

TURKEY'S WINDOW OF OPPORTUNITY

Demographic Transition Process and its Consequences



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

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Lebib Yalkın Yayınları ve Basım İşleri A.Ş.

FOREWORD

TÜSİAD (Turkish Industrialists' and Businessmen's Association), which was founded in 1971, according to rules laid down by the Constitution and in the Associations Act, is a non-governmental organisation working for the public interest. Committed to the universal principles of democracy and human rights, together with the freedoms of enterprise, belief and opinion, TÜSİAD tries to foster the development of a social structure which conforms to Atatürk's principles and reforms, and strives to fortify the concept of a democratic civil society and a secular state of law in Turkey, where the government primarily attends to its main functional duties.

TÜSİAD aims at establishing the legal and institutional framework of the market economy and ensuring the application of internationally accepted business ethics. TÜSİAD believes in and works for the idea of integration within the international economic system, by increasing the competitiveness of the Turkish industrial and services sectors, thereby assuring itself of a well-defined and permanent place in the economic arena.

TÜSİAD supports all the policies aimed at the establishment of a liberal economic system which uses human and natural resources more efficiently by means of latest technological innovations and which tries to create the proper conditions for a permanent increase in productivity and quality, thus enhancing competitiveness.

TÜSİAD, in accordance with its mission and in the context of its activities, initiates public debate by communicating its position supported by scientific research on current issues.

"Turkey's window of opportunity: Demographic Transition Process and its Consequences", commissioned by the Board of Directors of TÜSİAD, was written by Prof. Dr. Cem Behar, Doç Dr. Oğuz Işık, Doç Dr. Murat Güvenç Doç. Dr. Sema Erder and Yrd. Doç Dr. Hakan Ercan Prof. Dr. Cem Behar coordinated the project. English version is the extensive summary of the report authentic in Turkish.

TURKEY'S DEMOGRAPHIC WINDOW OF OPPORTUNITY

This report is a call for Turkey to recognise and utilise its coming demographic window of opportunity. **TÜSİAD (Turkish Industrialists' and Businessmen's Association) has, over the recent years, analysed and documented Turkey's transformation as a society** in a series of reports that covered a variety of topics, ranging from democracy to local government; from education to medium-term economic stabilisation policies; from a developmental strategy for the 21st century to the reform of the social security system. The need for structural transformation in Turkey was behind our decision to conduct such policy-oriented research and share their findings with the public at large. However, until now there existed no work indicating that this structural transformation was a "mega" transformation in the sense that it needed to encompass all dimensions of state and society. This report provides, in a sense, the theoretical and empirical grounds for the reports we have prepared and published for the last ten years.

At 75, the Turkish Republic stands at the threshold of a new stage in its development. Population and demographic variables which are the most ponderous, the slowest evolving of all social indicators, provide the clues about the nature of this stage. Population trends and projections indicate that Turkey's demographic transition is almost over. This situation, extremely unusual for Turkey, will have a series of repercussions for a wide array of spheres ranging from the trends in social life to the economy and the political system. In plain words, Turkey's policy choices for the next three to five years will have to be informed by this consideration.

*The rate of growth of the population has slowed down in Turkey and has approached the trends of developed countries. Towards the year 2005, the net renewal rate will fall to 1 and in the long run the population will barely re-produce itself.

*While the share of the young population in total population will fall, the shares of the productive population (15-64 age group) and the aged population as a whole will, for a while, continue to increase.

*As a result, Turkey will face the demographic condition known as the "window of opportunity".

*In order to take advantage of this window of opportunity, quality should take precedence over worries about quantity in development strategies. Turkey will

have to change its order of priorities.

This process of demographic transformation is being realised faster in Turkey than most of the rest of the world. The next twenty-five years thus have the potential to bolster Turkish economic development. The demographic change alters the basic assumptions of economic and social planning in Turkey as well. The "window of opportunity" can be described as a phase of the demographic transition process whereby the steady increase in the supply of the workforce is sustained while there is a precipitous fall in the rate of growth of the population. This presents Turkey with the possibility to accelerate its economic development. During this period when the workforce and the number of households will continue to rise while the population structure remains unchanged, it is possible to increase the per-capita-income rapidly and to provide the same number of citizens with improved services. In other words, its demographic transformation provides Turkey with a new possibility to take her place among developed countries. This was the same type of opportunity that East Asian countries have taken advantage of in the 1970's. However, in order to use this opportunity, the characteristics of the process should be well understood and correct policies should be devised and implemented.

While Asian countries managed to undergo rapid economic growth in the 70's, because they took advantage of this opportunity, principles like transparency, the rule of law, and democracy, which have been identified among the fundamental determinants of development in the 21st century, were truly embraced by them only as a result of the deep crisis they have experienced recently. These sensitivities have been on the rise within Turkish society for a long time, in spite of the country's existing problems. This suggests that, if Turkey takes advantage of the window of opportunity, her development process will also include the factors of transparency, rule of law, and democracy. What is incumbent upon the political leadership is the formation of the economic and administrative /political structures that can respond to the call for good governance coming from civil society.

The problems that will arise as a consequence of rapid development on the path to becoming a developed country will definitely be different from those problems that we have hitherto been dealing with. This situation points to the imperative of building qualitatively different, new economic and social organisations. It is very obvious that Turkey, in the first quarter of the next century, will have to confront new problems simultaneously with its old troubles. This, in turn, requires not only a complete change in the mentality of state administration, but at the same

time the diversification of and increase in the social roles of NGO's.

The new trends that will become clearer in the course of the next twenty-five years are not only extensions of those in the past, or different versions of old problems. Those problems that will arise in the process of becoming a developed country can no longer be solved by a growth oriented approach peculiar to developing countries. A profound mental change regarding quantitative measurements needs to take place. The trends of the next 25 years encourage a move away from the idea that economic growth and social developments can only be attained with quantitative increases in investment, schools, factories, highways, dams, etc., and that progress is primarily dependent on these numerical indicators. "Growth" will no longer be the basic issue in Turkey, quality of life will. Turkey is henceforth obliged to provide a "better" and a higher "quality" of life to its citizens just as in Europe and the USA.

This report identifies the fundamental development dynamics of the near future. Looking ahead twenty-five years from now (the centennial of the republic), Turkey will have to set its targets right, employ appropriate strategies, and apply correct policies if it wants to be a member of the developed countries' club. TÜSIAD hopes to shed some light on the path to Turkish structural change with this report. The customs union with the European Union offers Turkey a great advantage for joining the richest club of core countries. On the other hand, the enlargement process of the European Union and the Mediterranean free trade region project will act against this advantageous position. Unless Turkey deepens its relations with the EU, which is an economic powerhouse, and unless she achieves the economic, legal, administrative and political standards that underpin the conditions of membership in the EU and that are indispensable for the development of Turkey, she will move away from the center and relegate itself to the status of a peripheral country.

As mentioned above, Turkey is a later convert to the market economy model than the countries of Southeast Asia that has taken advantage of their demographic window of opportunity at an earlier period. Yet, notwithstanding its deficiencies, she has also been able to keep her democracy alive. The consolidation of democracy, the indisputable acceptance of the rule of law, consensual politics, an increase in the influence of NGOs in setting the agenda of the country, and the proliferation of grass roots organisations will provide the required social context for taking advantage of the window of opportunity. On the other hand, an increase in social tensions during this period can hinder the realisation of this opportunity. When

Turkey completes its economic restructuring, and improves the quality of its human capital, furthers its process of democratisation, secures the independence of the judiciary, respects human rights, and civil rights, it will undoubtedly to be positioned among the core countries of the world.

This report reveals that the next decade is very critical. If existing trends and policies continue, unemployment will reach its peak in the year 2010, the problems of the social security system and regional imbalances will also reach an unsustainable level. At the same time, this very same period contains the potential for solutions as well: family size will get smaller, the number of households will increase and will boost consumption (especially of consumer durables and personal services) which, in turn, should increase production and should reduce unemployment. The dynamics of industrialization draw attention to an important potential increase of production in the food, machinery, metal goods and petro-chemical industries as well. The textiles industry will also perform well despite its dwindling importance. Anticipated urban and regional dynamics point to vigorous activity in the construction industry in fields like infrastructure, maintenance-repair and public buildings. This increase in demand can absorb the above-mentioned rise in unemployment by stimulating production. Furthermore, Turkey may solve the problem in its social security system relatively easily, thanks to the diminishing ratio of dependents. Completion of the Southeastern Anatolia project (better known by its Turkish acronym, GAP) may be an important step towards solving the problem of regional inequality. In addition to other fields, qualitative change in all stages of education, in local governments, technology and manpower utilization, social security, urbanization, regional development, and social services becomes imperative. Some policies necessitated by this change are as follows:

- **Economic system should be restructured according to the imperatives of globalization:** Locomotive sectors should be the ones that use skilled labor and have high productivity.

- **Regional policies should be targeted so as to reduce income inequality:** Southeastern Anatolia Project concept should be enlarged to encompass both the economic and social dimensions with active participation of non-governmental organizations (NGO's).

- **Local governments should have freer hands in managing their own affairs.** Turkey should be freed of its traditional centrist approach to governing,

- **Education, quality education, skill imparting education for all.** A quality in education to meet the needs of the modern world should be targeted in every aspect.

- **Social safety nets for the aged and the unemployed.** Social policies for the maintenance of social peace should be emphasized.

- **Flexible labor markets.** Productivity is the goal. Turkey should be nimble in meeting global challenges

TÜSIAD is already working towards developing original policy proposals on these topics, which we have listed under these main titles. These issues should be taken to the top of the agenda by governments, political parties, and other NGOs. As the knowledge and consciousness of the public about these issues increase, it would be easier to generate the consensus that is necessary to reach our aims. We hope that this report will draw the attention of the public to the critical nature of the period that we are entering that will last approximately a quarter of a century. We also expect that it will contribute to the way the society approaches and appreciates this momentous opportunity for development.

TÜSIAD Board of Directors
January 14th, 1999

BRIEF WORDS ON THE AUTHORS

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Dr. Ümit İzmen of TÜSİAD was essential in the formation of this report, and Soli Özel, also of TÜSİAD, has frequently contributed with comments.

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INTRODUCTION

Problems and Opportunities on the Horizon of Turkey in 2030

Turkey celebrated the 75th anniversary of the Republic in 1998. The extraordinary differences between Turkey in 1923 and Turkey in 1998 thus became apparent once more. It is now necessary to assess the point arrived at in 75 years and to prepare for the centennial.

During the past seventy-five years, the Republic of Turkey has struggled with various problems in the political, economic and social spheres to the best of her ability. The barriers overcome and the level of progress and development attained within this time can not be underestimated. In particular, Turkey has been able to rise above the countries in her surrounding geography, and despite her continuing problems, managed to lay the foundations for a pluralistic political structure and a market economy. The pace of change will be accelerating in the future. Turkey will face new, different and sometimes unexpected challenges in political, economic and social fields. The problems we will be facing from now on, will neither be merely extensions of those in the past nor new versions of old problems.

As can be seen from this report, many of the problems that are to emerge in the next 25 years will surface in an unexpected way, **and will be problems that Turkey is not accustomed to face.** Some of the new problems are; an aging population and its demographic consequences, the potential for our cities and regions to develop in unbalanced ways and the social tensions created thereby, and the emergence of critical turning points regarding industrialisation strategies and employment issues. In order to overcome such challenges, we will have to abandon our habitual ways of thinking about issues. Most importantly, we need to get away from our fixation with quantity. It is time to abandon the notion that economic growth and social development can only be achieved through quantitative leaps; that is, the amount of investments made, the number of schools, factories, highways, dams, etc. being constructed.

Today, the emphasis has shifted from quantity to quality. This report clearly discloses that the economic, social, regional and demographic foundations necessary for the transition from emphasis on quantity to emphasis on quality have now been set up. The need for change where emphasis is placed on quality in all stages of the education system, in local government, technology, the nature of the workforce, social services and budget policy is obvious.

The conditions in Turkey and the world in general prevent the solution of future problems with today's instruments. It therefore seems impossible to generate solutions to problems that **Turkey will face with the present political and administrative structuring. Turkey will not be able to overcome her future problems by staying within the bounds of a bureaucratic, statist and developmentalist mentality.** This type of approach to issues will not only prove insufficient to meet change-oriented demand, but will also become a problem in itself.

On the other hand, the fact that the problems mentioned above carry different and sometimes surprising characteristics should not be viewed with pessimism. Instead, each economic and social challenge that Turkey will face can be perceived as a new opportunity, provided that long term measures to address these can be provided.

We observed that the significant long-term consequences of new opportunities brought on by a changing demographic structure as well as the problems created by it have not yet made inroads to public consciousness. This field has not yet gone through a comprehensive academic evaluation.

We must be ready to meet and discuss these problems publicly. This report aims to contribute to the emergence of Turkey from a critical period of transformation, with an altered and transformed structure, and as a country that has managed to reposition herself in the coming century.

The first section of this report titled "Demographic Transition and Its Consequences" has been written by Prof. Cem Behar, the second section titled "Urbanisation: New Problems, New Opportunities" by Assoc.Prof. Oğuz Işık, the subsection of this section titled "Change in the Industrial Geography of Turkey" by Assoc.Prof. Murat Güvenç, "Cities and Social Life" by Prof. Sema Erder, and the last section on Employment and Unemployment by Asst. Prof. Hakan Ercan. Prof. Cem Behar has also undertaken the task of coordinating the research team.

The writers owe thanks to the Deputy Secretary General of TÜSİAD, Dr. Ümit İzmen, who has taken part in meetings and discussions, during the preparation of this report. Dr. İzmen has made important contributions to the editing and integrity of this work as well. Thanks are also due to Soli Özel, Consultant to the President of TÜSİAD who has contributed to the writing of the report with his comments.

SUMMARY

Back in 1923, one could not have foreseen the conditions prevailing in Turkey in 1998. Similarly, it does not seem easy to make definitive predictions for the next 25 years, that is, for the year 2023. However, on the way to the 100th anniversary of the Republic, there are already several clues on problems that we may expect to encounter.

The record of achievement and accumulation of information in various fields facilitates the diagnosis of basic trends towards the future and to utilise them as instruments for estimating, as bases for projections. One can thus make critical and vital predictions on population and demographic transition, urbanisation and urban life, industrialisation, employment and unemployment for the next 25 years.

At this point it is also important to underline the fact that these areas of study were not chosen at random. Population and demographic variables are the most slowly evolving of all social indicators. Projections for the next 25 years that involve a low margin of error are therefore possible. Urbanisation, geographical distribution of industries, sociological structures of cities, the supply of labor and employment are also fields, which undergo a slow pattern of change.

It is therefore possible to link fields like urban sociology, urban and regional change patterns, with geographical distribution of industry, supply of labor and labor markets, which also undergo change at a very slow, pace. As basic characteristics of a society are formed by tendencies emerging in these areas, policy makers should formulate their medium- and short- term policies by taking these long-term changes as their starting point.

Today, the necessity for a series of structural reforms ranging from education to foreign policy, from the social security system to the legal system, from regional development to energy, from economic development to the political system, from local government to budget policy, is obvious. The change Turkey is to experience in the long run should be taken into consideration before policies are implemented, even though their application and outcome will take years to take effect.

The topics dealt with in this report should be examined within the framework of the opportunities they exhibit and the problems they may engender. In that way, they will serve as a guide towards structural change in Turkey.

We can sum up the new problems and opportunities in these fields as follows:

1. "Demographic Transition" and Its Consequences

When the Republic was founded in 1923, the population of Turkey was approximately 14 million. Today Turkey's population is about 63 million and it is expected to reach 88 million in 2025. This should not be considered a very high growth rate when compared to countries with a similar level of development. Furthermore, fertility in Turkey has fallen rapidly in the last twenty-five years and will soon decrease to replacement level.

This change does not owe much to the population control policies followed in the past. Just as the population policy between 1923-65 did not result in a rapid increase of the population, population policy after 1965 has not been the cause for the fall in the rate of growth either. If the fertility rate has registered a rapid decrease in recent years, the reasons for this should not be attributed to the actions and policies of the state, but to the fact that social and economic conditions have driven couples to have fewer children.

The **demographic transition** in Turkey is almost complete. Demographic transition is the general name given to a process whereby high fertility and high death rates give way to a conscious control of the birth rate and a decline in the death rate.

The first and most important indicator is the fact that birth rates have fallen considerably in Turkey. Turkey has squeezed into 40-50 years the kind of demographic transition that many European countries took a century to finish. Birth rates in Turkey have fallen fast within the last 25 years. The Total Fertility Rate, that is, roughly the number of children per woman which was 6.9 during the years 1945-50 has fallen to 2.7 in 1993. This rate, which is estimated to have fallen below 2.5 in 1998 is predicted to come down to 2.0 in the year 2010, which means that the population will barely be able to renew itself.

In short, the period which saw a fast population increase has been left behind. A reversal of this downward trend of the past 20 years is not possible. The annual growth rate of 1.4 percent at present will fall down to 0.8 percent or, under in the next 25 years, and to zero nearing the year 2050. The population of Turkey is expected to stabilise at around 95 million by the middle of the 21st century. **That is, the idea that Turkey's population will reach 100 million will probably never be materialised.** It is even possible that the rate of the population growth will be negative after 2050.

The age structure of the population will also change rapidly with the decline in the rate of growth.

There will not be a numerical increase in the "young population" in Turkey for the next quarter of a century. While fertility rates fall, the young population will become numerically constant. The share of the population below 20 in the total will decline. **That is, in the long run, Turkey will cease to be a country with a young population.**

Both the number and the share within the total population of those over 65 will increase at an extraordinary rate in the next 20-30 years. In 1990, the number of those over 65 was equal to 4.5 percent of total population whereas in 2025 this ratio will have increased twofold, to 9 percent.

The issue of an aging population is a demographic problem that Turkey has never faced until today. Turkey has always had a rapidly increasing, young demographic structure, increasingly requiring more schooling facilities, universities and housing. Ideas and solutions were always built on the logic of catching up with the rate of growth. This demographic structure to which Turkey has become accustomed to will entirely change in the coming 20-25 years.

The opportunity presented by this demographic development is the possibility of a rise in the national per capita income as population growth slows down. However, demographic change also brings forth some important problems. At the forefront is the aging population of Turkey. The requirements of a young population are very different from the priorities of an aging population with respect to age distribution. This difference should be taken into account and policies in various fields such as primary, secondary and higher education, health and social security should be adjusted accordingly.

