFSP and İŞKUR are aware of this need and are working in collaboration to define eligibility criteria. The eligibility criteria chosen should be such that the target priority groups can be easily identified by both SA and/or İŞKUR information systems and case workers, and that they are commensurate with the resources available. Choices could then be made about the sequence in which individuals within these groups could be referred to İŞKUR services. This would help ensure that İŞKUR services are not overwhelmed by inappropriate referrals and that administrative and service delivery capacity is developed in tandem with the roll-out of activation requirements. In this way, resources can be allocated more effectively.

2.3.5 The Role of Frontline Advisers and Employment Counselors

Two core objectives of activation strategies are to encourage benefit claimants to become more active in their efforts to find work and to help reduce or better manage barriers that diminish their employability and capacity to take jobs. Over time, OECD and other comparative evidence reviews have pointed to the key role played by frontline case workers and employment counselors in securing these core objectives. A primary instrument for such advisers has been the development and use of action plans or reintegration agreements, signed by service users, which spell out responsibilities and rights and the agreed employment-related steps to be taken.

In OECD countries, there is significant variation in the resources and status of the frontline advisers and case workers who deliver employment services, ranging from the ways in which they are employed, their job titles, and the autonomy they have with their caseloads to the frequency and nature of contact they have with unemployed people.[12] Despite these differences, such case workers have an important dual role in assisting clients with their search for employment while communicating and enforcing the requirements clients must meet to remain eligible for benefits.

In a review of the role of such counselors in the PES in European countries, Sienkiewicz (2012) identified core generic tasks associated with this role and reviewed how such staff are recruited and the forms of training available in different countries (see Table 2.2).

12- In the U.K., for example, they are referred to as “personal advisers”; in Holland, they are “reintegration coaches”; and in Australia, they are called “recruitment consultants.”

TABLE 2.2

Common tasks of employment counselors delivering services for the unemployed

Most common tasks	Common tasks	Less common tasks
• Information about ALMP measures • Initial interviewing of jobseekers • Assessment of jobseekers' strengths/weaknesses and the adequate need for support • Providing information on available job offers • Job search assistance • Preparation of individual action plans • Referral to appropriate ALMP measure/ provider • Maintaining contact with registered jobseekers through face-to-face contact, telephone, and/or email • Providing and maintaining onsite and online information on available job openings and ALMP availability	• Providing telephone/online job information and assistance • Group sessions for jobseekers • Providing and up-keeping on site and online information on available training/ALMP • Monitoring of implementation of individual action plans • Monitoring in case of referral to another provider/ training program	• Registering the unemployed (formal registration process) • Use of specialized IT and other tools for assessment • Guidance on career planning/ development • Planning of ALMP • Networking with other stakeholders, providers

Studies of employment counselors show wide variation in the level of specialization, caseloads, and job roles of individual case workers, but the combined findings indicate that such staff should have the expertise to assess clients' circumstances and employment constraints, develop action plans, check on job searches, refer clients to vacancies, raise awareness of job search techniques, and help improve clients' motivation and self-confidence. Such staff must also be able to plan the range of support or assistance needed, link clients with necessary external programs or services, and then monitor clients' progress through an agreed series of steps or services, through to their placement into employment.

In many countries, there is now a much closer working relationship between PES counselors and social

workers. In countries where SA recipients are expected to prepare for and/or look for work (as in the earlier case studies), social workers undertake an initial employability assessment and refer clients to the PES and liaise with employment counselors. In other systems, as in the Netherlands, municipal social workers are themselves expected to perform employment-focused roles and directly help their clients prepare for and enter employment, including referral to ALMP. In many U.S. states, social services case workers, whose primary function had previously been to assess benefit eligibility, had to adapt to delivering employment-focused services as their jobs were redesigned to enable them to deliver welfare-to-work programs. In some countries, it has been difficult for managers to build a common service culture and overcome divisions between the approach of social workers and PES counselors.

Findings from evaluation studies suggest caseload size is an important variable in the delivery of effective services and that relatively smaller caseloads enable counselors to deliver more effective job-broking and activation services (see, for example, Hainmueller et al. 2009). The effectiveness of advisers and the size of caseloads are shaped by the clients with which they are expected to work, the tasks expected of them, and the frequency with which they are expected to meet clients. In many activation systems, advisers are expected to interview, assess, and agree on an action plan shortly after clients are referred to them and to subsequently follow this up with interviews that can vary in frequency from fortnightly to every three months. Findings from a number of robust studies show that caseloads in activation programs for hard-to-help groups in several OECD countries are in the range of 80 to 120 participants per adviser, though the range can vary from 40 to 300, sometimes within the same country (see Table 2.3).

TABLE 2.3

Employment adviser caseloads in selected OECD countries

Country	Program	Caseload per adviser (approx.)	% of adviser time spent with clients
U.K. (2008)	Contracted employment services	80	60%
Australia (2008)	Job Network	100	45%
U.K. (2012)	Work Programme	117	N/A
Australia (2012)	Job Services Australia	114	N/A
Netherlands (2008)	Public, private, and non-profit providers	81	50%
Germany (2009)	Federal Employment Agency	100	N/A
Ireland FAS (2006)	Public employment service	200	N/A
Ireland LES (2012)	Local employment service	211	N/A

Other impact evaluations give further insight into the particular effects of different case management styles used by advisers in improving employment outcomes and the frontline practices that have contributed to their effectiveness.

U.S. evaluations of welfare-to-work programs that were largely targeted at single parents investigated the differential impacts of traditional case management, where benefit administration and employment assistance were given separately, and integrated case management, where both functions were brought together (Scrivener et al. 2001). The results found that integrated case managers provided more personalized attention, engaged more people in welfare-to-work activities, and more closely monitored participation in program activities. Both approaches reduced welfare receipt and payments, but the effects of the integrated program were

somewhat larger.

In a subsequent analysis, summarizing findings from experimental studies on service strategies in 59 different welfare offices across the U.S., researchers reported higher employment and earnings impacts in those offices where case managers delivered a personalized service and placed an emphasis on quick job entry. There was also some evidence that high caseloads reduced effectiveness (Bloom, Hill and Riccio 2003). Another experimental study in the U.S. found that clients' average earnings were higher over a two-year period in offices that primarily used both unified case management and employed a specialist staff member who sourced job opportunities specifically for welfare clients (Hill 2005).

Switzerland, by contrast, is one of the few OECD countries where there have been high-quality evaluations into the relative performance of different PES office processes and adviser placement strategies, rather than evaluations of particular programs. Frölichet al. (2007) and Behncke, Frölich and Lechner (2007) carried out a micro-economic analysis of the influences of employment office characteristics and counselor strategies on the re-integration probabilities of jobseekers within 24 to 36 months after the beginning of job search. The study followed the careers of all new jobseekers registered in 2003, and included a standardized survey of all job counselors and office managers. The authors tried to establish whether those unemployed registered with a specific type of employment office and advised by case managers with specific attributes had higher or lower chances of finding a job than those registered with other office types and followed by other types of case managers. They found job-finding probabilities to be positively correlated with:

- Good staff relationships with employers, particularly knowledge of employer needs and careful use of direct referrals; rapid reaction to vacancies; and careful pre-selection;
- The extent of cooperation with private placement agencies;
- "Tough" rather than more cooperative attitudes of case workers towards their clients;
- The use of work-first strategies that give priority to job placement over training measures; and
- The organizational separation of counseling and sanctions.

Egger and Lenz (2006a and 2006b) analyzed the relationship between organizational and incentive structures and office leadership types on the one hand, and performance results on the other, searching for success factors responsible for rapid and durable jobseeker integration. Their study identified four major success factors:

- The early activation of registering jobseekers, with a rapid start of

the re-integration process and strong guidance by competent case workers;
- Personal contacts with employers by all job counselors;
- Recruitment of motivated and highly trained personnel; and
- Good staff/client ratios.

2.3.6 Contracting with External Providers for the Delivery of Employment Services

In Turkey, care must be taken not to overload İŞKUR with new client groups when extending coverage to SA recipients. Such a surge in demand may weaken İŞKUR's capacity to deliver its normal services and at the same time, the new client groups are likely to have circumstances different from the more employable clients with which İŞKUR traditionally works, and may need access to different forms of employment-focused provision. In these circumstances, it is worthwhile considering how to develop appropriate delivery capacity by contracting with external providers, as İŞKUR now does with its conventional training programs. The use of external employment services providers is already a trend in many of the other OECD countries that have introduced wider activation and PES service delivery reforms.

Ministries, the PES, or other public agencies may use contracted services for several reasons. They may do so to complement existing PES services, in particular by utilizing the skills and capacities of specialist providers including, for example, organizations working with lone parents, disadvantaged youth, or disabled people, or those delivering specific skills training programs. Public purchasers also may use subcontracting to increase capacity to meet the needs of new client groups and/or respond to increased cyclical demand, as witnessed recently when employment services in many OECD countries were expanded quickly in response to higher levels of unemployment. Another reason to contract out services is to increase competition, either by requiring external providers of programs to compete for contracts or, less commonly, by requiring the PES itself to compete with external providers for the delivery of case management and job search assistance services.

In individual OECD countries, the commissioning and contracting of employment services is typically complex and, in many countries, small-scale, with a wide variety of procurement practices (Finn 2011). Contracted out activities typically include the delivery of conventional labor market programs and more intensive forms of support targeted at disadvantaged groups, including special programs for those with disabilities. Australia is the only OECD country to wholly outsource the delivery of publicly funded employment services.

While systematic information is unavailable, it appears that in many OECD countries, purchasers procure specific services, typically specifying the detailed design of the particular employment intervention or training course to be delivered. The public body also determines the price to be paid and the terms of the contract. Contracts are often shortterm, with durations of one year or less. Payment systems also vary from recurrent public funding to grants to staged payments or fees paid for services delivered.

In several other countries, however, there has been extensive reform of procurement practices (Finn 2011). In these countries, procurement is now characterized by competitive tendering, the selection of employment service providers on the basis of price and quality, and payment of providers based on their performance in delivering services and securing employment outcomes.

Findings from evaluations and reviews of these contracting systems show mixed results, but suggest that contracting arrangements allow public authorities to expand or reduce PES service delivery capacity without assuming the long-term commitments involved in public sector employment – although some stability in contracting arrangements is desirable to build up private sector capacity. The introduction of competition and tendering for contracts can also potentially reduce delivery costs, stimulate innovation in service delivery, and give clients access to skilled staff and services unavailable in the public sector. Such developments also may spur improved performance in the PES, both through competition and best practice transfer.

2.3.7 Making the Turkish SA System More Pro-employment

The findings from welfare reforms in other OECD countries provide a rich comparative source of ideas and evidence but the implications of the policy insights assessed in this report have to be considered in the context of the distinctive social policy and implementation challenges with which Turkey is grappling.

An immediate issue for the Turkish system concerns the development of simple eligibility criteria that will enable either İŞKUR counselors or the officials delivering SA benefits to determine who should be regarded as employable and at which point such clients should be contacted and interviewed. There should be feedback to the SA system on the take-up of such referrals to ensure that registration has taken place and to consider any impact of non-registration or non-attendance on benefit eligibility.

The mandate of İŞKUR JVCs is clear, but their workload is remarkable. Theoretically, an equal number of SA beneficiaries are placed in each JVC's portfolio in accordance with their

place of residence, and the JVCs are supposed to perform at least 10 interviews with these beneficiaries (in addition to their current work load). In reality, however, the number of beneficiaries mapped to a JVC differs from one province/district to another. İŞKUR counselors expect clear guidance about which SA clients they should register and what services (i.e., occupational guidance, transfer to VET programs, job placement, and labor adjustment services) they should offer. As part of the registration process, İŞKUR counselors could develop a "Back to Work Plan" and then assist clients with finding employment or accessing appropriate ALMP. It may be feasible for İŞKUR to test the use of specialist counselors who would provide more intensive support to a case load of targeted clients, such as younger female parents, and focus on placing them in female- and child-friendly workplaces.

In developing and further improving the system, Turkish policy makers must take care to deal with İŞKUR's current problem of overloading JVCs with new client groups, risking a poorly targeted diversion of resources from more employable to less employable clients. Policymakers might, for example, want to consider phasing the implementation of any activation requirements aimed at SA clients. For example, such requirements could be targeted first geographically and/or at new claimants to test and refine referral mechanisms and service delivery capacity. They could be extended later, or not at all, to other areas or to people receiving SA benefits prior to the change in policy. Alternatively, activation requirements could be targeted at points of particular change, for example, when the youngest child in a family starts school or when a claim for a particular assistance payment is reviewed.

The capacity of the Turkish PES system to work with SA clients could be developed in a number of ways. Currently, İŞKUR simply offers SA clients access to its existing services. Another option is to reallocate some of the resources now invested in relatively high-cost training programs to support targeted core job search assistance and counseling services. Such job search support might comprise advice and guidance on how to seek and apply for jobs with facilities to enable participants to actively seek a number of vacancies during the time they are supported. The key competence required would be for counselors to understand the employment needs of the client group, to broker access to complementary services, such as child care, and to develop links with likely employers. Such provision might also include access to a discretionary fund that would enable counselors to give some initial support with commuting expenses, work clothes, and child care. It may also be worth while to consider the use of short-term employment subsidies to encourage employers

to recruit individuals they would not normally hire.

Many such employment services could be delivered more cost-effectively on a group basis, including, for example, group sessions on job search skills and information about job opportunities and available services. They might also be delivered through external providers that complement İŞKUR skills and capacities, especially if they have particular expertise working with specific client groups, such as mothers with child-care responsibilities. Such providers should have clear performance indicators focused on effective employment assistance that places participants into jobs. The development of such an employment-focused approach would provide insight into the capacity of external providers and what does or does not work with the client groups referred.

In developing their approach, Turkish policy makers might also be assisted by further knowledge on the characteristics, employability, and circumstances of existing SA claimants. This could aid in the planning, design, and delivery of employment services, and could be used for future evaluations. Existing information systems may not record the relevant information now, but in the future, such data might be captured through the initial employability assessment undertaken by social workers and İŞKUR's registration process. In the meantime, it may be useful to undertake a representative survey of possible future clients. This could capture information on attributes that affect employability, previous work experience (if any), and employment aspirations, and provide an evidence base upon which to inform the development of future policy.

The integrated information system in place can also be used to evaluate the performance of the overall system and to make improvements, as the SAIS architecture allows data collection from a wide range of government agencies. Though merging the İŞKUR Management Information System (MIS) with SAIS seems difficult for administrative and technical purposes, establishing fully functional interfaces between these two systems (as well as other government systems) to develop evaluation reports for managerial decision making can be achieved. By setting clear and traceable performance indicators for monitoring and evaluation in line with their strategic targets and action plans, İŞKUR and MoFSP may enhance their ability to fine tune the system and their institutional objectives.

Finally, efficient cooperation between senior officials and managers from MoFSP and İŞKUR would help identify and swiftly resolve problems in implementation and help them in the further development of a pro-employment SA system in Turkey.

Annex 1: Profiling Systems and Employability Assessments

The PES and employment service providers in OECD countries utilize a wide range of approaches to profiling and the assessment of employability. The instruments and tools vary in terms of the type of information they collect, how they are administered, and the ways in which results are used.

Statistical modeling is an approach that utilizes statistical systems to identify clients who require support or the type of support to be provided. This "profiling" approach "allows the employment service to calculate the risks faced by individual clients ... and then, by combining the risk scores with a decision-making rule, to allocate clients to services" (Hasluck 2004). The statistical model can either produce a single "risk" score (e.g., predicting the risk of long-term unemployment) or can place individuals into a particular group distinguished by their need for different levels or types of support.

In the U.S., Denmark, and Germany, the model is based on administrative data already held about jobseekers (covering demographic characteristics, prior educational attainment, work history, and previous type of work, as well as local unemployment statistics). In Australia, the Jobseekers Classification Instrument (JSCI) is administered by staff as part of a client's initial interview (after starting a benefit claim). This approach allows a greater number of issues to be included in the model (e.g., stability of residence, access to transport); however, like the models based on administrative data only, the JSCI focuses on characteristics, work experience, and skills (rather than attitudes).

In the Netherlands, the "Kansmeter" (chance meter), later replaced by "AB Routering," is also administered by a member of staff at a client's initial interview, with questions on personal characteristics, skills, and occupational profile. This interview also examines the client's capacity for independent job search. However, this approach differs from the other examples in that it does not use a statistical model; the scoring system is based on the subjective assessment of the member of staff administering the questionnaire.[13]

13- The details of these assessment tools are taken from Rudolph and Konle-Seidl (2005) and O'Connell et al. (2009).

A key question is how effective such tools are in predicting long-term unemployment or level of need. As noted by Bryson and Kasparova (2003), this type of profiling is controversial, although some existing examples have been quite successful; for example, a model developed, tested, and now being implemented in Ireland reported success rates of 83 percent (for men) and 85 percent (for women) in predicting unemployment at 12 months (O'Connell et al. 2009). The model developed by Bryson and Kasparova in the U.K. was also found to "work reasonably well," although success varied by client group (Bryson and Kasparova 2003). However, the Kansmeter used in the Netherlands was accurate in predicting long-term unemployment in only three out of five cases, and in the U.S., profiling generally performs poorly in ranking benefit recipients based on their subsequent experiences. Studies have also acknowledged the limitations of these types of assessment tools (e.g., they are developed for particular client groups in particular economic conditions, and are often expensive to set up and run). In particular, this type of approach depends critically on the quality of data available to predict outcomes, and on how easily the results can be used by advisers.

