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Income Generation, Informality and Poverty in Urban Turkey

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Income Generation, Informality and Poverty in Urban Turkey

Abstract This article seeks to examine the key sources of poor urban households’ relative success (or failure) in reducing poverty by income generation activities. The data is drawn from interviews with 17 low-income households randomly selected from an informal *gecekondu* settlement located in the periphery of the Turkish capital. Contrary to the dominant viewpoint, which attributes success to having fewer dependants or more resources, it is shown here that success depends more on the benefit delivery capacity of resources accessible to the households and this depends largely on wider structural factors. Informal employment is found to constitute one key structural factor, which limits households’ chances of success to a greater extent than formal employment not only through condemning them to low pay but also through imposing more restrictions upon their access to state welfare.

Keywords household dependency, informal economy, informal employment, informal sector, livelihoods, social insurance, survival

1. Introduction

The aim of this article is to explore the key sources of poor urban household’s relative success (or failure) in reducing poverty by income generation activities. Contrary to the dominant view, which associates success with having fewer dependants or more resources (Kalaycıoğlu and Rittersberger-Tılıç, 2002; Gonzales de la Rocha, 1994; Piachaud, 2002; Selby et al., 1990; Hackenberg et al., 1984), the article shows that success depends more on the *benefit delivery capacity of resources* accessible to the households and this depends largely on wider structural factors. Of these factors, it specifically investigates the conditions of informal employment in order to understand how and to what extent they affect households’ chances of success.

The term informal employment is attributed several meanings; sometimes used interchangeably with the notions of informal sector and economy, and at other times, as an alternative. However, it tends to be defined broadly in terms of economic activities that escape state regulation but are otherwise legal in character (Castells and Portes, 1989; Centeno and Portes, 2006; Itzigshon, 2010). The role of informal employment/sector/economy in urban survival (or livelihoods) has attracted considerable

research attention especially within the developing parts of the world from 1970s to 1990s. However, opinions were divided over its significance for the lives of poor people. From a rather optimistic viewpoint, some scholars saw it as an opportunity for earning an income (e.g. Gonzales de la Rocha, 1994, Hart 1973, Moser, 1996; UPL, 2000). For example, Hart (1973) who coined the term informal sector, placed emphasis upon the autonomous capacity of the informal economic activities in increasing the incomes of poor populations in Ghana as opposed to their exploitative nature. Others held a more pessimistic view. Without denying its contribution to income generation, they demonstrated how informal employment led to impoverishment and/or marginalisation of certain groups in the society e.g. through condemning them to unfavourable pay and working conditions or restricting their access to state welfare (e.g. Amis, 1995; Eke, 1992; Lomnitz 1977; Pahl, 1988; Roberts, 1992).

In recent years, there has been a renewed interest in the subject. The debates about informal employment/sector/economy have extended to address its wider implications for poverty reduction, economic growth and national development (Fernandez-Kelly, 2006; Jütting et al., 2008). In addition to the traditional pre-occupation with the Latin American contexts, increasingly more research is being conducted on economically advanced and post-socialist parts of the world. Two strands of the recent literature are of particular relevance here; one of which casts informality in a negative light. Some studies from this strand specifically investigate its relationship with poverty. For example, based on the country cases of Dominican Republic and Costa Rica, Itzigshon (2010) shows that the smaller the size of the informal economy, the lower the levels of poverty, inequality and unemployment. At the more micro level, Krstic and Sanfey (2007) quantitatively demonstrate that those informally employed in Bosnia and Herzegovina are significantly more likely to suffer from poverty and to be dissatisfied with their lives. Others are not explicitly focussed on the poverty impact of informality yet address its adverse implications e.g. for economic and social security (see e.g. Balsoum's (2015) qualitative study of Egyptian youth).

The other strand paints a more positive picture of informal employment. Some studies from this part of the literature demonstrate its potential for economic development and social cohesion. For example, in their case study of informal workers in Moscow, Williams and Round (2007) show how *independent* informal employment acts as a fertile ground for fostering enterprise development and community self-help while *salaried* informal employment retains its exploitative character (see e.g. Morris and Polese, 2013 and Thai and Turkina, 2013 for further case studies of ‘entrepreneurial informality’ within developing and post-socialist country contexts). Others demonstrate the overlap between the wage distributions for formal and informal workers in economically advanced and less developed parts of the world (e.g. Fortin and Lacroix 2010, Maloney, 2004; Perry et al., 2007). Some writers use the evidence of comparable remuneration to justify their ideas about ‘voluntary informal employment’ (Maloney 2004; Perry, et al. 2007). Perry and his colleagues, in fact, acknowledge that salaried informal workers are less likely than their independent counterparts to exit formal employment voluntarily. Nonetheless, the usefulness of the idea of voluntary informal employment still remains questionable given the disproportionately high levels of poverty experienced by the informal (salaried or independent) workers from the developing countries that they studied. In response to the observed trends in poverty, Maloney (2004) suggests that those who enter into informal employment voluntarily may be poor, but due to their low education, they would not necessarily have fared better had they been formally employed.