Furthermore, the population between the ages of 20-65, that is, the potential labor supply, will increase in the next quarter of a century. If employment possibilities can be provided for this population and the quality of the workforce can be increased, the performance of the economy could greatly improve. Taking advantage of this chance during the demographic transition is called the "window of opportunity".

It will prove useful to list some consequences of and make some concrete proposals with respect to the policies to be applied in the face of this basic demographic change.

1. The problem of an aging population is a wholly new demographic problem for Turkey.

*The rapidly increasing mass of an aging population could cause the already handicapped social security system to collapse entirely. Old age insurance and retirement fund reforms should therefore be promptly put into place.

*The age of retirement must be revised in line with Turkey's new demographic structure. The fact that the population of an active age will continue to grow during the next 20-25 years creates a suitable milieu to undertake radical reform in the social security system.

*Furthermore, the health system and health institutions should be restructured in accordance with the new situation to be able to cater to an aging population.

*Taking into account that the need for housing and homes for the elderly will increase with time, construction for these purposes should be encouraged. This will increase the pressure on the finances of social security institutions. The issue of private insurance should therefore be taken up once again and the experiences of developed countries in this area should be examined carefully.

*The necessity to meet the personal and social requirements of an aging population will cause the service sector to develop and expand in this area.

2. The fact that the Young Population will cease to grow numerically and then diminish in size will be the source of another change.

*The number of children born in Turkey every year has more or less stayed constant since 1990. That is, the problem in primary education has now ceased to be a problem of numbers.

*The total number of primary schools in Turkey is sufficient. The real problem in primary education from now on is raising the quality of education and equalising regional distribution of education opportunities. The priorities to be considered should be the **location** of primary schools and a rise in the quality of teachers and equipment.

*The situation in **higher education** is not so different. From 2000 onwards, the numbers of university candidates will initially stabilise and then gradually decrease.

*The demand for university education is less dependent on demographic factors compared to primary education. Therefore, while the general demand for uni-

versity education will not stabilise, the number of those receiving university education will be determined more by the opportunities presented by university education and **the quality and the standard** of universities, than demographic data.

*While the rate of growth of the population is in decline in Turkey, the number of households will keep rising. If the pattern of consumption and demand for durable consumer goods are taken into account, this will have a stimulating effect on economic growth.

2. Urbanisation: New Problems, New Opportunities

Turkey has come a long way in urbanisation. The urban population numerically surpassed the rural population at the end of the 1980's, and since then, the rural population has been falling in numbers not just proportionally, but also in absolute terms.

The high urbanisation rate of Turkey has started to slow down since 1990. In the 1990's, the population of Turkey fell below 2 percent for the first time ever, while urban population increase has been below 3 percent.

It is impossible for Turkey to overcome the urbanisation problems that she has encountered in the 1990's and which will probably continue in the coming periods, with the methods that were developed in the 50's and the 60's.

The ratio of the urban to total population in Turkey has gone up to 65 percent in 1997 from 25 percent in 1945. Since 1980, the rural population declined to 22 million from 25 million, and urban population increased from 20 million to 41 million.

There are five cities with a population of over one million in Turkey: İstanbul, Ankara, İzmir, Adana and Bursa. The share of these cities in the total urban population is 39.4 percent. However, the population growth rates of Ankara and İzmir have lately been declining. Furthermore, the number of provinces that have experienced a decline in their populations between the years 1990-97 is 26. The population loss of provinces in the Black Sea and eastern Anatolian regions continue. Here, attention should be drawn to the fact that the urbanisation process in Turkey is closely related to large regional imbalances.

The urbanisation dynamics of 1980 and beyond are very different from those of the 1950's and 1960's. The phenomenon that most clearly displays the difference between these dynamics is the phenomenon of shantytowns. Both functionally and

materially there are great differences between the shanties of today and the shanties at the beginning of the rapid urbanisation period.

The shanties that the users built to own a place themselves and their families in the city have with time turned into an instrument of speculation. Shanties were built to be able to seize the land for its value. The shanties of today have turned into multi-storey illegal buildings that have nothing to do with the original settlers. The aim is no longer just to find a place to live in urban areas. Accordingly, the population living in shantytowns displays a great social differentiation.

With this shift in their nature, the shantytown ceased being an instrument that integrates the immigrant with the city. Instead, this process has become tense and **alienating** by nature. Some problems and opportunities that are present in the urbanisation process are as follows:

*The share of the urban population in the total population will continue to increase. It is estimated that the ratio of the urban population will rise from 65 percent to 85 percent in the next 25 years.

*One of the most important characteristics of the cities dubbed as "Anatolian Tigers" is the fact that they have started a rapid development process by utilising the advantages provided by an abundant and cheap workforce. Yet relying on this advantage alone in trying to establish global connections means to accept the status of a "peripheral country" in the long run.

*Some cities and provinces seem to have entered an irreversible process of decline. While urbanisation gives rise to the problem of big cities, it also brings along the problem of "lost areas". For these provinces the planning of their decline carries considerable importance. This is an unfamiliar challenge for the Turkish economy, which has hitherto been oriented towards growth.

*Regional differences in development can be overcome if new jobs are planned and put into effect in these cities and provinces.

*Ankara is one of the many cities that must be re-planned and must have its role redefined. The share and the relative importance of Ankara are diminishing with respect to other major cities. This is as a consequence of the decrease in the relative rate of growth of its population and the exodus of businesses to İstanbul and other central Anatolian cities.

*The structure of local governments and regional administrative bodies in

Turkey do not possess the flexibility that is necessary to confront rapidly changing global relations.

*The eastern and southeastern regions are increasingly falling behind Turkey's average regarding population, economic development, etc. This can be attributed to the extraordinary conditions present in the south east, among other factors. However, developments like GAP (Southeastern Anatolia Project), have the potential to reverse this process. In the future this region can emerge as a prominent center of development in both agriculture and tourism.

*The slowdown of urban growth, the extinction of old type shantytown formations with time and the need for the construction-restoration of old buildings necessitates a wide-scale restructuring of the construction and real estate industries, in particular.

3. Cities and Social Life

While urbanisation in Turkey, generated a change in city life and its values, especially since the 1980's it also brought along different sociological developments and problems.

One of the reasons behind the problems that big cities face today is the fact that the approach to urban governance has not changed since the 1950's. The actual public urban governance system is therefore more in line with the traditional social structure, a smaller population and a relatively low degree of urbanisation. The population pile up in large cities came as a consequence of the inability of the existing institutional regulations to keep up with rapid growth. The institutional infrastructure was unable to ease urban integration in the sociological sense. This resulted in a patchwork like appearance of the political/social/cultural aspects of large cities in particular. The various "communities" and informal solidarity groups which have formed as a consequence of rapid and uncontrolled immigration have become sources of political and social tension. **While some cities are getting ever more crowded, the erosion of traditional support mechanisms, the lack of change in social policies, and the inability of modern "support" mechanisms to operate, have brought social tensions to disturbing levels and prepared the ground for a social milieu where values of communal groupings will reign.**

If these budding sociological problems are overcome, social life in cities will be positively affected. The shift to decentralisation in local governance will be an

important contribution to the democratisation process of Turkey as it will allow for grassroots organisation. The education of the second-generation shantytown youth and their integration to city life, the improvement of the quality of life in the shantytown districts will not only reduce tensions but also may heighten social consciousness and encourage participation in urban life.

The family, the most important basic institution of traditional and communal societies, preserves its importance partly through the policies of the state. However the type of "nuclear family" now dominant in Turkey, aside from the functions of the "nuclear family" in organised societies, is overloaded with new functions. Familial and citizenship relations bring together groups that are similar to each other, on cultural, ethnic or religious bases, and thus intensify informal networks. These networks which are becoming widespread in urban areas differ significantly from both familial and kinship relations that are valid in intra-familial relations of private life and/or the traditional networks observed in rural areas.

The decrease in public resources allocated to health, education, social security and social services has further reduced the **quality of life** in big cities and especially in **shantytown areas**. The share of health and education expenditures in the national budget has fallen from 23.6 percent in 1992 to 14.3 percent in 1997 and to 11 percent in 1998 (Even if we subtract interest payments from the budget, the ratios during this period have fallen from 29 percent to 20.4 in 1997 and to 18.4 percent in 1998).

One of the consequences of new global trends is an increasing level of polarisation in almost all societies. Absent institutional interventions, this polarisation will increase tensions in our society and thus result in the strengthening of conservative/communal or radical tendencies.

Among low-income groups in particular, the pressure of family and kinship ties will reach unbearable levels. On the other hand, ethnic, cultural or religious solidarity groups will grow stronger and become introverted. It is not hard to foresee the various political problems that will arise as a consequence.

The implementation of the necessary institutional regulations for the health, education and socialisation of children and youth will prove to be one of the most important instruments in reducing tensions. In this context, commercial enterprises that are able to play a constructive role can assume as much responsibility as NGOs.

The experience of a long and intense urbanisation process has also led to the emergence of "communal" type organisations. Notable in this context is the emergence of "Sunni" and "Alevi" communities and "Kurdish" identities, whose members feel that they face discrimination. In some cases, there exists a certain degree of overlap between these identities. The difficulties experienced in discussing the matter of cultural identities openly, hinder the generation of solutions to these issues. Changes in urban policies and steps towards further democratisation in political life can weaken the influence of these communal type organisations.

Another important problem to emerge in this respect is related to the opportunities the second-generation shantytown youth will face in their lives. The void stemming from the collapse of apprenticeship institutions that provided training for school drop outs from the formal education system, as a consequence of new technologies and the pressures of over-population, has not been sufficiently filled up by formal educational institutions. The fact that the status of the second generation children and youth raised up in the tense environment of the shanties will be different from that of their families who were of rural origin, and that the nature of their identity problem will be different, should be given utmost consideration.

As a matter of fact, the solution of problems relating to children and the youth has been left to the discretion of families in general. The burden of families is already too heavy, and quality services designed for young people living in these areas have not been forthcoming.

On the other hand, the question of an "aging population" which Turkey will face soon has not received the attention it deserves. The common belief is that this problem is dealt with in the context of family and kinship relations. However, the scope that the problem will reach in a number of years indicates that kinship ties cannot be a solution. Public opinion should be informed so that the problem is not perceived to be confined to old people who are without a family, live alone or who are abandoned. Improvements in the pension system will undoubtedly not suffice to overcome this problem by themselves. Private and professional institutions catering to this age group should be developed as soon as possible.

4. The Changing Industrial Geography of Turkey

Turkey has covered considerable ground in the process of industrialisation. However, regionally or between sectors, there are glaring imbalances. The industrial landscape of Turkey exhibits images that are unexpected and partially worry-

ing, in direct contrast to those foreseen by the development plans. It is susceptible to considerable change in the next few decades. There are interesting parallels between the demographic process and the process shaping economic landscape in the long run. A prominent indicator that discloses these parallels is the Electricity Distribution and Consumption Statistics by provinces.

The shifts in the shares of commercial, residential and industrial consumption of electricity in provinces and future-oriented projections of consumption patterns provide significant clues on the relative development levels of various provinces and regions of Turkey and the population pressure they will be exposed to. Both the developments between 1983-96 and the expectations for the next period indicate that the economic and industrial landscape of Turkey is not developing in a "balanced" manner.

For example, an analysis of the period 1983-96 shows that Adana is losing the economic importance it enjoyed in the previous period, while Hatay, Gaziantep and Şanlıurfa are among the "rising" provinces. The four provinces in the north east of Turkey (Erzurum, Kars, Artvin, and Ağrı) are rapidly losing their former prominence. The peripheral neighbouring provinces of İstanbul (Tekirdağ, Kocaeli, Sakarya, Kırklareli) are experiencing increases in their share in industry in proportion to their population.

None of the provinces to the east of the "development corridor" from Şanlıurfa to Sivas have increased their share in the use of industrial electricity during this period. Provinces like Maraş and Malatya seem to have taken over the lively activity that Adana has lost. As for provinces like Zonguldak, Samsun, Erzurum, and Kütahya, a loss in their economic importance can be observed.

Furthermore, our projection reveals the effects these trends will have by 2010, if policies do not change. It is estimated that, the line that separates the developed and under-developed provinces may shift to the east of Şanlıurfa, because of the effect of GAP. The GAP Project has the potential to play a key role in the integration of the region with the Turkish economy in the long run, as it will give rise to an increase in agricultural activity, in agriculture-related industries and in the tourism sector.

These projections show that in the decades to come, industry will be concentrated in certain areas; the Aegean and the Mediterranean coastline will continue to experience lively economic activity whereas many provinces and localities, in particular the eastern Anatolia and the eastern Black Sea regions will become "wreck-

age areas", at least with respect to their relative economic importance.

The projections show that measures should be taken to stop the deepening of regional imbalances. Plans should be made that assign new functions to those provinces that are experiencing a decline in their relative importance.

However, migration to economically strong provinces cannot be prevented and big cities like İstanbul, Izmir and Bursa, are bound to be exposed to the pressures of migration in the next few decades. The transition to a stable population structure may not provide relief to their population problems in the short run.

5. Labour and Unemployment in Turkey: 1998-2023

We have already defined the window of opportunity of Turkey. The increase in the level and share of potentially active population might be put to good use in Turkey as was done in Asia in the 1960's and 1970's. Asian countries utilized their window of opportunity by concurrent policies aiming at educational and technological improvements. Critical points in the Turkish case will appear to be the quality of its workforce (its education level), agricultural subsidies holding 45% of the population in low productivity agricultural activities, and technological diffusion in the industrial sector. Main findings may be stated as follows:

Turkey will have to increase its human capital levels. Otherwise there may not be productivity gains in any sector. Worker productivity increase is the prerequisite for employment to shift from low productivity sectors, which should result in an improvement in living standards.

Globalization dictates that goods, capital, services, and to a more limited extent labor are free flowing between borders. Turkey is locked into industries in which it increases its production not by increasing worker productivity but the level of labor input. This is exactly the wrong way to go through its window of opportunity in the 21st century. The advantage derived from cheap labor will soon erode.

Turkey's revealed comparative advantage in textiles and apparel is expected to continue in the near future at a decreasing rate. Unless Turkey can utilize the soon to be surplus labor from these industries in higher value added (high technology) sectors, the outlook is bleak. Petro-chemicals is poised to be the rising sector in the economy, given the recent developments in the former Soviet republics of Caucasia and Central Asia that are oil-rich and offer attractive investment opportunities.

Agricultural subsidies lock a good fraction of the working population in low productivity agriculture. Employment growth in non-agricultural sectors is thus impeded. Agricultural productivity needs to go up both to contribute to the increase in resources and to free labor to meet the demand in non-agricultural activities.

The tendency is slowly but surely in favor of dissolving rural employment and of increased female labor force participation rates (LFPR). Turkey has reached the bottom of the typical U-shape curve of female LFPR and it will swing upward, initially exacerbating its unemployment problem. The reason is that agricultural unpaid family workers will initially drop out of labor force in the cities as they migrate. Later on, though, a rising number of them, as they become educated, will participate in the workforce. This will be true both of young males and females. Current non-agricultural employment growth rates will not be sufficient to absorb this surplus. We expect this problem to reach its peak by 2010, at 30% female unemployment rate. This figure is already the equivalent of present urban young female unemployment, so we think that our forecasts are reasonable. Most of this increased participation will be absorbed by the low-paying service sector. Turkey will not be able to escape the low unemployment-low wage vs. high unemployment-higher wage dilemma that the rest of the world struggles with as well. Its unions presently gear themselves to fight for the latter outcome.

The major impediment standing in the way of higher real wages in Turkey is the slow increase in non-agricultural employment. We could consider this the main cause if Turkey misses its window of opportunity.

CHAPTER

AN OVERVIEW OF
TURKEY'S POPULATION

An Overview of Turkey's Population

1.1 Turkey's Population till Mid-21th Century

Fertility in Turkey has drastically declined over the last two decades. This process, which extended over a whole century in Europe, took no more than three or four decades in Turkey. Turkey has reached the last phases of the global demographic change process, which is known as "Demographic Transition".

At this stage fertility has declined a great deal and has very much approached the level at which one generation will barely replace another. There are still inter-regional disparities which, however, tend to disappear in the course of time. Furthermore, over the last two decades, the rapid decline of fertility rates has been observed nation-wide, without being confined to the cities or to the western parts of the country.

The latest projections on the population of Turkey were made and published in 1994 by the Population and Demographic Analyses of the State Institute of Statistics, with the contribution of Dr Fred Shorter to whom demographic research in Turkey owes much. These are the technically best projections and estimates among all population projections ever made in Turkey and, in our view, they have the highest chance of realisation.

Like with all other consistent population projections, the likelihood of accuracy of these estimates diminishes as the projection period lengthens. For example, the likelihood of realisation of the population figures for 2010 is greater than the figures for the year 2025 and the likelihood of realisation of the latter greater than those for the year 2050.

The point Turkey has reached demographically can be expressed as follows: **Turkey has now left behind the period of rapid population growth** and the annual population growth rate will definitely continue to decline further.

The reversal of the trend of the last two decades, that is a re-acceleration of the population growth, is impossible. No set of policies or measures can induce the population of Turkey to increase at a faster pace from now on. The general trend of the past few decades cannot be reversed. Even if policies aimed at increasing population are attempted, the Turkish people will no longer accept or adopt them.

The re-emergence of a new trend of significant increase in fertility has never been observed in any of the European countries that have completed their demo-

graphic transition (or in the Far Eastern countries such as Japan or South Korea).

The rate of growth of the population of the Republic of Turkey will drop to very low levels in the early 21st century, and, in the course of time, may even fall to zero or to negative values.

1.1.1 1994 Population Projections of the State Institute of Statistics

These projections have been built on four alternatives. The first two alternatives are related to the decline of fertility and how fast this decline will take place. The first of these assumes that the Net Replacement Rate (ie. roughly, the rate at which one generation will replace another) will drop to 1.00 in the year 2004 while the second assumes that the level of 1.00 will only be reached in the year 2005.

A Net Replacement Rate of 1.00 means roughly that there will be approximately 2.05 children per woman, hence the population will be able to hardly renew itself in the long run and that growth rate will decline to zero in the course of time. That is to say, these projections envisage that the population of the Republic of Turkey will in any case be stabilised. A look at the European countries that have completed their demographic transition process shows that this is not an unrealistic assumption.

However, the decline of fertility to 2.05 and the fall of population growth to zero will not take place concurrently. Every population has an accumulated growth potential, or a momentum. The time lag between the two (the decline of Net Replacement Rate to 2.05 and of the growth rate to zero) will change depending on the age and sex structure of the population of the country at the time of projection. For example, if the Net Replacement Rate in Turkey declines to 1.00 in the year 2005, Turkey's population will be stabilised only towards the year 2070.

