

The Effects of the Tax Policy on the Employment Map of Istanbul*

Başak ERGÜDER**

The Effects of the Tax Policy on the Employment Map of Istanbul

Abstract: In this paper, the size of the informal employment and the informalization in Turkey in 2000s will be discussed in the scale of Istanbul. The effects of the employment tax on poverty and income distribution will be analyzed in Istanbul, where the informal employment is high in Turkey, in terms of the structural features. The datas concerning the employment in İstanbul will be taken from the comparative regional statistics published annually by Turkish Statistical Institute (TURKSTAT). In this paper the relationship between employment tax and informal employment will be analyzed with reference to these datas. After the analysis of the distribution of the population employed in Istanbul in terms of age, gender and education, the extensity of the self employment and the non-covered employment which are the informal employment kinds will be analyzed. As a consequence of this analysis, it is aim to revealed the distribution of the skilled, unskilled and semi-skilled labour in the city. The unemployment, which is another important indicator of the income distribution; will be analyzed in terms of education and gender, and then be examined through comparing the employment rates in the public and private sectors.

Key Words: Income Distribution, Employment, Employment Tax, Istanbul, Poverty.

Vergi Politikasının İstanbul'un Emek Haritası Üzerindeki Etkileri

Özet: Çalışmada, 2000'li yıllarda Türkiye'de enformel istihdamın ve enformelleşmenin ulaştığı boyutlar tartışılacaktır. Türkiye'de enformel istihdamın en yüksek olduğu kent olan İstanbul'da istihdam vergisinin yoksulluk ve gelir dağılımı üzerindeki etkileri emeğin yapısal özellikleri bakımından incelenecektir. İstanbul'da istihdama ilişkin verilere Türkiye İstatistik Kurumu (TÜİK) tarafından yıllık olarak yayınlanan karşılaştırmalı bölgesel istatistiklerden ulaşılabacaktır. Çalışmada enformel istihdam ve istihdam vergisi arasındaki ilişki, TÜİK verileri

** Geliş Tarihi: 29.03.2016

ışığında analiz edilecektir. Çalışmada İstanbul'da istihdam edilen işgücünün yaş, cinsiyet ve eğitim bakımından analizi yapıldıktan sonra, enformel istihdam türleri olan kendi hesabına çalışma ve kayıt-dışı çalışmanın yaygınlığı incelenecektir. Yapılan analizin sonucunda nitelikli, nitelsiz ve yarı-nitelikli olması bakımından emeğin kentteki dağılımına ulaşılması hedeflenmektedir. Gelir dağılımında önemli bir gösterge olan işsizlik, eğitim ve cinsiyet bakımından analize dahil edilerek, kamu ve özel sektördeki istihdam ve işsizlik oranları karşılaştırmalı olarak ele alınacaktır.

Anahtar Kelimeler: Gelir Dağılımı, İstihdam, İstihdam Vergisi, İstanbul, Yoksulluk.

Introduction

What is stated as the Employment Map of Istanbul is the act of evaluating such universal concepts as informalisation and unsecuredness within the empirical datas which are concrete and related to each other and the act of presenting these for Istanbul. In the map, the focus will be on the effects of the neoliberal policies executed recently in Turkey on the urban employment and poverty. In the study, employment map of Istanbul is analyzed within datas from the comparative regional statistics published annually by Turkish Statistical Institute (TURKSTAT). The taxes on employment in Istanbul is analyzed according to Turkey Tax Profile Report (2011) which give an idea of the relationship between employment tax and informal employment. In the study, the distribution of the population employed in Istanbul in terms of age, gender and education, the extensity of the self employment and the non-covered employment which are the informal employment kinds, shows the employment map of Istanbul.

The changes concerning the employment market in Istanbul started in 1980 and has been continuing till 2000s with some continuities. Istanbul is becoming an employment place and a labour reserve with its population which has been increasing through the urban migration since 1950s. It is possible to see an urban disintegration at the level of differentiation experienced concerning such factors as fertility, migration, age and working and workable population when the districts having the population structures of the developed, developing and underdeveloped urban places in Istanbul are analysed in terms of labour reserve. The settlements where the low income fractions having large households have been turned to residing and sheltering places where the labour is reproduced in the urban employment map. The periods when the population boomed were between 1950-55 and 1970-1975 years. There were great population increases and boomings during these two periods due to the migration of the labour reserve to Istanbul as a result of the mechanization in the rural area in Turkey and the fact that industry generated an attraction in Istanbul (Sonmez:2011, 87).

The high-quality wage earners and unskilled white collar workers, an important part of the working class in Istanbul in 1980s were mostly from rural area and the mass migrating from rural area to the urban area during 1970s. The fact that the worker class was from rural area shows that it is just a new process in terms of urbanization. Istanbul is an attraction for people looking for new jobs and for the high-quality labour force make their presence known (Boratav,2004: 39). If the connections with the rural area are evaluated in terms of possessing “fields yielding money”, it can be concluded that the connections of the fractions other than high-quality and white collar workers have been weakened with the rural areas. Accordingly, the rural area has no transfer value in terms of capital accumulation in the urban area and the connections of the unemployed in the urban areas with the rural areas which are limited to being in a firm solidarity in the slums they established in the urban areas. The passive security mechanism generates a solidarity mechanism of great importance in terms of survival (Boratav,2004: 42).