There are, however, fundamental flaws with this argument. First of all, it makes little sense to call an action voluntary when the agent(s) do not have a ‘real choice’ or the opportunity to choose between decent alternatives. Secondly, but related to the first, the decency of employment options available to the less educated also needs to be assessed in absolute terms. By only drawing a relative comparison between formal and informal

employment, Maloney lends legitimacy to the conditions that perpetuate poverty within either sector (see also Kucera and Roncolato (2008) for a similar critique).

The present article counters such misrepresentations of informal employment also by documenting its poverty-inducing effects empirically. Through a qualitative as well as quantitative exploration of the poor households settled in the periphery of the Turkish capital, the case study presented here contributes to the relatively less developed parts of the literature. The remainder of the article is organised as follows. It first introduces the conceptual framework that places informal employment within a broader context of household resources, livelihoods and poverty. It then outlines the research design and method, followed by a presentation of the empirical findings. The conclusion discusses the implications for policy and research.

2. Conceptual Framework

This section introduces the theoretical framework developed for understanding the income generation behaviour of poor households. The framework forms part of the broader resource-based model that I designed and used previously to explore household responses to poverty. As shown elsewhere, the model extends the existing theoretical approaches to livelihoods (Author, 2013). By seeking to place informal employment within the broader context of household resources, livelihoods and poverty, I believe, it also makes a theoretical contribution to the informality literature.

According to the model, income generation involves formal and informal activities whereby households mobilise a range of labour and/or non-labour resources to obtain an income. These activities include informal employment, which is shown to play a central role in the lives of poor households (see e.g. Gonzales de la Rocha, 1994; Lomnitz, 1977). Along similar lines with many scholars and practitioners, informal employment is understood here as an engagement in remunerated activities involving the production and sale of licit goods

and services that escape state regulation (see e.g. Williams and Round, 2007). In contrast to some studies (see e.g. South, 2011), non-remunerated subsistence activities are kept outside the boundaries of the concept. This is also consistent with the income definition adopted in this study. Contrary to those survival studies which define income as ‘everything that comes into the household in cash or kind’ (Hoodfar, 1996; Gonzales de la Rocha, 1994), the term is used here in a restricted sense to have monetary elements only, i.e. wages, earnings, rent, interest, regular financial help from social contacts (e.g. remittances), and transfers from the state and other institutions and associations (e.g. benefits, donations and pensions).

Households are understood to generate an income by using one or a combination of the following resources: time, bodily and labour resources, cultural, economic and social capital, institutional entitlements and public resources. Of these, the following warrant further description. Like Bourdieu (1986), *cultural capital* is conceived as skills, knowledge and qualifications individuals acquire formally through schooling and informally through their personal life experience. *Economic capital* is also used in a similar way to Bourdieu to embrace resources immediately and directly convertible into monetary terms (e.g. financial and non-financial assets). *Social capital* is, however, defined rather differently to mean relatively durable relations established inside and outside markets (for a similar definition, see Pizzorno (2001) who excludes market-based contacts). *Institutional entitlements* indicate entitlements granted by governmental and non-governmental institutions to regulate access to various monetary and non-monetary benefits (e.g. cash, assets, goods and services). Rights of access to state pension and health schemes exemplify institutional entitlements, which *may* also govern access to *public resources*, i.e. all man-made and natural resources owned collectively by public bodies, but they remain separable insofar as public resources are used without entitlements, or without any regard for them.

Two major sets of factors are considered influential in shaping the availability, benefit delivery capacity and management of the resources outlined above. One concerns *household*

1
2
3 *characteristics* e.g. size, structure and stage in the life cycle. The other refers to the *wider*
4 *structure*, i.e. the economic, social, cultural, political and environmental processes operating
5
6
7 at the global, national and local levels. An example of this is the conditions and processes of
8
9 informal employment that escape state regulation for tax, registration, social security and/or
10
11 labour regulation purposes (Jütting et al., 2008).
12
13

14 The model takes a multi-dimensional approach to poverty and defines it in terms of
15
16 deprivation, i.e. the absence of living standards deemed critical to maintaining a decent life. It
17
18 adopts an innovative method for measuring poverty, which incorporates three ‘objective’
19
20 dimensions of deprivation (i.e. monetary, consumption and work-related), and weights them
21
22 according to the subjective views of respondents regarding which items are more critical to
23
24 preventing deprivation. The resulting measurement tool, the Factor Weighted Index of
25
26 Deprivation (FWID) is described in Section 5.
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30
31

32 **3. Research Design and Method**

33
34 The data was obtained from a broader longitudinal study of 17 low-income households living
35
36 in one of the *gecekondu* settlements in Ankara. *Gecekondu* means ‘built overnight’ and refers
37
38 to urban squatter housing largely authorised in the 1980s. The focus was restricted to
39
40 *gecekondu* areas due to their tendency to have greater incidence of poverty (Bulutay, 1998)
41
42 and heterogeneity in the inhabitants’ experience of poverty. These features applied to the
43
44 inhabitants of the chosen settlement whose occupational status ranged from casual and
45
46 regular private employment to public sector employment. This made it possible to meet the
47
48 research aims through a focus on a single locality.
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50
51

52 The research setting was also chosen to reflect the most typical characteristics of the
53
54 *gecekondu* population concentrated in large cities. This population was mostly composed of
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56 early rural-to-urban migrants who came to cities through chain migration and four-member
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58 families on low-income who belonged to one of the two largest Islamic sects in Turkey: i.e.
59
60

Alevis and *Sünnis* (Alpar and Yener, 1991). Naturally, the migrants' rural origins tended to vary, but by including migrants from the surrounding areas of Ankara and rural parts of Central Anatolia, the study captured typical aspects of Ankara *gecekondu* dwellers as well as representing a considerable portion of the *gecekondu* population living in other large cities e.g. Istanbul (Güvenç, 2001).