The other two alternatives of the projections are related to net international immigration. According to the first variant, net international migration will be zero during the period; in other words, international migration to and from Turkey will offset each other. The second variant relating to international migration is that every five-year period from 1990 to 2015 will generate a net positive migration balance of 80,000, 60,000, 40,000 and 20,000 respectively.

Hence there are four types of projections, which are combinations of the two fertility assumptions with the two international migration assumptions. However, as already stated, the difference between these projection alternatives is relatively lit-

tle because the fertility decline in Turkey will be lower in relative terms, and Turkey is not likely to receive much net international migration.

For example, according to the highest-figure alternative (ie. Net Replacement Rate falling to 1.00 as late as in the year 2005 and net international migration to Turkey being positive) in the population projection for the year 2000, Turkey's population would be 66,835,000. According to the lowest-figure alternative (ie. NRL falling to 1.00 in the year 2000 and no net international migration), Turkey's population would be 65,510,000 in the same year. The difference between the two is merely 2%.

In projections with alternatives, projection results diverge in the course of time. However, this divergence does not take on significant dimensions in the population forecast for Turkey.

Even if the projection results for years far ahead the year 2000 are considered, the divergence between the two extreme alternatives does not get much bigger. The difference between the two extreme projections for the year 2070 is as low as 3.8%. The lowest forecast for that year is 95.5 million and the highest 99 million. That is to say, the divergence is not much even in a projection made for the time 70 years ahead.

Therefore, choosing any one of the four existing alternatives as the basis of our interpretation will not present significant problems. The tables below are based on the highest-figure population estimate (ie. the Net Replacement Rate falling to 1.00 as late as in the year 2005 and some net international migration to Turkey). That part of these projections which extend until the year 2010 can be said to be almost definitely realisable. However, long-run trends can change if unexpected political developments take place. Even such changes can have a very limited effect on the population of Turkey over the next half a century.

Migration or mortality trends cannot be expected to be reversed drastically. The only exception to this is associated with the level which fertility will attain. If fertility rate continues to exhibit a downward trend so that it drops under a level that would merely allow the self-renewal of population, as is already the case with many European countries, then the process of ageing of the population of Turkey will accelerate and the number of both youth and of producers will tend to decrease after some time.

1.1.2 Projection Results and Interpretations

The following tables 1.1 and 1.2 give the size and age composition of the population of Turkey until the year 2025, under these assumptions.

The population of Turkey will continue to increase for some time due to the momentum and growth potential provided by the young population structure. The total size of population is likely to be stabilised at around 95 million (within a margin of error of 3 million) towards the mid 21st century. Even if this situation of higher population growth holds true and there is net international migration to our country during this period, our population is expected to be stabilised at 99 million towards the year 2070. In fact, this seems to be the maximum figure Turkey's population can reach.

In other words, the dream of "the Turkey of 100 million" will probably never come true. This process, which is called "demographic transition", will be completed when Turkey's population becomes almost stabilised and the age composition of the young population tends to become fixed. In far more advanced stages, it seems also possible, at least theoretically, that Turkey's population can begin to decline.

With **the size of population** tending to stabilise during the first quarter of the 21st century, the structure of the Turkish population will rapidly change. The consequences of this structural change are in fact far more important than the consequences of a mere stabilisation of the size of population.

The sizes of the major age groups are shown in Table 1.1, and their shares within the total population in Table 1.2

Table 1.1

Population of selected age groups (1000 persons)

	1990	2000	2010	2020	2025
0-4	6610	6586	6640	6668	6651
5-14	13328	13149	13175	13278	13304
20-24	5181	6612	6611	6552	6539
15-64	34022	43440	51808	57994	60140
65+	2243	3659	4655	6494	7919
TOTAL	56203	66834	76278	84434	88014

Source: State Institute of Statistics (1994)

A look at both absolute population figures and relative shares of age groups readily reveals an important development that will take place during the period from 1990 to 2025. We will analyse these and their consequences.

"Young population" will not increase during the next 30 years.

Those who are under 15 or 20 are traditionally called young or "dependent" population. The size of population of those under 15 is estimated to stay around twenty million over the next twenty-five years. Since the total size of population will continue to increase for some time further, the relative share of those fewer than 15 will steadily decline.

The share of young population within the total population of Turkey will progressively decrease over the future decades. (See Table 1.2). As fertility rate declines, the number of new-borns (aged 0) joining the population every year will relatively decline. The bottom of the population pyramid, or its base, will contract gradually. Therefore, the share of the population of the 0 to 15 age bracket within the total will decline from the present 31% or 32% to 22% in the year 2025 because birth rates constantly decline.

After the year 2025 and as long as birth rates remain low, the young population in Turkey can begin to decline in relative as well as absolute terms. That is to say, there is the possibility that the size of the population of those under 15 years of age may fall below 20 million, though at a slow pace. In other words, **Turkey will in the long run cease to be a country with a young population.**

The size of "adult population" will constantly increase during the next three decades. The population from 15 (sometimes 20) to 65 years of age is called adult population. This age group includes potentially active labour force. But potential high school and university students are also included.

Total size of this adult population will constantly increase in Turkey until the year 2025. This is natural because overwhelming majority of those included in that age group were born at a time when fertility did not decline rapidly. Therefore, they belong to the baby boom generation. Their relative share within the total population will be higher than young people of later generations. Because those who are included in the "youth" group were born in relatively low numbers due to low fertility.

Turkey's population will increase by 30% over the next three decades. However, the population in the 15 to 64 age groups will rise by almost 60% - from

35 million to 60 million - during the same period. This means **a progressively growing potential labour force and labour supply.**

The size of this group of productive ages will grow at an extraordinary pace during the next 25 years in Turkey. Consequently, a strong pressure on salaries and wages is likely to be felt due to a glutted labour market. On the other hand, labour surplus may constitute an opportunity for a higher economic growth rate, as has been the case with Taiwan, South Korea or Singapore. But this requires an increase in the education level and quality of the labour force.

Statistical analyses show that the drastic decline of fertility rate positively contributes to the rate of growth of GNP of a country as long as the size of population in productive ages continues to increase rapidly. This is what Barlow calls "window of opportunity".

According to the analyses of Barlow, in countries and during periods where the size of population in productive ages continues to grow rapidly while fertility is low and the population has not yet aged much, economic performance can sharply improve if the labour force is offered the opportunity of productive employment. This is confirmed by statistical analyses in relation to many countries (especially the so-called "Asian Tigers" of the Far East).

However, as fertility will continue to decline in the process of demographic transition, demographic source of the growth of potential labour force and active population will gradually be exhausted. This "window of opportunity" cannot continue forever because it depends on the level of fertility and the age composition of the national population. This important demographic basis of economic expansion disappears after some time (which will be 20 to 25 years in the case of Turkey), depending on the rate of decline of fertility and the pace at which the population ages. Then, this period of rapid growth of labour supply almost comes to a stop and the rate of increase of adult population rapidly drops.

In other words, this "window of opportunity" can be defined as the contribution of a certain phase of demographic transition process to economic growth. However, this window will exist for a limited period only.

The relative weight of the 15-64 age group will tend to decrease towards the end of the projection period, that is to say after the year 2020 - and exclusively due to the increase of the share of the elderly population. However, if we consider absolute figures only (Table 1.1) rather than the shares of age groups (Table 1.2),

we will observe that the population in the 15-64 age group, or potentially active population, will steadily grow in absolute terms until the end of the projection period.

Within this adult population, those in the 20-24 age bracket have a special importance as they are at the university age. During the 10 years following 1990, this population will record a very considerable increase (from 5.1 million to 6.6 million.)

However, as the years elapse, people belonging to generations born at times of low fertility, fewer in numbers, will reach the university age. This will cause the population of those in this age group to stabilise at around 6.6 million, then to decrease gradually. The number of those at the university age in the year 2025 will be less than that in the year 2000. We will revert to this issue later.

Table 1.2

Shares of Various Age Groups within Turkey's Population over the Projection Period

	1990	2000	2010	2020	2025
0-14	35.5	29.5	26.0	23.6	22.7
15-64	60.5	65.0	67.9	68.7	68.3
65+	4.0	5.5	6.1	7.7	9.0
TOTAL	100	100	100	100	100

Source: State Institute of Statistics (1994)

The population over the age of 65 will sharply increase in relative as well as absolute terms.

We know that the population of Turkey will age structurally in the course of time. **However, the most striking aspect of the process of structural ageing of the population of the Republic of Turkey is that the number and share of those over the age of 65 will increase at an extraordinary pace during the next two or three decades.**

For example, Turkey's total population is expected to increase by some 30% between the years 2000 and 2025. During the same period, the population over 65 will grow by about 120%. The share of the elderly population within the total will rise from 5.5% in the year 2000 to 9.0% in 2025.

The share of the elderly population within the total will continue to increase even after the year 2025. Because the process of ageing of the population will progressively gain momentum. The relative share of those over the age of 65 is much higher in European countries, which have completed their demographic transition, than in Turkey. In 1995, this share was 15.2% in Germany, 14.9% in France, 15.5% in the UK, and 16% in Italy. The process of ageing has not come to a stop even in these countries. According to the population projections conducted by the United Nations in 1994, the share of the elderly within the total population is expected to reach 21.2% in France and 22.9% in Germany.

Turkey has been hitherto shaped according to a rapidly growing and young population. Needs, measures for the future and policies in various areas (education, housing, social security etc.) have invariably been based on this type of "growth" and "young population".

However, we will soon be faced with problems of a very different kind. The ageing of population is a type of demographic problem, which Turkey has not yet faced. Turkey must create a new set of policies in order to be able to address the needs and demands of an ageing population structure.

At this point, we would like to point out a common misunderstanding among the public in connection with the ageing of population. It is widely believed that the national population ages as individuals live longer, or as average life expectancy increases. It is thought that the share of the elderly within a population increases as individuals live longer.

This belief is totally based on an illusion. Because there is no direct causal relationship between the lengthening of lives of individuals and the increase of share of the elderly within the national population. **The ageing of population is not caused by the decline of mortality rates or the rise of life expectancy at birth.**

Lower mortality rates and better health and care conditions reduce risks of death for individuals of all ages (eg. the newborn, young children, adolescents, middle-aged people etc.). Since they affect all age groups, lower mortality rates do not cause a significant change in the age composition of population. The lengthening of average expectancy of life is due to the reduction of death risks for people of all ages rather than of the elderly only. The effect of the lengthening of life expectancy can have only a marginal effect on the age composition of the population.

Lower fertility rather than lower mortality rate is the real cause behind the ageing of population. As fertility declines, the number of zero-year-olds added to the population of a country annually declines too. This implies a lower relative share for the younger population and a higher share for the elderly. That is to say, the decline of fertility alone causes the population structure to change and the population to age. The process of ageing of the population gains momentum as fertility continues to fall.

It is estimated that the number of those over the age of 65 will be at around 3.6 million in the year 2000 (Table 1.1). This will increase by 120% in 25 years so that the number of those over 65 will reach some 8 million in 2025. The age composition of the population of Turkey in the year 2025 makes a fact clear: **In 25 years' time, Turkey will no longer have a young population.**

1.1.3 Changes in the Dependency Ratio

The population in the 15-64 age group is generally described as economically active population. Those between 0 and 15 years of age and those over the age of 65 are regarded as a population group who are "dependent" on others. The ratio of one group to another, that is, the number of the youth and elderly per person, is described as "dependency ratio". This ratio is accepted as a rough indicator of the relative weight of "dependent" population who are provided for by the people of working age with the value added they create.

Table 1.3 shows the progress of this dependency ratio during the projection period.

Table 1.3
Progress of the dependency ratio during the projection period

1990	0.65
2000	0.54
2010	0.47
2020	0.46
2025	0.46

As is clear from this table, the ratio of "dependants" to be provided for by people who are of economically active age (of course provided that the latter have jobs) will tend to decrease gradually. Because, as already indicated, our population in the active age will continually increase.

This means that "economic burden" on the active population will be alleviated. In one sense, this can be regarded as a positive indicator in terms of quality of life and welfare level. However, this higher welfare level can only materialise if all of the population in the active age joins the labour force and finds employment, that is to say there is no unemployment and/or productivity of labour is high.

Here there is another point, which needs to be paid attention. The table above shows that the ratio of "dependent" population to active population is likely to decline during the next 25 years. However, the "dependent" population itself will also undergo an important evolution or a basic structural change. That is to say **the share of children and youths within this "dependent" population will gradually decline and the share of the elderly will rise, again as a result of the decline of fertility.**

In 1990, the share of the population over the age of 65 within the total "dependent" population was as low as 10.1%. This share will rise to 19.0% in the year 2010 and to 24.8% in 2025. Thereafter, with the ageing of the population, this share will inevitably increase.

In other words, the weight of the elderly and pensioners who are to be provided for by the active population of Turkey will continually increase 25 years later. There are a number of problems caused by an aged population, such as pension incomes, pension funds, adaptation of the social security system, the provision of health services to the elderly population, the ageing of the population itself, and activities and opportunities of those at the age of retirement.

These are novel problems for Turkey. It is very important that these problems, all of which are related to the ageing of population, be carefully considered.

1.1.4 Various Demographic Indicators from 1990 to 2025, and Their Interpretation

Independent of the age composition of the population of Turkey, certain basic demographic indicators also bear the marks of the structural change which the population will undergo (see Table 1.4).

Table 1.4
Selected demographic indicators for the projection period 1990 - 2025

	1990-95	2000-05	2010-15	2020-25
Population				
(Mid-period, thousand)	58,861	69,230	78,382	86,205
Births				
(Annual, thousand)	1,385	1,364	1,358	1,353
Deaths				
(Annual, thousand)	396	448	535	638
CFR (per mille)	23.5	19.7	17.5	15.7
Population growth rate				
(Annual, per mille)	16.8	14.9	10.9	8.3

Source: State Institute of Statistics (1994)

In the first place, one must dwell upon the probable annual birth and death figures and their consequences.

1.1.4.1 Births

During the next 25 years, annual birth figures will remain almost constant. Annual birth figures will vary between 1.3 million and 1.4 million. The number of women in the fertile age groups will naturally continue to increase as the population grows larger.

However, the constant decline in the birth rates of these women in the fertile ages will result in the stabilisation of annual births in the course of time. Between 1990 and 2025, Crude Birth Rate (the ratio of births within a year to the mid-year population) will fall from 23 per mille to 15 per mille.

According to the latest date published by **Eurostat**, the statistical office of the European Union, Crude Birth Rates in various European countries vary between 10 per mille and 12 per mille in most of the European countries. This rate is 11.4 per mille in Belgium, 9.9 per mille in Germany, 11.1 per mille in Portugal, 12.4 per mille in France, 9.2 per mille in Italy, 9.7 per mille in Greece, and 12.5 per mille in the UK. The EU average is 10.8 per mille.

When we examine the countries which are more advanced than Turkey in terms of demographic transition and set an example, this inference can be made: the decline of fertility in Turkey will probably not come to a stop in the year 2025. Because Crude Birth Rate of 15 per mille is not the final destination. Stabilisation of annual births may well cease to be valid after the year 2025. A decline not only in the birth rate but also in the absolute annual figures is not unlikely in the course of time.

Let us consider the 1990-2025 period during which annual birth figures will remain almost constant. If annual birth number become stabilised starting with 1990, this means that the number of children to start school will also get stabilised from 1996 onwards because those children who were born in and after 1990 will start school from 1996 onwards. Likewise, the number of youths reaching the high school age will get stabilised from 2004 onwards.

In parallel to this, the number of youths reaching the university age annually may be expected to be stabilised 18 years after 1990. Because these children will reach the university age starting with the year 2008. Potential population at the university age may even tend to decline after the year 2025.

Therefore, annual birth figures should not be ignored in the planning of elementary school, high school and university needs. Nation-wide, the number of children entering the school age has already been stabilised. However, this does not take place uniformly everywhere - schools in the cities are under quantitative pressure while the number of school age children declines in villages and small towns.

Therefore, the problem in the elementary education is no longer a quantitative one. The real problem has long ceased to be one related to the number of schools, education spending or mere monetary size of education investments. The rate of schooling of children in the elementary school age has very much approached 100%. Therefore, the construction of elementary school buildings can no longer be justified by demographic arguments.

Almost all of the primary school age children in Turkey go to school, and the number of primary schools in this system is now sufficient. Therefore, it can be definitely argued that **the real problem in the elementary education will from now on be that of educational quality and regional distribution.** Any elementary school buildings to be constructed must serve the purpose of mitigating inter-regional disparities and reducing class sizes.

As fertility rate will continue to decline, the same problem will inevitably be moved to the **College Level** in a few years. The population in the 20 to 24 age group grew at a rate above 2% in the early 1990s. The annual growth rate of this age group will approach zero towards the year 2020 and may even become negative thereafter.

That is to say, the number of youths at the university age will stabilise first, and, thereafter, will begin to decrease. Hence, after a short period of time, it will no more be possible to use demographic data and density of demand for university education as meaningful arguments to justify the opening of new universities. **What will receive priority will be to provide children and youths that type of education that is needed for raising Turkey to the level of developed countries rather than to have a growing number of children and youths in the education system.**

However, the ratio of university students to the total population in the 20 to 24 age group is yet low in Turkey as compared to developed countries. Therefore, demand for college education may continue to increase for some time further. However, the number of universities in Turkey and their education capacities will be found sufficient after a certain time. The university problem, too, will soon cease to be a quantitative problem and will become primarily a problem involving standards and quality of education.

In the Turkey of the 21st century, the number of those receiving university education will no longer be determined by demographic data; over-concentration at the doors of universities will tend to disappear, and **quality** and **competition** pursuits will gain impetus.

1.1.4.2 Deaths

While births will remain constant, **the number of deaths per year will steadily increase in Turkey over the next 25 years.** The number of deaths per year will increase from some 400,000 to 650,000 (See Table 1.4).

This does not imply that health conditions in Turkey will deteriorate. On the contrary, the projections are based on a continual decrease of death risks for every age group. That is to say, death risks for every age group are assumed to decrease in relative terms. Life expectancy too exhibits an upward trend. The 0-1 and 1-5 age groups, for which mortality rates are especially high, will also see a constant

improvement. Life expectancy at birth, which was 68.5 years during the 1995-2000 period will gradually increase and will be at around 74.5 years during the 2020-2025 period.

Despite this overall improvement in death risks for every age group, the number of deaths per year will increase in Turkey. The real reason behind this is the gradual ageing of the population, of which the reasons have already been discussed.