The public sector employment is the highest in white-collars and lowest in blue-collars in the sectoral distribution of the working class in Istanbul at the end of the 1980s. The blue-collars are mostly in the industrial sector, and the smallest group in the industrial sector is the white-collars (Boratav,2004: 45). The public sector was of a great importance in terms of substructure investments in 1980s and had the quality labour force and technical information. The tradition of working with security-union had not been then abolished in the public sector. The industrial sector has become a sector where private sector investments increased for export, the working class was hugely involved, and operating with high profit and playing an important role in production and seemed to the preactor of the subcontracting process to be experienced in the future.

Social mobility (interclass mobility) is experienced within a process in which the urban area imports manpower and the interclass mobility can not be defined by itself. In a sense, the intergenerational social mobility refers to an urbanization process for Istanbul based on migration and to an establishment process based on class. It is important that Boratav (2004) points out there are two different destinations for interclass mobility. Accordingly, there is a transfer from agricultural working to middle-great bourgeoisie in the first destination and from farming to middle-great bourgeoisie in the second destination. The transfer of the small commodity production and agricultural working can be made possible by capturing the urban rents. This refers to the importance of experiencing a process of an important “property”, “sharing” and “seizing the value” in the class formation of producing build environment in the developments in the housing sector.

We can see the traces of a trend towards flexible labour force markets in the city in terms of unemployment and flexibility from 1980s on. The fact that the subcontracted masses with no union and security and that the increasing middle-

age formal unemployment cause the informal working ways with low wages and without security and control for young generations to be put into action leads to the flexibility trend (Boratav,2004: 92).

Employment in Istanbul

It is possible to mention about four fundamental transformation concerning the labour market in Istanbul when the 1990s are evaluated in terms of privatizations, structural adjustment programmes and legal regulations concerning the concept of flexible labour force. First, the fact that the formal sector narrowed and the trend of informalization increased is the result of the fact that the profitabilities of the industries developing during the import substitution industrialization period experienced till the end of 1970s decreased. The fact that the profitability decreases cause the number of workers to decrease and the rationality of the public investments making up an important part of the formal sector to be lost and the employment in the formal sector to decrease (Keyder, 2005:12).

The great investors making good fortunes till 1980s looked for new places for industry they controlled in Istanbul and the motive of valuing their factory buildings and grounds with such high rent-making alternatives as business centers, luxury buildings was dominant in capital owners' decision of transferring their investments to another places. The increasing prices of lands in Istanbul raise the importance of picking the place by the industrialists needing a wide field for factories and stores and the orientation towards the districts where the land is cheaper increased. Therefore, plants were established in fields subject to villages and neighbourhood units which are free of zoning control and close to themselves in many cases. After establishing slums around these plants, new settlements and municipalities were also established. The increasing population between 1990-2000 years in Turkey was situated in Istanbul (IIB,2009: 48). The increase of the employment based on cheap woman labour in the textile and garment industries in Istanbul and the localization of new small manufacturing workshops in such slum zones as *Ikitelli*, *Bağcılar* and *Umraniye* were experienced in this period. The work opportunities with union and insurance for those newly-migrating to Istanbul are destroyed and the new labour force is made up of female workers mostly working in the unqualified jobs in the service sector with no security. This diminishes the opportunity of the social integration of the newly-migrating to the city (Keyder,2005). This process has a tendency towards the continuation of the decrease in formal employment by speeding up after one million people working in formal sector in Istanbul lose their jobs after the 2001 economic crisis from 2000s on.

The fraction working without union, organization in construction and textile sectors in Istanbul is a consequence of the precarity which is defined as the way of working without job security and labour contract by ILO (Green,2009:336). The precariat should work in short-term, temporary or daily labour for an agent or

a third employer with wages very much lower than the standards and without labour contracts (Green,2009: 337). Precarious working mostly points to a politic and social identity and the precariat hardly have a social-politic identity by nature and it involves all kinds of illegal works including working without insurance (Vogel,2011). A connection between the feminisation of the labour and the precariat works can be established in terms of both the insecurity the increasing female labour is subject to and the invisibility of the labour due to the gender role definitions (Mcdowell& Cristopherson,2009:344).

Secondly, the trend of deindustrialization in the urban economy of Istanbul leads to trends strengthening concerning the work conditions and capacity in service sector (Keyder, 2005:128). The services sector, especially the turism sector not only employs the unqualified labour force but also it employs a more educated and qualified fraction, which is an employment gap generated by the industrial businesses in the touristic-historical regions in Istanbul, being a global city. The unemployment in Istanbul leads to the human capital of those newly-migrators leading towards services sector and to the phenomenon of labour force based on the manpower (Keyder, 2005:129).

Thirdly, the traditional businesses has started to close down since 1990s. The small groceries, greengrocers, gifts shops, furniture shops, whiteware shops in the city give way to great brands to European style gross-markets like *Carrefoursa*, *Bauhaus* and *Praktiker* and the position of the traditional businesses within the modernization is weakened and is in the tendency to be lost. Fourthly, creating the “weakened place” looked forward to by the international capital to be able to make production as a consequence of the globalization leads to the formation of informal labour markets without control, rule and the housing market made of slums where small entrepreneurship is awakened (Erder, 2001: 302).