Alternatively, a range of assessment tools focus on specific characteristics, such as strengths and job aspirations of jobseekers, and key barriers to work. This category includes a large number of tools assessing individuals' skills, including several that have been commercially produced in the U.S. As discussed by Bimrose et al. (2007), these typically ask individuals to assess their own confidence in their ability to perform various occupational activities or skills, and also to assess their occupational interests. These can help advisers or counselors explore suitable career and training options. Similarly, the French "Bilans de Compétences" (skills check) is an appraisal service for career development. This model has also been adopted in other countries, including Switzerland, Belgium, and the Czech Republic. In the U.K., a skills check for benefit claimants consists of an initial "Entry Review" interview followed by a "Skills Diagnostic" assessment of an individual's employability (Hasluck et al. 2006).

While the above examples focus on assessments of clients' characteristics and skills, an alternative approach is to focus on clients' attitudes. Attitudinal diagnostic tools aim to identify jobseekers whose attitudes act as a constraint to obtaining employment and are used to inform activities designed to change jobseeking behavior. Based on psychological models of "employability," they can exist in the form of checklists for advisers to use during interviews with clients. Examples of this approach can be found in France (Copilote Insertion), Germany

(Placement Characteristics), Portugal (Forecast Guide to the Difficulties of Insertion), and Denmark (Job Barometer), as reported by Bimrose et al. (2007).

A key issue common to these different types of approaches is the role of the assessment tool alongside the judgment and discretion of advisers. Even the tools based on statistical modeling are often just the starting point of an adviser's assessment. In the models used in Germany and Denmark, for example, advisers use the results of the model as part of the judgment they make to tailor personalized support. At the same time, an assessment tool can provide useful objective evidence, which can be particularly helpful when decisions about the allocation of limited resources need to be made.

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3. Profiles of Vulnerable People In Turkey

3.1 Introduction

A common insight from policy evaluations of both employment and social support measures is that careful targeting is crucial for activation and poverty reduction strategies to be successful. This is especially the case in Turkey, where the increasing labor supplied by women combined with the current demographic "dividend" mean that the group of potential policy "clients" is growing. In Turkey, about half of the working-age population (WAP) (those aged 15-64 years) do not work and nearly 40 percent of workers are in informal jobs (i.e., they are not in the social insurance system). As Turkey has the biggest share of non-working individuals in the OECD and among the highest informality rates, it is important to carefully consider which individuals should be a high priority for activation efforts.

This chapter aims to strengthen the empirical basis for designing and targeting income support and activation policies. It uses survey data to identify relevant groupings and characteristics of individuals with no or limited labor market attachment. Recognizing that those with limited or no attachment to the labor market are a highly heterogeneous group, it seeks to contribute policy-relevant information on the types of social and economic risks that different groups face and on the barriers hindering their labor market integration. The resulting information can inform more effective targeting of policies to alleviate these barriers. For instance, information on the characteristics of inactive working-age individuals can be a basis for: (i) identifying which groups are served most effectively by existing activation and support policies; and (ii) channeling policy efforts towards specific priority groups.

Those outside or on the margin of the labor market frequently move between non-employment and different states of "precarious" employment. As a result, looking at only some of these states (e.g., unemployment) would not capture the true extent of labor market difficulties or the need for policy intervention. To identify the size and characteristics of groups that are facing severe labor market difficulties, section 2 develops a broad concept of weak labor market attachment, or

labor market "vulnerability," including unemployment, inactivity, and informal work as well as sporadic or low-paid work.

Sections 3 and 4 then use household survey data to characterize groups of people showing weak labor market attachment over extended periods of time ("persistent vulnerability"). Two different but complementary approaches are used. First, a simple regression model seeks to identify the factors associated with persistent labor market difficulties. Second, a statistical clustering approach is used to identify groups of vulnerable individuals who are likely to share similar employment barriers and can therefore be expected to benefit from similar policy interventions. Section 5 discusses the possible policy implications of the findings. In particular, it asks whether some groups are, or should be, a priority for employment and income support.

3.2 Extent and Types of Employment Difficulties

Spells of unemployment are a necessary element of a market-based growth process. If job reallocation is efficient in that jobs move from less productive to more productive firms or sectors, then it leads to a more productive economy and higher incomes. This is especially true during a prolonged growth process, such as the one seen in Turkey. But it also holds for the aftermath of economic downturns, which tend to be associated with significant restructuring and changes in the sectoral composition of an economy.

Different barriers can prevent or slow down an efficient job reallocation, creating significant economic and social costs.[14] For some groups, a combination of policy-related barriers and insufficient skills or work experience means that they remain "stuck" without a job or in marginal employment for extended periods of time. Such long-term labor market marginalization or detachment is known to erode human capital and reduce both current income and future earnings prospects. Addressing the causes of long-term labor market difficulties and alleviating their consequences are therefore crucial challenges for labor market and social policy.

14- For instance, inadequately resourced or poorly targeted re-employment services reduce the quality of matches between jobseekers and job vacancies. Ineffective income support for jobseekers can have a similar effect. On the one hand, insufficient support can prevent jobseekers from engaging in a thorough search for suitable vacancies, or force them to accept low-productivity or informal jobs that do not adequately use or remunerate their skills.On the other hand, overly generous or unconditional out-of-work support can, in principle, delay or weaken job search activities.The relative importance of the different barriers is likely to vary with economic conditions.For instance, evidence for OECD countries summarized in Immervoll (2012) shows that adverse work incentives are a less relevant determinant of employment outcomes if labor markets are weak (e.g., because of a country-wide downturn, or due to high or deteriorating unemployment in a specific region).

Given that Turkey has the lowest employment rates in the OECD, customizing policy measures to the needs and barriers of those with long-term (or "persistent") labor market difficulties is arguably particularly important. But at the same time, the challenges of designing and implementing an integrated activation and employment support strategy are also daunting. Due to Turkey's rapid growth process, with its associated social and economic transformations, the circumstances and labor market histories of the WAP are both already more diverse and evolving more rapidly than in other parts of the OECD. The temporary downturn in 2008/09 further contributed to the diversity of labor market experiences and barriers in Turkey (World Bank 2013).

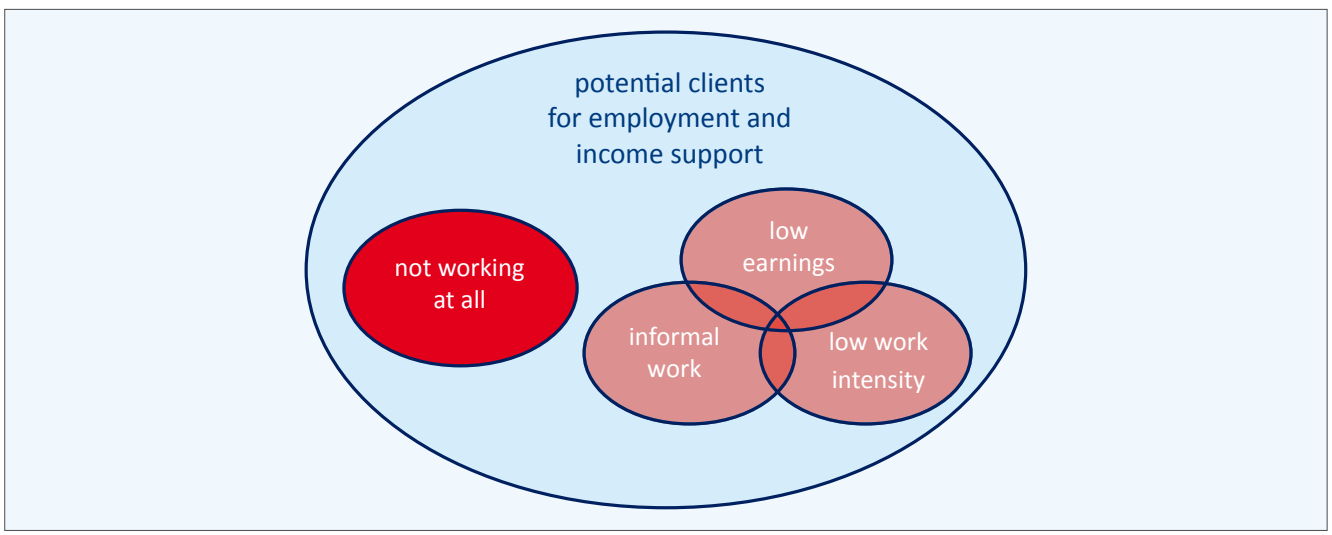
Using the Survey of Income and Living Conditions (SILC), which follows individuals over a four-year period, it is possible to examine some of these trends, and the histories of people's labor market experiences, in some detail. Four different types of labor market difficulties or "vulnerability" are distinguished (and shown schematically in Figure 3.1):

- Not working at all
- Working only a few months during the year ("low work intensity")
- Low earnings, and
- Informal work

Some of those categories can overlap (e.g., those working informally or sporadically will typically have a higher risk of low earnings).

FIGURE 3.1

Different types of labor market difficulties/vulnerability

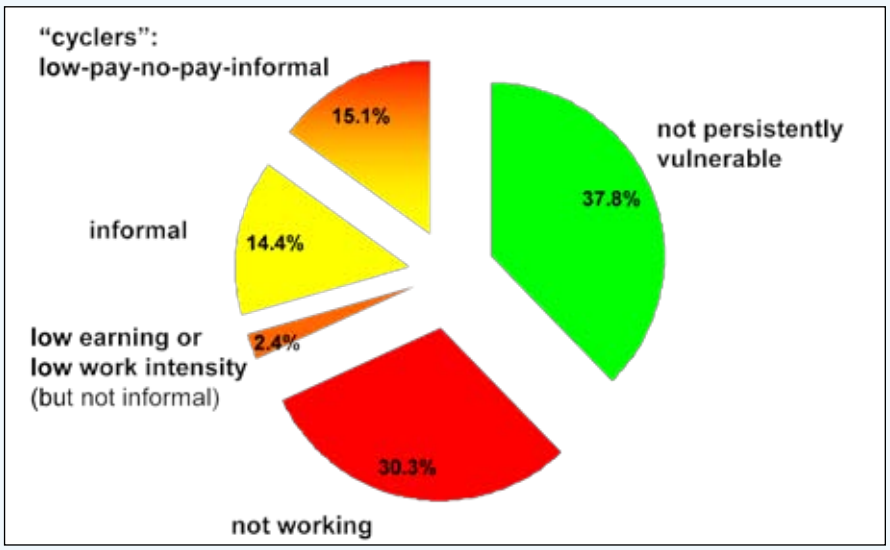


Between 2005 and 2008, nearly two-thirds of working-age individuals were either out of work or in marginal or informal employment for an extended period of time (Figure 3.2). Note that individuals whose main employment status during the year is full-time education or military service are excluded from the analysis and, hence, are not classified as "vulnerable" regardless of their earning levels or employment patterns.

While low employment rates in Turkey are a well-established fact, the very large share of people who are persistently vulnerable highlights the challenges for activation and employment-support policies. Among the persistently vulnerable, only about half of them (30.3 percent of working-age individuals) are persistently jobless (either unemployed or labor market inactive). About half as many are in persistent informal, low-paying, or unstable work, meaning that they do have both some labor market attachment and some work experience. About the same number again move between joblessness and marginal, sporadic, or informal work. This pattern indicates that persistent labor market difficulties (PLD) are indeed far from one-dimensional. In particular, they go beyond long-term unemployment or inactivity. The experiences and employment barriers of the people concerned can be captured only when a broad range of out-of-work and in-work situations is considered.

FIGURE 3.2

Broad categories of persistent labor market difficulties, 2005-2008



Notes: Persistence is defined as experiencing the relevant status during at least one-half of the observed years using the following categories. "Not working": not reported to have worked during any month of the year, or no labor income at all (either in cash or in kind). "Low earnings": labor income less than 2/3 of the full-time, full-year minimum wage, and not informal. "Low work intensity": employed or self-employed for at least one, but less than six months during the year, and not informal. "Informal": positive labor income but no (employer) social security contributions, or labor income is mainly earned in kind, or the person reports being an unpaid family worker. "Cyclers": those who are in more than one of these categories during the period. In all cases, those who are younger than 15 or older than 64 and those in education or military service during most of the year are not categorized as facing labor market difficulties (and are therefore not in any of the above categories).

Source: World Bank staff calculations based on TUIK SILC data, waves 2006-2009 (with 2005 to 2008 as the reference year for incomes and activity calendars).

3.3 What Characteristics are Associated with Persistent Market Labor Difficulties?

This section takes a closer look at individuals categorized as experiencing PLD. The information presented complements commonly used labor market statistics in several ways:

- It accounts for people's labor market experience over a longer period, rather than at a specific point in time;
- It is multi-dimensional, meaning that it accounts for a whole range of

potentially relevant characteristics (e.g., age, gender, number of children, education, and work experience), rather than only one dimension at a time. This allows for a more detailed examination of the factors that are positively or negatively associated with the risks of persistent joblessness or precarious employment; and

- It considers both individual and family characteristics. Family circumstances are central for designing and targeting employment and income support measures. Understanding them is arguably especially important during and after a severe downturn, as families can provide essential income stabilization following the loss of one family member's earnings.

Table 3.1 reports the main results of a simple statistical model, which relates PLD status during a four-year period to a broad range of potentially relevant individual and family characteristics. This format is convenient for investigating which of a large number of factors are associated with a higher risk of PLD. The regression approach is particularly helpful for disentangling the importance of different factors that are typically correlated (such as sex, family status, and work experience) – something that cannot be done using simple cross-tabulations. For simplicity, Table 3.1 shows regressors grouped into four clusters (demographics, family situation, factors likely related to productivity, and labor market situation).

The averages in the first column give a useful description of the WAP in Turkey.[15] The average age among this group (i.e., without counting those aged below 15 or above 64) is about 37 years. The averages for 0/1 "dummy" variables (denoted 'd') represent frequencies: 52 percent of working-age individuals who are neither in education nor in military service are women and just over one-fourth report living in a "rural" area. The table also reports interactions between some of these characteristics. For instance, 7 percent are "young" (defined as under 30) and report living in a "rural" area. The next block of variables gives a first impression of the quantitative importance of family-related factors often thought to be closely related to employment barriers. A large number of working-age people live in households where a young child (36 percent) or an elderly person (8

15- Only individuals who are observed multiple times during the four-year period are included. For each individual, characteristics, including the values of dummy variables, are obtained by averaging over the period. For instance, someone who reports being married during at least half of the years is classified as "married."

percent) potentially requires care by a working-age household member. Three in ten (29 percent) are not married, with only 2 percent heading a single-parent household.

On average, people of working age not in education or military service report about 10 years of work experience. Over half (55 percent) of them have less than a basic education, and 29 percent have a higher secondary or tertiary degree. Perhaps surprisingly, one-third of the WAP reports a significant health problem (defined as either a chronic illness, a health problem that restricts daily activity, or a health status that is either "bad" or "very bad").

The estimated model coefficients in the next column identify several factors that are correlated with PLD. To make these associations easier to interpret, the table also shows the so-called marginal effects. The marginal effects show, for each variable, the predicted effect of a one-unit change on the probability of PLD (while keeping all other variables unchanged at their means). For instance, an additional child in the household is associated with a 2.5 percentage point higher probability of PLD, while an additional year of work experience (at a given age) is associated with a reduction of 1.4 percentage points. In all cases, it is important to keep in mind that these are statistical associations and, technically, do not imply a causal effect in any direction.

With this caveat in mind, the results do provide evidence consistent with theoretical models and common presumptions of the risk factors leading to labor market exclusion. An upper secondary or higher degree is the single-most important factor for reducing the risk of PLD (by 16 percentage points), while having less than a basic education is associated with a higher risk. Interestingly, however, lower education appears to be much more damaging to the labor market prospects of women and individuals under 30 (as the marginal effects are sizeable for "lowEdu" as well as for the interacted "femXlowEdu" and "youngXlowEdu"). Experiencing a health issue is also associated with a much higher risk of PLD.

Consistent with the "income effect" predicted by economic theory, the income of a spouse reduces the probability of no or limited labor market attachment. Although highly significant statistically, the effect is small (it implies that doubling a spouse's income increases PLD risks by less than 1 percentage point). Irrespective of spousal income, married men are less likely to experience PLD than unmarried men. However, young married individuals are at much greater risk, especially women. A gender difference can also be seen for parents

of young children ("isYchildinhh" and "femXychild"): women with young children are significantly more likely to experience PLD, which is consistent with the primary caregiving role of women, and the very limited availability of child-care facilities in Turkey. No significant effect can be discerned for the presence of an elderly person in the household.

The results for the demographic variables show that women and those living in rural areas have a 10 and 8 percentage point higher probability, respectively, of PLD. Age is also a highly significant factor. While being married and having low education is shown to be a more powerful risk factor for young people, young age per se is not associated with a higher risk of PLD. Indeed, although the age/risk profile is clearly non-linear (the variables age 2 and age 3 are both highly significant), it can be shown that PLD risks increase monotonously with age, which is consistent with the important role of family-related employment barriers as well as Turkey's very low effective retirement age.

An interesting finding is that the regional unemployment rate (UR) is not a statistically significant factor for higher PLD risk. One interpretation of this result is that with low labor force participation in Turkey, the UR is a very incomplete indicator of labor market conditions. This suggests that a broad concept of labor market difficulties indeed provides a more useful starting point for discussing activation and employment support strategies.