This can be explained as follows: as the population of a country gets older, individuals leave younger age groups and are concentrated in more advanced age groups which have higher death risks. This naturally implies an increase in total deaths per year even if death risks and probabilities for every age group declines since the number of people facing higher death risks increases. Crude Mortality Rate and the annual number of total deaths are indeed a sort of weighted average, which is arrived at by multiplying the population of every age group with its death risk.

In an ageing population, individuals are concentrated in age groups with relatively higher death risks. This is precisely what will take place in Turkey during the next century. Despite the reduction of death risks of every age group, the number of deaths per year will steadily increase.

1.1.4.3 Population growth rate

Population growth rate will decline as the annual number of births stabilises and annual number of deaths tends to increase. **In Turkey, the rate of growth of population (births within the year less deaths within the year divided by mid-year population) will rapidly decline during the years to come - unless there is a considerable international migration.** According to the results of the projections of the State Institute of Statistics, the rate of growth of population, which was 1.68% between 1990 and 1995, will fall to 1.49% between 1995 and 2000 and gradually to 0.83% between 2020 and 2025.

Only four years after the publication of these projections of the State Institute of Statistics, there are some indications that fertility in Turkey may decline faster than these estimates.

For example, annual average rate of population growth between 1990 and 1997 was 1.53% according to the **population estimate** made by the State Institute of Statistics in November 1997. This suggests that annual average growth rate may

even fall below 1.49%, the figure foreseen in the SIS projections of 1994.

If fertility in Turkey is declining even more rapidly than what was foreseen in the latest estimates of the State Institute of Statistics, this implies that materialisation of all of the tendencies mentioned above will be accelerated and we will be faced with their expected consequences earlier. The latest phases of the demographic transition period will be completed earlier.

For example, if fertility falls even below the replacement level of population, Turkey's population will reach its maximum earlier than expected. This peak may remain below the envisaged levels of 95 million to 99 million. Younger generations are those who are most rapidly affected, in quantitative terms, by a faster decline of fertility. Therefore, this may also accelerate the process of ageing of the population.

Naturally, international migration may also affect the age composition of the population of Turkey. However, for this effect to be so significant as to entirely change the projections as well as the estimates and interpretations based on them, net international migration has to be very significant, sudden and unexpected.

We can conclude as follows: There may of course be partial estimate errors in all these projections. But these errors will only have a marginal effect on the figures supplied for the period up to 2025 at the earliest. The size and internal structure of population, like all demographic indicators, are "slow" social variables with high momentum, which do not change their courses rapidly. These variables change slowly and are not much affected by momentary or short-term changes in the economic and social conjuncture. Therefore, as mentioned above, **a considerable change in basic trends is almost unlikely.**

1.1.4.4. Populations of Cities

Population estimates for individual settlements are the most problematic population estimates because such places, especially **big cities, grow by migration rather than by births.** The size, origin and duration of these migrations are affected by a host of complex factors, both at the local and international level. The rate of growth of population of any city may considerably deviate from the national average. Long-run projections in this respect may have very high margins of error. The projection of local populations is not as reliable the projection of national population.

This is the reason why the State Institute of Statistics made only **short-run** pro-

jections for settlements, which do not extend beyond the year 2000. For the purposes of these projections, it has been assumed that the share of the large cities within the total population of Turkey will remain constant until the year 2000.

Populations of major cities in the year 2000 are estimated as follows:

Table 1.5
Estimates of populations of large cities for the year 2000 (Million)

Istanbul	8.97
Ankara	3.04
Izmir	2.29
Adana	1.22
Bursa	1.21
Gaziantep	0.87
Konya	0.66

Source: State Institute of Statistics (1994)

1.1.5. Projection of Number of Households for the Period Until 2025

Even if the projections of the size and composition of the population for the period until the year 2025 are quite realistic and sound, this does not imply that projections of the number of households will be automatically so. The size and composition of the population is primarily affected by fertility. But it is no easy task to estimate the average size of households because family size and number of households are affected by a number of complex social and economic factors, which are essentially non-quantitative.

We can enumerate some of the variables that have a bearing on the household size and the questions they give rise to: How and when does a new household, or a family, come into being? By marriage or by the division of an existing household? If, by marriage, when does this happen and in what direction will marriage ages move? In Turkey, in what direction will the family structure and the system and pattern of formation of new families move during the years to come? Is nuclear family (generally a more limited family size) becoming standard?

On the other hand, does the rapid migration to cities contribute to the expansion of the nuclear family model or does the patriarchal family maintain its existence even if temporarily and as a means of internal solidarity. Which type of family is the target of Turkey's housing policy? From now on, which types of family

will it address to? Will the overall ageing of the population of Turkey result in an increase in the number of multi-generation families (ie. bigger household sizes)? Will the mean age of marriage continue to increase? If so, at what pace?

Many questions of this sort can be posed. It is obviously difficult to make sociological estimates about the future status of the family size. Therefore, the degree of reliability of any estimate made in connection with the household size will never be as high as that for population projections. This is of course true for estimates of both the number and size of households. Because the number of households, say in the year 2025, is calculated by dividing total population in that year by the average household size. It is obvious that the extent of precision of this will not be much.

However, we have findings relating to the household size, from many research studies conducted in connection with the family since 1968. These include surveys of the Hacettepe Population Studies Institute, conducted in 1968, 1983, 1988 and 1993, the Population Research for Turkey, conducted by the SIS in 1989, and the 1990 Population Census (Table 1.6) The average family size in Turkey has been calculated in all of these studies.

Findings of these studies also suggest that **the average family size in Turkey exhibits a certain downward trend in the long run.** Using statistical methods, this trend can be extrapolated in order to obtain a rough estimate. Even if the method we use is a little bit mechanical and simple, we can attempt at arriving some consistent quantitative results.

Table 1.6
Average Family Size in Turkey

1968	5.50
1983	5.32
1988	4.82
1989	4.68
1990	4.97
1993	4.50

Source: State Institute of Statistics, Population Studies Institute, Hacettepe University

We have built a non-linear, log-linear regression model for the purpose of extending this time series until the year 2025 and, using the parameters found, we

extended the time series year by year until then. After finding the average household size for the years 2000, 2010 and 2025, the population size in the SIS projections has been divided by the average household size to obtain the number households.

The estimates of the number and average size of households found for our projection period are given in Table 1.7. Although the rate of population growth has considerably slowed down, the number of households grows at a more rapid pace than the population due to smaller household size. If the average family size continues to decline as it did until now, the number of households may continue to increase rapidly.

In other words, **if each household is regarded as a consumption unit, the number of those units, that is potential demand, will continue to increase despite the stagnation of the population size.**

Table 1.7

Average household size and number of households in Turkey during the projection period

Year	Population (Million)	Household Size	Number of Households (Million)
2000	66.834	4.44	15.05
2010	76.278	4.13	18.47
2025	88.014	3.70	23.78

Source: Author's calculations

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CHAPTER
2

THE CHANGING NATURE OF
TURKISH URBANISATION AND
ECONOMIC GEOGRAPHY ON THE
EVE OF THE 21st CENTURY: NEW
CHALLENGES AND NEW
OPPORTUNITIES

THE CHANGING NATURE OF TURKISH URBANISATION AND ECONOMIC GEOGRAPHY ON THE EVE OF THE 21st CENTURY: NEW CHALLENGES AND NEW OPPORTUNITIES

2.1 Introduction

According to the population count of November 1997, Turkey's population grew at an annual average rate of 1.5% during the 1990 - 1997 period. This represents a significant decrease given that population had grown at an annual average rate of 2.5% from 1980 to 1985 and 2.2% from 1985 to 1990. On the other hand, the share of urban population within the total reached 65% while the rate of growth of urban population dropped to 2.9%. Thus, for the first time since the 1950's, the period during which Turkey had its initial experience with rural out- migration, the rate of growth of total population dropped below the 2% mark and the rate of growth of urban population below 3%.

This is a very important development that reveals a radical transformation with a profound impact on Turkish society, one that cannot be explained by accidental factors or conjuncture. Turkish society is about to leave behind the period of rapid population growth. That is to say, Turkey is about to complete its process of demographic transition. The share of urban population within the total will continue to increase, though the rate of growth of both urban and total population will henceforth slow down. This factor alone implies that the processes of urbanisation of Turkish society in the 21st century will be much different from those of the past.

On the other hand, a new set of dynamic forces began to shape Turkey's urbanisation especially after the 1980's, the decade during which the forces/trends determining the process of urbanisation took a new direction and new processes and dynamics emerged. As the process of urbanisation is entering a new phase, the need for those institutions that will respond to the changing dynamics of society makes itself more pronounced.

Turkey's basic structures and mechanisms regarding the process of urbanisation were put into place in the 1950's and 1960's, which were characterised by conditions very different from those obtaining in the 1990's. The *raison d'être* of structures and relationships formed during that period was to cope with the problems created by the rapid pace of urbanisation. Furthermore, those structures and relationships were built under societal balances very different from the present ones. **Turkey cannot be expected to cope with the problems of urbanisation of the 1990's, which are likely to persist in the period ahead, with the mechanisms it has developed in the 1950's and 1960's.**

Table 2.1
Turkey's Population during 1945-1997 Period: General Evaluation

	1945	1950	1955	1960	1965	1970	1975	1980	1985	1990	1997
Turkey total											
Population	18,790,174	20,947,188	24,064,763	27,754,820	31,391,421	35,612,776	40,347,719	44,736,957	50,664,458	56,473,035	62,865,574
Annual growth (%)	-	2.17	2.77	2.85	2.46	2.52	2.50	2.07	2.49	2.17	1.53
Index	100.00	111.48	128.07	147.71	167.06	189.53	214.73	238.09	269.63	300.55	334.57
URBAN AREAS											
Settlements with a population of over 10.000											
Population	4,375,139	5,058,676	6,770,578	8,476,758	10,376,066	13,193,504	16,350,659	19,164,512	26,418,247	31,804,551	-
Annual growth (%)	-	2.90	5.83	4.49	4.04	4.80	4.29	3.18	6.42	3.71	-
Share within total	23.28	24.15	28.13	30.54	33.05	37.05	40.52	42.84	52.14	56.32	-
Index	100.00	115.62	154.75	193.75	237.16	301.56	373.72	438.03	603.83	726.94	-
Provinces and districts											
Population	4,687,102	5,244,337	6,927,343	8,859,731	10,805,817	13,691,101	16,869,069	19,645,007	26,865,757	33,439,347	40,882,357
Annual growth (%)	-	2.25	5.57	4.92	3.97	4.73	4.17	3.05	6.26	4.38	2.87
Share within total	24.94	25.04	28.79	31.92	34.42	38.44	41.81	43.91	53.03	59.21	65.03
Index	100.00	111.89	147.80	189.02	230.54	292.10	359.90	419.13	573.18	713.43	872.23
RURAL AREAS											
Population	14,103,072	15,702,851	17,137,420	18,895,089	20,585,604	21,921,675	23,478,650	25,091,950	23,798,701	23,033,688	21,983,217
Annual growth (%)	-	2.15	1.75	1.95	1.71	1.26	1.37	1.33	-1.06	-0.65	-0.67
Share within total	75.06	74.96	71.21	68.08	65.58	61.56	58.19	56.09	46.97	40.79	34.97
Index	100.00	111.34	121.52	133.98	145.97	155.44	166.48	177.92	168.75	163.32	155.88
İSTANBUL											
Population	860,558	983,041	1,268,771	1,466,535	1,742,978	2,132,407	2,547,364	2,772,708	5,475,982	6,629,431	8,566,823
Annual growth (%)	-	2.66	5.10	2.90	3.45	4.03	3.56	1.70	13.61	3.82	3.66
Share within urban population	18.36	18.74	18.32	16.55	16.13	15.58	15.10	14.11	20.38	19.83	20.95
Index	100.00	114.23	147.44	170.42	202.54	247.79	296.01	322.20	636.33	770.36	995.50
ANKARA											
Population	226,712	288,536	451,241	650,067	905,660	1,236,152	1,701,004	1,877,755	2,235,035	2,584,594	3,085,078
Annual growth (%)	-	4.82	8.94	7.30	6.63	6.22	6.38	1.98	3.48	2.91	2.53
Share within urban population	4.84	5.50	6.51	7.34	8.38	9.03	10.08	9.56	8.32	7.73	7.55
Index	100.00	127.27	199.04	286.74	399.48	545.25	750.29	828.26	985.85	1140.03	1360.79

İZMİR											
Population	198,396	227,578	296,559	360,829	411,626	520,832	636,834	757,854	1,489,772	1,757,414	2,117,811
Annual growth (%)	-	2.74	5.30	3.92	2.63	4.71	4.02	3.48	13.52	3.30	2.66
Share within urban population	4.23	4.34	4.28	4.07	3.81	3.80	3.78	3.86	5.55	5.26	5.18
Index	100.00	114.71	149.48	181.87	207.48	262.52	320.99	381.99	750.91	885.81	1,067.47
LARGEST THREE CITIES											
Population	1,285,666	1,499,155	2,016,571	2,477,431	3,060,264	3,889,391	4,885,202	5,408,317	9,200,789	10,971,439	13,769,712
Annual growth (%)	-	3.07	5.93	4.12	4.23	4.80	4.56	2.03	10.63	3.52	3.25
Share within urban population	27.43	28.59	29.11	27.96	28.32	28.41	28.96	27.53	34.25	32.81	33.68
Index	100.00	116.61	156.85	192.70	238.03	302.52	379.97	420.66	715.64	853.37	1,071.02
ADANA											
Population	100,780	117,642	168,628	231,548	289,919	347,454	475,384	574,515	777,554	916,150	1,185,049
Annual growth (%)	-	3.09	7.20	6.34	4.50	3.62	6.27	3.79	6.05	3.28	3.68
Share within urban population	2.15	2.24	2.43	2.61	2.68	2.54	2.82	2.92	2.89	2.74	2.90
Index	100.00	116.73	167.32	229.76	287.68	344.76	471.70	570.07	771.54	909.06	1,175.88
BURSA											
Population	85,919	103,812	128,875	153,866	211,644	275,953	346,103	445,112	612,510	834,576	1,160,395
Annual growth (%)	-	3.78	4.33	3.54	6.38	5.31	4.53	5.03	6.38	6.19	4.71
Share within urban population	1.83	1.98	1.86	1.74	1.96	2.02	2.05	2.27	2.28	2.50	2.84
Endeks	100.00	120.83	150.00	179.08	246.33	321.18	402.82	518.06	712.89	971.35	1,350.57
FIVE CITIES WHICH HAVE A POPULATION FIGURE EXCEEDING 1 MILLION IN 1997 POPULATION CENSUS											
Population	1,472,365	1,720,609	2,314,074	2,862,845	3,561,827	4,512,798	5,706,689	6,427,944	10,590,853	12,722,165	16,115,156
Annual growth (%)	-	3.12	5.93	4.26	4.37	4.73	4.69	2.38	9.99	3.67	3.38
Share within urban population	31.41	32.81	33.40	32.31	32.96	32.96	33.83	32.72	39.42	38.05	39.42
Index	100.00	116.86	157.17	194.44	241.91	306.50	387.59	436.57	719.31	864.06	1,094.51

Having experienced major upheavals since the early 1980's, Turkey has had to cope, on the one hand, with the hardships created by its failure to offer solutions to most of the problems of urbanisation inherited from the past, and, on the other, with the multifaceted problems of the new period. The solutions developed by society for these problems can often lead to more serious problems in the long run even if they might provide some relief in the short run. The solutions developed under the conditions of rapid urbanisation are unlikely to be operational under the present conditions characterised by the slowing down of the rate of urbanisation and novel balances among social classes, and such solutions can turn out to be the very source of different future problems.

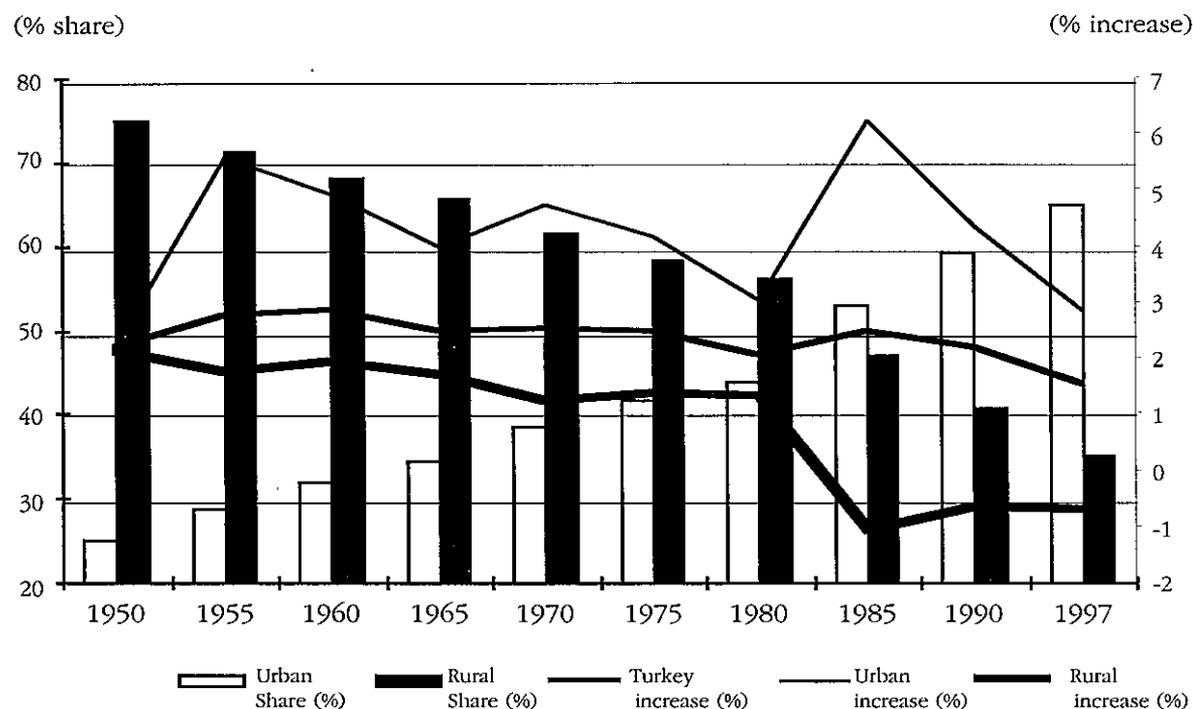
Yesterday's solutions can become tomorrow's problems. It must, however, be emphasised that the changing urbanisation dynamics embody great opportunities for Turkey as well. Provided that it can take the policy steps compatible with the new period, Turkey will have the opportunity to make use of the advantages of the conditions due to slower urbanisation.