The sample contained households with a) an average monthly income below US\$370, b) four members, c) nuclear structure, d) one child at or above the age of 15 and e) *Alevi* or *Sünni* backgrounds. The income threshold used in selecting the poor households compromises between TÜRK-İŞ (The Confederation of Turkish Labour Trade Unions) Starvation and Poverty Lines, which respectively denote the monthly income needed for the basic food-and-non-food needs of four-member households (Bağdadioğlu, 2002). At the time of research, those who fell below the \$370 threshold represented the bottom 15% of the Ankara population and 30% of the national population (Sönmez, 2001). Although the study approaches poverty from a multi-dimensional perspective of deprivation, an income proxy was employed in sample selection since the use of a multi-dimensional measure would have required excessive data collection during access negotiations.

The sample was randomly selected by starting from an official database, containing the intended household size, structure and age of children for two areas within the same *gecekondu* settlement; one predominantly *Sünni* and one predominantly *Alevi*. Random number tables were used to select from a sample frame, including 156 out of 2005 households. Those who earned above US\$370 were then excluded during access negotiations.

The data was obtained from face-to-face interviews, performed with both partners jointly as well as separately during two visits to the field in 2002 six months apart. Joint interviews were based on a highly structured questionnaire administered at the stage of access negotiations to elicit basic information about household members' demographic and socio-economic characteristics. Separate interviews drew on semi-structured guides and a fixed

choice questionnaire. The interview guides, designed specifically for men and women, contained three sections on employment, household finances and consumption, which also included questions about social support and experience of poverty. In all but one household, semi-structured interviews were carried out with both partners on both occasions. With two exceptions, fixed choice interviews were applied to both partners once to acquire information about their subjective views on poverty. To improve data quality, partners' accounts on sensitive topics, such as household finances, were crosschecked. Also, the duration of research, i.e. three months, and the fact that I spent most of this time staying with a household from the settlement helped build strong rapport and increase data quality.

The data generated was analysed both quantitatively and qualitatively. Quantitative analyses were conducted to demonstrate the poverty outcomes for the entire sample and the possible constraints on households' relative success in reducing deprivation. Only those statistical techniques that can be applied to a small sample (e.g. cross-tabulations and bivariate correlations) were used here. Qualitative analyses were performed to provide further insight into the processes that enabled or constrained success. The qualitative data was used to back up statistical findings and drew causal inferences from the observed associations.

It should be noted here that although the research base for this study is longitudinal in nature, the current article focuses on the relationship between income generation, informal employment and poverty at one point in time rather than examining change over time. For this very reason, the quantitative analyses of the entire sample analyses drew consistently on the first round of interviews and only used the information obtained from the second round of interviews about the respondents' views of poverty in developing the deprivation index applied in this study (see below for details).

As with all research, the current study is not without limitations. The data was drawn from a small subset of households from a single *gecekondu* settlement. However, both the sample and the setting were carefully selected to reflect the most typical characteristics of the

wider *gecekond* population, reduce selection bias and enhance representativeness. The application of quantitative data analysis techniques to a small sample may also raise concerns about the validity of the results. I sought to enhance validity by a) drawing only on descriptive and bi-variate statistics that can be applied to a small sample, b) using ‘strong’, ‘moderate’ and ‘weak’ degrees of association rather than precise values, c) collecting detailed and high quality data and d) backing up statistical results with qualitative data. The choice of a small sample, along with longitudinal design and separate spousal interviews, contributed greatly to data quality. Yet, it remains for future research to replicate this study on a larger sample.

Finally, research design and sampling decisions limit the conclusions that can be drawn from this study. For instance, due to the selection of households below a certain income, the study can only shed light upon households’ *relative* success in reducing poverty. Likewise, controlling the household size and type meant that the results concerning the relationship between dependency and poverty might not apply to larger/extended households.

4. Income Generation Activities at a Glance

This section seeks to demonstrate the nature and extent of resource deployment within income generation activities of the respondent households.

Across the sample, all households were found to employ labour resources. For 65% (11 out of 17), labour power constituted the only resource for income generation while the remaining 35% (6 out of 17) used both labour and non-labour resources. The latter were of three kinds: 6% of households (1 out of 17) derived income directly from *economic capital* (i.e. small amount of rent obtained from a flat located in an adjacent neighbourhood), 6% (1 out of 17) from *social capital* (i.e. fairly regular monetary gifts from grandparents towards household expenses and children’s schooling needs), and finally, 29% (5 out of 17) from

different *institutional entitlements* enabling access to work injury pension, or municipal or charitable bursaries towards children's education.