Employment Map of Istanbul

Istanbul has a population greater than the 20 of the 29 countries which are members or candidate of European Union and than the total population of 37 cities in Turkey. This, in turn, generates a “black hole” effect swallowing the identities and economies around it (IMB,2009: 188). The migration to Istanbul turned it to an important attraction in terms of industrialization, investments and employment these create. Istanbul metropolitan region is the only urban area having the characteristics of urban areas across the country with its % 90,69 urbanization rate (IMB,2009: 49). Istanbul is the only city acknowledged as the region in the comparable regional datas published by TURKSTAT in 2014 and ranks first among the 12 regions in terms of its population within the whole population. Istanbul’s population increase rate is remarkable and it is the second region in population increase (TURKSTAT,2014a: 14).

It can be observed that there is a big gap between Anatolian and European sides in terms of the population distribution between sides in Istanbul. The two thirds of the population resides in the European Side and one thirds of the population resides in the Anatolian Side (IMB,2009: 186). The evidences concerning the concentration of the wage workers forming the low income fraction not owning their own apartment in European side in masses (Isık& Pınarcıoğlu, 1996:26) show that the European Side should be mainly dealt in the employment map. The spatial organization of industry leads to a geographical differentiation in Istanbul. The European Side is the fraction where concentration is on the labour-intensive business line. In European Side, sectors such as textile, garment, leather and leather goods which are suitable for the segmentation of the production chain in terms of flexible employment relations and the Anatolian Side is the fraction where concentration is on the capital-intensive business lines (Işık & Pınarcıoğlu, 1996: 27).

The elastic unqualified labour supply migrating from rural areas to industrial cities contribute to the development of industrial cities. The rural-urban population leads to the low wages and the poverty of the migrators, because the migrators can not find jobs in formal sector and are employed in the informal sector (Kim, 2008:9). The migration from the main cities immigrating forms an important source of employment in such small scaled working units as construction, furniture, leather and textile primarily - the informal sector. It can be observed that the citizenship relations and informal social security solidarity is strong if the migration structure is analysed (IMB,2009: 190).

According to the data of a research made by Oguz and Pınarcıoğlu (1998), various citizen groups exist in specific business lines in informal sector and in labour market intensively. However, an interesting conclusion is that these immigrant groups do not exist in the same conditions in construction sector. Among these groups, a big part of those born in *Karadeniz* Region (like *Gumushane*, *Ordu*, *Rize* and *Trabzon*) work in the status of employers or self-employed and other groups are seen to work as wage workers. The concentration of labour force based on citizen relationship seen especially in these business lines is a result generated by squatting (Erguder, 2006:46).

Urban migration accelerate the process of producing the urban places by social relations and generate new settlement centers in the slums. The formation of informal social security networks take place based on the fast populating which is the most apparent feature of these places. It is seen that a structural change occurred in urban migration in 2000s. While people -most of whom came from *Karadeniz* Region between 1950-1990 years- migrated with an expectation for better work conditions, the new-comers migrated with an expectation for a better life in contradiction to the groups migrating from the East after 1990s (Keyder,2005: 131). The households finding job in formal labour market was replaced by those migrating by oneself, self employed, working in informal sector with small and

daily labour and living in bachelor pads (Keyder,2005). The “dangerous classes” of 21st century has a definition similar to the 19th century: They are comprised of migrators without social integration, quality, involvance in the informal relation networks and who are politically unfavourable. The new migrators are the new part of working classes in Istanbul and are especially made of the families migrating from the East cities after 1990s.

The hints of the existence of another process accompanying the formation of slums are encountered in the table presented in the mapping work of Oguz Isik and Murat Guvenc which is concentrating on the status-property relation presenting the income distribution in Istanbul. The small scaled employers/entrepreneurs live together with wage earners working in different professions and having no possession along with their own fraction in certain districts in the city as tenants. The enclaves formed by those having no possession in all status (income) groups in the city points out that the income surpasses the differences caused by status in the work in the urban places (Isik& Pınarcıoğlu, 1996: 54). This situation should be seen as a natural result of the fact that the discrimination between employer-employee among fractions without property, security caused by informalization. The table formed by class in Istanbul should be read with the grey regions allowing some transitions. In this table where waged work is deregulated in terms of law and status and where new subcultures are formed through the mediation establishment created in such self employment, small workshop business and types of piecework (like home based work) based on contract manufacturing, it can be seen that the income gap between the employer-employee in the mass production has got smaller now. Early studies contribute to making women’s work visible by accounting for homemaker’s contribution not only to household economies but also to the capitalist accumulation. These efforts have largely undermined the myth of women as “idle housewives”. It is established that women are not housewives but income earners, producers, semi-proleterians, and disguised wage workers, whose labour are essential for the survivor of the survival of poor families. Another group of studies an account of homemaker women’s subordinate and inferior positions both in the labour market and the household (Balaban & Sarıoğlu, 2008: 5).

Three of four people are wage-earners in Istanbul. While the rate of wage earners and employers is increasing within the total working population, the rate of the self-employed is decreasing. The crafts and related trades workers are either included in the wage earners by being poorer or leaping up to the employer class. The proletarianization process is contiuning with impoverishment process in Istanbul. The rate of those working with wage, salary and daily wages is 82 percent within all workers; the rate of the self employed is 16 percent and the rate of unpaid family working is 2 percent in Istanbul. The rates in Turkey is respectively; the rate of those working with wage, salary and daily wages within all workers is 64 percent; the rate of the self employed is 23,8 percent and the rate of unpaid family

working is 12,2 percent (TURKSTAT, 2014a:154). Istanbul has an important labour power reserve compared to Turkey.