2.2 Turkish Urbanisation in Figures

Basic data concerning Turkish urbanisation are summarised in the table "*Turkey's Population during the 1945 - 1997 Period: General Evaluation*". During the half a century or so from 1950 to 1997, Turkey's population was more than tripled. What is more important is that the urban population (the population of province and district centres) recorded an almost nine-fold growth. In terms of the population of the province and district seats, Turkey's urban population increased from 25% of the total in 1945 to 65% in 1997.

In terms of the rate of growth of population, the rural out-migration exhibited major periodical fluctuations. The annual average rate of growth of urban population was at around 4% in general, with a couple of major exceptions: the 1950 - 1955 and 1980 - 1985 periods during which urban population grew at an annual average rate of 5.8% and 6.4% respectively. However, the rate of growth of urban population drastically declined to 2.9% in the 1990 - 1997 period. From 1950 to 1997, the rural population increased 1.6 times only, at an annual average rate of growth of around 1%. Since 1980, this population has suffered a decline in absolute terms, from 25 million to 22 million, as against the increase in urban population from 19.6 million to 40.9 million.

Chart 2.1 Population Growth Rates of the Rural and Urban Sectors and Their Shares



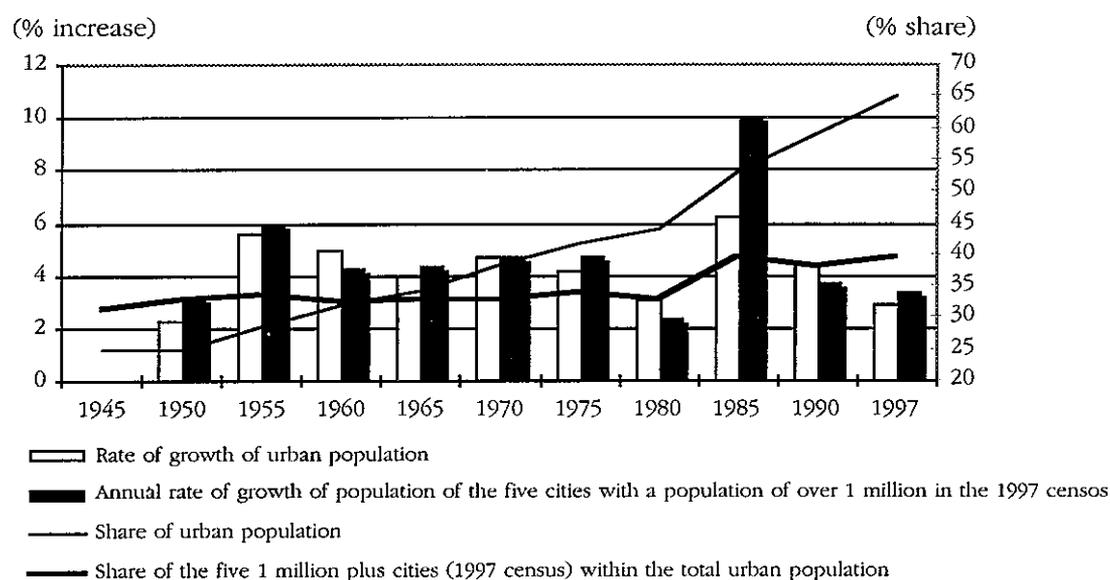
Source: SIS (State Institute of Statistics)

In 1997, five Turkish cities had a population of over 1 million: İstanbul, Ankara, İzmir, Adana, and Bursa. In 1980, they together accounted for 32.7% of the total urban population, which rose to 39.4% in 1997. Ankara and İzmir, as compared to the remaining three cities, exhibited a different pattern. During the 1990 - 1997 period, the rate of growth of population of Ankara and İzmir remained below the average rate of growth of urban population for the first time. This can serve single-handedly as evidence of the slowing down of the pace of immigration to large cities. Of these five cities the most rapid increases were recorded, in ranking order by, Bursa, Adana, and İstanbul. However, all of these cities saw a marked decline in their population growth rates as compared to the previous population census period of 1985 - 1990.

The top ten provinces with the most rapid growth rates were Antalya, Adıyaman, Şanlıurfa, Kocaeli, İstanbul, Hakkari, Bursa, Yalova, Tekirdağ, and Şırnak. This ranking significantly changes if the population of province centres is considered. All of the top ten provinces with the highest population growth rates are in the south-east (Adıyaman, Şırnak, Hakkari, Bingöl, Siirt, Muş, Şanlıurfa, Van, Malatya, and Batman.) Some of these cities recorded annual growth rates as high

as 10%, which are far beyond what can be considered natural. Among these, Adıyaman more than doubled its population over a period of seven years. In the absence of any sharp increase in the total province population, the high rates of increase of population of province centres, in some cases reaching 10%, suggests an intensive intra-province shift of population, from the rural areas to province centres. It is also known that there is significant migration from these provinces to neighbouring ones (Adana, Gaziantep, and İçel), and the former cities serve the function of some sort of stop-over stations.

**Chart 2.2 Population Growth Rates in the Five Largest Cities and Shares
(% share)**



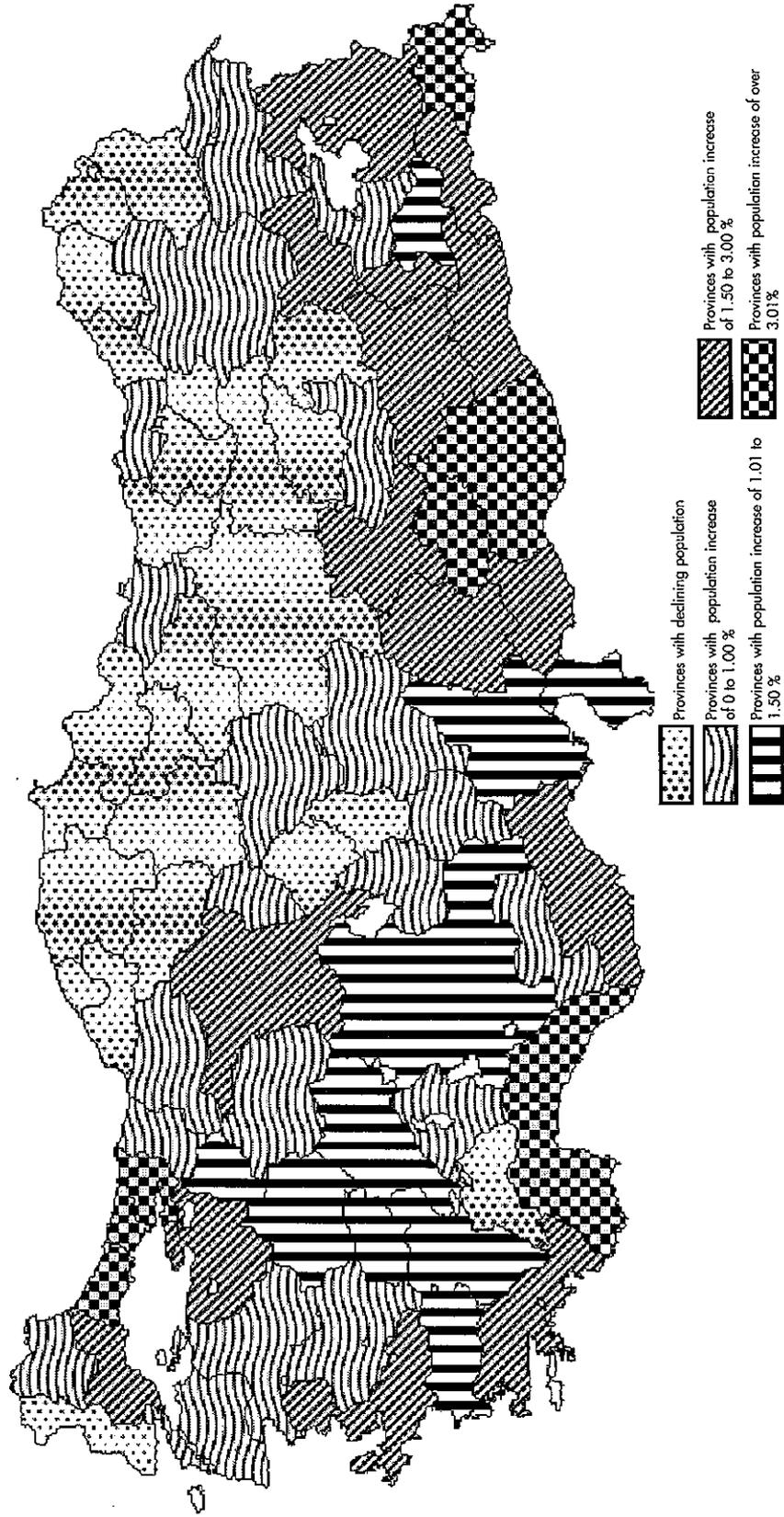
Source: SIS

Regional distribution of population movements of the 1990 -1997 period was characterised by a differentiation on an unprecedented scale. From 1985 to 1990, 12 provinces saw a decline in their population while there were 26 such provinces during the 1990 - 1997 period. During the 1985 - 1990 period, 14 provinces had annual average increases of zero to 1 per cent while this number rose to 21 during the subsequent period. The Black Sea and Eastern Anatolia regions continue to lose population. In these two regions, very few provinces recorded population growth rates higher than the nation-wide average. It is observed that there is a population shift from the northern and north-eastern regions to the western, southern and south-eastern regions of Turkey.

Map 2.1 below, which shows population movements of the 1990 - 1997 period, provides very important clues as regards the demographic changes Turkey has recently undergone.

Map 2.1

Annual Population Growth Rates of Provinces, 1990 - 1997 (%)



Source: SIS web site

The map showing population growth rates by provinces in the 1990 - 1997 period suggests the existence of three growth poles in Turkey, which are quite different from one another in terms of their dynamics of development:

- İstanbul metropolitan area and its hinterland (İstanbul, Kocaeli, Yalova, Bursa, and Tekirdağ);
- Coastal areas (İzmir, Muğla, Antalya, and İçel);
- South-eastern region (Adıyaman, Şanlıurfa, Hakkari, Şırnak, Van, Diyarbakır, Malatya, Batman, and Mardin).

An examination of population movements during the 1990 - 1997 period, at the level of provinces and districts, reveals that inter-regional differences in population growth rates have become more pronounced, that large cities have to some extent ceased to be the sole growth poles which they were in the early years of urbanisation, and that regional centres with high development potential have come to the fore as important growth poles.

The process of urbanisation in Turkey is characterised by significant regional disparities. Inter-regional disparities should be seen both as the cause and effect of rural out-migration.

Inter-regional disparities should be seen as both the cause and effect of inter-regional population movements. The south-eastern region, which comes to the fore when examined in terms of population movements, is very backward in terms of various indicators of development. It can be said that this differentiation has taken on very significant dimensions and policy measures specifically designed for these regions need to be re-defined.

2.3 New Urbanisation Dynamics

Since the beginning of its experience with mass rural out-migration, Turkey has developed a number of mechanisms that would enable it to cope with the turbulence accompanying this process. The development of shanty towns was the most basic phenomenon that helped alleviate turbulent effects of mass migration. Shanty towns first emerged in the early stages of Turkey's urbanisation as the basic form of housing for newcomers to the city, and were institutionalised in the 1950's. What basically characterised this period's shanty town development was that newcomers from rural areas squatted public land, on which they built their houses essentially with their own labour. The first generation of shanty towns was produced through

mechanisms outside the realm of market relations, and the needs of the user had a decisive effect on this process.

Another feature of the first generation of shanty town was the almost total exclusion of tenancy. This is at the same time one of the factors that enabled a higher environmental quality as compared to similar settlements in other underdeveloped countries. The first wave of shanty towns thus served a very important function for the masses of newcomers, and provided the setting on which they had their initial experience with the city.

The above-summarised features of this first phase of the process of development of shanty towns provide very important clues as to the first phase of Turkish urbanisation. Rural out-migration is, in the first place, a multilevel process realised within specific personal networks. The rural migrant often contacts co-villagers who had already moved to the city and arrives at the city after being assured that he can find a slot in the labour market. On the other hand, relationship with the rural area is maintained at least temporarily, which has positive effects on the welfare of new town dwellers. Thus social problems which would otherwise have been created by internal migration can be easily avoided. Considering all these characteristics, it would not be wrong to name this first phase of urbanisation as integrationist or soft urbanisation.

This description of the first generation of shanty towns does not apply to the second generation that first emerged in the 1970's, the period during which the conditions of construction of shanties began to change rapidly. During that period, the conditions of acquisition of urban land, the basic element of the development of shanty towns, underwent a radical change. Squatting public land near the city for the purpose of building a house ceased to be the sole way of acquiring land: pieces of land near the city were sub-divided by their owners and were put on sale

One of the defining characteristics of the first generation of shanty towns was the identity of the builder with the owner. After the 1970's this identity disappeared, and shanties were transformed into a commodity supplied by a group of builders. This led to the development of a construction market exclusively for shanty houses in parallel to the land market that served the same purpose. Thus, the extra-market relations who defined unauthorised houses, first at the stage of acquisition of urban land and then at the stage of construction, gave way to a market characterised by peculiar conditions.

Another change in the process of development of shanty towns, which began in the 1970's and became more pronounced in the 1980's, was the gradual disappearance of the identity of the owner with the dweller. There emerged, on a widespread scale, shanty "landlords", who owned several shanties, and shanty tenants.

The most easily perceptible aspect of all these changes is the obvious deterioration of environmental standards. The most obvious difference between the first and second generation of shanty towns is the deteriorated environmental quality of the latter. A number of research studies conducted in the 1980's revealed this changing nature of shanty town development and concluded that squatters constituted only a minority in shanty towns. Furthermore, tenancy rates in unauthorised housing districts approached those in the authorised housing stock.

Under the pressure of the military regime of 12 September 1981, shanty construction almost came to a point of stagnation in the early 1980's. However, the pace of construction re-accelerated after the end of military administration, and the tendencies that first emerged in the 1970's set the basic pattern of construction of shanty houses. The second generation of shanties is different from the first generation in a number of aspects that go beyond the mere process of construction and use. These two point to different life styles developed in two different phases of Turkish urbanisation. In particular, the shanty ceased to be a product that was produced outside the market relationships. Networks with peculiar rules of operation dominated the construction and use of shanties.

With the participation of new social groups in the process of construction and use, the shanty ceased to be a flexible solution for masses of newcomers to the city and the construction of shanties no more offered a process easily accessible by all for the construction of their own houses. While in the 1950's and 1960's, unauthorised houses were built by users for the purpose of acquiring a place in the city for themselves and their families and constituted basic elements of entry to the urban economy and of the first contact with the city, they were rapidly transformed into an **instrument of speculation** in the 1980's, and the main incentive behind the construction of these houses became the appropriation of the value and economic rent of the piece of land on which they were built.

This process which began in the 1970's and is known as the second generation of shanty towns was accelerated by The specific conditions of the 1980's and triggered a truly striking transformation in shanty towns. One of the most remarkable developments of this period is the changing position of shanty towns within cities

as a result of the rapid urban expansion. Shanty towns, which were originally outside the cities, thus became a part of the cities, and this boosted the price of the shanty town land. Aiming to reap the profits from this appreciation, shanty owners either constructed new buildings beside existing ones, for putting on sale or on hire, or demolished their houses to construct unauthorised apartment buildings. This caused a rapid deterioration of the environmental quality of shanty towns.

However, what did trigger the most drastic transformation in shanty towns were the amnesty laws of the 1980's. This marked the beginning of transition from one-storey shanty houses to multi-storey unauthorised buildings, and the latter, once an exception, has become the rule. At first, one-storey shanties close to downtown were demolished to clear the ground for multi-storey apartment blocks. Thanks to the precedent provided by reclamation plans, shanties in many settlements were replaced with apartment blocks even in the absence of reclamation plans, and, gradually, the practice of constructing unauthorised multi-storey buildings became widespread.

Today unauthorised buildings, which can no more be called shanties, are from the outset constructed as multi-storey buildings, mainly by groups other than users.

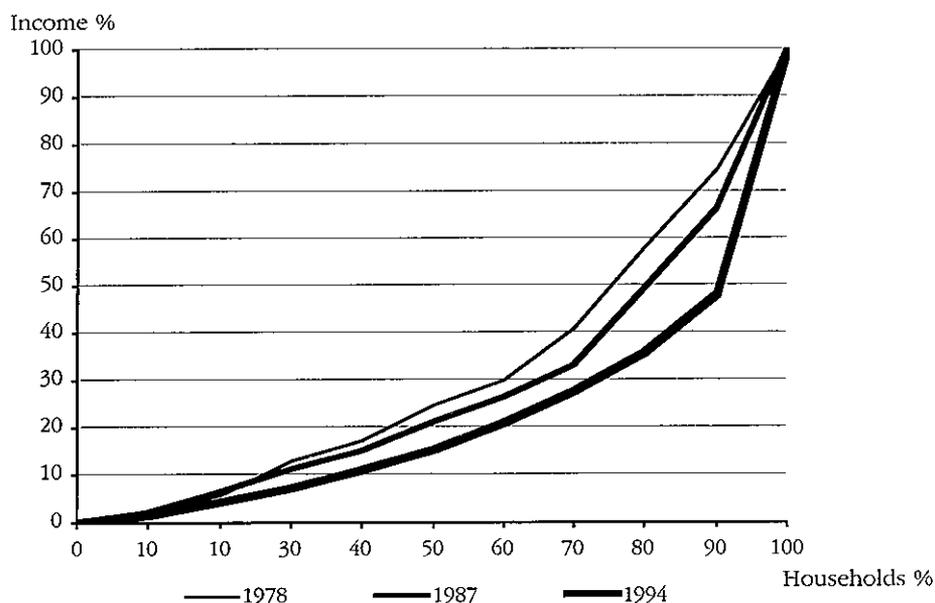
Today's unauthorised building development is the product of a number of relationships and processes which first emerged in the 1970's in embryonic form and gradually accelerated in the 1980's. Turkish cities are now faced with serious problems, which arise from the extent of unauthorised building development and seem to be almost insurmountable. The process triggered by the amnesty laws has culminated in a marked differentiation of shanty towns: on the one hand, there are areas characterised by mushrooming apartment blocks under the pressure of growing urban economic rent, a rapidly increasing density, the absence of adequate infrastructure, and very low environmental standards; on the other, we have shanty towns which are far from meeting the needs of their users, do not contain any transformation potential, and are left on their own.