TABLE 3.1

Factors associated with PLD risks, 2005-2008

dependent variable: experiencing persistent labor-market difficulties (PLD)

	mean values	model coefficients		marginal effects
age_	36.54	0.758***	(5.85)	0.121***
age2	15.01	-2.005***	(-5.38)	-0.319***
age3	67.58	0.195***	(5.77)	0.0311***
Female (d)	0.52	0.633***	(4.45)	0.101***
rural (d)	0.27	0.557***	(5.45)	0.0820***
isYChildinhh (d)	0.36	-0.297*	(-2.15)	-0.0484*
femXychild (d)	0.19	0.756***	(3.69)	0.104***
numChildinhh	1.32	0.157***	(3.83)	0.0250***
isElderlyinhh (d)	0.08	-0.119	(-0.75)	-0.0196
Married (d)	0.71	-0.914***	(-4.70)	-0.130***
femXmarried (d)	0.37	0.848***	(3.61)	0.126***
youngXmarried (d)	0.06	1.468***	(5.38)	0.154***
HH_SinglewC (d)	0.02	-0.146	(-0.44)	-0.0242
logSpouseInc	4.13	0.0562***	(3.48)	0.00895***
Experience	10.67	-0.0874***	(-8.32)	-0.0139***
lowEdu (d)	0.55	0.302*	(1.98)	0.0484
femXlowEdu (d)	0.33	0.539*	(2.51)	0.0810**
youngXlowEdu (d)	0.06	0.437	(1.85)	0.0617*
hiEdu (d)	0.29	-0.915***	(-6.81)	-0.162***
healthIssue (d)	0.32	0.562***	(5.42)	0.0842***
mainly self-employed (d)	0.15	0.325*	(2.37)	0.0483*
unemployment rate	10.70	-0.111	(-1.18)	-0.0177
N		5972		
pseudo R-sq		0.434		

t statistics in parentheses
(d): marginal effects for discrete change of dummy variable from 0 to 1
* p<0.05 ** p<0.01 *** p<0.001

Notes: Logistic regression, including a full set of occupation/former occupation, region, and year dummies as control variables (not reported). The sample consists of individuals aged 15-64. Periods where the main status was education or military service are excluded. For each individual, variable values are obtained by averaging over their four-year observation period. Squared age and experience are divided by 100; cubed age is divided by 1000. See Annex 1 Table A1 for variable definitions.

Source: World Bank staff calculations based on TUIK SILC data, waves 2006-2009 (with 2005 to 2008 as the reference year for incomes and activity calendars).

3.4 What Are the Main Groups of Individuals Experiencing PLD?

The results in section 3 provide pointers for understanding the risk factors associated with a higher probability of persistent joblessness or marginal employment. However, the regression approach looks at one factor at a time (e.g., it identifies the role of education while holding constant family situation, age, and work experience). Designing and targeting employment and income support measures also requires knowledge about the combined characteristics of people affected by PLD. For instance, case workers at the employment office or benefit administration need to have as full a picture as possible about their clients' education, income, family situation, health status, and work experience. They also need to know if there are larger groups of comparable clients with relatively similar barriers or needs. The regression approach does not provide this information.

To fill this gap, this section identifies the size and characteristics of different PLD groups using a variant of a statistical clustering approach called "latent class analysis". This approach searches for suitable groupings over a wide range of demographic, family, social, and labor market characteristics. The basic idea is to cluster people into groups that are both meaningful statistically and useful for policy purposes. The result of this exercise is a set of groups displaying similar characteristics of members within each group and dissimilar characteristics between groups. This means that:

- Group members should be similar to each other;
- Members of different groups should be dissimilar; and
- The characteristics used to define group membership should be observable by policy makers, administrators, or caseworkers.

As an illustration, Table 3.2 shows two examples of the resulting groups of PLD individuals. To focus on the main variables that characterize these groups, the example shows only a selection of characteristics that are especially important as distinguishing features (the subset of characteristics shown therefore differs between the two groups). The example shows that the clustering method is able to separate groups very sharply along some of the characteristics. For instance, all individuals in Group A are women but all individuals in Group B are men. Likewise, Group A members have been engaged in housework and have no employment experience, whereas members of Group B have worked informally and have a 97 percent probability of having work experience

of six years or more. Members of both groups are married and have children, so this is not a distinguishing feature. But as will be shown below, it sharply separates both groups from a number of other groups comprising almost exclusively unmarried or childless individuals.

TABLE 3.2

Groups with PLD: An illustration

Group A

Group A		→	"Young urban housewives, working husband"	
Age 20-34	62%		Age 20-34	62%
Married	99%		Married	99%
Female	100%		Female	100%
Children	95%		Children	95%
Urban	87%		Urban	87%
No emp experience	99%		No work experience	99%
Status=housework	99%		Status=housework	99%
Husband >> minwage	81%		Husband >> minwage	81%

Group B

Group B		→	"Informal family men"	
Married	99%		Married	99%
Female	0%		Female	0%
Children	97%		Children	97%
Urban	51%		Urban	51%
experience > 6 yrs	97%		experience > 6 yrs	97%
< basic edu	78%		< basic edu	78%
informal	99%		informal	99%
Self-employed	44%		Self-employed	44%
Earning MW or less	51%		Earning MW or less	51%
Both spouses PLD	81%		Both spouses PLD	81%

Other characteristics vary more widely between group members. While the husbands of most women in Group A earn more than the (annual equivalent of the) minimum wage (MW), this is not universally the case. And although a majority of Group A are aged under 35, a significant number of group members are older. In Group B, a large majority have less than a basic education. At the same time, a significant number of them have finished basic education, but are nevertheless grouped together because their other characteristics make them "sufficiently similar" in a statistical sense.

The statistical clustering tool provides probabilities of group membership but not, of course, specific labels for these groups. Results can nevertheless provide a basis for thinking about group labels. There are a large number of characteristics, so care needs to be taken to resist over simplification and to keep arbitrary judgments to a minimum. With this in mind, careful labeling can be useful as a basis for discussing suitable policies for each of the groups. Table 5 illustrates an attempt to find suitable labels that capture relevant group characteristics (e.g., "informal family men").

The full set of groups is depicted in Figure 3.3, again showing only those characteristics that are particularly relevant for distinguishing each group from the others. (Annex 1 Table A1 provides a list of all characteristics that were used as inputs in the clustering analysis, along with their definitions. Annex 1 Table A2 shows detailed results for all groups and the entire set of characteristics). Labels were derived using the procedure illustrated in Table 3.2, and groups were ordered by their size, with the largest group shown first.

The clustering approach partitioned the PLD population into 12 separate groups. Given the very low female employment rates in Turkey, it is not surprising that the largest groups consist mostly of women. In fact, the clustering algorithm distinguished several groups very sharply by gender; in each of the three largest groups, as well as in groups 8 and 11, the percentage of women is exactly 100 percent (see Annex 1 Table A2 for detailed distributions of all characteristics of each group). The interpretation is that the combination of characteristics in groups 1, 2, and 3 is only observed for women or, in other words, it is not only their gender that separates them from persistently vulnerable men, but they also differ in other relevant respects. A possible policy implication is that these groups may require quite different types of employment and support than men.

Together, the "female only" groups 1, 2, 3, 8, and 11 account for about half of the persistently vulnerable individuals in Turkey. Groups 5 and 10 are also mostly women, but there are also a significant number of men with otherwise similar characteristics in these groups. The total proportion of women among the persistently vulnerable is just over two-thirds (68 percent, obtained by adding up the products of "female" percentages and respective group sizes in Annex 1 Table A2).

The summary in Figure 3.3 clearly shows the great diversity in the circumstances, and hence the potential employment barriers, of women with PLD. They include those with significant work experience, but in low-paid, informal, or unstable employment (groups 3, 5, and 8), as well as large numbers of women who have been persistently out of work with no or very short employment histories (groups 1, 2, 10, and 11). Women in the "no work experience" groups (1, 2, and 10) mostly live in urban areas. They include women in early retirement (group 2) as well as young mothers (group 1) and better-educated single women.[16] This stands in sharp contrast with women in rural areas (the majority of group 8 and just

16- Recall that people who are in education or military service are not counted here as they are not included in the "vulnerable" group.

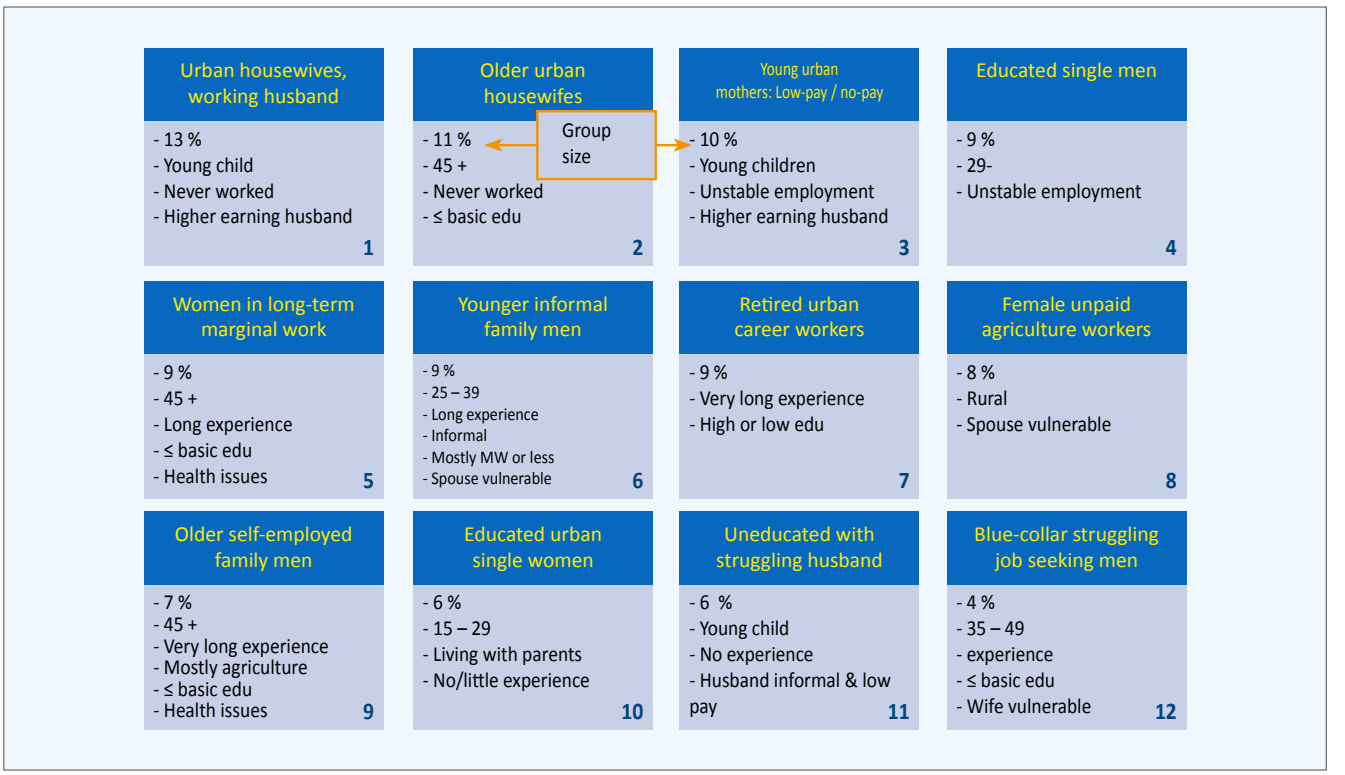
under half in group 5), most of whom are either working or have significant previous work experience.

Among men, the groups accounting for the largest shares of the persistently vulnerable are the "informal, low-earning" group 6 (9 percent of all persistently vulnerable in Turkey), as well as two groups of older men (the "older, self-employed family men" group 9 and the "retired urban career worker" group 7). In addition, there is a sizable group of younger and relatively well-educated single men (group 4). But unlike the "young and educated single women" group 10, who are mainly out of work, the young men do have some labor market attachment and significant work experience (40 percent of them report four years or more).

Interestingly, only a small proportion of the persistently vulnerable can be described as the "archetypical" unemployed jobseekers with no or very little earnings and actively looking for a job (group 12). Given the small size of this group relative to the total number of persistently vulnerable, policies seeking to strengthen labor market attachment among a broader group of working-age individuals need to find ways to reach out beyond the group of core jobseekers who have traditionally been the main focus of activation and employment-support measures.

FIGURE 3.3

Groups with PLD: complete groupings for the period 2005-2008



Notes: Group sizes are the percent of all individuals in the PLD group. See Annex 1 Table A2 for full results showing probabilities/incidence for the full set of characteristics.

Source: World Bank staff calculations based on TUIK SILC data, waves 2006-2009 (with 2005 to 2008 as the reference year for incomes and activity calendars).

3.5 Targeting Activation and Employment and Income Support Policies

With limited resources and very large numbers of people facing PLD, a relevant question is whether some groups are, or should be, a particular priority for employment and income support. Two notable criteria that might be used for deciding on suitable targeting strategies are: (i) people's living standards; and (ii) the likely extent of their labor market difficulties.

3.5.1 Targeting Based on Living Standards

Long-term labor market difficulties can lead to economic hardship for the individuals and families concerned.

With labor income the primary income source for working-age people and their families, extended spells without adequately paid employment leave families financially vulnerable and at a high risk of poverty. As a result, income support is an essential element of an overall support package that fosters stable employment and reduces poverty risks. However, even among people with PLD, some groups are better able than others to cope with periods of low or no labor income. They may have access to other income sources (including benefits in cash or in kind), they may receive support from other household members or from extended family, or they may have savings on which they can draw. As factors with a direct impact on people's living standards, these circumstances are important when tailoring support measures and targeting mechanisms.

Figure 3.4 illustrates differences in living standards and material deprivation across groups by showing the proportions of people facing forms of "financial hardship" and "poor sanitation." Using information in the SILC data, a household considered to be experiencing financial hardship is defined as unable to afford at least three of the following four items: a one-week vacation away from home; unexpected expenses; replacement of old/broken furniture; or new clothes. A family is considered to have poor sanitation if it reports having either no bath or shower, no toilet, or no piped water in its household.

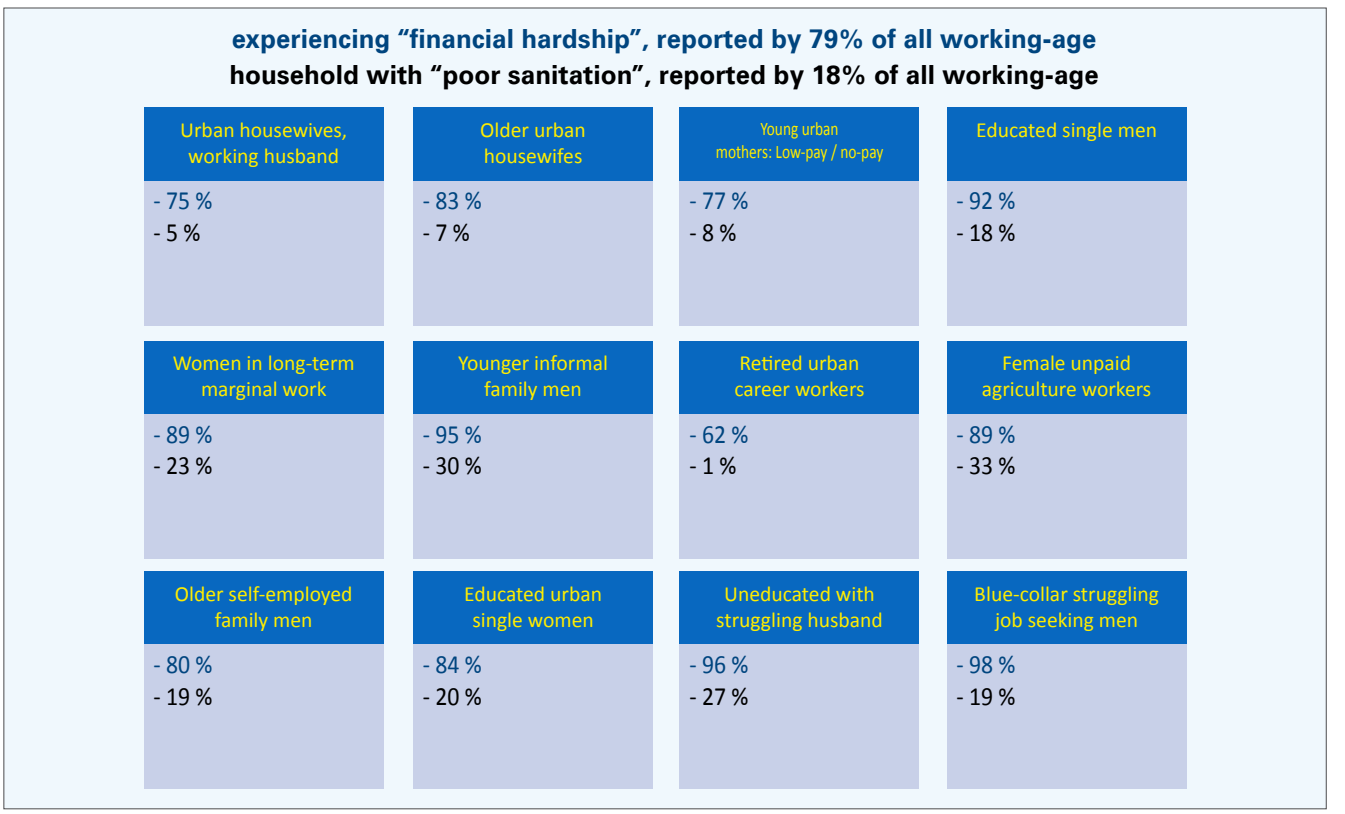
Both measures show a considerable divergence of living standards between groups, reinforcing the importance of careful targeting. Three of the mostly urban groups ("urban housewives," "retired urban career workers," and "young urban mothers") show the smallest incidence of financial hardship. In fact, in all three groups, the proportion of people experiencing hardship is less than the 79 percent average for the WAP as a whole (i.e., including the "non-PLD" groups). The proportions of people reporting poor sanitation are also significantly lower than the average (18 percent for the entire WAP) in these three groups. The largest proportion of people with poor sanitation is found for the mostly rural "female unpaid agricultural workers." Perhaps more surprisingly, the mostly urban group of "educated single women" also shows an above-average incidence of poor sanitation (as well as a high incidence of financial hardship). The highest incidence of financial hardship is reported for the group of "educated single men," but it is also high for groups where both spouses are persistently vulnerable ("younger informal family men," "uneducated women with struggling husband," and "blue-collar struggling job-seeking men"). The results underscore the importance of the family situation and of addressing labor market difficulties at

the family level, rather than as a purely individual issue.