Women are much more affected by the process of inequality, insecurity and impoverishment caused by informalization (Erdut, 2005: 46). The increase in the female employment which can be defined as the feminization of labour in terms of employment can be seen in the datas of TURKSTAT. The fact is that there is an increase in female employment and a concentration especially on the informal fraction. The female employment rate increased from 30,5 to 31,6 percent between the November 2014-2015 period. However, only 0,3 percent of the increasing 71,3 percent male employment was employed informally (TURKSTAT, 2015).

The fact that women are involved in the informal fraction much more is the consequence of the fact that they are increasingly involved in the home-based working defined as the female occupations in accordance with their gender roles. The female labour force working in Istanbul is involved in two main sectors: manufacturing industry and social services sectors. 29 percent of those working in manufacturing industry is female and 47 percent of those working in social services is female. The third sector in which women work most is the trade sector with 11 percent share and 97.700 employees (TURKSTAT, 2014a: 156). Istanbul forms an important labour power reserve in both informal and formal fractions in terms of female employment, and women is intensively involved in the manufacturing industry and services sector. Istanbul reached a positive level in terms of the formal waged employment in recent years, and in the 2013, its share reached 46,4 percent in the formal employment increase which was 30 in 2011 period at an increase by 16,4 percent (TURSTAT, 2013).

Istanbul, where the added value per person is 13.865 dollars, ranks first among all the 12 regions classified in Turkey and ranks 14th among the cities in Turkey with 11,2 percent unemployment rate (TURKSTAT, 2014a: 9,54). The highness of the possibility of the fact that the migrating masses work in temporary, short-term and flexible labour lead to an increase in unemployment in Istanbul. This situation, that the rate of those who are above the age 15 and are unemployed for less than a year is 74,2 percent in Turkey, for Istanbul it is 77 percent shows that temporary and short-term working is above Turkey level in Istanbul when the unemployment rates are analysed in terms of job search period (TURKSTAT, 2014a:153).

It is possible to define the process experienced in terms of employment in Istanbul in 2000s with the phenomenons such as the increase in the number of workers (proletarianization), the informalization and the feminization of the labour. The fact that three of all four people waged is the natural result of the urban migration and the fact that the city grew as an attraction. Another remarkable characteristic in the city's employment map is the increase in female employment. The phenomenon of heavy concentration of women in export industries referred as the feminisation of labour is referred to the substitution of

women for worker men in the industrial sector. It is possible to say that the current phase of capital accumulation is characterized by the feminization of phenomenon as women furnish a cheap as well unorganized source of labour (Balaban & Sarioglu, 2008: 5) Half of the female labour force working in Istanbul from the year 2000 on were involved in two main sectors-manufacturing industry and social services in this period defined as the feminization of the labour. Istanbul forms an important labour power reserve in both informal and formal fractions in terms of female employment. Women are intensively involved in the manufacturing industry and services sector; in small scaled manufacturing units which are informalized and in services sector where female occupations are intense. Through the analysis of gendered division of labour in the context of patriarchal dynamics entrenched in the organization of House-Based Work (Balaban & Sarioglu, 2008). Istanbul shelters 20 percent of all the unemployed in Turkey when the increase in the flexible working in the employment map is analyzed in terms of short-term work and unemployment rates. The fact that migrating masses head for especially the temporary, short-term works is reflected on the unemployment rates in terms of job search period, and we can say that short term working which is the most common type of flexible working is becoming widespread in Istanbul by looking at the fact that the mass which is unemployed for less than a year in Istanbul has a tendency above the national level.

26,4 percent of those employed in Istanbul is employed in the industrial sector. The rate of those employed in industry within the rate of all workers is so low when compared to Turkey. While the rate of services sector in Turkey is 35,1 percent, the rate of services sector within the total rate of other sectors is so high as 64,3 percent (TURKSTAT,2014a: 165). Istanbul ranks the first among the cities in where the rate of those working in the industry is highest within total employment with its rates by 28-35 percent in Turkey. The remarkable characteristic of Istanbul is the fact that the goods and services production lowering the urban tempo is transferred to the cities around it in 2000s (Sonmez,2001: 88).

The fact that the industrial investments are directed towards 49 cities getting incentive and energy support in income tax stoppage incentive, the employers share in insurance premium with the 5084 numbered Law directs the investments of the capital groups in such metropolitan cities as Istanbul, Izmir and Ankara to these regions, and in the metropolitan cities, only the Organized Industrial Regions established in the urban fringes increase their employment opportunities with many incentives and formal employment opportunities decrease in the metropolitan centers.

There has been a decrease in the added-value concerning the industrial sector in the city since 1965 as a consequence of deindustrialization, and the rate of added value decreasing 5 percent every decade (Sonmez, 1994: 39) is transferred to the other cities around Istanbul. Another fact concerning the deindustrialization

process is the fact that the management centers of the great industrial corporations are centered in Istanbul in this period. The fact that “242 firms of the greatest 500 firms operate in Istanbul” (Sonmez, 1994: 40) shows that Istanbul has become an attraction for the great capital since 1990s. The factories are moved to the cities around it and the management of these factories is carried out in Istanbul (Sonmez,1994: 40).