The amounts of income earned from non-labour resources are documented in Table 1. Three tendencies emerge from this table. First, fewer households made use of such resources. Second, the income contribution of non-labour resources was small in size. The mean income obtained from non-labour resources, i.e. 57 million TL, equalled only one sixth of the average monthly household income. Third, except for a rentable flat and entitlements to a work injury pension, none of the non-labour resources acted as a constant source of income. The results thus support the prevailing findings confirming the heavy reliance of poor households on labour power (e.g. Gonzales de la Rocha, 2001; Moser, 1996).

<insert Table 1>

5. Fewer Dependants Equal Success?

This section examines the extent to which labour resources contribute to households' relative success in reducing poverty.

The first round of interviews revealed that, households, on average, mobilised two labour resources for income generation purposes [mean = 2.06; std. deviation = 0.83]. In 88% of households (15 out of 17) working member(s) had a single job whereas the rest had at least one member holding two jobs. At 40% (14 out of 35) the proportion of regular employees was the highest; the casual employees followed this at 37% (12 out of 35); the self-employed represented 20% (7 out of 35) and finally, the unpaid family labour 3% (1 out of 35). The age and gender distributions of the working population were as follows. Female spouses undertook 23% of the main labour market activities (8 out of 35), which equals only half of the contributions by the male spouses (16 out of 35). At 31% (11 out of 35), the children's contributions were also higher than that of the female spouses but the majority of them were

also male. The figure increased to 48% when 11 children below the working age were excluded.

To demonstrate the intra-household distribution of labour deployment, household dependency ratios were obtained by dividing total number of dependants by the total number of working members [mean = 1.35; std. deviation = 0.98]. Across the sample, 18% (3 out of 17) had only one dependant (i.e. three workers); 59% (10 out of 17) had two dependants (i.e. two workers); and the remaining 23% had three dependants (i.e. only one worker).

So, did households with fewer dependants fare better? In exploring this, household dependency (HD) ratios were first subjected to a Pearson correlation test with average monthly household incomes [mean = 361 m TL, std. deviation = 99 m TL]. Within the sample, 35% (6 out of 17) earned below 320 million TL (\$181); 35 % (6 out of 17) between 320 and 410 million TL (\$181-\$231), and the rest above 410 million TL (\$231). The results revealed a moderate inverse relationship [$r = -0.38$].

The HD ratios were then correlated with weighted aggregate deprivation scores that represent the overall household poverty levels estimated using the Factor Weighted Index of Deprivation (FWID). The FWID was composed of 23 measures, indicating e.g. average monthly disposable incomes, debts, financial and non-financial assets, access to education, food, health, housing, urban utilities, income/work hours ratio, ratio of insured working members, pension prospects and occupational health and safety (see Author, 2007 for FWID design). The higher FWID scores imply lower deprivation [mean = 22.20, std. deviation = 4.57]. This time, a much weaker relationship was found [$r = 0.09$].

Overall, the findings suggest that the positive association drawn by previous studies between poverty and household dependency does not necessarily apply. The reasons for this are explored below in relation to one of the key structural constraints upon the capacity of labour resources to deliver benefits; i.e. informality.

6. Does Informality Matter?

This section examines how and to what extent informal employment contributes to the households' (relative) success or failure. As mentioned earlier, informal employment broadly embraces economic activities that escape state regulation but are otherwise legal in character (Itzigshon, 2010; Portes and Castells, 1989). However, as Itzigshon (2010) points out, state regulation can be evaded in different ways. One through avoidance of registration and taxation, and another through evasion of labour market regulations e.g. in the areas of minimum wage, social security, hiring and firing and occupational health and safety. Although the two types of avoidance may not easily be separated in reality, the informal employment (or informal 'sector' participation) is operationalized here based on the former type to include those salaried and independent workers employed in businesses without a license/tax registration.¹ This is not only for analytical purposes but also to shed light upon the nature and extent of labour right violations in access to social insurance within the licensed/tax-regulated parts of the labour market.

Across the sample, formal sector participants made up only 54% of the working population (19 out of 35). With 29% (10 out of 35), male spouses displayed the highest levels of participation. The children followed them at 23% (8 out of 35). The proportion of formal sector participation was lowest for female spouses: 3% (1 out of 35).

To demonstrate the sectoral distribution of working members within each household, the household formal sector participation (FSP) ratios were calculated by dividing the total number of members working in the formal sector by the total number of working household members [mean = 0.53; std. deviation = 0.42]. According to this, 29% (5 out of 17) of households had no formal sector participants. In 12% (2 out of 17) one out of three; in 23% (6 out of 17) one out of two, and in 12% (2 out of 17), two out of three working members were formally employed. Only in the remaining 12% did all working members participate in the formal sector.

Did the sector of employment make a significant difference to success? In exploring this, a Pearson correlation test was performed between the household FSP ratios and weighted aggregate deprivation (FWID) scores. The results indicated a fairly strong positive relationship [$r = 0.51$; $p < 0.05$], indicating a greater tendency for the better off households to have more formal sector participants than the worse-off.

Consequently, the results appear to suggest that informality in the labour market induces deprivation. But how? The following sections investigate this question by focusing on conditions of pay and access to social insurance.