Today, shanty town development has acquired a meaning beyond that of finding shelter in the city and has become an instrument in the fierce battle to appropriate the urban economic rent. Due to the high economic rent offered to users, shanties can be said to have become the reason for migration to the city rather than a result of it. Another point to be emphasised is that this process, diametrically opposed to the flexibility of former shanty town areas, has

created slums within cities, whose reclamation is impossible. In other words, existing shanty town areas are rapidly being transformed into slums and newly emerging ones have characteristics of slums from the outset.

The second phase of shanty town development, which began in the post-1970 period, sheds light upon the second phase of urbanisation in Turkey. In short, the much-talked-of transformation process of the post-1980 era, the year 1980 when Turkey substituted an industrial strategy based on the transfer of resources to export-oriented industries for one based primarily on the domestic market. In terms of the relationship between the state and society, this same transformation meant the abandonment of welfare state practices to a large extent and the state's ceasing to play the role of an "umpire" between social classes. Therefore, growth-based inter-class conciliation that characterised national developmentalist era gave way, in this period, to a political process based on class tension and exclusion. The most basic indicator of this is the growing income differences between various sectors of society. To give an example, in İstanbul, the Gini coefficient, which is regarded as an indicator of the inequality of income distribution, rose from 0.38 in 1978 to 0.43 in 1984 and finally to 0.58 in 1994.

Chart 2.3 Lorenz Curve for İstanbul



Source: SIS, Household Income and Consumption Spending Survey, 1978, 1987, 1994

These balances have significantly affected urbanisation processes as well. The process of integrationist urbanisation of the previous period was replaced with a tenser and exclusionist process. The nature of rural out-migration, especially after the late 1980's, has undergone a remarkable change. Although the exact figures are not known, the eastern and south-eastern regions have experienced a process of displacement of population. This displacement has left indelible marks on the cities of the 1990's and has contributed to the urban tension. Unlike the previous waves of rural immigrants who chose to leave their homes, this displaced population had to leave all of their property in the rural sector and did not have the opportunity of going through a multilevel transition process from which previous immigrants had benefited.

Considering that the class balances of the above-mentioned period manifested themselves in growing income disparities and exclusionist practices, the transformation in the nature of migration to the city has caused a marked polarisation within the cities and contributed to urban tensions. Hometown-based relationships and the solidarity networks built on them, which provided a means of integration with the city in the previous period, now serves a diametrically opposed function and precipitates the development of self-contained, almost desperate, communities that are commonly referred to by the media as dwellers of "city outskirts" (varoş) or of "back streets". Furthermore, this polarisation is further intensified by the growing influence of groups with a radical political discourse in the so-called outskirts of the cities. As will be elaborated in the next chapter, urban differentiation has taken on cultural, ethnic and denominational aspects as well, and a very complicated process of differentiation-solidarity seems to have increased its effect on Turkey's cities.

The transition from a soft-integrationist pattern of urbanisation to an exclusionist-tense one affects the relationship of middle classes and newcomers with the city. The formal land and building markets played an important role in the relationship the middle classes have established with the city. Formal land markets in the cities were essentially dominated by small property, and it was small capital that defined the pattern of building development in regular urban areas. Small capital operating in this industry developed very original financing and construction techniques to attract a considerably large population to the formal housing market. Or, conversely, the formal housing industry and the "formal" land market that must be considered in conjunction with it were a key factor in the emergence and development of urban middle classes in Turkey. Especially in the pre-1980 period, they

played a key role in the participation of urban middle classes in the class alliances peculiar to the period in much the same way as the shanty town did for newcomers, as the main element that enabled the informal sector's inclusion in political equations.

However, in the post-1980 period, the formal land and housing markets were also deprived of the integrationist function they served during the previous period, and the social bases of both markets significantly contracted. The formal urban land and housing markets were not as accessible by large masses as they had previously been, and they began to serve an exclusionist rather than integrationist function. To sum it up, just like with the shanty town, the policies which, through the formal urban land and housing markets, enabled the transfer of urban economic rent to middle and low income groups were exhausted and exclusionist processes began to prevail in this area too.

2.4 The Transformation of Economic Geography of Turkey: Analyses and Projections

The changes that Turkey has undergone at the level of cities can also be observed at the level of provinces and regions in terms of their relative economic importance. The change in the nature and functions of provinces and regions in the course of time shows that Turkey's general regional balances are changing too. Urban sociology or micro-level indicators concerning effects of integral migration would not be sufficient to reveal this change. Different methods will have to be employed to distinguish the evolution of a province or region over decades, its pattern of articulation with other provinces and regions, and its overall function.

Economic geography of a country is the product of a long process and can only change in the long run. In this sense, there is a similarity between demographic processes that shape the structure of population and the economic processes that shape the economic landscape. Economic geography, like the demographic structure and sociological processes, is a complex structure reflecting actions of numerous decision-makers.

Changes in the economic landscape are difficult to predict due to the unpredictability of domestic migration movements. The process through which economic landscape is shaped, which is a slow-moving one as compared to the life span of an individual, makes it difficult to perceive these transformations. Although many arguments and comments have been put forward in connection with the characteristics of national economic landscape, there are very few empirical stud-

ies concerning the process of formation and transformation of economic and social landscape at the national level. During the past 15 years, Turkey's economic landscape has undergone major quantitative and qualitative transformations.

2.4.1 Database

Electrical Energy Distribution and Consumption Statistics, by province, of Turkish Electricity Authority (TEK) and Turkish Electricity Distribution Company (TEDAŞ) have been used in order to offer a description of the national economic geography and transformations. This database is fit for the purpose as it covers the entire country, enables the construction of reliable time series, and can be separated into sub-categories.

Since there are no villages without electricity supply and no industries that do not use electricity, it is possible to observe economic activities of provinces and sub-categories of these activities. There are important similarities between the shares of provinces in energy consumption and their contribution to the country's gross income. As a matter of fact, according to the State Institute of Statistics' tables of distribution of GNP by province, for the year 1997, per capita income in Kocaeli, the province with the highest per capita income figure, was 10.6 times as much that in Ağrı, the province with the lowest figure, and there was a similar difference between these provinces in terms of consumption of electricity.

The most important advantages offered by the series based on electricity consumption are that they are published regularly every year, are not affected by inflation, and can be easily separated into sub-categories. Quantitative characteristics and qualitative dimensions of the transformations which Turkey's national economic landscape has undergone since 1983 are analysed with the help of 4 annexed tables. The findings have been organised for 67 provinces.

2.4.2 Changes in the National Economic Geography During the 1983 - 1986 Period: Quantitative Analyses

Changes recorded in the electricity consumption shares of the provinces during the thirteen years from 1983 to 1996 are shown on Map 2.2. The economic performances of the provinces have been grouped into those of "winners", "those that have maintained their position" and "losers". Adana, Kayseri, Eskişehir, Samsun and Ankara, which previously developed as regional growth poles, and, within its administrative boundaries, İstanbul are observed to have failed to preserve their shares within energy consumption. Losers include also the provinces of the Central

Anatolia as well as Zonguldak, Samsun, Giresun, Trabzon, Artvin, Kars and Erzurum, which suggests a major transformation in the economic landscape. During this period, Bolu, Kastamonu, Sinop, Ordu and Rize hardly preserved their shares within the total energy consumption. The provinces of Kocaeli and Sakarya, which almost reached a point of saturation, are among the provinces whose shares declined.

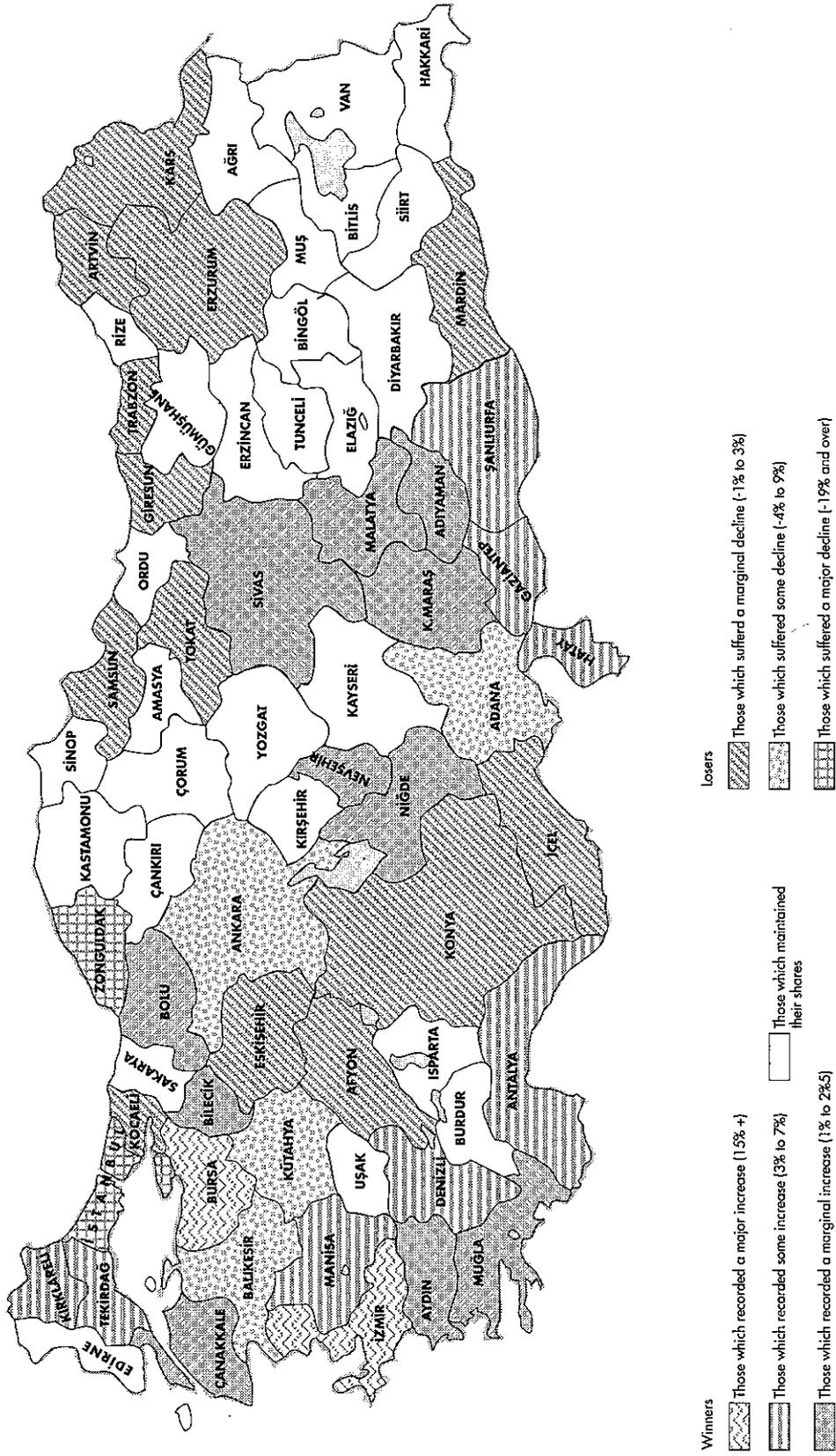
The Black Sea provinces failed to improve their economic development trends, and the development foci of the previous period saw a decline in their shares. However, İstanbul must be discussed separately as its administrative area is not coterminous with its functional area. Obviously, the over-concentration observed within İstanbul's borders affected Kocaeli and Sakarya as well and caused the decentralisation of industrial facilities towards the east whereas the provinces in the Thrace underwent a rapid process of industrialisation. Therefore, the decline observed in the İstanbul province is a misleading result caused by the difference between functional boundaries of the metropolitan economy and administrative borders. It should be seen as an indication of the emergence of a larger metropolitan area centred around İstanbul. However, a similar process was not observed in Ankara or Adana, which failed to preserve the intensity of their economic activities of the previous period. To the east and south of Adana, there are provinces with increased share energy consumption. Among Ankara's neighbours, however, only Bolu and Niğde recorded increases while the others were among the losers.

During the 1983 - 1996 period, Adana saw a decline in its share while Hatay, Gaziantep and Şanlıurfa recorded increases. Adana's northern neighbour Kahramanmaraş and Adıyaman, Malatya and Sivas recorded an increase. This area constitutes the eastern border of the winning provinces. None of the provinces which are located to the east of the development corridor which begins with Sivas on Map 2.2 and extends to Hatay and Şanlıurfa could record an increase in their shares while Erzurum, Kars, Artvin and Ağrı, the provinces along the north-eastern border, suffered a significant decline in their shares in the 1983 - 1996 period. All of the coastal provinces, from Antalya to Çanakkale, and Denizli and Manisa in the interior, recorded increases.

Table 2.2 lists those provinces with increased, stable and reduced shares in the 1983-1990 and 1990-1996 periods.

Map 2.2

Distribution of Provinces according to Annual Rate of Change of Electrical Energy Consumption Shares, 1983 - 1996



Source: Derived from TEDAŞ Electrical Energy Consumption Statistics 1983 to 1996.

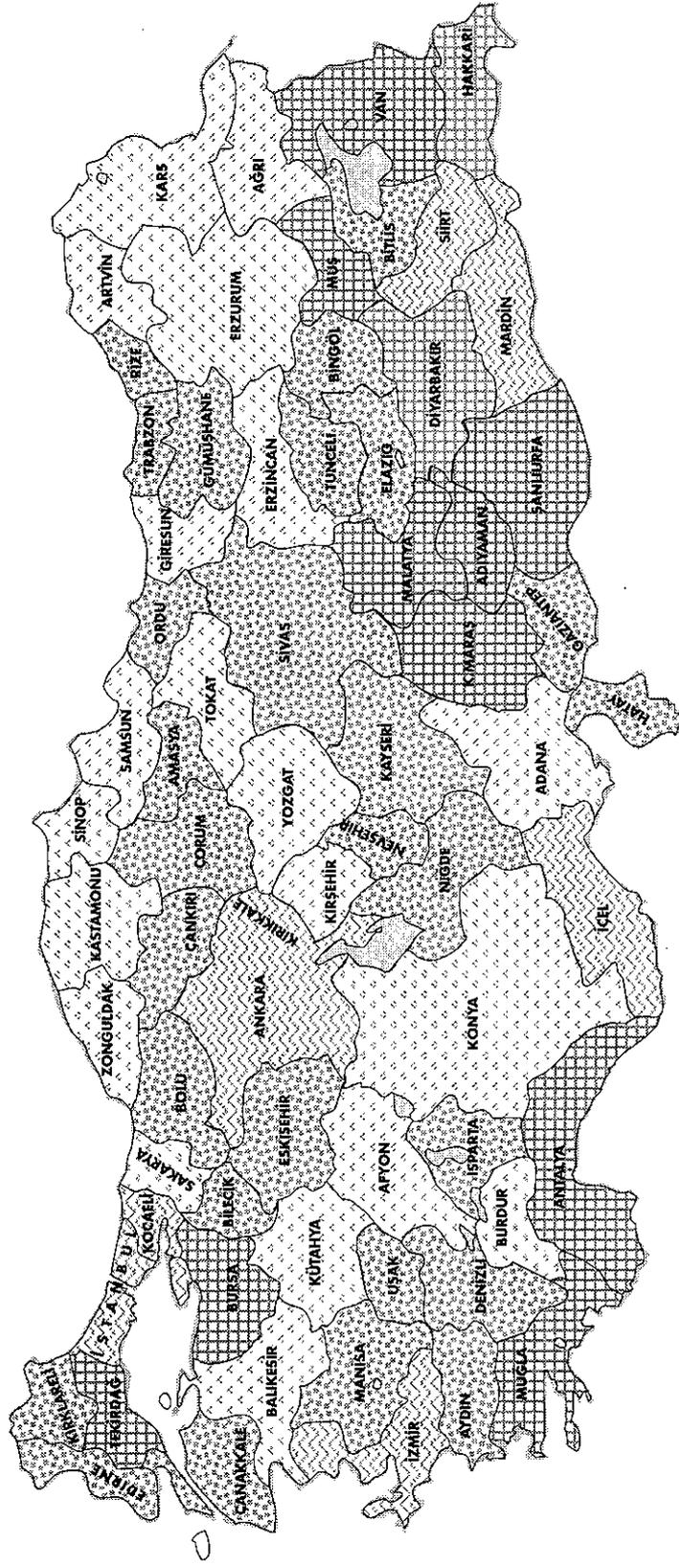
Table 2.2**Provinces and the pattern of change of population and energy consumption shares in the 1983 - 1990 and 1990 - 1996 periods:**

	1983 - 1990 Period	1990 - 1996 Period
Category 1 Provinces with an increased share both in total population and power consumption (Economically developing provinces which receive population)	Adıyaman, Antalya, Bursa, Gaziantep, Diyarbakır, Şanlıurfa, Van, Aydın, Bilecik, Bitlis, Siirt, Muş, Denizli, Hatay, İzmir, Niğde.	Adıyaman, Antalya, Bursa, Gaziantep, Diyarbakır, Şanlıurfa, Van, Hakkari, Muğla, Isparta, Kayseri, Tekirdağ.
Category 2 Provinces with a reduced share in total population but with an increased share in power consumption (Provinces where intensity of economic activities increased)	Kırklareli, Çanakkale, Bolu, Çankırı, K. Maraş, Malatya, Tunceli, Bingöl, Nevşehir, Sivas, Kastamonu, Sinop, Kırşehir, Yozgat, Giresun, Ağrı, Hakkari.	Kırklareli, Çanakkale, Bolu, Çankırı, K. Maraş, Malatya, Tunceli, Bingöl, Nevşehir, Sivas, Manisa, Uşak, Denizli, Aydın, Eskişehir, Bilecik, Çorum, Amasya, Niğde, Hatay, Ordu, Trabzon, Gümüşhane, Rize, Elazığ, Muş, Bitlis.
Category 3 Provinces with an increased share in total population but with a reduced share in power consumption (Provinces which receive population beyond the intensity of their economic activities)	Ankara, Konya, Adana, İstanbul, Kocaeli, İçel, Tekirdağ, Sakarya, Muğla, Uşak, Isparta, Afyon.	Ankara, İstanbul, Kocaeli, İçel, İzmir, Mardin, Siirt
Category 4 Provinces with a reduced share both in total population and power consumption	Balıkesir, Kütahya, Burdur, Zonguldak, Samsun, Erzincan, Erzurum, Kars, Artvin, Tokat, Eskişehir, Burdur, Edirne, Çorum, Amasya, Ordu, Trabzon, Gümüşhane, Elazığ, Rize, Mardin.	Balıkesir, Kütahya, Burdur, Zonguldak, Samsun, Erzincan, Erzurum, Kars, Artvin, Tokat, Afyon, Sakarya, Kastamonu, Sinop, Giresun, Ağrı, Kırşehir, Yozgat, Adana, Konya.