The number of the workers having died in work accidents in Istanbul is 19 in 2016. The number of the workers having died in work accidents in Turkey is 1250 in 2016 (www.guvenlicalisma.org, 2016). One fourth of all fatal work accidents occur in construction sector, and one fifth of all work accidents occur in the manufacturing industry as a consequence of informalization. The cases of death occur mostly in Organized Industry Sites and the first reason for these to occur is the fact that the employer abstain from the work safety costs. Another reason is the encompassing subcontractorization. The subcontractors get business with tenders, try to increase their profit shares by abstaining from costs and destroy the “experienced worker” concept as there is no job continuity. The inexperienced workers die in the earlier stages (Social Rights Association Report, 2011). The death cases in Tuzla Dockyard which took place a few years ago arouse interest about why the work accidents in this field are so uncontrollable.

“The estimated fourty shipyards in the Tuzla region on the outskirts of Istanbul and on the Marmara Sea coast have managed to increase the size of their enterprises by increasing work hours and the work rhythm..... They die because their employers, the shipyard owners with a great profit margin, are not ensuring work place safety. ...With the subcontracting system, the main job of building a ship is divided into between 30 and 50 smaller projects, all carried out in the same yard; it is impossible for all the subcontractors to collaborate and provide workplace safety. Again, the main employers, the shipyard owners, are avoiding their duties to ensure a safe yard (Odman, 2008).”

The Income Distribution in Istanbul

In Turkey, the city where the income distribution is the most unequal is Istanbul. The unequal distribution of wages make the redistribution of the income more difficult politically and technically (Bugra & Keyder, 2007: 82). The richest 10 percent of all households in Istanbul seizes 52 percent of the urban income. The richest 5 percent spends 42 percent of the income. The richest 1 percent minority gets a share by 29 percent of the urban income (Sonmez, 2001: 92).

The fundamental philosophy in the social politics system put into action from the second half of the 20th century is based on general productivity and efficiency dynamic. The principles like “being useful”, “working” and “making

efforts to work” is dominant for social support except for the old and the children (Bugra& Keyder, 2007:41). It can be seen that the income distribution gap between the one fourth and the majority is getting bigger and bigger when the fact that the unemployed and poor make three fourth of the urban population is considered in a process when the social security circle is being narrowed into a point of “employability”.

Istanbul shows that many fundamental assumptions concerning the relation between employment, low wages, social transfers and poverty are wrong. Accordingly, in contrast to the assumption that the number of poor people will be less in a labour reserve city where more people are employed, an increasing impoverishment is experienced. The assumption that an option mechanism works between employment and poverty is disproved. High employment without subvention is provided with only the employees of low wage services sector, the fractions working in temporary labour, namely the working poor (Bugra &Keyder, 2007:65). Among the reasons of the employment increase not to decrease the poverty are the fact that there are young employees among those newly employed after employment increase or that the new jobs found by households are low waged even though they are under poverty line and that the wages inequality between the working poor and formal employment (Bugra & Keyder, 2007:70).

It is possible to evaluate the present inequalities in Istanbul with reference to apartment ownership datas. Approximately, 44 percent of the households in Istanbul reside in rented apartments. If we are to consider the fact that the rate of the tenant households is 30 percent, we can see that the rate for Istanbul is 50 percent higher than Turkey average (Sonmez, 2001:92). This rate gets higher in the European Side which is the employment place of those having no apartment in Istanbul (Isik& Pınarcıoğlu, 1996: 42). The budget incomes and expenses in Istanbul also present to be an indication for income distribution. 43.67 percent of the whole income generated in Turkey is generated in Istanbul and Istanbul have an edge over all the cities remaining with a rate by 56.33 percent (Istanbul Directorate of Tax Administration, 2011: 7).

When the shares got by the consecutive 20 percent group according to the disposable income out of the total expenses are analysed, it can be seen that the share of the lowest income group is 6,1 percent while the highest income group reach an amount of expenses 7,5 times more than this with a rate by 45,9 percent (TURKSTAT, 2014b). The health expenses are decreasing in Istanbul and Turkey. According to the Household Consumption Expenditures Distribution prepared by TURKSTAT, the rate of the health expenses compared to the total expenses decreased to 2,4 percent in 2009 while it was 3,1 percent in Istanbul in 2000. The decrease in the health expenses gives hints about the deterioration experienced in social rights.

The fair distribution of the incomes generated in the city as much as the formal employment opportunities creates important results for Istanbul which is

the city where the income is distributed in the most unfair rates. The fact that the tenancy experiment common among the waged fractions presents to be a litmus paper to show income-status differentiation for employees, that half of the families living in Istanbul are tenants and that this rate is well above Turkey average show that Istanbul is still an employment center.

Informalization and Tax Policies

The term used by employers for additional workforce expenses is payroll tax. The additional workforce expenses made of payroll tax and insurance premium and the financial obligations concerning the employment are made of the payroll tax paid over the wages and social security premium, employee's and employer's shares. Most of the payments are made by the workers in practice. Therefore, the term financial obligation concerning the employment should not mean only an additional tax burden for the employer, because what is meant with the tax burden on employment is the payroll tax which is a direct tax and the taxes collected out of bordereaus and burden concerning social security contributions (Berkay, 2009:5).

The financial burdens on employment are influenced by the increase in the prices due to inflation. The inflation influence make the employees be placed in higher income tax bracket due to high wages, and even though the control of this influence can sometimes bring up the idea that the wages should be supported with additional payments, it can sometimes lead to the choice of unofficial employing (Bulutoglu,1981: 376). Accordingly, a method to abstain the payroll tax and parafiscal payments seen as a financial burden on the employment can be choosing unofficial employment to employ worker without insurance and another method can be benefiting from the investment incentives for Organized Industrial Regions or SMEs (Small and Medium Sized Enterprises). Both methods have an effect on the formation of informalizing labour force markets which have boomed in recent years.