6.1. Conditions of pay

In order to understand whether conditions of pay differed by sector of employment, two bi-variate tests were performed. Firstly, the household FSP ratios (see above) were subjected to a Pearson correlation test with an FWID measure, i.e. the weighted average hourly household income rates, based on working members' wages and earnings. In calculating these rates, the monthly incomes of each member were first multiplied with the total number of hours spent to generate this amount. The values obtained were then added up and divided by the total number of work hours spent by all working members in the household. The purchasing power of the observed averages [mean = 2.18 million TL; median = 1.87 million TL; std. deviation = 0.99] proved very low, considering that at the time of research, a standard return bus ticket cost 1.20 million TL. The Pearson test results suggested a weak association [$r = 0.20$], indicating that households' hourly earnings did not vary significantly according to the extent of their (in)formal sector participation.

Secondly, a Spearman test was performed between the sector of male employees and their average hourly earnings [mean = 1.38 million TL; std. deviation = 0.65]. This time slightly higher rates were observed for informal sector workers, but the relationship was

rather weak [$r = 0.27$]. From the results, it can be concluded that conditions of pay were unfavourable in both sectors of the labour market.

6.2. Access to social insurance

By contrast, a strong association was observed between the sector of employment and having social insurance coverage. The results of a Pearson test performed between the household FSP and social insurance ratios confirm this [$r = 0.59$; $p < 0.05$]. However, they also show that a considerable number of formal sector workers were also denied social insurance. Before exploring why and how this might have happened, let us first describe the social insurance status of the working population in the sample.

At the time of research, there were three major social insurance schemes, which gave access to state pensions and healthcare on specific terms and conditions: a) Retirement Fund (ES) set up for civil servants, b) Social Security Institution (SSK) for other employees, and b) Independent Workers Institute (BAĞ-KUR) for the self-employed. Regular premium payments to these schemes were necessary to keep membership active. The first two schemes required both the employer and the employee to make a contribution.

Among formal sector participants, only 47% (9 out of 19) had social insurance coverage; 78% (7 out of 9) of which were registered with the SSK and 22% (2 out of 9) with the ES. As expected, none of the informal sector participants had access to social insurance, except one casual employee who contributed to an optional SSK scheme that allowed its members to pay towards a state pension without any employer contribution.

Evidently, the distinction between formal and informal sector becomes rather blurred when social insurance coverage is concerned. The reasons for this are explored below in relation to the conditions faced by the self-employed and employees. Within the former group, only 14% (1 out of 7) had a formal status. They tended to own small-scale businesses, built on limited or no economic capital at all. Hence, their enterprises yielded very little or no

profits, and were highly vulnerable to conditions of economic crisis.² This was fundamentally why none of the self-employed were able to contribute to BAĞ-KUR. To illustrate, the *simit* bakery owner was unable to accumulate enough surplus to buy a license for his business let alone pay the premiums. Likewise, the fruit and vegetable seller made no contributions within the last one and a half years, as he was also unable to make sufficient profits to clear the growing debts he owed to the wholesalers. Within the group of employees, 93% (25 out of 27) worked in the private sector. In contrast to public sector employees all of whom were insured, 72% of private sector employees (18 out of 25) lacked social insurance coverage, of which 50% (9 out of 18) participated in the formal, tax-regulated, sector.

The factors restricting their access to social insurance are multiple, an exhaustive analysis of which is beyond the scope of this paper. However, most likely factors are those that a) cause failures in the enforcement of the regulation put in place to protect labour rights and b) reduce the ability of employees to bargain and/or claim their rights. These hence extended from corruption and inefficiencies of the inspection and judicial mechanisms to economic and political processes leading to casualisation, increased unemployment and reduced trade-union membership.³ The following extracts illustrate some of these influences. One is from an interview with a 47 year-old plasterer who worked seasonally on a daily wage:

Interviewer: Have you discussed your entitlements to social insurance with your employer?
DY: If you discussed it with him, he wouldn't give you the job; impossible. He says 'I'll tell you what will happen to your social insurance' he says 'fuck off' as clearly as that. [...] He says 'fuck off, what are you talking about; you found the job and now are making a fuss about the insurance'. Nobody, I mean there are 500 workers there; not even one can mention insurance. Do you know what he [the employer] also does? He gets his mum registered; gets his father registered; gets his sibling registered; gets his uncle's son registered. It is compulsory. Let's say in the workplace, it [the law] obliges you to have 10 people [with social insurance]. He doesn't get registered those who work there but does his brother or father; whoever he has in his mind.
Interviewer: Can the workers not say anything at all?
DY: Who to?
Interviewer: I don't know, perhaps to the inspectors.
DY: They're in a sham fight. Otherwise aren't they [the inspectors] able to sneak in and ask whether you [the workers] have insurance?

The other quotation is also from a seasonal labourer who did tiling on a daily wage:

Interviewer: [Have you got] social insurance?