The measures of "need" shown here are informative because they are simple and provide some sense of absolute living standards, which is especially useful in a country like Turkey, where large regional differences in incomes and prices can make it difficult to compare income levels. However, future analyses using other (perhaps more advanced) measures of material deprivation, as well as monetary poverty measures (including poverty headcounts based on region-specific poverty thresholds) can bring additional insights. Most importantly, however, future work should examine whether existing income support measures are well targeted, in the sense that they reach those with the greatest need for such support.

FIGURE 3.4

Targeting based on living standards: Some groups have much greater need for support



Notes: See text for definitions.
Source: See Figure 3.3.

3.5.2 Targeting Based on Labor Market Difficulties

Targeting issues also arise with activation measures, employment services, and other types of active labor market programs (ALMP), such as training. A crucial but difficult question is whether resources should be channeled to groups who are, in some sense, furthest from obtaining or holding a stable job or to groups for whom policy interventions are likely to have the greatest probability of success.

Those two criteria need not, and generally do not, provide the same answers about the desirable targeting mechanisms. This is illustrated in Figure 3.5, which shows the shares of people with predicted "high" and "low" risk of PLD in each group. The predictions use the estimated regression model results shown earlier in Table 4 (see figure notes for more details). Combining the model with the clusters is useful because although members of each cluster group all face PLD and share many other characteristics, they are not identical. Some will face greater labor market difficulties than others. Using the regression model, it is possible to quantify how likely it is for each member to experience PLD given his or her characteristics.

If the objective is to focus activation policy efforts on those who are, in a sense, furthest from finding and holding a stable and adequately paid job, then policy should focus on those with a high risk of PLD (shown in red in Figure 3.5). Using such a criterion, groups 2, 5, 8, and 11 should be priorities for activation measures. One can think of these group members as those with multiple or relatively major employment barriers – they therefore clearly need support, but the challenges of successful and continuing labor market integration will often be formidable.

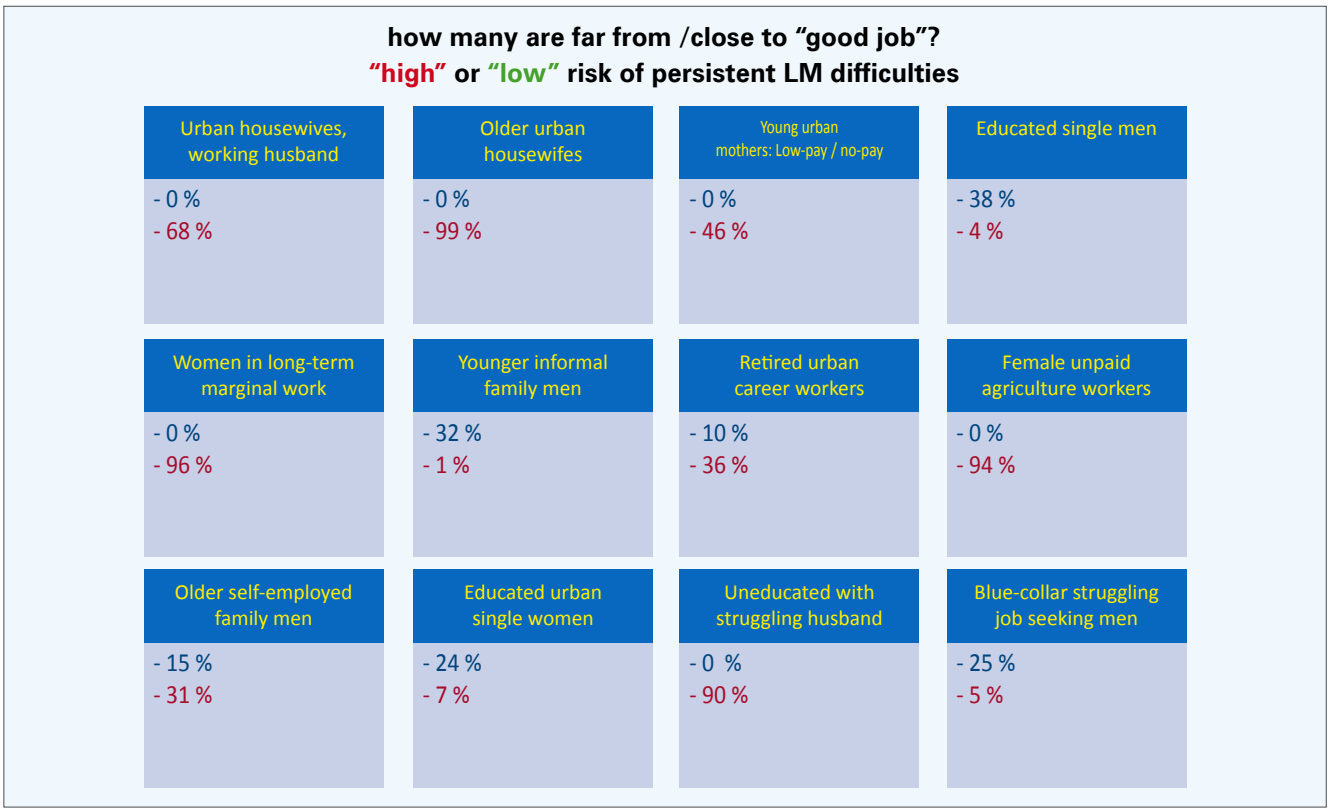
A very different set of priorities would result if the objective is to focus efforts on groups where a significant number of individuals have relatively low risks of PLD. Groups 4, 6, 10, and 12 would be prioritized in this case. Such a strategy may be attractive, as policies would have to "bridge" a smaller gap since these people may already be relatively well-equipped to find a good-quality job. Their probability of successful activation would therefore likely be higher. But at the same time, some of these "low-risk" individuals may well succeed in overcoming their PLD even without active policy support.

In practice, it is useful to consider a wide range of information when deciding on policy design and targeting. The information in Figure 14 and Figure 3.5 should arguably be read in combination as an integrated policy approach that seeks to tackle

both employment barriers and PLD risks as well as economic hardship. The different perspectives on group characteristics and employment barriers also highlight the need to link income support and activation policies. As part of an employment-oriented policy framework, benefits in cash or in kind provide a principal instrument for linking unemployed people to employment services and ALMP. Low benefit coverage among those with PLD is not only a concern from an equality and poverty-reduction point of view; it also makes it harder to implement and deliver effective activation strategies and employment services, as those outside the scope of benefits tend to find accessing these services significantly more difficult.

FIGURE 3.5

Targeting based on distance: some groups have much better chances of overcoming PLD



Notes: PLD "risk" scores were calculated using the statistical model of PLD presented in Table 1 (the estimated coefficients were used to calculate a probability of experiencing PLD for each individual). Those with a score in the bottom/top third of the whole WAP (i.e., the 33 percent with the lowest/highest risk) were then classified as "low-risk"/"high-risk."

Source: See Table 3.1 and Figure 3.3.

Annex 1: Variables and Results from Cluster Analysis

TABLE A1

Description of variables used in the regression and/or cluster analysis

	comments / categories
age	
age2	age^2 / 100
age3	age^3 / 1000
sex	
experience	reported work experience since start of firt job (paid or unpaid)
education	"low" (< basic/lower secondary); basic/lower; "high" (> basic/lower)
health issue	chronic illness, "bad" or "very bad" health, or health issues restricting daily life
marital status	
HH_SinglewC	single parent
isYChildinhh (d)	child aged under 3 in household
numChildinhh	number of persons aged <15 in household
isElderlyinhh (d)	person aged >64 in household
rural/urban	
logSpouseInc	log of annual income of spouse
youngXmarried (d)	married and aged < 30
youngXlowEdu (d)	low education and aged <30
femXmarried (d)	married woman
femXychild (d)	woman with child under 3
femXlowEdu (d)	woman with low education
region	12 regions
mainlyself (d)	self-employment income >= 50% of labor income
occupation or former occupation	1. legislators, senior officials, managers
	2. professionals
	3. technicians, associate professionals
	4. clerks
	5. service workers
	6. skilled agricultural and fishery workers
	7. crafts and trade
	8. plant and machine operators, assembly workers
	9. elementary occupations
	10. never worked
regional unemployment rate	for each reference year 2005-2008, as reported by TUIK
persistently not working	see notes to Figure 2
persistent low work intensity	see notes to Figure 2
persistent low earnings	see notes to Figure 2
persistent informal work	see notes to Figure 2

TABLE A2

Detailed results from the cluster analysis

	Cluster1	Cluster2	Cluster3	Cluster4	Cluster5	Cluster6	Cluster7	Cluster8	Cluster9	Cluster10	Cluster11	Cluster12
Cluster Size	0.13	0.11	0.10	0.09	0.09	0.09	0.09	0.08	0.07	0.06	0.06	0.04
Indicators												
age												
Ages 15-19	0.05	0.00	0.06	0.40	0.00	0.02	0.00	0.01	0.00	0.83	0.06	0.00
Ages 20-24	0.14	0.00	0.15	0.34	0.00	0.07	0.00	0.03	0.00	0.94	0.11	0.02
Ages 25-29	0.26	0.01	0.27	0.20	0.01	0.19	0.00	0.11	0.01	0.25	0.24	0.07
Ages 30-34	0.22	0.02	0.21	0.05	0.03	0.20	0.01	0.15	0.02	0.08	0.21	0.13
Ages 35-39	0.17	0.06	0.17	0.01	0.08	0.21	0.02	0.21	0.05	0.03	0.19	0.18
Ages 40-44	0.09	0.11	0.08	0.00	0.14	0.15	0.05	0.18	0.10	0.01	0.11	0.19
Ages 45-49	0.04	0.18	0.04	0.00	0.20	0.09	0.12	0.15	0.18	0.00	0.06	0.19
Ages 50-54	0.02	0.24	0.01	0.00	0.23	0.06	0.22	0.09	0.24	0.00	0.02	0.13
Ages 55-59	0.00	0.24	0.00	0.00	0.19	0.02	0.30	0.04	0.24	0.00	0.01	0.07
Ages 60-64	0.00	0.16	0.00	0.00	0.11	0.00	0.27	0.01	0.17	0.00	0.00	0.03
Mean	0.32	0.76	0.31	0.10	0.72	0.41	0.84	0.50	0.77	0.13	0.35	0.56
Exp_cat												
no experience	0.99	1.00	0.07	0.06	0.02	0.00	0.00	0.00	0.00	0.80	0.83	0.00
1 year	0.01	0.00	0.17	0.11	0.03	0.00	0.00	0.01	0.00	0.08	0.04	0.01
2-3 years	0.00	0.00	0.25	0.42	0.08	0.00	0.00	0.05	0.00	0.05	0.05	0.02
4-5 years	0.00	0.00	0.16	0.16	0.10	0.01	0.01	0.07	0.00	0.03	0.02	0.03
6-10 years	0.00	0.00	0.30	0.20	0.14	0.17	0.01	0.17	0.02	0.03	0.05	0.08
11+ years	0.00	0.00	0.06	0.06	0.62	0.79	0.97	0.71	0.98	0.01	0.02	0.86
Edu_cat												
0	0.70	0.94	0.56	0.26	0.99	0.78	0.51	0.95	0.70	0.47	0.89	0.76
1	0.13	0.03	0.18	0.46	0.01	0.12	0.08	0.04	0.11	0.23	0.05	0.13
2	0.18	0.04	0.26	0.28	0.00	0.10	0.41	0.02	0.19	0.29	0.05	0.11
Job_Varies												
Full-timeemployee	0.00	0.00	0.12	0.72	0.06	0.92	0.00	0.58	0.82	0.00	0.00	0.23
Housework	0.99	0.91	0.77	0.05	0.70	0.00	0.03	0.03	0.00	0.62	0.98	0.00
Ineducation/Trai	0.01	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00
oldi,disableidorno	0.00	0.08	0.00	0.00	0.14	0.00	0.03	0.02	0.00	0.18	0.01	0.14
other	0.00	0.00	0.00	0.01	0.01	0.00	0.01	0.00	0.00	0.06	0.01	0.03
part-timeemployee	0.00	0.00	0.08	0.00	0.03	0.06	0.00	0.37	0.17	0.00	0.00	0.03
retired	0.00	0.01	0.00	0.00	0.04	0.00	0.94	0.00	0.01	0.00	0.00	0.14
seekingemployees	0.00	0.00	0.02	0.11	0.01	0.02	0.00	0.00	0.00	0.08	0.01	0.46
mainlyself												
0	1.00	1.00	0.91	0.92	0.81	0.56	0.95	0.73	0.29	1.00	1.00	0.76
1	0.00	0.00	0.09	0.08	0.19	0.44	0.05	0.27	0.71	0.00	0.01	0.23
occupation												
Legislat, SenOfficials, Mngr	0.00	0.00	0.04	0.01	0.00	0.09	0.13	0.01	0.16	0.00	0.00	0.03
Professionals	0.00	0.00	0.03	0.02	0.00	0.01	0.15	0.00	0.01	0.02	0.00	0.01
Technicians, AssocProfessnls	0.00	0.00	0.08	0.04	0.01	0.00	0.09	0.00	0.03	0.02	0.01	0.02
Clerks	0.00	0.00	0.11	0.05	0.01	0.01	0.18	0.00	0.02	0.05	0.00	0.00
Service workers	0.00	0.00	0.14	0.19	0.09	0.19	0.09	0.03	0.08	0.04	0.02	0.10
Skilled Agri and Fishery	0.00	0.00	0.10	0.26	0.33	0.22	0.01	0.84	0.44	0.00	0.05	0.03
Crafts and trade	0.00	0.00	0.12	0.17	0.11	0.24	0.13	0.03	0.06	0.01	0.00	0.29
Plant, machine op, assembly	0.00	0.00	0.07	0.08	0.03	0.09	0.13	0.00	0.11	0.02	0.01	0.14
Elementary	0.00	0.00	0.29	0.15	0.42	0.25	0.11	0.10	0.09	0.04	0.09	0.37
Never worked	1.00	1.00	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.79	0.82	0.00
Gender												
Male	0.00	0.00	0.00	0.62	0.07	1.00	0.66	0.00	0.88	0.19	0.00	0.93
Female	1.00	1.00	1.00	0.38	0.93	0.00	0.34	1.00	0.12	0.81	1.00	0.08
marital												
divorced	0.00	0.03	0.02	0.02	0.01	0.00	0.07	0.01	0.04	0.02	0.00	0.03
married	0.99	0.78	0.98	0.13	0.81	0.99	0.84	0.93	0.87	0.07	1.00	0.92
single	0.01	0.02	0.01	0.84	0.03	0.01	0.03	0.03	0.03	0.91	0.00	0.05
widowed	0.00	0.17	0.00	0.00	0.15	0.00	0.06	0.03	0.07	0.00	0.00	0.00
numChildinhh_cat												
0	0.05	0.67	0.10	0.42	0.49	0.01	0.76	0.25	0.65	0.50	0.08	0.23
1	0.30	0.21	0.40	0.30	0.26	0.19	0.18	0.20	0.19	0.22	0.19	0.29
2	0.38	0.07	0.39	0.15	0.14	0.34	0.06	0.25	0.12	0.14	0.29	0.22
3	0.28	0.05	0.11	0.13	0.10	0.44	0.01	0.30	0.04	0.14	0.50	0.26
isYChildinhh												
0	0.35	0.86	0.43	0.76	0.76	0.31	0.92	0.52	0.88	0.81	0.25	0.55
1	0.65	0.14	0.57	0.24	0.24	0.69	0.08	0.48	0.12	0.19	0.75	0.45
rural												
0	0.87	0.85	0.79	0.56	0.56	0.51	0.92	0.14	0.50	0.71	0.74	0.78
1	0.13	0.15	0.21	0.44	0.44	0.49	0.08	0.86	0.50	0.29	0.26	0.22
spouse earning>1.33 MW												
0	0.19	0.74	0.35	1.00	0.78	0.99	0.89	0.48	0.94	1.00	0.63	0.99
1	0.81	0.26	0.75	0.00	0.22	0.01	0.11	0.52	0.06	0.00	0.37	0.01
healthissue												
0	0.79	0.35	0.78	0.92	0.26	0.71	0.42	0.52	0.51	0.72	0.62	0.48
1	0.21	0.65	0.22	0.08	0.74	0.29	0.58	0.48	0.49	0.28	0.37	0.52
persistently not working												
0	0.21	0.65	0.22	0.08	0.74	0.29	0.58	0.48	0.49	0.28	0.37	0.52
1	0.21	0.65	0.22	0.08	0.74	0.29	0.58	0.48	0.49	0.28	0.37	0.52
persistent low work intensity												
0	1.00	1.00	0.97	0.96	0.91	0.98	1.00	0.97	1.00	1.00	1.00	0.94
1	0.00	0.00	0.03	0.04	0.09	0.02	0.00	0.03	0.00	0.00	0.00	0.06
persistent low earnings												
0.00	1.00	1.00	0.96	0.81	0.88	0.93	0.99	0.87	0.84	1.00	1.00	0.79
1.00	0.00	0.00	0.04	0.19	0.12	0.07	0.01	0.13	0.16	0.00	0.00	0.21
persistent informality												
0.00	1.00	1.00	0.95	0.43	0.99	0.01	1.00	0.09	0.10	1.00	1.00	0.81
1.00	0.00	0.00	0.05	0.57	0.01	0.99	0.00	0.91	0.90	0.00	0.00	0.19
spouse is FLO												
0.00	1.00	0.45	0.88	0.99	0.40	0.08	0.28	0.38	0.23	1.00	0.00	0.19
1.00	0.00	0.55	0.12	0.01	0.60	0.92	0.73	0.62	0.77	0.00	1.00	0.81
spouse is informal												
0.00	1.00	0.87	0.90	1.00	0.77	0.74	0.95	0.43	0.71	1.00	0.25	0.96
1.00	0.00	0.13	0.10	0.00	0.23	0.26	0.05	0.57	0.29	0.00	0.75	0.04