The growth of unofficial economy will inevitably cause the state lose income and budget deficits. In this case, the obligation to choose either borrowing or emission method for financing the public deficits will cause the social state to fall into disrepute. It will be inevitable that the deficits and the necessity of borrowing for the public fraction will continuously increase due to the fact that the payroll taxes and the insurance premiums to be paid to Social Security Institution and Retirement Fund (Gunay,2000: 37).

The tax policies and precautions concerning the decline of unofficial unemployment in the flexible labour force markets for the relationship between employment and tax have gained importance in recent years. In a study using Turkish data for 2002-2005 (Papps, 2011), evidence is reported indicating that an increase in labour costs caused by a rise in social security tax rates results in greater

job loss than an equal-sized increase in costs brought about by a rise in the minimum wage. Regression estimates indicate that a given increase in social security taxes has a larger negative effect on the probability of a worker remaining employed in the next quarter than an equal-sized increase in the minimum wage. This result is incompatible with the textbook model of labour supply and demand and suggests that workers may increase effort in response to an increase in wages. Consistent with this explanation, it is found that groups with the least access to the informal sector experience the smallest disemployment effects of the minimum wage.

The efforts for creating a flexible labor force market were dealt with the need for a tax policy which will prevent the unofficial employment in such documents as the State Planning Organization's Specialization Commission Reports and Medium Term Programme (2012-2014) , but the tax is still a burden on the employees. According to *Turkey Tax Profile Report*, 4 million waged employees paid 1.063 Turkish Liras on average in 2010 and transferred 5 million Turkish Liras to the public cash. In this way, in 2010, those with minimum wages paid as much tax as the 90 firms out of the 100 firms paying the highest corporate taxes in Turkey, and among these huge firms are such firms as *Ford, Mercedes-Benz Türk, Oyak Renault, Arçelik, Yapı Kredi, Vakıflar Bankası, HSBC, Aygaz, Petrol Ofisi*. The other wage earners paying 22 billion Turkish Liras for taxes already paid more than twice than the 100 firms paying 12 billion Turkish Lira for taxes along with those with minimum wages. The total amount of taxes paid by the wage earners reached the amount of the taxes paid by all firms. Accordingly, approximately 6.750.000 wage earners paid more taxes than 652.000 firms (*web: <http://www.vergiportali.com>*).

The high amount of the tax paid by those with minimum wages increase the share of the wage earners within the tax incomes. If Turkey is compared to OECD member countries, it can be seen that 9 countries don't add taxes for minimum wages and that the tax rate is below 10 percent in 6 countries. Turkey is the country adding the highest tax to the minimum wages with a rate by 15 percent (<http://www.vergiportali.com>).

It is possible to observe the important hints for the relationship between the employment policy and taxes in the *Turkey's Tax Profile Report* published by Istanbul Chamber of Independent Accountants and Financial Advisors in 2011. In the report, it is stated:

“According to the calculation made by regarding the minimum wage level, the total social security premium and tax loss for the state from unofficial wage earners or casual or selfemployed workers reach 21,2 billion Turkish Liras considering the datas supporting the statement. In case 6.630.000 people employed unofficially are registered over the minimum wage amount, it will be possible for the state to have a great income from both social

security premium (including unemployment security Premium) and payroll tax (<http://www.vergiportali.com>).”

Besides the revenue loss the state experienced due to unofficial economy, the inequity in the distribution of the tax incomes reveal the dimensions of the decrease of both the tax incomes and of the deterioration of income distribution. The table we see looking at the budget of 2011 reveals the negative situation to occur in the income distribution:

“The other source for the budget but VAT (Value- Added Tax) and SCT (Special Consumption Tax) comes from the payroll tax with a rate by 16 percent. However, the payroll taxes cut from workers, officials and retirees play the lead here. The taxes paid by those having incomes from renting, interest and profit shares by submitting a declaration rank second in this entry. The payroll taxes paid by such fractions as the jeweller, contractor, wholesale merchant, big architect appearing to be self-employed and doctor can barely equal the tax of one with minimum wage (Sonmez, 2011).”

If we turn back to the *Tax Profile Report* published by Istanbul Independent Accountant and Financial Advisors, those with minimum wages whose number is approximately 5 million paid as much tax as the biggest 90 firms in Turkey and the tax paid by all wage earners whose number is 6.750.000 surpassed the tax amount paid by the 652.000 firms (<http://www.vergiportali.com>). As stated in the report, 43 percent of the tax collected from total wealth, income and capital profits is collected from the wage earners. This rate is well above the tax paid by many foundations, especially the great companies.

Another important indication is the decrease in the amount of parafiscal incomes we deal with as an element of the employment tax. Turkey falls behind the average of OECD countries in terms of social security contribution rates. The average social security contribution is 9 percent of the national income for OECD countries, however, it is 6,1 percent for Turkey. From the *Tax Profile Report*:

“When the datas of OECD countries among which Turkey is are taken into consideration, the average rate of taxes within the national incomes is about 35 percent. Turkey is in the same league as Mexico, Chile and South Korea with its 25 percent share. The main reason for Turkey to fall behind in terms of its tax income within the national income is the fact that the payroll and corporate taxes can not be equally collected with unofficial economy (<http://www.vergiportali.com>).”