IY: It doesn't happen 'cause there's no inspection. The task [of pursuing social insurance registration] remains with the employee but the employee has no room to bargain. He has no power to say 'pay my premiums, brother'. You go there [to work] on a temporary basis; you start work, work for three days and he [the employer] says 'off you go'. After 15 days of work, you raise your hopes up thinking that you'll continue working, then you ask him 'pay my premiums' and he says 'go away, I don't need an insured worker, my job [with you] has finished'. For this reason, we've no sanctioning power.

The above-mentioned influences are likely to have affected the terms of 'agreements' between the private sector employers and employees over premium payments. Three distinct types of arrangements were in evidence. The first compelled employees to work without any employer contribution to premiums – a common practice observed among 66% (18 out of 25) of the private sector employees in the sample.

In another set up, employers made illegal arrangements to pay premiums at a reduced rate, which meant that employees had to settle for less than their entitlement by law. Among private sector employees in the sample, 29% (2 out of 7) suffered from such arrangements. A female cleaner who worked full-time in the refectory of a medium scale textile factory had no choice but to sign the wage slips where she appeared to earn the net minimum wage; yet in reality, she earned 18% less than the minimum wage. The amount deducted illegally was used to pay towards the employer's share of the premiums. An employee's battle against such illegality proved very costly:

Interviewer: Last time [I spoke with you] you were earning below the minimum wage?

HX: Well, things have changed after one colleague left ... They [her colleague and employer] had an argument over minimum wage; she [her colleague] took them to court. For fear of the court, they paid us the minimum wage as soon as it was raised.

Interviewer: So what they did wasn't legal...

HX: That's right. What they did wasn't legal. They raised it up to the minimum wage, thanks to her. She lost her job, though...

Interviewer: Did they make her redundant?

HX: Of course, they did...

A male welder who worked full-time at a medium scale private company had to give consent to a more common arrangement. He ‘agreed’ to sign the wage slip where he also appeared to earn a minimum wage, although in reality, his earnings were above the threshold set by the law to calculate the lowest premium requirement for the employer. This way, his employer saved 20.5% of the difference between his real earnings and the threshold every month, while restricting the size of his future pension. He explains why he had to agree to this:

Interviewer: Is your social insurance currently active?
MY: Yes...
Interviewer: How do your employers pay your premiums?
MY: They base them on minimum wage, even though people come for inspection. Not on the wage we currently get but on minimum wage [...] They pay the difference under the table and show minimum wage on the slip. This will disadvantage us when we come to retire. If they’d paid our premiums at the correct rate, we would’ve got a higher pension. [...]
Interviewer: Don’t you object to this?
MY: What can we say? You know the situation. If we said ‘don’t do it brother, pay our premiums at the correct rate’, he’d show us the door, I mean. It isn’t one man’s job [to object]. There should be a society, unity for you to have a say...
Interviewer: Is there no such unity?
No there isn’t... There are sycophants. If you say something here, it would instantly reach his [the employer’s] ear. That’s why we can’t.

In a third form of ‘agreement’, the employer bypassed the SSK and paid the premiums (s)he became liable for directly to the employee to avoid redundancy pay. None of the private sector employees were party to such an agreement, except for a self-employed electrician, who worked on a piecemeal basis and received cash in lieu of his premiums. He explains why this arrangement appealed to him and his employer:

Interviewer: Have you got social insurance?
SY: No, we [him and his son] haven’t. [...] The guy [employer] says ‘don’t get me involved in the premium payments’. Why is he saying that? As far as I’m concerned, if he insures you, then when it comes to sending you off, he’ll have to pay for redundancy. To avoid all this, he pays your insurance money along with your wage. You can then decide whether to get private insurance, or give the money to your company for them to sort it out. Currently, we aren’t paying any premiums because if we did, we’d have no money left. [...] Even if you pay at the minimum wage rate, the monthly payments would cost you something like 80 million TL [80 New TL].

Despite its appeal to those desperate for instant cash, this type of arrangement tends to work against the employee as it entails the relinquishment of certain labour and welfare rights.

To conclude, it was ultimately the employees whose rights were violated in any such arrangement. Partly through violations, the labour market induced deprivation upon informal, and to a lesser extent, formal sector participants because, as shown below, they restricted access to state pensions and healthcare.

6.2.1 Pension prospects

This section explores the possible effects of informality on male pension prospects only. Female spouses were excluded from the analysis since there was no significant variation between the amounts of premiums they contributed to date. The observed amounts were either very limited or non-existent, meaning low pension prospects for all. The likelihood of men's access to a *full* pension was predicted on the basis of the male spouse's current social insurance status and retirement conditions set out within the 1999 Social Security Reform Law No. 4447, amended soon after the fieldwork by law no. 4759. Retirement conditions for men differed across the three schemes. ES members had to meet the minimum age requirement and have 25 years completed in service. SSK members had to fulfil the minimum age and contribution size criteria and have registered with the scheme for 25 years. Finally, BAĞ-KUR members had to reach above a certain age and have paid 25 years worth of premiums. The age thresholds for the respective schemes were made to vary according to years remaining in service, time following registration and time remaining for premium payments. Table 2 presents the social insurance details of male spouses, age and premium requirements of the scheme they belonged to and their pension prospects.