	Cluster1	Cluster2	Cluster3	Cluster4	Cluster5	Cluster6	Cluster7	Cluster8	Cluster9	Cluster10	Cluster11	Cluster12
Covariates												
earning>1.3 MW												
0	1.00	1.00	0.99	0.93	1.00	0.51	0.98	0.98	0.56	0.99	1.00	0.79
1	0.00	0.00	0.01	0.07	0.00	0.49	0.02	0.02	0.44	0.01	0.00	0.21
GreenCard												
0	0.93	0.94	0.92	0.91	0.85	0.59	1.00	0.80	0.92	0.87	0.46	0.61
1	0.07	0.06	0.08	0.09	0.15	0.41	0.00	0.20	0.08	0.13	0.54	0.39
hardship												
0	0.25	0.17	0.23	0.08	0.11	0.05	0.38	0.11	0.20	0.16	0.04	0.02
1	0.75	0.83	0.77	0.92	0.89	0.95	0.62	0.89	0.80	0.84	0.96	0.98
poorheating												
0	0.37	0.40	0.31	0.19	0.20	0.08	0.62	0.03	0.27	0.24	0.10	0.20
1	0.63	0.60	0.69	0.81	0.80	0.92	0.38	0.97	0.73	0.76	0.90	0.80
poorsanitation												
0	0.95	0.93	0.92	0.82	0.77	0.70	0.99	0.67	0.81	0.80	0.73	0.81
1	0.05	0.07	0.08	0.18	0.23	0.30	0.01	0.33	0.19	0.20	0.27	0.19
region	0.80	0.76	0.79	0.36	0.73	0.62	1.08	0.49	0.70	0.70	1.10	0.99
1	0.23	0.21	0.18	0.11	0.11	0.09	0.27	0.01	0.06	0.13	0.09	0.15
2	0.02	0.03	0.07	0.04	0.09	0.03	0.04	0.05	0.11	0.02	0.02	0.03
3	0.06	0.11	0.14	0.10	0.18	0.09	0.15	0.14	0.17	0.08	0.04	0.08
4	0.06	0.13	0.14	0.07	0.09	0.03	0.15	0.08	0.15	0.08	0.01	0.04
5	0.10	0.10	0.05	0.05	0.04	0.14	0.15	0.08	0.04	0.04	0.14	0.10
6	0.16	0.11	0.13	0.10	0.19	0.12	0.10	0.11	0.15	0.17	0.15	0.20
7	0.05	0.13	0.03	0.08	0.03	0.06	0.02	0.10	0.05	0.05	0.04	0.07
8	0.06	0.05	0.03	0.09	0.09	0.06	0.05	0.13	0.08	0.04	0.03	0.04
9	0.01	0.02	0.02	0.04	0.05	0.02	0.02	0.10	0.10	0.01	0.01	0.02
10	0.02	0.03	0.01	0.04	0.02	0.05	0.01	0.06	0.03	0.06	0.03	0.02
11	0.04	0.04	0.01	0.07	0.02	0.07	0.01	0.06	0.04	0.08	0.11	0.05
12	0.08	0.06	0.04	0.12	0.06	0.19	0.03	0.05	0.02	0.19	0.31	0.21
99	0.11	0.00	0.15	0.08	0.02	0.04	0.01	0.04	0.00	0.05	0.03	0.00
arrears												
0	0.46	0.55	0.44	0.39	0.46	0.27	0.69	0.43	0.48	0.40	0.27	0.29
1	0.54	0.45	0.56	0.61	0.54	0.73	0.31	0.57	0.52	0.60	0.73	0.71
available for work in two weeks												
employed	0.00	0.00	0.21	0.82	0.09	1.00	0.00	0.95	0.99	0.00	0.00	0.25
no	0.90	0.97	0.62	0.06	0.85	0.00	0.90	0.04	0.01	0.84	0.94	0.20
yes	0.10	0.03	0.17	0.12	0.06	0.00	0.10	0.01	0.00	0.16	0.06	0.55
Actively looking for work												
employed	0.00	0.00	0.21	0.82	0.09	1.00	0.00	0.95	0.99	0.00	0.00	0.25
no	0.99	1.00	0.75	0.08	0.89	0.00	0.99	0.05	0.01	0.93	0.99	0.32
yes	0.01	0.00	0.04	0.10	0.02	0.00	0.01	0.00	0.00	0.07	0.01	0.43

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4. Mobilizing Skills for Productive Employment in Turkey

Abstract: Turkey has a historic opportunity to reap an economic dividend from its growing number of youth by employing them in quality jobs. The skill levels of Turkey's population are increasing, particularly for youth and women, and labor market outcomes in Turkey are better for the most educated. Over the long run, individuals with less education have worse employment and activity rates than their more educated counterparts. Youth and women face challenges as well: youth face difficulties breaking into the labor market and women must continue to acquire skills. This is especially critical as the nature of the skills required in jobs in Turkey has changed over the last decade. The need for routine cognitive skills is on the rise, while jobs that require non-routine manual skills are on the decline. The changing demand for skills translates into a higher demand for graduates with secondary (high school) and higher education, reflecting Turkey's ongoing sectoral transformation towards more productive activities and towards the services sector. At the same time, finding employment for less skilled individuals is not straight forward. Thus, promoting mechanisms that link graduates and employers and expanding programs that help the WAP increase the relevance of its skills will aid the transition to more productive employment. Whether Turkey can successfully facilitate the move from inactivity to productivity occupations that benefit society and enhance economic growth will partly depend on how the Government of Turkey supports individuals in responding to the demand for skills. Several promising activities have been proposed already.

4.1 The Role of Skills in the Turkish Labor Market

4.1.1 Workforce Skills Supply

The working working-age population (WAP) in Turkey is young, with approximately 48.4 million people between the ages of 15 and 64 (out of a total population of 73.6 million people).[17] It's increased 12 percent over the last decade (TUIK, Household Labor Force Survey 2011). This

17- The WAP definition, individuals between 15–64 years old, used in this chapter was used to match the OECD definition.

demographic transition in the labor force offers both opportunities and challenges: on one hand, Turkey can benefit from the growing number of young people if they are gainfully employed, improving individual living standards and contributing to national economic growth; on the other, in the absence of adequate job creation, high unemployment and inactivity rates can constrain present and future incomes as well as social cohesion (World Bank 2013a).

This Section has three objectives:(i) to assess the extent of skill[18] barriers for productive employment by exploring the supply of and demand for skills and their interaction in the labor market in Turkey[19]; (ii) to discuss existing and proposed government policies to help young people develop skills and find gainful employment; and (iii) to propose additional policy options for skills development that enhances job entry.The report focuses on the segment of the WAP that has already completed formal education. For this reason, the recommendations do not address education policies that target individuals still attending formal schooling.

Box 4.1 The Turkish Education System

The Turkish education system follows a 4-4-4 structure. Primary education comprises grades 1-8 (first and second levels), followed by four years of secondary education, equivalent to high school education. Until 1997, children in Turkey were obliged to take five years of education, while the reforms of 1997 introduced compulsory education for eight years. New legislation introduced in March 2012 prolonged compulsory education to 12 years. The number of high school years increased from three to four in 2004. Universities provide two to four years of education. Vocational and higher education is offered by multiple providers: teacher training colleges, technical and vocational training schools, and universities. Vocational tracks can start in secondary or higher education. A completed secondary education is required to pursue higher education.

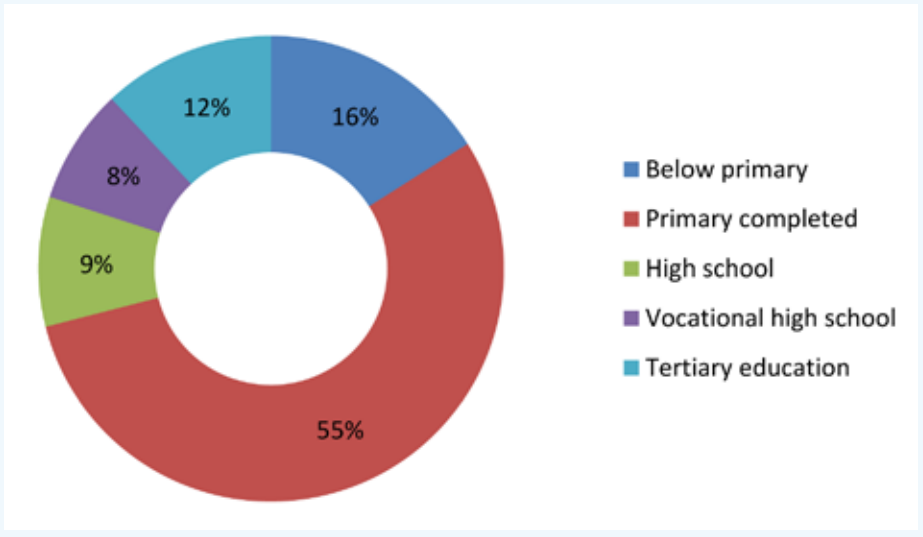
18- The classification of skills broadly follows the distinction introduced by the World Bank 2012: "cognitive," "technical," and "soft." These categories may not necessarily be mutually exclusive. Cognitive skills refer to those demonstrated by intellectual ability and command of academic subjects. Technical skills refer to those tasks that are required by specific occupations. Soft skills refer to a person's attitudes and behaviors, like timeliness, accuracy, and the like (World Bank 2012a). Later in the chapter, we use the skills definition of a well-cited study by Autor, Levy, and Murnane (2003).

19- The conceptual framework used to analyze employment and skills in Turkey relies on the economic concepts of demand and supply. Supply refers to the skills that young people (individuals) have and make available to employers. Demand refers to the skills that employers (firms) seek in the labor market.

The education of the Turkish population has increased at all levels, albeit slowly. The 1997 educational policy that increased the duration of primary education from five to eight years contributed to an improved educational profile of the population. Roughly 62 percent of the WAP held at most a primary education degree in 2011 (Figure 4.1), compared to 72 percent in 2000. The change in education policy resulted in a slight increase in the number of primary education dropouts, and women were affected more than men. The share of women without any degree increased more than twofold between 2000 and 2011 (from 3.9 percent to 8.5 percent). The impact was much less for men. However, the benefits of the reform have outweighed its costs. The share of high school graduates increased 1 percentage point during the last 10 years, but this is averaged across general and vocational high school tracks. The share of general high school graduates decreased from 9.5 percent in 2000 to 8.3 percent in 2011, while the share of vocational high school graduates increased from 4.4 percent to 6.9 percent between 2000 and 2011. These dynamics are also linked to the government's policy to increase access to and enrollment in vocational training. The share of tertiary education graduates almost doubled in the last 10 years, from 5.7 percent to 10.3 percent (TUIK, Household Labor Force Survey 2011).

FIGURE 4.1

Educational profile of Turkey's WAP, 2011

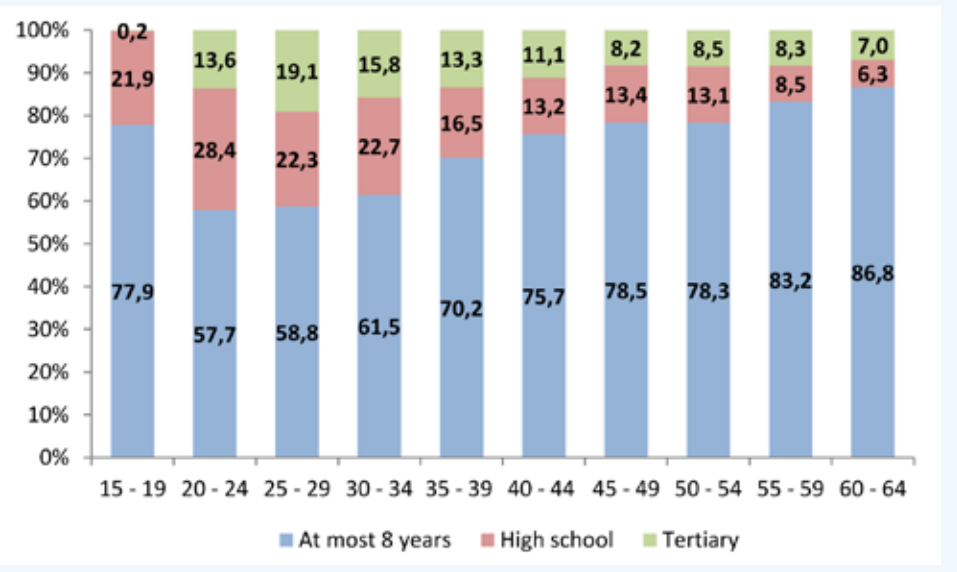


Source: Turkey's Household Labor Force Survey 2011.

The skill transition is critical for Turkey, as low educational attainment can constrain the movement of workers into employment. The transition of workers from inactivity to productive and higher earning jobs will require a larger share of the workforce to acquire higher-level skills. This is already happening. Younger cohorts are more educated than the previous generation. This can best be seen when education information is disaggregated by age group (Figure 4.2). The share of individuals with at most eight years of education increases with age, while the share of individuals with at least a high school education decreases with age. For instance, the share of youth with at most eight years of education is 58 percent for individuals between 20 and 24, compared to 78 percent for individuals between 50 and 54 years old. Despite these changes, the skills of the WAP are still very basic and the situation is worse for women. Turkey needs to continue increasing the skills of its population to catch up with other OECD countries (OECD, 2012). Currently, it is ranked almost last in secondary education attainment compared with other OECD countries (Figure 4.3). Further, educational challenges remain a concern for women particularly.

FIGURE 4.2

Education level by age, 2011[20]



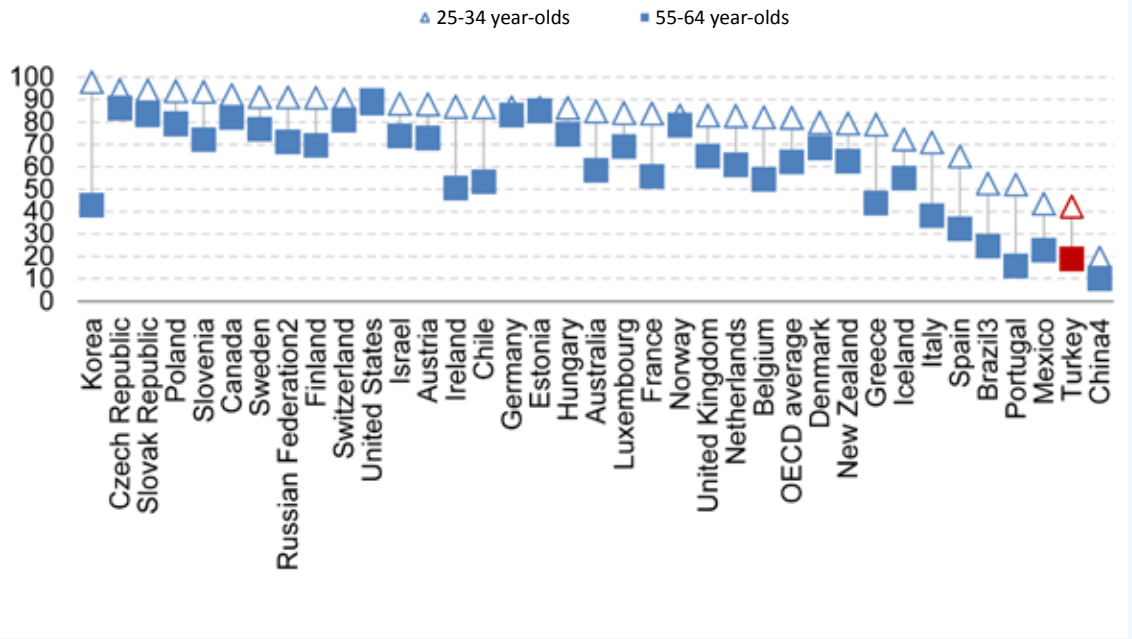
Note: Excludes those still in school.