Source: *Electrical Energy Distribution and Consumption Statistics of Turkish Electricity Authority and Turkish Electricity Distribution Company and Population Census data and estimates of the State Institute of Statistics*

Map 2.4

Distribution of Provinces according to Rate of Change of their Shares within the Total Population and Power Consumption, 1990 - 1996



-  Provinces with an increased share within the total population and power consumption
-  Provinces with a reduced share within the total population but with an increased share within power consumption
-  Provinces with an increased share within the total population but with a reduced share within power consumption
-  Provinces with a reduced share within the total population and power consumption

Source: Derived from Population Statistics of SIS, 1990 to 1997, and TEDAŞ Electrical Energy Consumption Statistics.

During the 1983 - 1996 period, 30 of the 67 provinces maintained their positions while 37 moved to another category. (Maps 2.3 and 2.4). 21 of the 37 provinces that moved to another category declined whereas 16 strengthened their positions. This outcome shows the change in the national economic landscape during the 1983 -1996 period. Provinces have acquired new economic identities and, during this period, new areas of specialisation and new regional patterns began to shape Turkey's economic geography. When the winning and losing provinces are considered separately, Şanlıurfa, the base of the Southeastern Anatolia Project, Gaziantep, Bursa and Antalya recorded a stable process of growth whereas Kırklareli in Thrace, Çanakkale, and Maraş and Malatya in the south-east achieved a successful restructuring during the 1983 - 1996 period.

The province of Antalya, on the other hand, lost its commercial importance and became specialised in tourism-related activities. During this period, Afyon ceased to be an industrial province, İstanbul was surrounded by a number of provinces specialised in industrial production, and the industrial nature of the provinces in Thrace became more emphasised.

During the 1990 - 1996 period, Manisa, Denizli, Aydın and Bilecik, which had rapidly grown during the previous period, saw an increase in their welfare levels. Uşak, Eskişehir, Çorum, Amasya, Rize and Elazığ, which had performed poorly in the previous period, fared quite well in the 1990 - 1996 period. Despite the limited increase in their shares within the total population, İstanbul, Ankara and Adana - the growth poles of the period of rapid urbanisation - failed to preserve their economic significance. However, this interpretation requires caution as regards İstanbul because there are limited opportunities for expansion towards Kocaeli. As a matter of fact, an examination of the map indicates that those activities which could not be accommodated within the province's borders spread to neighbouring provinces to form the infrastructure of a new pattern of settlement.

The map for the period 1990 - 1996 shows that even provinces as important as Konya and Adana moved to category 4 which includes Zonguldak, Samsun, Kütahya and Erzurum whose economic importance declined. Given that Ankara and Adana were important destination points of the internal migration movements of the 1960 - 1965 period, the extent to which the interior lost its attraction and the coastal areas gained in importance can be clearly observed.

2.4.3 Land Use Trends and Projections in Turkey

In order to see the changes that the observed tendencies of differentiation can

create in the economic landscape a 16-year projection has been developed. A linear model has been used for this projection. The trend for the provinces in terms of their share in total population and power consumption has been assumed to be constant. The land use projection based on these conditions provides some clues as to how the economic landscape of Turkey can be shaped in the year 2010 and sheds light upon certain possible major tensions.

Map 2.5, which summarises the results of this exercise, shows that the line of separation of developed and backward provinces can be shifted to the east of Şanlı Urfa, with all economically developed provinces being located to the west of that line.

The projection map clearly shows that a significant portion of Turkey's population will be concentrated in a narrow section of the national territory. Larger cities are likely to face the pressure of internal migration during the next 15 years. However, not all of the developments will take place around today's larger cities. It seems that there will be important concentrations of population to the south of Bolu - İçel axis, the sector defined by the provinces of Nevşehir, Kayseri, Malatya, K. Maraş, Gaziantep, and Hatay.

Findings from the land use projection must be interpreted with caution. It would be misleading to consider shares of provinces in total population and economic activities as isolated enclaves and to make extrapolations on that basis. This is clearly shown by the mapping of the findings from the projection for the year 2009. For example, in the economic landscape of Turkey in the future, it is very unlikely that provinces such as Burdur, Afyon, Kütahya, Zonguldak, Çankırı and Tokat will constitute areas of depression while they are surrounded by developed provinces.

It can be estimated that 37.5% of Turkey's population will be living in economically developed provinces while the remaining 62.5% will remain in relatively backward regions exhibiting a population surplus. This state of affairs is likely to obtain only if the economic importance of developed provinces increases at a far more rapid pace than their share in total population does. Economic growth in regions with a population surplus will accelerate in the course of time. If the present trends are maintained, the combined share of these regions within the total electricity consumption will drop from 42% to 31% while their share within the total population will decrease only marginally - by 1 percentile point only.

Table 2.3. Projections on population and energy densities of the provinces

	1985		1990		1997		2009	
	Population	Electricity	Population	Electricity	Population	Electricity	Population	Electricity
Provinces with intense economic activities	34.4%	42.4%	34.5%	47.7%	34.3%	53.8%	33.8%	64.0%
Provinces whose intensity of economic activities roughly corresponds to their population densities	4.3%	2.9%	4.2%	3.1%	4.1%	3.4%	3.8%	3.7%
Provinces with a population surplus (Group 1)	48.6%	48.0%	49.5%	45.1%	50.2%	39.4%	51.6%	30.0%
Provinces with a population surplus (Group 2)	12.7%	5.4%	11.8%	4.1%	11.4%	3.5%	10.7%	2.3%
Total	1 100	100	100	100	100	100	100	100

Source: TEDAŞ's Electrical Power Consumption Statistics, 1985, 1990, and 1996, SIS's General Population Census and Estimation data, and the author's calculations.

Influx of population to economically strong provinces cannot be prevented unless the internal movement and right to settlement of economically active population are restricted. In other words, poles of economic development, including among others large cities of Turkey, are likely to experience a significant pressure of migration in the early years of the 21st century despite the marked decline in the population growth rate. The pressure of migration will be a factor making municipal government in these provinces more difficult despite their economic development potential.

In a context of demographic stabilisation, spatial distribution patterns of economic activities can confront developed regions with significant internal migration problems. Rapid migration can create significant population increases in cities in the short and medium run. For example, assuming that migration to İstanbul stopped in 1995, the population of this city would certainly continue to increase until the year 2025 because of the over-concentration of population in the active and fertile age brackets. Consequently, the transition of the country to a stable population structure might not result in a considerable improvement in migration problems of large cities. During the transition to a stable population structure, net migration will account for a more significant part of the population growth of cities.

In any case, the demographic transition process will move at a slower pace in some regions than in some others. Planning problems of a city which experiences this process under the conditions of rapid migration cannot be discussed within the same framework as others. At the local level, physical, social and economic strategies and planning activities must be differentiated along this axis. Since the overall spatial structure has not yet stabilised it is still likely that there may be a relocation of "winning" and "losing" regions. However, as of now, local governments pursuing populist policies are not endowed with adequate organisational and intellectual preparation to solve these very differentiated problems.

The transformation of Turkey's economic geography, which has taken place after 1980, will continue for the next 10 to 15 years if the other conditions remain constant.

2.4.4 Future Problems and Opportunities

Urban and regional structures and relationships in Turkey lack the flexibility created by the process of globalisation, and this accounts for most of the problems Turkey is likely to face during the period ahead. The current processes of globalisation embody a set of conflicting tendencies. On the one hand, there have emerged new relationship and processes that link all regions, transforming the entire globe into a unified space/location. The implication of this for individual regions/cities is that the future of cities depends on very rapidly changing relationships and processes, which are almost impossible to predict. What is important here is the ability to build flexible structures that can adjust to these very rapidly changing relationships.

During a very rapid process of rural out-migration, the basic concern was to solve problems faced by rural immigrants in cities while qualitative problems created by urbanisation did not receive much attention. For example, attention was focused on meeting housing needs of the population, without regard to the quality of the resulting environmental quality. Now, in the late 1990's, the basic dynamics shaping Turkey's urbanisation have changed course. The rate of population growth has significantly slowed down. The solutions developed with a view to coping with the problems created by a rapid process of urbanisation cannot be expected to work under the very different conditions of the present.

To give an example from the area of housing, today the supply of authorised housing is far beyond Turkey's needs. Although it can be argued that housing supply is successful in the sense that housing needs of a very considerable sector of

population have been met, the resulting environmental quality leaves a lot to be desired. In the 21st century, Turkey will have to cope with giant problems associated with the inadequate attention paid to urban environment, and the quality of urban environment will become one of the basic local policy issues.

The housing and land markets dominated by shanty towns and small property have played an important role in the welfare of middle- and low-income groups since the early years of Turkish urbanisation. The transfer of urban economic rent to masses, which added to their welfare, was possible in the presence of a lively real estate market and the existence of small property in the land and house markets. However, these two elements can no longer serve their previous functions in the Turkey of the 1990's, which is characterised by the presence of novel balances and the dominance of polarising politics. These two markets no longer serve the integrating function of the past: on the contrary, their function is to differentiate and separate.

What follows is a description of areas relating to a qualitative evaluation of Turkey's next quarter century, including an identification of problems and, on that basis, proposals for basic policy choices.

- The share of urban population within the total will continue to grow, albeit at a slower pace. This share is likely to rise from the present 65% to 85% during the next 25 years.

- The national developmentalist perspective that was a factor of coherence between the cities and regions of Turkey has eroded rapidly. Under the conditions of the inward-oriented industrialisation strategy of the pre-1980 period, the governmental policies essentially determined the pace of development of individual regions or areas, or their position within the national economy. Regional development dynamics have undergone a radical change after 1980, and there have emerged areas that have developed outside the state control and have established global connections.

- The provinces, which have recently become known as Anatolian Tigers, can be discussed in this connection. One of the most important characteristics of the Anatolian Tigers is that their advantages in the textiles industry enabled them to bypass cities that occupied higher places in the urban hierarchy and to establish global connections directly. **The most important characteristic of these areas is the presence of a cheap and abundant labour supply, which offered them advantages enabling a rapid process of development.** It must be noted that

this is a strategy belonging to a period Turkey is about to leave behind - the period of abundant and unskilled, hence cheap labour supply. And it we must also point out that the attempt to find a place in the global network of relations with the advantages offered by cheap labour involves risks. The attempt to articulate with global relations based on the advantages of cheap labour implies satisfaction with a peripheral position in the world economy. In the 21st century, Turkey must aim to promote its position from a peripheral country to a central one, must seek new forms of relationships between capital and labour and must develop new strategies. Adverse effects on the Anatolian Tigers of the crisis that began in the latter part of 1998, full results of which are not yet known, can serve as a warning about the risks of the strategy pursued till now.

- **It will not be misleading to state that regional disparities**, one of the basic elements of Turkish urbanisation, will be nourished by different dynamics and will further increase unless effective policy measures are developed. An unprecedented regional competition and tension may emerge between "rising" and "losing" areas. **Certain areas seem to have entered into a process of depression, which will not be easily reversible, unless serious steps are taken. A sort of depression/downsizing planning is important for these areas. This is an unfamiliar task for the Turkish planning, which hitherto has invariably attempted to plan growth.**

- Those areas, which seem to have entered into a process of depression/downsizing, need to reconsider their traditional roles and seek new roles if they are to be placed within global relations in a different position. This requires, more than everything else, the emergence of cities / municipal governments as an agent. This warrants a thorough change in the way urban politics is conducted. A novel style of local politics ought to replace the present understanding of local politics identified with undiluted patronage relations.

- Furthermore, **Turkey's regional administrative structure is not compatible with the flexibility required for global relations.** Constructive debate on this issue is almost impossible as this is regarded as a taboo by the public.

- Local government needs to be restructured and a new municipal understanding of municipal government, a new style in municipal politics, need to be established. Methods developing new co-operative mechanisms between the various urban agents are needed. In the first place, the public sector needs to redefine its tasks, and conciliatory mechanisms seeking new co-operative mechanisms

between urban agents need to be developed.

- A new process of metropolitan development, similar to the Western examples, is likely to take place in Turkey, especially in İstanbul. Some of the tendencies related to this, such as the progressive expansion of the metropolitan area, its extension to the rural areas to some extent, and the redefinition of the relationship between office and home, are already visible in İstanbul. **The need to restructure local governments seems to be an urgent task for a city such as İstanbul that carries great importance in global relationships.**

- **Ankara is among the cities, which have entered a period of stagnation.** Among leading private business concerns, the tendency to move headquarters away from Ankara began long ago and some public banks and corporations have recently followed their example. The most striking example of this tendency is the decision of İş Bankası, a bank that is almost identified with Ankara, to move its headquarters to İstanbul. However, it is possible to observe the beginnings of a new tendency which can help reverse the depression observed in Ankara (Ankara as a city of education, medical centres and science.) If a new style of local government and a new form of relationship with urban dwellers are adopted, it will be possible for the capital to achieve this transformation.

- **The rural - urban dichotomy,** a key element of the definition of urbanisation which is perceived as a process of relocation of population, **will gradually become devoid of meaning and will cease to be a dichotomy, especially in the Aegean and Marmara regions. In these regions,** the difference between urban and rural areas will cease to exist in terms of various indicators of development. In the other regions, this distinction will gradually be mitigated but will retain its importance.

- Large cities are likely to face a number of new problems in addition to those they inherited from the past. Especially in İstanbul, a new process of metropolitan development, in line with the examples in the West, must be expected. Some of the tendencies such as the gradual expansion of the metropolitan area, its extension to the rural areas, the redefinition of the relationship between office and home and the extension of the centre to the periphery can already be observed in İstanbul. The issue of how İstanbul must be administered will remain one of the main issues of not only local but also national politics. **Different views concerning how İstanbul must be administered needs to be turned into an issue of national public debate. Otherwise İstanbul might run the risk of losing the**

very important opportunity it has caught during the last ten years towards becoming a world-class city.

- Partly due to extraordinary circumstances the Eastern and Southeastern regions in particular are being differentiated from the rest of Turkey in terms of a number of indicators. However, the Southeastern Anatolia project (GAP) may produce very positive effects for the region. Besides, textiles and tourism are among the industries with a significant development potential for the region. There are signs that the region can experience a significant process of development once an environment of confidence is established and consolidated. However, what has been noted in connection with the Anatolian Tigers holds true for the GAP region as well. Regional development must be essentially accompanied by an improvement in the quality of human resources, and a strategy and forms of relationship that spread development onto the base must be sought, which is primarily an issue for GAP.

- Hitherto, Turkey was constantly engaged in efforts to seek solutions to the problems created by rapid urbanisation. Solutions to the problems created by this great transformation were often brought in informal ways that were developed within society, and this process was to some extent financed by urban economic rent created by rapid development. The development of shantytowns and a very lively real estate market played an important role in this process and became the main instrument to transfer income to large sections of society. However, these markets are now unlikely to serve this function, and, under conditions of slackened urban development, these returns will be distributed to wide sectors of society unevenly. In other words, the provision of returns as high as the ones in the past by the real estate market that served the function of redistribution to wide sectors of society is no longer feasible. These markets now serve differentiating rather than integrating functions.

- On the other hand, the community relations who have left their imprint on the process of integration and are built on the family basis will gradually lose their former strength as the family downsizes and weakens. This implies that the relationships of the past, based on the protection of rural immigrants to the cities by communal relationships and the functioning of the real estate market will be destroyed. One may even go so far as to argue that Turkey is only now getting familiar with the phenomenon of "the city" as defined in the Western literature. In other words, the mode of urban relations dominated by anonymous primary relations will exist in Turkey only from now on.

- From the perspective of the shanty towns which have been formed in the 1990's and are likely to emerge in the near future, this implies the emergence of a section of population, which is excluded from the formal and informal mechanisms of security, which is older, and has lost hopes of enrichment in the future. This vulnerable population, which will get gradually impoverished and are likely to emerge as a result of the weakening of the community relations is likely to be one of the basic social problems of Turkey's cities. Evidence of a set of dynamic forces, which will further strengthen this tendency, is already visible. In the large cities, especially in İstanbul, the tendency of upper income groups to choose residential sites for themselves in almost isolated places around the city contributes to the processes of differentiation. These settlement areas constituted by upper income groups who come together without any community-type link rightly deserve to be called a ghetto. The groups who choose to live in such places enter into very different relations from other urban dwellers, especially in terms of basic urban services such as transport, education, health and consumption, and, as a result, urban areas are transformed into areas embodying networks which coexist but have almost no contact with one another. Spatial differentiation based on income level, rather than on ethnic, political or cultural differentiation as argued by many researchers during recent years, will be decisively important in the period ahead.

- **The slowing down of urban expansion and the transition to a new process of urbanisation will necessitate a large-scale restructuring in the construction sector as in many other sectors of the economy.** Maintenance and repair activities account for a very small proportion of the total value added created by the Turkish construction sector, and most of the value added originates from new production activities. **The construction sector will have to head for maintenance - repair - renovation activities** in line with the new needs of Turkish cities that may hitherto be faced with large-scale renovations. This will make the establishment of new types of relationships between housing suppliers and buyers necessary as well new financing mechanisms will be needed.

- In the first decades of the next millennium, Turkish cities will be faced with a number of problems, including both those inherited from the past and those which are likely to come to the fore in the new period. It will not be possible to seek solutions to these problems with the forms of intervention and political styles of the past. The livable and sustainable cities of the future require not only the development of new forms of local governance and management but also a new style in local politics. That is to say, a new urban democracy will have to be estab-

lished if the problems the cities may be faced with in the future are to be solved. Following the end of the cold war, especially in the European countries, attempts have been made to establish a new understanding of urban democracy, in the 1990's. These aspirations, which have been raised in documents such as the Charter of Paris and the Final Act of Helsinki, to parts of which Turkey is a party and have recently been defined in the European Declaration of Urban Rights with utmost clarity. The new approach suggests a support the concept of citizenship, which has acquired a new meaning with the European integration supported, by a concept of urban dwelling and a concept of human rights supported by the concept of urban rights. The right to a healthy natural environment and housing environment, the right to stand for cultural heritage and natural endowments, and cultural plurality underlie the urban rights that are as universal as human rights.