<insert Table 2>

Across the sample, 47% (8 out of 17) of male spouses were found to have low; 18% (3 out of 17) to have medium; and the remaining 35% (6 out of 17) to have high pension prospects. These pension categories were subjected to a Spearman test in order to explore the possible effects of the sector of male employment. The results revealed a strong association, meaning that informal sector participants are less likely to secure a pension [$r = - 0.59$; $p < 0.01$].

The results also show that at 46% (5 out of 11), a considerable portion of formal sector participants had low to medium pension prospects. So, why did some men have lower prospects? Let us explore this question by focusing on the conditions faced by the SSK employees, the majority of whom had limited pension futures.

One likely explanation concerns the time spent outside the labour market due to unemployment and/or involvement in precarious work (casual/seasonal) in the past and/or present job(s). Current employment status allows us to examine this possibility, as it constitutes a good proxy for men's employment history given their tendency to stay in the same area of work since the initial social insurance registration. The Spearman test performed to explore the possible effects of seasonal/casual employment on men's pension prospects revealed a very strong relationship [$r = - 0.90$; $p < 0.01$]. This meant that their likelihood of securing a full pension was very low. However, the reason for this was not simply that they worked fewer days than those with more stable employment. From the accounts of seasonal employees in the sample, it appears that on average, seven years worth of their work life went unrecorded in the social security books. The employer behaviour was mainly responsible for this. As shown earlier, employers conducted various illegal practices to minimise their contributions to employee premiums.

The uninsured appear to have had little opportunity to increase their pension prospects by means of optional schemes that made it possible to pay towards a lower pension without

any employer contribution. Of 10 employees without social insurance, 90% could not make optional contributions. A casual plasterer with 15 years' work experience explained why:

Interviewer: Have you got social insurance?

[...]

FY: Had some paid through construction work but they're only worth one and a half years in total. Apart from that, I optionally paid a further one and a half years worth of premium by saving from my own earnings, but I was unable to continue any longer. Where can I find the money if there is no work? Three years worth of premium, that's all... 50 million TL [monthly premium rate] may not appear a lot but we can't stretch our income given the local shop [food expenses], given the electricity, water [bills]...

Overall, in addition to employment in precarious and low-paid jobs, labour right violations appear to play a major role in restricting men's pension futures.

6.2.2. Access to state healthcare

This section explores the likely effects of informal labour participation on households' access to state healthcare, which allows those with active social insurance coverage to benefit from free hospital treatment and subsidised medicine. The green card and unemployment insurance schemes provided alternative coverage for the uninsured. The former entitled those below a certain income with no assets or social insurance to free hospital treatment, but denied access to subsidised medicine. The latter, in accordance with law no. 4447, provided those made redundant through no fault of their own with a basic income and state healthcare on the condition that, within the last three years before their redundancy, the employee has to accumulate 600 days worth of premiums, 120 days of which had to be uninterrupted. The section will also demonstrate the extent to which these schemes helped bridge the social security gap created by the labour market.

In exploring the informality effects, two FWID measures indicating household members' access to a) subsidised medicine and b) hospital treatment were used. These variables were subjected to a Spearman test with the sector of male employment as the social insurance system allowed his spouse and children to become his dependants. The results

revealed a greater tendency for formal sector participants to have access to subsidised medicine [$r = - 0.83, p < 0.01$]. However, the male spouses' sector of employment was found to make no significant difference to households' access to free hospital treatment [$r = - 0.32$]. This meant that some households with uninsured male spouses had alternative coverage for some or all of their members. However, only in 27% (3 out of 11) were all members covered by the green card while the remaining 73% either had only one child covered through work/higher education or no coverage at all. This was due to tight eligibility criteria and its disregard for the fact that not all assets could be used for income generation.

Moreover, none of the uninsured male spouses proved eligible for unemployment insurance, although the great majority of casual workers were virtually unemployed due to the conditions of economic crisis being strongly felt in the construction sector. Tight eligibility criteria meant that 80% of the working population in the sample (28 out of 35) could not benefit from the scheme. One of the seasonal workers who did tiling work on a daily wage shows his outrage at the eligibility criteria:

Interviewer: Have you got any work-related plans for the coming six months?
IY: No, I haven't got any plans because I cannot see a way out. Let alone six months, I cannot see [what will happen] tomorrow. Look, something called unemployment insurance has been launched. You have to have worked uninterruptedly for 120 days prior to making a claim. Where will I find a developer who will pay 120 days worth of premiums? How will I work 120 days? Are you giving me such security? No...

Consequently, it appears that the gap created by the labour market in accessing state healthcare was neither successfully bridged by the green card nor unemployment insurance schemes. Thus, especially those households with more informal sector participants were allowed to fall through the social security net despite their greater need for protection.

7. Conclusion

This article has sought to explain households' (relative) success or failure in reducing poverty by income generation practices though a focus on low-income households living in the

periphery of the Turkish capital. The case study examined the question of success from a new theoretical perspective, which takes into account the role of labour and non-labour resources as well as the wider structural influences upon them. In keeping with the prevailing findings, the study documented a general tendency for poor households to rely more heavily on their labour resources. Fewer households were found to use non-labour resources including social capital, economic capital and institutional entitlements, with limited contribution to household income. Contrary to the dominant view, it was shown that having fewer dependants or more resources did not necessarily bring success. This was largely attributed to the structural constraints upon the capacity of household resources to deliver benefits. The conditions of informal employment were found to constitute one key factor, limiting households' chances of success e.g. by condemning them to low pay and restricting their access to welfare. Hence, the study lends considerable support to the past research that emphasise its particular role in re/producing poverty.