Source: Turkey's Household Labor Force Survey 2011.

20- The education distribution presented in Figure 4.2 excludes those still in school.

FIGURE 4.3

Percent of labor force that has attained at least secondary education in OECD countries



Notes: Year of reference 2000/2002 and 2009.

Source: OECD 2012.

Women have improved their skills acquisition over the last 10 years, but they are still at a disadvantage when compared to men. In 2000, 21 percent of women had at most eight years of education; by 2011, this share had increased to 53 percent. Despite the gains, women's educational levels are much lower than those of men. First, as of 2011, a higher proportion of illiterate women participated in the labor force than illiterate men (13 percent and 2 percent, respectively). Second, 8.5 percent of women in the labor force dropped out of the education system before completing primary education, while only 4 percent of men did so. Overall, women are less likely to reach high school and pursue higher education degrees than men.

The gender gap is closing fast, however. The growth rate for women's education completion is faster than that of men. For instance, the share of females with a primary education degree almost doubled between 2000 and 2011, while the share of males with a primary

education degree increased only by half during the same period. Similarly, the share of female high school graduates increased 14 percent compared to 7 percent for men. Equally impressive is the jump in the share of female tertiary education graduates, which almost doubled, from 4.4 percent to 8.6 percent. Finally, the share of females still in school has almost caught up with that of males due to a sizeable increase in female enrollment (74.2 percent). The share of women between the ages of 20 and 24 with tertiary education degrees is 11.3, while the share of men is 9.1 percent. The higher levels skills that women are acquiring is an important development for activation as women with higher education have much higher rates of labor force participation.

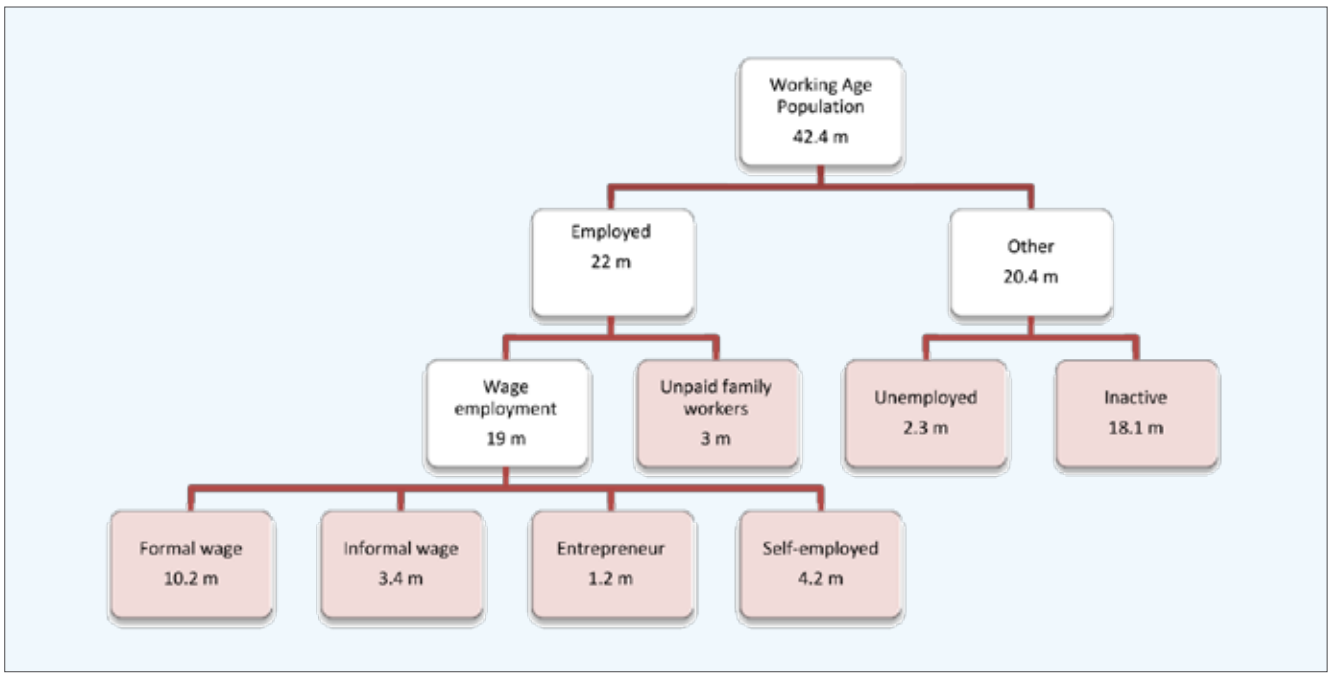
In addition to the improvements in educational outcomes for women, the education system in Turkey has shown substantive progress in the quality of education, as measured by PISA assessments between 2003 and 2009. The scores of Turkish students in the three PISA disciplines (reading, math, and science) increased the equivalent ofa half year of additional schooling in each of the tested subjects (Aedo, Hassan, and Cahu 2013). In sum, young people entering the labor market (the "flow") have more and higher quality skills than those already in the labor market (the "stock"). A serious concern is how to upgrade the skills of the large stock of the existing WAP endowed with a low quality and quantity of skills, an impediment that must be overcome if their labor market conditions are to be improved.

4.1.2 Workforce Labor Market Profile

It is important to know the economic activities in which the Turkish population is engaged. Jobs are important at the individual level for living standards and at the country level for social cohesion and productivity (World Bank 2013a). Working people can be divided into four main categories: wage earners in the formal and informal sector; entrepreneurs; the self-employed; and unpaid family workers. Most unpaid family workers and informal sector workers are employed in agriculture. Entrepreneurs are those who own a business and employ at least one person. The self-employed are those who own a business without employing anyone else. Two other groups that classify the WAP include: (i) individuals who are inactive, not in education or training,or not looking for jobs; and (ii) the unemployed. The employment categorization excludes individuals who are still in school. An overall picture of Turkey's WAP is given in Figure 4.4. While the bulk of the population is engaged in either formal or informal wage employment, self-employment, or entrepreneurship activities, over four in ten (18.1 million) in the Turkish WAP are inactive.

FIGURE 4.4

Breakdown of Turkey's WAP by employment status[21]



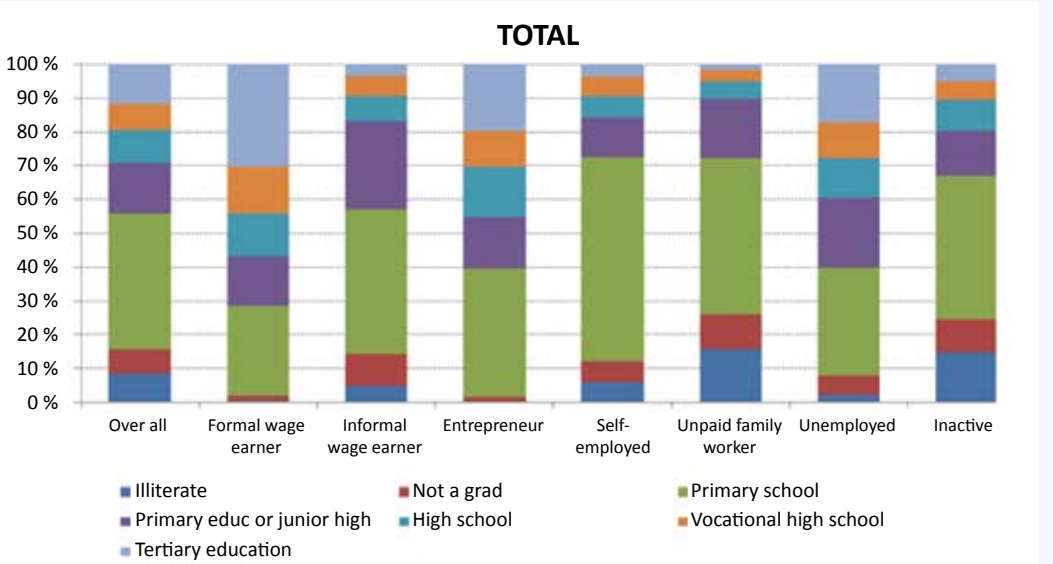
Source: Turkey's Household Labor Force Survey 2011.

Turkey's population has moved more towards wage employment over the last decade. The proportion of people in formal and informal employment increased from 19 percent and 7 percent, respectively, in 2000 to 24 percent and 8 percent in 2011. At the same time, the share of the population in self-employment and unpaid family work in 2000 decreased from 12 percent and 11 percent, respectively, to 9 percent and 7 percent in 2011.Most people in wage employment moved into formal employment. The share of the population in formal wage employment increased 6 percentage points over the last 10 years, compared to an increase of less than 1 percentage point in informal employment. Rates of wage employment among men and women are very similar, although during this time period, more women held formal wage jobs than men.This growing share of wage employment reflects the rise in skill-intensive sectors that were able to absorb a substantive part of the growing number of educated youth.

21- This refers to individuals between 15 and 64 years of age, excluding those in school.

FIGURE 4.5

Labor market status by education level, 2011



Source: Turkey's Household Labor Force Survey 2011.

Higher levels of education are associated with formal wage employment. A third of formal wage earners have tertiary education degrees, another 26 percent are high school graduates, and 42 percent have completed primary school. There are very few illiterate individuals or those with incomplete primary education in formal wage employment. The skills gained by the newer generations are reflected in the higher share of educational attainment among the population in all employment categories, suggesting that, increasingly, the workforce has the skills required for good jobs. For instance, 21 percent of formal wage earners in 2000 had tertiary degrees; this share increased to 30 percent in 2011. Similarly, the share of individuals with at least eight years of education, or primary completed, increased from 23 percent to 43 percent among informal wage workers in the same period. Vocational high school graduates increased their shares in all market groups as well. The share of entrepreneurs with a vocational high school degree increased from 6.1 percent in 2000 to 10.5 percent in 2010. The skills of workers varied by employment status. Self-employed workers, unpaid family workers, and informal wage workers had, on average, lower levels of education than formal

wage workers, entrepreneurs, and unemployed individuals. This suggests that highly educated professionals may prefer to be unemployed and wait for job opportunities rather than joining those in informal wage employment, as the occupations of each of these groups differ.

Women working in formal wage employment were more likely to have a tertiary education degree compared to men (50 percent versus 24 percent). This is linked to the high labor force participation rate of women with college degrees (71 percent). Along the same lines, unemployed females were better educated than their male unemployed counterparts. The lower female educational attainment can be seen in the groups of women in unpaid family work and in inactivity; they had much lower education levels than men in the same groups. Working women were also younger than men on average, suggesting that women drop out of the labor force earlier, for family reasons or earlier retirement.

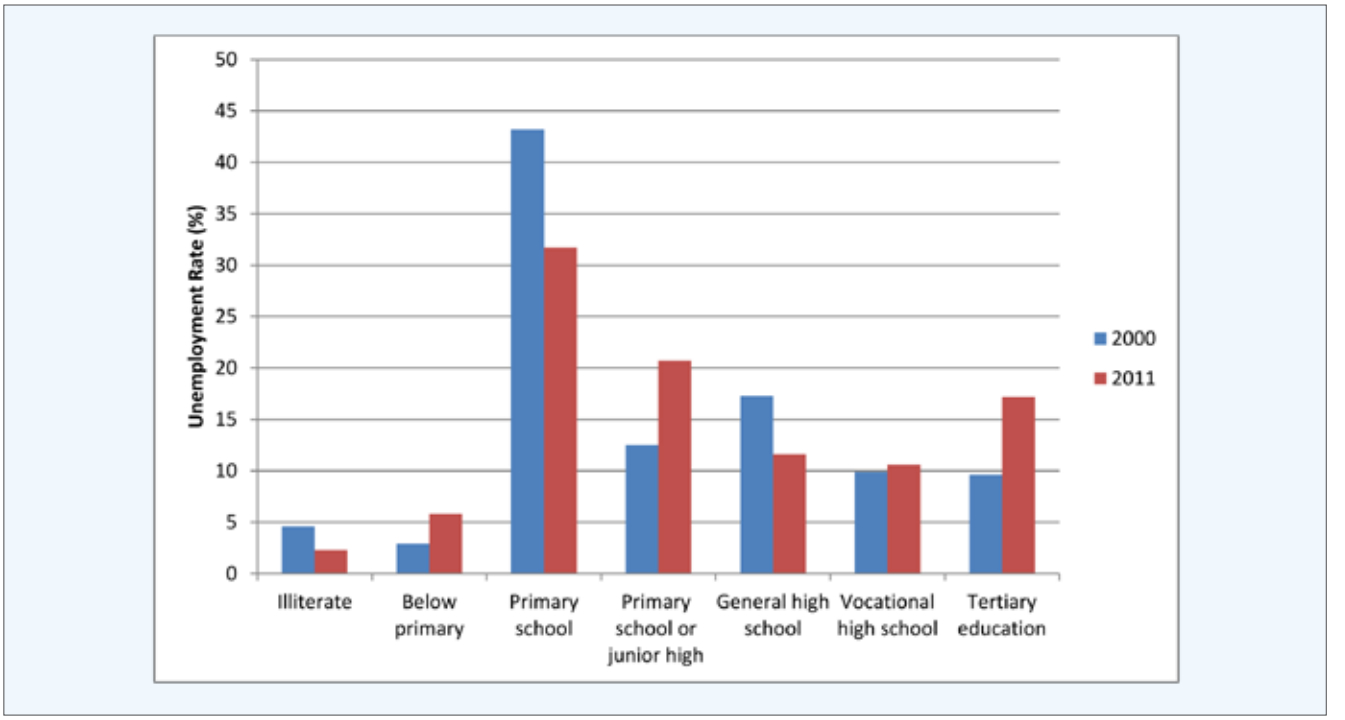
The relationship between age and the probability of being an informal wage earner is U-shaped: younger and older people were more likely to be employed in the informal sector than those middle-aged. Turkey's retirement age is one of the lowest among OECD countries.[22] Labor regulations in Turkey, along with very generous retirement packages, seem to promote early retirement among workers, yet a significant proportion of retirees continue to work informally. Overall, informality may provide a school-to-work transition for young educated individuals, while concurrently offering post-retirement individuals possibilities for continued employment.

The educational profile of the unemployed is mixed (Figure 4.6). Individuals with below primary education have very low levels of unemployment although their unemployment rates increase with age. People with low skill levels usually belong to poorer households and cannot afford to be unemployed; they have to work to make ends meet. Across all age groups, unemployment was highest among individuals with primary education only. Unemployment was lowest among those individuals with high school completed (general and vocational). Unemployment rates for vocational graduates were lower than those of high school graduates across all age groups. Over the last 10 years, unemployment rates amongst higher education graduates almost doubled. The unemployment rates decreased for those individuals who had general high school completed, and remained the same for those with vocational high school completed. This suggests an increased demand for skills provided by high school and a decrease in demand for higher-level skills.

22- The average retirement age in OECD countries is 64 for men and 63 for women (OECD 2012).

FIGURE 4.6

Unemployment rates (%) by education level, 2000 and 2011



Source: Turkey's Household Labor Force Survey 2011.

In addition to unemployment, the inactivity of Turkey's WAP is also important. Around 40 percent of Turkey's WAP is inactive, and inactivity rates are higher among youth and women. The large number of inactive people in Turkey partly reflects the low level of women's labor force participation. At 29 percent, Turkey has by far the lowest female participation rate of all OECD countries. More research is required to understand the different contributor factors behind this. Possible reasons could vary from family responsibilities, cultural and social norms, topossibly economic motivations like low wages and low employment quality for those women who do not reach higher levels of education.[23]

Among young people, inactivity rates are similar for those with both lower and higher levels of education. However, as age increases, inactivity rates rise for those with lower levels of education and

23- Girls in Turkey have solid cognitive skills; they perform equally well as or even better than boys on standardized tests like PISA and TIMSS (PISA 2009 and TIMSS 2011).

decrease for those with higher levels of education. For instance, inactivity rates for 20- to 24-year-olds with at most eight years of education are 67 percent and 66 percent for those with at least eight years of education.In contrast, for 40- to 44-year-olds, the inactivity rate is 87 percent for those with at most eight years of education, and only 21 percent for those with at least eight years of education. Inactivity also captures the discouraged workers, those that have given up looking for jobs. Almost every second person in Turkey (48 percent of the population) is either unemployed or inactive, suggesting that while Turkey can take advantage of its increasingly abundant labor, it is not fully utilizing it and more policies are required to activate people into employment. Upgrading the skills of the "stock" of workers could be a critical factor in these sets of policies.

There may be a number of reasons for the inactivity and unemployment situation: (i) a mismatch between the skills required by employers and those offered by the population; (ii) lack of jobs and a weakened or specific demand for skills as a result of the recent economic crisis;(iii) market distortions (e.g., high-paying career jobs in the public sector); (iv) lack of incentives to invest in education and training; and (v) market failures represented by lack of or poor information about employment opportunities, transportation, housing market challenges, and the like (World Bank 2013a). In particular, the high unemployment among youth and the relatively low unemployment among high school and higher education graduates suggest a slow school-to-work transition. Possible explanations include information failures and unclear pathways to link school graduates with the world of work.