The employment tax with many different cuts on the employment presents to be a big cost when it is considered as the whole of the financial burdens on the

employment. When we analyze the cuts in the minimum wages for 2009 for both the employee and the employer, we can see that the sum of payroll tax, stamp tax, social insurance premium shares and unemployment insurance premium shares within the gross pay is so high as 49 percent (Berkay, 2009: 87). The tax and premium share of a worker with minimum wages decreased by 35.20 percent in 2011 and it still has a very high rate (<http://www.selcukozturk.net/tr>).

Higher tax rates present to be a financial burden on the employment and appear to be one of the factors leading to unofficiality, namely working without insurance and security. Studies on Turkish tax policy shows that the tax system, which relies on the consumption tax, increases inequality and poverty in Turkey. Indirect taxes will keep having a negative impact on inequalities in Turkey and that to reverse this trend would depend on the government's ability to expand the tax base for progressive direct taxes on income by decreasing informal employment and tax evasion (İnan, 2013: 10).

“Turkey reach the OECD average in terms of share of the indirect taxes collected for goods and services within the national income with 11 percent rate, however, it can not reach even half of the OECD average in terms of share of the direct taxes collected for income, profit and capital gains within the national income with 5,8 percent due to the influence of unofficial economy. (<http://www.vergiportali.com>).”

The higher tax rates having influence in unofficial employment cause the public incomes to decrease and to public deficit to grow due to the huge fraction abstaining from paying tax.

Conclusion

The increasing labour force expenses due to taxes play an important role in the increase of unofficial employment in Turkey which has a higher employment tax compared to the employment tax implementations in the world. The role of the flexibility of labour force market in the increase of unofficial employment in Turkey makes it an obligation to lead towards new labour force policies which will prevent especially working without security. A labour force market separated between the formal workers with security and without flexibility and the informal workers with flexibility and without security is one of the reasons for informality. The active labor market policies providing a balance between flexibility and secure operation of the flexicurity concept which include support for SMEs where precarious work is prevalent, on the agenda in recent years. These policies maintained with the flexibility of have been applied on some terms of the balance between the flexibility in favor of flexibility threatening deterioration for business life.

The influence of the stability programmes used in recent years for the increasing public deficits is unquestionable. This influence manifests itself in the fact that the financing of the public deficits starts to be determining in the relationship between tax system and economic structure. The results of the sustainability target, which was used in many writings in 2000s, on income distribution and tax equity should be reevaluated. The tax system leads towards the target of the sustainability of public financing which moves ahead of such functions as efficiency and equity and lightens the heavy debt burden and has become an obstruction for growth with its another dimension, and the tax system influenced in a negative manner due to unofficial economy has created a vicious circle as the reason of unofficiality. When the payroll tax is in question, abstaining from tax equity sometimes creates a negative influence on the income distribution inevitably and also promotes abstaining from taxes and leading towards unofficial employment as an option. The salary deductions increasing due to new taxes and the increase of social security contributions make the employees poorer. Providing the “equity” principle in the tax system is important in the struggle with the poverty to be experienced in this manner.

Revealing the results turned out through this study would ease taking the photos of the changes experienced in the public finance of Turkey in terms of employment tax. The effect of the taxes taken over the fares and the implementations lightening the worker’s tax burden in insurance premium and the employers’ tax burden within the employer’s share on informal employment can be revealed in this way. The tax burden is on the waged fractions and deteriorates the income distribution. In Turkey, a great part of the labour force expenses are paid by the workers and the social security premium incomes have been decreasing and the rate of employment tax has been increasing.

REFERENCES

- Balaban U. & Sarioğlu, E. (2008). “Home-Based Work in Istanbul: Varieties of Organization and Patriarchy (with Esra Sarioğlu)”. *Social Policy Forum*. Istanbul. Retrieved from http://www.spf.boun.edu.tr/docs/HBW_in_Istanbul_Varieties_of_Organi_zation_a_nd_Patriarchy.pdf
- Berkay, F. (2009). *Çeşitli Avrupa Birliği Ülkelerinde ve Türkiye’de İstibdam Üzerindeki Mali Hükümlülüklerin Değerlendirilmesi* [An Analyze of the Fiscal Burden on Employment in European Countries and Turkey] (Unpublished Master’s Thesis). Pamukkale University Social Science Institute: Denizli.
- Boratav, K. (2004). İstanbul ve Anadolu’dan Sınıf Profilleri [Class Profiles from İstanbul and Ankara]. Ankara: İletişim.
- Buğra, A.&Keyder, Ç. (2007). Bir Temel Hak Olarak Vatandaşlık Gelirine Doğru [Towards to Citizenship Income as a Basic Social Right]. İstanbul: İletişim.
- Bulutoğlu, K.(1981). Siyasal Süreçte Reformlar [The Reform in the Political Process]. Vergi Reformları [Tax Reforms].67-76.
- Cihan Express, 2009, April 29.
- DPT (2012). Orta- Vadeli Mali Plan (2012-2014) [MediumTerm Fiscal Programme (2012-2014)] Retrieved from <http://www.bumko.gov.tr/Eklenti/22,ovp2012-2014pdf.pdf?0> (October 13, 2013).
- Erder, S. (2001). İstanbul’a Bir Kent Kondu: Ümraniye [An Urban Settled on İstanbul: Ümraniye]. İstanbul: İletişim.
- Erdut, T. (2005). İşgücü Piyasasında Enformelleşme ve Kadın İşgücü [Informalization in Labour Markets and Women Labour]. Çalışma ve Toplum Dergisi [Work and Society Journal], 6, 11-49.
- Ergüder, B. (2006). Türkiye’de Kadın Emeginin Değişen Yapısı: Enformel Kesimde Kadın Emegi ve Kadın Emegine Talep [The Emerging Structure of Women Labour in Informal Sector and Demand for Women Labour in Turkey] (Unpublished Master’s Thesis). Istanbul University Social Sciences Institute: İstanbul.
- Ergüder, B. (2007). Türkiye’de Kadın Emegine Bakış: Görünmeyen ve Değersiz mi?[A View to Women Labour: Is that invisible and non-valuable?]. S. Kurt (Ed.), Almanac 2006(277-287), SAV Pub.: İstanbul.
- Green, F. (2009). Subjective employment insecurity around the world. Cambridge Journal of Regions, Economy and Society, 2, 343–363.
- Günay, A. (2000) “Türkiye’de Kayıt-dışı Ekonominin Vergi Gelirleri Üzerindeki Etkisi”, (*The Effects of the Unregistered Economy on Tax Incomes*) (Unpublished Master’s Thesis). Dokuz Eylül University Social Science Institute: İzmir.
- Harvey, D. (1984). The Urbanization of Capital. Newyork: Verso Press.