Clearly, this role is not exclusive to informal employment. As shown here, due to low pay and/or illicit employer behaviour, those 'formally employed' in the tax regulated/licenced businesses can also suffer from poverty; yet to a lesser extent. The hourly pay rates might be equally low for the formally employed but they were not excluded from the social insurance system to the same degree as the informal workers. Thus, contrary to Maloney's expectations (2004), it seems possible to suggest that poor informal workers would have fared better should they have been formally employed. However, this should not disguise the fact that in absolute terms, the pay conditions were unfavourable across both groups, and that labour right violations also took place within the tax-regulated/licenced parts of the economy. The evidence that employers from both tax-paying and non-tax paying businesses violated their employees' rights (e.g. to minimum wage and social insurance) provides support for the arguments against the dualist approaches which view formal and informal economy as discrete entities (see e.g. South, 2011 for an overview of the debates).

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The study also has significant repercussions for policy and research, one of which concerns the choice of poverty measurement. Unlike previous works that use income as a proxy, the study was able to capture multiple aspects of deprivation caused by adverse labour market conditions; thereby moving beyond the straightforward thinking that associates having fewer dependants with reduced poverty. Hence, it reinforces the idea that an improved understanding of poverty and its causes requires a multi-dimensional approach that takes into account the conditions of work extending beyond pay.

Furthermore, the evidence attests to the fact that substantial improvement upon the lives of poor households requires changes at the macro level, and the adoption of an employment-centred approach where the priority is given to the creation of jobs with decent working conditions, tighter labour market regulation and effective enforcement of these regulations. The application of stricter sanctions against employers' illicit behaviour, upward revision of the monthly minimum wage and its replacement with an hourly rate illustrate some of the steps that can be taken towards this policy aim. Of equal importance is to ensure universal access to healthcare, basic pensions, and unemployment benefits independently of one's employment status. In fact, the Turkish Social Security System has recently been reformed to allow those who make premium payments outside of work to have access to state healthcare. However, those who cannot afford the monthly contributions continue to be denied access (see also Author, 2011). This makes it imperative to adopt a truly universal system.

End Notes

¹ Also note that some of the casual workers had a tendency to participate in both sectors of the labour market but were counted here as informal unless at the time of interview they were employed by a tax paying company.

² Turkey witnessed a severe economic crisis in 2001, as a result of which the growth rate declined from 6.1% in 2000 to - 9.4% in 2001. The annual rate of inflation increased from 39% in 2000 to 68.5% in 2001 (Akyüz and Boratav, 2003). Finally, the official rate of unemployment based a narrow definition rose from 6.4% in 2000 to 8.4% in 2001 and 10.3% in 2002. The figures were higher for urban areas, which went up to 14.2 in 2002 from 11.6 in 2001 (TURKSTAT, 2003).

³ According to official figures, the trade-unionisation rate fell from 67 to 58% between January 1996 and 2002 (MLSS, 2003). None of the working population within the sample had union membership.

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Table 1. Household income generated from non-labour resources (000,000 TL)

Case	Income from non-labour resources				Total Household income
	Economic capital	Social capital	Entitlements	Total	
A	100	-	-	100	500
B	-	-	40	40	350
I	-	110	20	130	133
K	-	-	52	52	362
N	-	-	10	10	460
R	-	-	10	10	340

Table 2 Male spouses' social insurance status, full pension requirements and prospects

Social insurance details					Full pension conditions (***)		Pension Prospects
	Social insurance scheme	Registration year	Age	Premiums (days) or years served to date (*)	Min. age	Min. premiums (days) or years in service	
AY	SSK (optional)	1977	39	2200	44	5000	Low
BY	BAĞ-KUR	1999	41	550	60	25 years	Low
CY	SSK	1984	36	2088-	48	5225	Low
DY	SSK	1968	42	1500+	44	5000	Low
EY	SSK	1974	57	1500+	44	5000	Low
FY	SSK	1982	37	2000+	46	5075	Low
GY	ES (active)	1979	47	23 years	44	25 years	High
HY	SSK (active)	1981	39	6000+	46	5075	High
IY	SSK	1976	44	3910	44	5000	Medium
JY	SSK	1987	43	1578	50	5375	Low
KY	SSK (**)	1972	53	4689	44	5000	High
LY	SSK	1972	53	3651	44	5000	Medium
MY	SSK (active)	1981	38	6000+	46	5075	High
NY	ES (active)	1987	39	15 years	50	25 years	High
PY	SSK	1978	43	3500	46	5000	Medium
RY	SSK (active)	1978	43	3908-	44	5000	High
SY	SSK	1987	40	2200	50	5375	Low

Notes:

(*) The plus and minuses are used where respondents provided an approximate value for their premium contributions to date (**) He is a work injury pension recipient. (***) The size of full pension can differ between and within schemes.