4.1.3 Evidence of a Skills Barrier to Employment

The changing skills profile of the Turkish labor force is slowly starting to reflect employers' needs. While the evidence is hard to quantify, a number of factors suggest a mismatch between the demand for and supply of skills: (i) unemployment rates are relatively lower for high school graduates and higher for primary and tertiary education graduates; (ii) returns to education are high for vocational and higher education levels; (iii) the occupational profile of the labor force has changed over the last decade; (iv) demand for different types of skills (e.g., an increased demand for routine cognitive skills and a decline in demand for routine manual skills) has emerged over the last decade; and (v) the type and number of available vacancies has changed. A discussion of each of these five factors follows.

Returns to education

Rates of return can provide evidence of the extent to which education pays off in

terms of higher earnings. Private rates of return were estimated using data from the Household Labor Force Survey 2011 and applying Mincerian regressions.[24] Among those with wage jobs, the rate of return to education increases with higher education degrees. In Turkey, tertiary education graduates earn higher wages than secondary education graduates, and secondary education graduates earn higher salaries than primary school graduates. In the formal labor market, returns to a high school degree decreased, while returns to a tertiary degree increased significantly between 2004 and 2011. When controlling for occupation and industry of employment, there was no change in the returns to tertiary and high school degrees.

Looking at occupations, returns to education are higher for individuals working as legislators, senior officials, and managers (occupations usually associated with non-routine cognitive skills), although this pattern shows a decreasing trend between 2003 and 2011. Further, for wage earners who work as clerks (an occupation associated with routine cognitive skills), the returns to high school and tertiary education graduates increased significantly between 2004 and 2011, suggesting an increase in demand for their skills. For technicians and associate professionals, returns to education decreased for both high school and tertiary education graduates. Data indicate that there was not a significant change in returns to education in elementary occupations between 2003 and 2011.

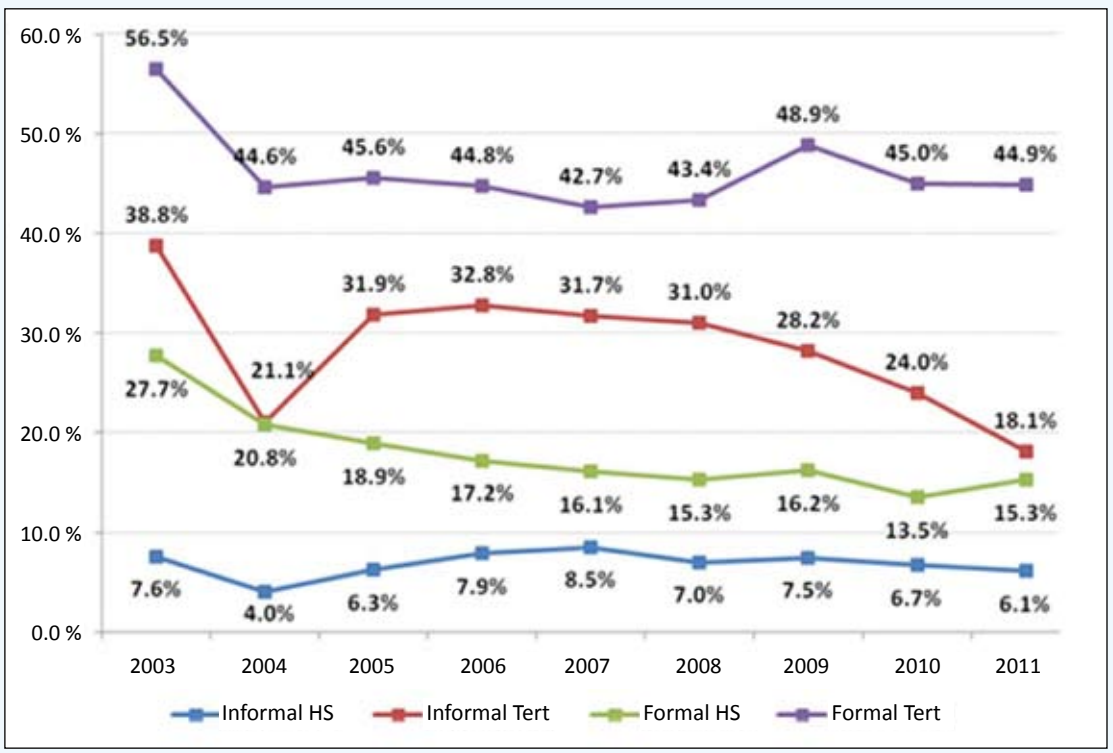
Returns to education changed dramatically by formality status. Figure 4.7 provides data on returns to education for formal and informal workers after controlling for occupation and industry of employment. Returns to education were estimated in reference to a wage earner with at most a primary education degree. High school and tertiary education graduates earned a premium regardless of their formality status. In 2011, tertiary education graduates employed in the formal market enjoyed a premium of 44.9 percent over individuals who had at most a primary education degree. In the informal sector, the higher education premium decreased to 18.1 percent.[25] Formally employed high school graduates earned a premium of 15.3 percent, whereas the informally employed earned 6.1 percent more than individuals with only a primary degree. Returns to education in the informal sector remained similar between 2004 and 2011. The high returns to tertiary and high school degrees reflect the relative demand for these skills in the labor market.

24- Mincerian regressions were estimated using educational attainment categories of "at most primary education" (illiterate, not a graduate, primary school, junior high and primary education), "high school" (secondary education), and "at least tertiary education."

25- These premiums were 76.8 percent and 29.1 percent when industry and occupation were not controlled for.

FIGURE 4.7

Returns to education in formal and informal labor markets
(controlling for industry and occupation)



Source: Turkey's Household Labor Force Survey 2011.

Changes in the demand for skills types

In a well-cited study, Autor, Levy and Murnane (2003) showed that the demand for non-routine cognitive (analytical and interpersonal) skills has been on the rise in the U.S. since 1960. The changes from lower to higher productivity economic activities are reflected in changes in occupations and skills. (See Table 4.1 for a summary of skills types.)

TABLE 4.1

Summary of skill types

Skills	Analytical (Non-routine cognitive)	Interpersonal (Non-routine cognitive)	Routine cognitive	Routine manual	Non-routine manual
Sub-skills	Analyzing data/information	Establishing and maintaining personal relationships	Importance of repeating the same tasks	Pace determined by speed of equipment	Operating vehicles, mechanized devices, or equipment
	Thinking creatively	Guiding, directing, and motivating subordinates	Importance of being exact or accurate	Controlling machines and processes	Spend time using hands to handle, control, or feel objects, tools or controls
	Interpreting information for others	Coaching/developing others	Structured versus unstructured work (reverse)	Spend time making repetitive motions	Manual dexterity
					Spatial orientation
Examples of occupations demanding high levels of these skills	Lawyers Teachers Medical doctors Managers		Telephone operators Bookkeepers Meter readers-utilities Cashiers	Industrial truck operator Cutting and slicing machine settlers, operators, and tenders Shoe machine operators Food cooking machine operators and tenders Construction workers, carpenters	

Source: Aedo et al.2013.

Turkey's occupational profile reflects a slow rise in the job's content of routine cognitive skills and non-routine cognitive (analytical and interpersonal) skills[26] (see Figure 4.8). The content of routine manual and non-routine manual physical skills in jobs have been on the decline. Surprisingly, for younger cohorts, the content of non-routine manual physical and routine manual skills in jobs substantially increased in 2008, partly due to the economic crisis and the increasing number of tertiary education graduates, which almost doubled in the last 10 years,[27] pushing young people into lower-skilled occupations. By 2010, the occupational content of cognitive skills had declined and non-routine manual physical skills, routine manual, and routine cognitive skills job content is only now starting to increase again. Data suggest that younger generations are more likely to break into the labor market by working in occupations that require lower skill levels.

Rise of routine cognitive skills

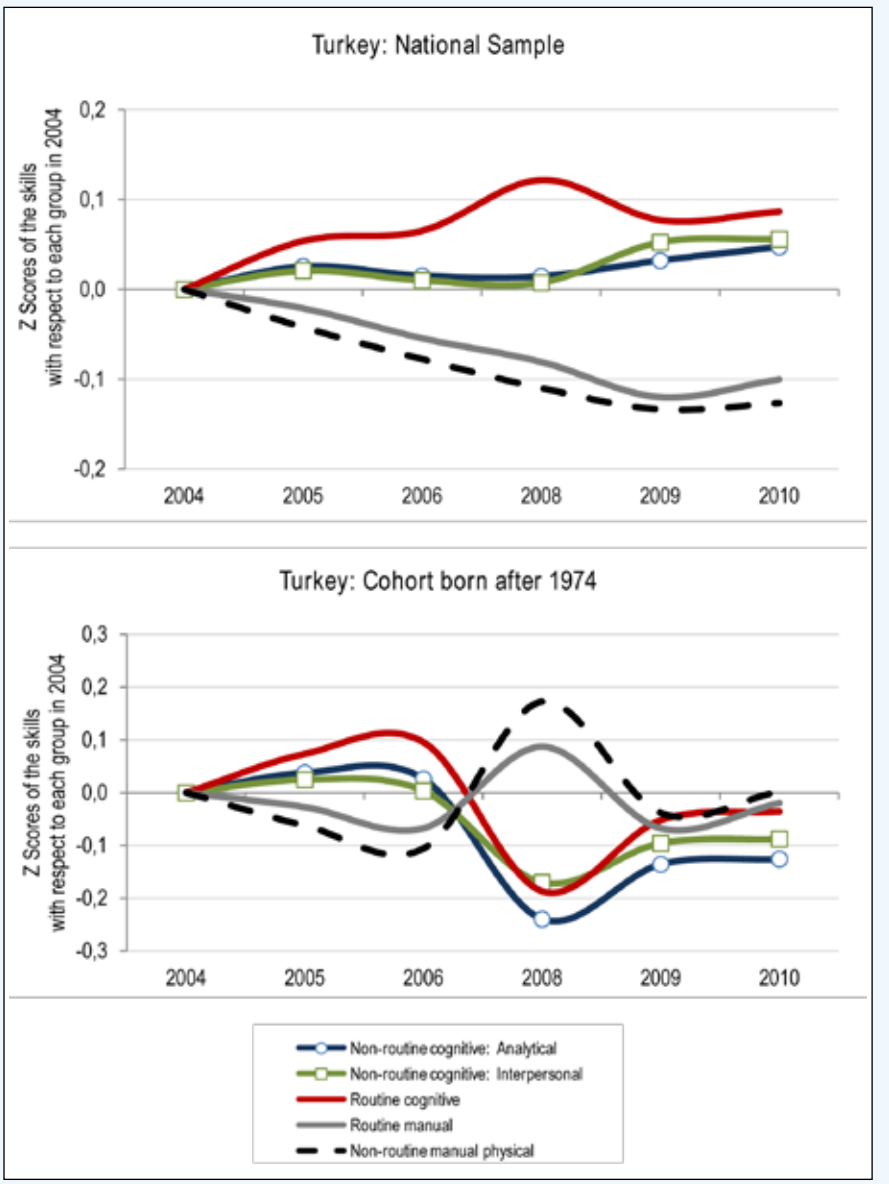
Rates of return to non-routine cognitive skills are higher than those to routine cognitive, routine manual, and non-routine manual skills. The non-routine cognitive skills earned very high rates of return; interpersonal skills earned relatively high rates of return; routine cognitive skills earned an average rate of return; and routine manual skills earned a relatively low rate of return. This pattern was consistent across different age cohorts and levels of education. The analysis suggests that an increasingly more educated youth are at a disadvantage when entering the labor market because they go into low-earning and low-skilled occupations, mostly requiring non-routine manual physical and routine manual skills, which affects their future jobs prospects and earnings.

26- Skills are classified as routine-manual, non-routine manual physical, routine cognitive, non-routine cognitive interpersonal, and non-routine cognitive analytical.The five skills measures by Acemoglu and Autor (2010) and Autor, Levy and Murnane (2003) are constructed by aggregating skill measures defined as follows:Routine-manual skills are characterized by repetitive movements requiring physical abilities used in labor-intensive agricultural production (manual harvesting), specific trades (brick-layers), construction workers, and for specific machine operators (e.g., textile workers), or for assembly lines (e.g., electronic equipment). Non-routine manual physical skills are characterized by the ability to vary and react to changing circumstances on a continuous basis. These skills are required by operators of heavy equipment in agriculture, industry, or construction and electricians. Routine cognitive skills are characterized by the ability to carryout repetitive, non-physical tasks – call center operators or book keepers would use these intensively. Non-routine cognitive analytical skills consist of thought processes requiring the absorption, processing, and decisionmaking of abstract information. Occupations requiring these skills include computer programmers, teachers, lawyers, doctors and nurses, and the like. Non-routine cognitive interpersonal skills are characterized by personality traits that underlie behaviors such as teamwork, reliability, discipline, and work effort. These are important for professional occupations as well as services which establish direct client contact (Aedo et al. 2013).

27- From 5.7 percent to 10.3 percent.

FIGURE 4.8

Evolution of standardized skills in the year of reference



Source: Aedo and Moreno, 2013[28]

28- Data used in the analysis was Turkey's Household Labor Force Surveys 2004–2010.

The analysis tracks the skills content of current, actual jobs in Turkey. It shows that overall, and on average, the skills of the different tasks are starting to have a higher proportion of routine cognitive, non-routine cognitive analytical, and non-routine interpersonal components than before—higher level skills usually associated with value-added. The analysis does not say if more of these skills are being demanded but not offered or if these skills are in excess supply.

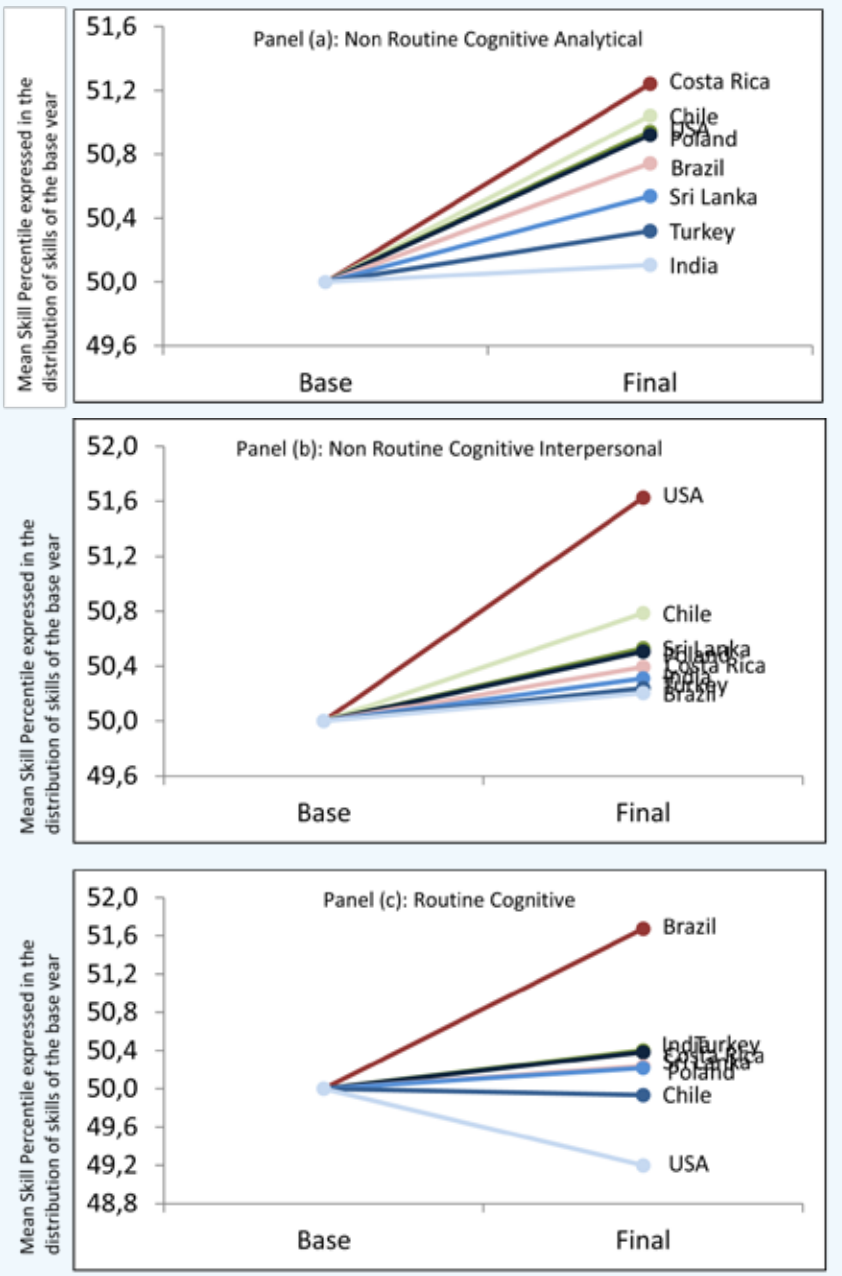
This change in the labor market can also be seen in the graphs below where the higher level skills content of jobs (non-routine cognitive analytical, for example) have increase in Turkey and in many other economies. The trends in skills utilization (Figure 4.9) show that many other countries with higher levels of growth (like the U.S.) and some countries with high growth rates (like Brazil) have a much higher demand for non-routine cognitive analytical and non-routine cognitive interpersonal skills than Turkey does (Aedo et al. 2013). However this is deceptive as the base and final year substantially vary for the countries. Taking the number of years in consideration, we can see that some of these skills like non-routine cognitive analytical have increased in Turkey faster than in other countries.