- <http://yoikk.org.tr>. (December 15, 2011).
- <http://selcukozturk.net/tr>. (December 15, 2011).
- http://www.guvenlimalisma.org/index.php?option=com_content&view=category&id=149&Itemid=236 (September 20,2016).
- Işık, O. & Pınarcıoğlu, M. (1996). İstanbul'u Okumak [Reading Istanbul]. Society& Science Journal,71, 6-61.
- İMB (Istanbul Metropolitan Municipality) (2009). *1/100.000 Scaled Environmental Plan of Istanbul*. Retrieved from http://www.ibb.gov.tr/tr-TR/Documents/ISTANBUL_CDP_GENEL_BILGI.pdf
- İnan, F. (2016). *Civil G20 Report*, TEPAV(The Economic Policy Research Foundation on Turkey). Retrieved from <http://www.tepav.org.tr/en>
- Istanbul Directorate of Tax Administration (2011). *İstatistiki Veriler [Statistical Datas]*. Retrieved from <http://www.ivdb.gov.tr>. (December 5, 2011).
- Kayıtdışı İşgücününün Faturası 21.2 Milyar Dolar [The Cost of Unregistered Employment is 21.2 Billion], Retrieved from <http://www.vergiportali.com>.
- Keyder, Ç.(2005). Globalization and Social Exclusion in Istanbul. International Journal of Urban and Regional Research, 29(1), 124-134.
- Kim, S. (2008). Spatial Inequality and Economic Development: Theories, Facts, and Policies (Working Paper No.16). The International Bank For Reconstruction and Development: The World Bank.
- McDowell, L. & Christopherson, S. (2009). Transforming Work: New Forms of Employment And their Regulation. Cambridge Journal of Regions, Economy and Society, 2, 335–342.
- Odman, A. (2008). Shipbuilding "Success" Based on Human Sacrifice. Retrieved from <http://www.bianet.org/english/kategori/english/104881/shipbuilding-success-based-on-human-sacrifice>.
- Papps, K. (2011). “*The Effects of Social Security Taxes and Minimum Wages on Employment: Evidence from Turkey*”, IZA (The Institute for the Study of Labor) Discussion Paper No 6214.
- Social Rights Association (2011). Social Rights Association Report (2011). Retrieved from <http://www.festuerkei.org/media/pdf/Publikationen%20Archiv/Ortak%20Yay%C4%B1mlar/2011/2011%20Sosyal%20Haklar%202011.pdf>
- Sönmez, M. (1994). Grafiklerde 1990’larda İstanbul [Istanbul in 1990’s with Graphics]. İstanbul: İBB Kültür A.Ş.
- Sönmez, M. (2001). 100 Boyutuyla 2000 İstanbul’u [100 Dimensions of 2000’s İstanbul]. İstanbul Journal, 36, 86-93.

- Sönmez, M. (2011). *Kriz Ateşine Karşı Vergide Vur Abalya [In the Heat of Crisis, times of "Hit a Man when he is Down" on taxation]*, Cumhuriyet Newspaper (September 21, 2011).
- TEPAV(2011). İstihdam İzleme Bülteni [Employment Trace Bulletin]. Retrieved from <http://www.tepav.org.tr>.
- The Work Safety and Worker Health Commission (2011). The Work Safety and Worker Health Commission Report. Retrieved from http://www.guvenlicalisma.org/index.php?option=com_content&view=article&id=1471:ekim-ayinda-53-isci-hayatini-kaybetti-142-isci-yaralandi&catid=149:is-cinayetleri-raporlari&Itemid=236
- TURKSTAT (2014a). Karşılaştırmalı Bölgesel İstatistikler 2013 [Comparative Regional Statistics 2013]. Retrieved from <http://www.tuik.gov.tr>.
- TURKSTAT (2014b). Gelir ve Yaşam Koşulları Araştırması [Income and Living Conditions Inquiry], Retrieved from <http://www.tuik.gov.tr>. (September 13, 2016).
- TURKSTAT (2015). İşgücü İstatistikleri [Labour Statistics]. Retrieved from <http://www.tuik.gov.tr>.
- Vogel, L. (2011). *The "Precarian Spring"*. Editorial, Hesamag. 5.