Changes in occupational profile

Employers' demands for skills reflect the ongoing sectoral transition in Turkey, which now favors secondary (high school) graduates over those with lower degrees as compared to the situation a few years ago. Overall, a slow but steady decline of underqualified individuals is observed in all employment categories. The fastest decline of underqualified individuals was in the entrepreneur category, whose share fell by 10 percentage points over the decade. The share of overqualified individuals increased among technicians, clerks, and skilled agricultural and fishery workers, while the share of overqualified individuals declined among service workers (shop and market sales workers). A steady decline in the share of underqualified individuals over time was observed in manufacturing and transportation, communication, and storage, as well as in community, social, and personal services. However, the share of under qualified individuals in utilities (except telecom), finance

FIGURE 4.9

Trends in skills utilization[29]



Source: Aedo et al. 2013.

29- Base and final years are as follow: USA: 1980–2008; Chile: 1992–2009; Costa Rica: 2001–2008; Brazil: 1981–2009; Poland: 2002–2010; Turkey: 2004–2008; Sri Lanka: 2000–2008; India: 1994–2010.

industries, and business services increased.[30] These latter sectors have experienced a substantial increase in labor productivity in recent years and may therefore be demanding higher skill profiles which are not immediately supplied, resulting in a detected under qualification of workers.

These observations are consistent with the rise in the demand for routine cognitive skills and the number of vacancies (discussed below). In all sectors combined, a growing share of higher qualified individuals aregoing into occupations that seem to require less skill. Recent university graduates may expect to be employed in occupations where they do more routine cognitive work rather than non-routine cognitive work. The overall increase in the share of over qualified individuals may reflect the rising education levels of the WAP as well as the need for more dynamism in the skill-intensive sectors that can absorb more highly educated youth.

Vacancies

Vacancies are mainly recorded in occupations that require skills that can be provided by high school graduates. In 2012, the bulk of vacancies were in the manufacturing sector (36.2 percent of 215,243 positions), followed by construction (12.2 percent), and wholesale and retail trade sectors (11.6 percent). The lowest job vacancy rates were in the water supply sector, sewage waste management and improvement activities, and other basic utilities. The three occupations with the most vacancies were craftsmanship, facility and machinery operators, and assemblers, while the two occupations with the least number of vacancies were agriculture, forestry, and aquaculture workers and managers. The vacancy profile is consistent with the picture already described: few openings exist for university graduates, since most vacancies require only vocational or general high school level qualifications.

The skills most required for vacant jobs were: occupational knowledge, physical qualifications, teamwork, communication skills, and problem solving. Knowledge of a foreign language was the least requested qualification. The high demand for occupational and physical qualifications reflects the need for routine cognitive and manual skills. Educational levels are not relevant for 36 percent of the vacant jobs, as 27.5 percent of all vacancies require less than a high school degree, 14.6 percent require vocational training (9.5 for vocational high school and

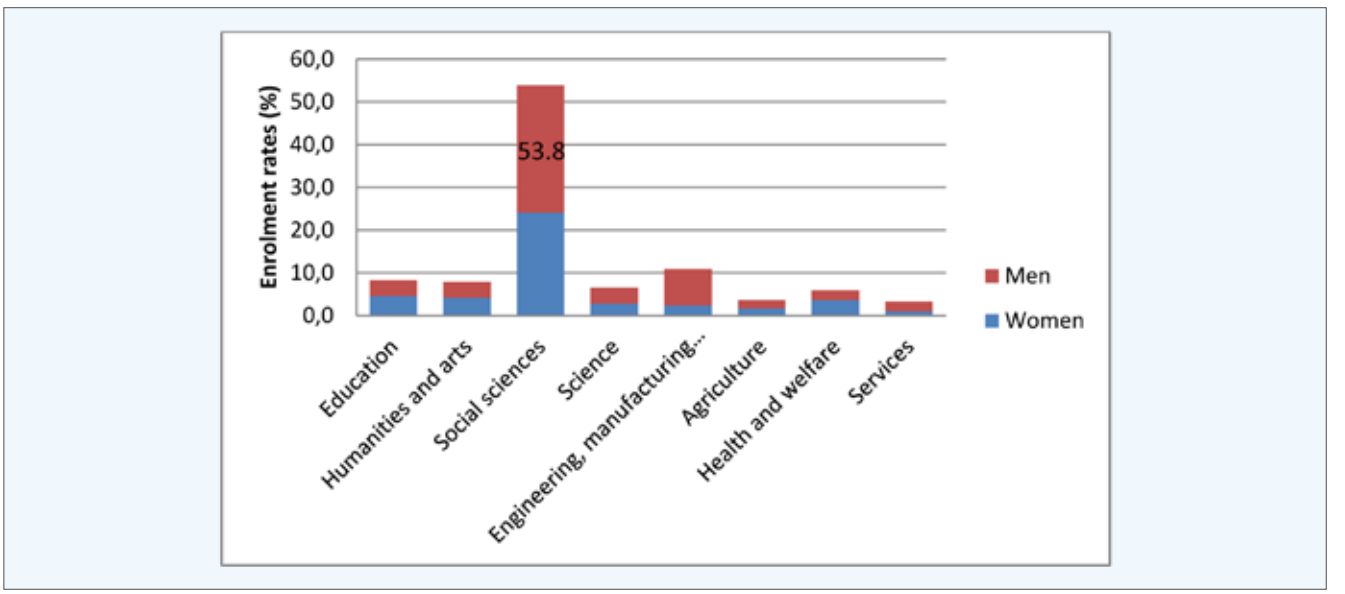
30- The analysis was done by choosing the median years of schooling of the formal wage earners to be the educational norm, as they are the ones that hold “good jobs” and constitute the majority of those that are employed. The median formal wage earner is a high school graduate, a situation that has not changed over the last 10 years. Individuals are underqualified if they are not high school graduates and overqualified if they have more than a high school degree.

5.1 percent for a vocational school of higher education), 10.7 percent require general high school, and only 0.3 percent require a bachelor's degree (Government of Turkey 2012). Interestingly, there is an important segment of vacancies that require only a high school or vocational degree, as well as some that only require graduates to have a primary education. As there are unemployed individuals with these qualifications looking for job opportunities, information asymmetries may be limiting jobseekers' mobility from unemployment and inactivity to employment.

The reported vacancies exhibit little demand for higher-level skills obtained through university education, probably explaining the high unemployment rate for those with a tertiary education. Further, about half of Turkey's university graduates major in social sciences, as opposed to engineering and other applied sciences. Majors are, for the most part, gender neutral, equally pursued by men and women, with the exception of engineering and manufacturing, where most graduates are men. Combined, the information on vacancies, demand for new skills, and unemployment rates suggests that high school graduates (general and vocational) are more likely to find employment quickly than are university-educated graduates.

FIGURE 4.10

Majors pursued by male and female higher education graduates in Turkey, 2010



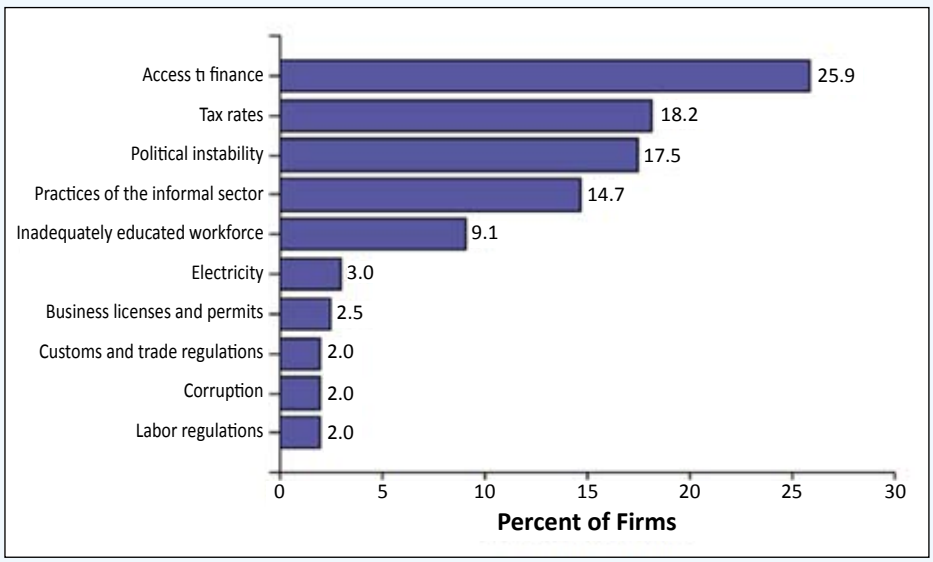
Source: UNESCO 2000[31]

31- Accessed at http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=136

Employers report not finding employees with the skills they need. In a survey administered to 1,152 firms in Turkey in 2008, business owners and top managers cited an inadequately educated workforce as one of the top five constraints to business (Figure 4.11). Further, employers mentioned that occupational groups that require qualifications and skills were hard to recruit. The most common reason for not filling vacancies was "lack of employees with requested occupational skills/qualifications," followed by "lack of employees in the related occupation" and "lack of employees with necessary experience. "The relatives-friends channel wasthe most common way to recruit—over half of employers tried to hire through this channel—followed by the use of online websites, newspapers, and private employment agencies. This situation is problematic, as finding a job is based more on who one knows than on a meritocratic process that rewards skills. The mismatch between vacancies and unemployment rates suggests a combination of a lack of skills in people with primary education, as well as a combination of lack of relevant skills in high school and higher education graduates and information failures between employers and employees. The good news is that many unemployed people could move to wage employment if these information channels were improved. Turkey's government is actively working to address this.

FIGURE 4.11

Top 10 business environment constraints



Source: Enterprise Survey: Turkey[32]

32- Retrieved June 4, 2013 from http://www.enterprisesurveys.org/Data/ExploreEconomies/2008/turkey#workforce

4.2 A Solution From the Education System

There is strong awareness of the importance of training in Turkey. Preliminary results of the Systems Approach for Better Education Results (SABER-WfD) instrument on workforce development (WfD) in Turkey show good governmental and non-governmental championship for the cause at the national and regional levels. Through different ministries, the Government of Turkey has taken concrete steps to set a strategic direction to improve the skills of the population and reduce the demand-supply skills mismatch. First, in 2009, the government issued an action plan that articulates the link between employment and the vocational education and training (VET) system. Second, a national employment strategy being prepared has special emphasis on workforce development. Third, İŞKUR offers learning programs focused on literacy and skill development for upskilling Turkey's WAP. Fourth, with support from a European Union grant, the Ministry of Education implemented a project to improve the quality of the VET system. Fifth, İŞKUR initiated a new program called Job Consultants in 2011, whereby 4,000 job and vocational counselors (JVCs) will provide support to employers and the unemployed to help match supply and demand in the job market. SABER reveals that there are relevant, solid standards for quality programs in workforce development. There is also a well-developed skills testing process for major occupations. Private provision of training is well-recognized and regulated, and employers share their demands and priorities for WfD with the government and public.

The Government of Turkey is working on six priority areas as part of its national *Action Plan on Linking Social Support System to Employment and its Activation*[33] to reduce unemployment and inactivity and to improve the match between skills demand and supply. The government identified three critical constraints for skills development: (i) lack of relevance of training programs; (ii) insufficient on-the-job training activities; and (iii) limited chances for students to meet with experts in their field. To address these, the Government of Turkey is working on six priority areas to:

1) **Create a national competency framework.** Turkey has instituted the framework for occupational standards and qualifications. However, certification mechanisms and appropriate regulations are still being developed.

2) **Ensure quality in vocational and technical education through introduction of national professional standards for**

33- The purpose of the Activation plan was to connect Turkey's social assistance (SA) system and the public employment serviceto support the employment activation of SA beneficiaries.

education programs. National competencies are being developed to measure graduates' knowledge and skills and an accreditation process is being initiated for VET institutions. However, there are few measures in place for quality control of the training available in the education market.

3) **Develop a labor force suitable for the current labor market.** The government has introduced several labor market needs surveys, conducted in coordination with labor and employer unions, professional organizations, and NGOs, that periodically assess the demand for skills. Nonetheless an incentive system for engaging in skills-upgrading for workers is lacking in the system.

4) **Improve the environment for VET** by working on the qualifications of educators and designing a new school management system that will increase the administrative capacities and management of higher education institutions. There is a wide mix of training providers, and more incentives are required for the private sector to increase students' access to on-the-job and workplace training.

5) **Harmonize vocational guidance and consultancy services and put into practice the tools for mobility proficiency and vocational education.** Although some of these pathways for skills acquisitions have been developed, the certifications from VET are not aligned with the National Qualifications Framework.

6) **Create open lifelong learning environments and improve the effectiveness of active labor market policies (ALMP).** This implies increasing the number of people who benefit from entrepreneurship training and distance education. In addition, a newly created database with relevant active employment programs will facilitate access to information. Some of these goals have already been achieved, as some jobseekers are redirected to the İŞKUR database, however more information on programs is required as well as analysis of the impact of these policies (World Bank 2013b).

The SABER-WfD diagnostic tool demonstrates that Turkey lags behind other countries such as Ireland, Singapore, and Chile, which have more established systems. The SABER framework for the analysis of WfD ranks a country in three dimensions: (i) Strategic framework assesses the advocacy, championship, and coordination of the objective of WfD with national priorities; (ii) System oversight refers to provisions regarding funding, quality, and learning pathways that affect individual, employers, and training providers; and (iii) Service delivery encompasses the diversity, organization, and management of training provision (World Bank 2013b).

Turkey is ranked as emerging—showing some instances of good practice—on the three dimensions; in 2010, Chile was ranked established, showing systemic good practice, while Ireland was ranked advanced in strategic framework and service delivery and established in system oversight in 2000 (World Bank 2013c and 2012b). The SABER diagnostic identifies several challenges that the Turkish system needs to address to improve the elements of its WfD system.

First, the funding mechanism for Lifelong Learning (LLL) needs to be strengthened, as low funding of Turkey's Vocational Education and Training (TVET) system institutions (which receive 2.7 percent of education expenditure) often results in low-quality, supply-driven programs, distant from the private sector's needs (World Bank 2013b). Second, recognition of prior learning could be better organized. New jobs will require new skills and individuals currently inactive will need to upgrade theirs to be relevant in the market. LLL works well when students are able to transfer across courses and to access higher levels of education and training (World Bank 2013b). Third, there is limited awareness of the skills constraints in priority sectors, and no incentives for employers to upgrade employees' skills. Education, research and development, IT, health, and transportation are some of Turkey's key sectors. More effort is needed to improve the skills of people already in those sectors and to induce high-skilled individuals to move into them. Turkey's government is actively committed to improving the skills of its workforce in a way that supports Turkey's transition from low-productivity activities to high-productivity occupations.

4.3 Policy Options to Overcome the Skills Barrier

This report presented a brief profile of Turkey's WAP, as well as an analysis of the evolving demand for and supply of skills in Turkey over the last 10 years. On one hand, there seems to be a growing demand for high school vocational and general graduates and, in the long run, for tertiary education graduates. On the other, over 60 percent of Turkey's population has completed only a primary education degree; these people need more skills to successfully join the labor market. Youth, women, and those with only a primary education are much more likely to face high unemployment and inactivity rates. Education is a key determinant of individuals' future labor market outcomes. While the government is actively working on improving the relevance and quality of VET in Turkey, more work is required to reduce existing information asymmetries and to induce individuals to shift from inactivity to work. Many individuals with the required skills seem to be waiting to find opportunities to join the labor market, while at the same time, employers are looking for these individuals. Three

optionsto scale up the skills of the WAP could be considered by policy makers:

1) *Continue working on diversifying the pathways for skills acquisition*. Increasingly, the global economy will require individuals to adopt and learn new skills as new jobs are created and others are destroyed. Diversifying pathways for skills acquisition include vocational degrees to be recognized by the National Qualifications Framework, but also to invest in general high school. The current situation in Turkey seems to reflect a tradeoff between pursuing vocational education and further general studies. Using data for 18 countries from the International Adult Literacy Survey, Hanushek, Woessmann and Zhang (2011) found that gains in youth employment from graduates of vocational programs are offset by limited employability later in life, as graduates from vocational programs have limited skills. Promoting linkages between TVET and general university programs can help lower the barriers to building skills over a lifetime.

2) *Complement vocational programs with life skills training to facilitate LLL and increase the impact of training.* In addition to building technical programs that respond to the needs of the private sector, vocational programs could be complemented with training on behavioral, life, and entrepreneurial skills. This is important as the private sector is increasingly looking for these types of soft skills; additionally, many more highly educated people are becoming entrepreneurs due to lack of formal opportunities. Examples of success of such training programs include the Empowering Adolescent Girls in Uganda (Bandiera et al. 2013). The idea is to find ways that increase the value-added of the courses provided by the different government agencies. Improving the relevance of vocational programs will allow a smoother transition into the labor force for youth, and for the stock of the population a retooling to better meet current and emerging job market needs.

3) *Develop incentives for the private sector to get further involved in vocational training to make it more demand-driven.* The example of Ireland (World Bank 2012b) shows that the functions of the industry and business stakeholders were much more than just consultations. Industry leaders were key players in the training review process and had executive authority in setting and implementing aspects of WfD. Incentives could be placed so that the private sector in Turkey gets further involved in the development of curricula of training programs. Other incentives could target mechanisms for employers to invest in upgrading employees' skills.

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