CHAPTER
3

SOCIAL CONSEQUENCES OF A
CHANGING DEMOGRAPHIC
STRUCTURE: THE PAST,
THE PRESENT, AND THE FUTURE

SOCIAL CONSEQUENCES OF A CHANGING DEMOGRAPHIC STRUCTURE: THE PAST, THE PRESENT, AND THE FUTURE

3.1 Introduction

Effects of the concrete social implications of the demographic change in Turkey have become perceptible long ago. However, due to the stalemate in the relationship between the state, the political sphere and society as well as the lack of communication between producers of knowledge on the one hand and opinion leaders and policy makers on the other, these concrete changes are either ignored or their perception is affected by established prejudices. This delays the implementation of legal and institutional arrangements needed for a great transformation.

The problems, which Turkey has hitherto experienced and has now become outdated, were described as "problems of population growth and urbanisation". The new problems that will come to the fore during the period ahead will be those that are peculiar to the societies which have completed their demographic transition. However, the key to coping with the problems - whether outstanding or newly emerging ones - lies in the transformation of the "state-society" relationship which we have not yet been able to change.

3.2 The Problem That Can Be Carried Forward: Unorganised Society or Informal Relations

A significant change is needed in the sensitivities over the problems of "population growth, migration and young population", or in the way in which policies are developed which result in an environment that is characterised by unpredictability, by the failure to catch up with problems, and by stalemate and panic.

The relationship between the state and society in Turkey has not been organised in such manner as to meet efficiently and democratically the needs of a society with a growing population, which gets urbanised, differentiated and more complex. The most important consequence of this is observed in the organisation of the shared public life.

The existing institutional arrangements were adequate for a state-society relationship peculiar to the structure of a sparsely populated traditional society with a low rate of urbanisation. This structure, which was carried over to our times almost intact, embodies authoritarian elements and assumes the existence of relationships of a different character for villages on the one hand and towns on the other. There

exist some institutional arrangements, albeit limited, in the urban space while villages remain to be characterised by strong family and kinship relationships.

For example, the absence of institutional arrangements needed for a rational labour market makes it difficult to predict the effects of demographic movements on the labour market. The lack of such arrangements creates many uncertainties for those who offer and demand labour. Beside the population movements which are responsive to the demand and wage levels on the labour market, or which are based on the "rational" choices of individuals, the "chain" migration process based on personal relationships is also very influential. Rules of the labour market and planned choices of individuals are important for those arrivals who are part of the individual and rational migration process while experience of those who arrived previously and coincidence carry great importance for those who are part of the chain migration.

Almost all of the participants in the migration process are in a position in which they themselves have to solve all of their problems in connection with getting settled, finding employment and surviving in the city. It is known that especially low-income groups rely on personal relationships for this purpose, which are based on kinship, local origin or neighbourhood.

However, social and individual implications of this sort of solidaristic relationships greatly vary depending upon the presence of formal institutional arrangements. Informal solidaristic relationships in Turkey are expanding their base and taking strong roots in an environment in which values and structures peculiar to unorganised traditional societies are retained.

3.2.1. Family: A Timeworn Institution

"Family and kinship" relationships occupy, culturally and historically, a specific place in Turkish society. It is known that "family and kinship" relationships serve almost all of the functions relating to the social organisation and hence constitute the most important social structure as a multi-functional institution.

However, the burden on the institution of family has been alleviated in many societies by new business and service organisations, by institutional arrangements and, particularly by social service organisations, which have come into existence as a result of a number of processes such as population growth, formation of a national market, differentiation, diversification, and specialisation. Other household types, including modern nuclear family and one-person households, have increased their

relative importance within this entire process.

Depending on the social relations which get differentiated and more complex, market rules may have a more significant role in the functioning of new forms of social organisation in some societies, for example in the United States, while in some others, for example in Germany, public rules regulating the market have a more significant role. In both cases, however, it is observed that the burden on the family and kinship relations is alleviated while the scope of these relationships is contracting.

The process created by urbanisation and migration has obviously contributed to social differentiation and diversification in Turkey, without being accompanied by a comparably rapid change in the social organisation. The designation of "unorganised society" is not exclusively a reference to the sphere of democratic freedoms or to the reform of relationships between the state and society. It can be argued that the family, the most important organisation in traditional and communal societies, retains its importance and is supported by social values and state policies in our society. Although research studies conducted in Turkey show that "nuclear family" is the dominant form in terms of household composition, it is known that this is different from the nuclear families of well-organised societies, in terms of intra-family and inter-family relationships.

It seems useful to dwell upon the multi-faceted and chain effects of the increased participation of women in the labour force, be it in skilled or in unskilled positions, a process which, according to the analysis offered in Chapter 4, has been brought about by the acceleration of dissolution in the agricultural sector. It is known that the shifting away of women from traditional domestic tasks and their participation in the working life is a very important development, which has a direct bearing upon the functioning of the institution of family. The most concrete outcome of this change can be perceived in areas such as the care, raising and education of children. In this connection, there seem to be benefits to be derived from the preparations on new measures and new forms of organisation, which must be made not only by institutions of education but also by other public agencies related to the women, family and child matters, and from co-ordination and co-operation in the development of proposals.

Therefore, preparations to be made for the mass presence of women in the labour market should not remain limited to arrangements relating to the training of, and acquisition of skills by, women. In this connection, the development and

reform of institutions relating to the care, education and raising of children is of critical importance. Inevitably, this brings to the fore new arrangements that will help alleviate domestic obligations of the family and of women and develop new commercial and public institutions.

In this connection, it is observed that ***"family and kinship relationships"*** **retain their importance in everyday life routine in cities and are even encumbered with additional functions in an expanded sphere. In particular, in the process of migration and urbanisation which involves a multi-faceted change, the tasks undertaken by this institution have a far wider scope than that of the traditional family and kinship relationships, and therefore will have very different implications.**

3.2.2 Proliferation of Informal Solidaristic Relationships

Family and kinship relationships in Turkey are not uniform. Nor do they all serve the same functions. Origins of families, both culturally and in terms of social classes, are important in this respect. Upper- and middle-income city dwellers have relatively easier access to existing public or commercial institutions. Therefore, the position of family and kinship relations in everyday lives of certain groups may remain limited to intra-family solidarity. It is relatively easier to evaluate the significance, change and effects of the family and kinship relationships for these groups.

On the other hand, the situation is very complex with regard to those groups who do not have access to commercialised institutions in situations where public and commercial arrangements are absent. "Family and kinship" relationships have a very different scope and significance for low-income groups, villagers and cultural groups originating from more traditional and communal groups. In particular, family and kinship relationships do not remain limited to intra-family solidarity during the traumatic process of transformation these groups experience after migration, and it is observed that this type of relationships extend to the various sphere of everyday life.

In summary, there is a qualitative difference between the maintenance of family and kinship relationships at home and their extra-domestic extension. The relationships maintained at home are those which primarily involve women and children and are limited to domestic life. Extra-domestic relationships are different in terms of their scope, participants and characteristics. Such part of extra-domestic solidarity relationships as are maintained between males involve a large number of participants, are hierarchical, and are related to the public sphere. This type of kin-

ship and quasi-kinship relationships and ties based on local origin, which are primarily exclusive to males, have an effect that extends from the organisation of neighbourhood life to communications, to business life and even to political life. These relationships are based on mutual trust, have permeability in terms of their subjects, and have a growing importance in our society as not easily perceptible relationships.

It can easily be envisaged that this type of informal communications and solidarity networks, which are substitutes for organised and institutionalised urban life, will cause various cultural groups living in cities to come to the fore and proliferate as "ethnic groups and movements".

3.2.3 Urban Inequalities, Populist Policies, and the Downsizing of the State

We have already noted that institutions peculiar to a welfare society have failed to emerge in Turkey, that the accommodation of new needs emerging within society has been entrusted to family and kinship relationships, especially for low-income groups, and the burden on these relationships is progressively increasing.

On the other hand, an urbanisation process is taking place outside urban law, which leads to a "residential polarisation" within the city. This polarisation is concretely characterised by "new residential areas of the rich" at one end and "new residential areas of the poor" at the other. It is often ignored that the formation of these distinct living areas is parts of the same process. Therefore, the settlement patterns and residential areas of low- and middle-income groups are brought to the fore as the only source of the development outside urban law.

It is easier for those living in "the new residential areas for the rich" to articulate with formal urban system and institutions, or to satisfy their basic needs through commercialised institutions. On the other hand, the integration of residential areas of low-income groups with the urban system is very difficult or sometimes impossible. Populist policies that have been hitherto implemented have obviously contributed to the urban inequalities.

The low quality of life in shantytowns is not limited to utility-related problems. Dwellers of these neighbourhoods must meet very different conditions if they are to have access to a minimal level of organisational and civil rights, such as health care, education, social service, security and justice.

It can be agreed that urban inequalities have a stronger effect on women than

on men. The changes that will take place in the labour market over the next quarter a century will add to this inequality unless measures are taken.

Transition from domestic duties to working life can produce traumatic results on women, especially on those belonging to lower- and middle-income groups. The participation of every woman in the working life on a level field with men and educated women, in terms of wages and working conditions, will only be possible if she has information about working life and can acquire skills compatible with new technologies. The first and most important requirement for this is the reform of all institutions of education from the elementary schools upward.

Furthermore, it is also important to develop alternative education models, which will enable women who were left outside the school system to acquire skills. Non-governmental organisations have an important role to play in the development of alternative education models.

In the event of failure to achieve all of these, a significant majority of women will obviously be left with the options of "unemployment" and "unskilled positions". In such event, the existing polarisation between "educated holders of skilled jobs" and "uneducated holders of unskilled jobs", in terms of income, social position and life style, will significantly increase.

Following the recent contraction of public resources, which is caused by various reasons, shanty town dwellers have come to expect nothing from the "state" and have been attempting to satisfy their needs according to their own priorities and by secluding themselves. Recently, public interest in these neighbourhoods has decreased and general and comprehensive re-arrangement programs concerning these neighbourhoods have been forced to the background. The new global tendencies, especially the discourse of "downsizing the state", have obviously contributed to this. **In this connection, it should be noted that the implications of this discourse are different for societies that have formed their welfare society institutions from those that have not formed such institutions, for example Turkey.** Those to be affected most by public spending cuts and especially by the consequences of commercialisation of education, health and social security services, are low-income groups and shantytown dwellers. Similar tendencies are seen in other countries too. Therefore, as the state withdraws from the sphere of economic activities, there should be formed mechanisms to enable all sectors of society to benefit from social services minimally.

The solution to the problems perceived as "the shanty town problem"

does not pass through the prevention of the construction of new shanties. The dwellers of these neighbourhoods account for approximately one half of population of large cities, and tend to seclude themselves progressively. The improvement of the quality of life of this population and their integration with the urban system necessitates a systematic and comprehensive treatment of the shanty town problem.

3.2.4. The Second-Generation Shanty Town Youth

It is often ignored that the group which is affected most by the shanty town problem is children and young people. The recognition of problems of this youth group and the search for systematic and professional solutions to these is a very important issue that concerns the period ahead as well. In these neighbourhoods, two different youth groups can be distinguished. The first is the one that we will describe as the first generation of migrants, who spent their early years as children or young people in villages or small towns dominated by traditional values.

The first generation of migrants had their process of socialisation within *"traditional family and kinship relationships"*, and they brought the skills and values they acquired in that environment to the urban environment. When these children and young people arrived at cities, especially at larger ones, they had difficulties of adaptation to the labour market and to other urban spheres, and there was no institutional arrangement that would help solve these problems.

In particular, children and young people belonging to low-income groups, who did not have skills or other experience suitable for the urban environment at the time of their arrival, joined the labour market either accidentally or through the opportunities they had due personal relations.

One of the most important problems in this area is associated with the collapse of the institution of apprenticeship under the pressure of new technologies and growing population, which meant the loss of the sole and oldest institution providing vocational training to these young people who left the school system after finishing the fifth grade. On the other hand, the specific structure of "child employment", a practice which has recently widened its scope, prevents working young people and children from receiving vocational training. However, this is not regarded as an important problem by families, the state or employers, and, on the contrary, is supported by various sectors of society. It is also dubious if members of the first generation who were engaged in various struggles to settle in cities will be able to transfer to their children their own experience, culture and values.

Therefore, **it is obvious that the second generation children and young people who grow up in the tense environment of shantytown development will have a position quite different from their parents.** As explained in the earlier chapters, everyday life in shantytowns is not similar to the life in urban or rural areas. Life in the shantytown is built on constant struggle and occasional conflict, and young dwellers are directly exposed to the problems their parents are faced with. Therefore, the process of socialisation of those children who live in the midst of this tension is very different from that of their parents.

A major problem to be recognised is that no institutional service other than "elementary education" is being provided to children who are growing up in these neighbours and that schools lack professional staff who is responsive to these problems. The state is transferring many problems affecting children and young people to the sphere of "society" and "family and kinship relationships". However, adult dwellers of these towns do not have time to allot to their children as they struggle with critical problems such as employment, housing and everyday subsistence. What is more important is that these families lack sufficient experience about the rules of raising children in a large city.

In these neighbourhoods, the burden on the family is already excessive; there is no social control, educational or other social service institutions are absent, and children and young people who are growing up there are necessarily exposed to the effects of TV, the street and informal solidaristic relations of these neighbourhoods. Therefore, these children, who have been confidently entrusted to the sphere of "family", are far more likely to be exposed to the influence of youth groups in the streets or of newly emerging religious or ethnic groups in the cities rather than that of their parents.

Families are already under too heavy a burden, and they should no more be encumbered with the task of solving certain "youth" problems that appear in shantytowns from time to time and are likely to increase during the period ahead. On the other hand, **it should be perceived that problems that prove to be too heavy a burden on families cannot be solved through "police" measures, and immediate steps should be taken to build effective and high-quality education and social service institutions needed by children and young people living in these neighbourhoods.**

3.3. Tomorrow's Agenda: Improvement of the Quality of Social Life

Following our recognition of the slackening of the rapid population growth, we can argue that the issue to receive priority in the future will be effective and democratic institutional arrangements capable of accommodating diversified and differentiated demands that have been brought about by the process of rapid social transformation. These effective and democratic institutional arrangements are obviously needed for every sphere of social life, including political, administrative, education, business and everyday life spheres. The achievement of these arrangements will contribute also to the improvement of the quality of our social life.

It must be realistically noted that the establishment of arrangements for shared public life is no easy task and there are many structural and conjuncture-related obstacles standing before these arrangements. **Structural obstacles obviously include the political and administrative structure characterised by a traditional conception of state as well as the system of communal social relations and a set of conservative values created thereby.**

However, there has recently begun to emerge a sort of social consensus between the various sectors of society that the solutions of the outstanding problems depend on certain radical and rational steps. These pursuits and reform demands that can be observed among almost all sectors of society permit one to look to the future hopefully despite all the obstacles. In this connection, the discourse of "downsizing the state" needs to be dwelled upon.

It is known that the discourse of "downsizing the state" has found widespread support and acceptance in our society, being regarded as the "withdrawal of the state from the economic sphere and the development of a publicly regulated market economy". However, this discourse should not be interpreted as the total abandonment of areas such as health care, education, social security, justice, and social services. In societies where even a minimal level of traditional state services is not provided to citizens, it is not difficult to foresee the adversities to be caused by the failure to provide sufficient incentives to induce the private sector to fill the vacuum to be created by the abandonment of these areas by the state. It should be perceived that the postponement of arrangements such as those in education, health care, social security and social services could constitute the biggest obstacle to the improvement of the quality of life in a country like Turkey, which has not established the institutions of welfare society.

It is known that one of the consequences of the new global tendencies is the increase of polarisation in almost all societies. The signs of this polarisation can be concretely observed in our society too. The groups at the opposite ends of polarisation will obviously undergo different effects. The failure to introduce any institutional arrangements will add strength to certain conservative and communal solidaristic tendencies in society. The burden on the family and kinship relationships will very much increase, especially for low-income groups, and, furthermore, existing religious, cultural and ethnic solidarity groups will gain strength and will enter into a process of seclusion. It is not difficult to foresee the problems to be created by the increase of the burden on the family or the dimensions of the political effects of the growing influence of solidaristic groups.

Therefore, global tendencies should be evaluated within the framework of concrete conditions prevailing in Turkey, and arrangements should be introduced in line with universal principles and in consideration of local tendencies and needs.

3.3.1. The Problem of Adult Population

Population of "children and young people" will not increase in relative or absolute terms during the next 25 years, as is clear from the population projections set out in the first chapter of this report. Therefore, especially the resources to be allocated to and arrangements to be introduced in favour of children and young people should be designed soberly so that they can contribute to the improvement of the quality of life.

Arrangements to be made in these areas should be in such direction as to alleviate the burden on the family. If the "family" is to survive in a differentiated and diversified society, it is useful to know the scope of obligations it can undertake. The introduction of institutional arrangements needed for children's health care, education and socialisation is an important subject. These can be institutions differentiated according to income levels and social status of families. For example, these can be commercial institutions for certain income groups. However, the specific nature of the subject requires an effective public control over its functioning.

No doubt that steps to be taken in connection with "the population of children and youths", which has long been an important item of the national agenda, will easily create societal response. This is not true, however, for "adult and elderly population", who will be a new item on the agenda of Turkey. As is clear from the population projections in this report, Turkey will experience a process of transition "from a young population composition to an aged one".

As indicated in the final chapter of this report, adaptation of the adult population to the labour market will be an important issue during the period ahead. Turkey has long been able to renew its labour force with the potential offered by the increase of its young population. However, additions to the labour supply will originate from more advanced ages during the period ahead.

The issues to move to the fore in such a context include women who left the school system as young children and those groups who joined the labour force as young children and have become adults without acquiring any skills. Today, it is known that households of similar nature are increasing their household income by sending their young children, especially boys, to the labour market using the relative advantage provided by high fertility. However, adults will not have the same advantage in the period to come because of the declining fertility.

For this reason, we may have to do for adults in the future what we were not able to do in the past and what we cannot do now for children. There seem to be benefits to be derived from the establishment of "continuing education" institutions for skilled adults who find it difficult to adapt to new technologies, and "skill acquisition" institutions for those who have reached adulthood without acquiring any skills.

3.3.2. The Problem of Elderly Population

Another problem area to come to the fore in this connection will be "elderly population". This is in fact an already existing problem, but due to the size of this age group, the elderly cannot make their voices heard against a noisy background caused by other problems.

The elderly are suffering very severely from the difficulties of living in the midst of a very young population and are almost leading the lives of a minority group. Family and kinship relationships are the only institution provided by society to the elderly who are striving to live in a society that is almost exclusively index-linked to the youth. The system of traditional values and family structure is assumed to protect "the elderly", and "old age" is regarded as a problem only for those who have no families or are otherwise unprotected.

The situation of pensioners, the only group of the elderly who are readily visible, receives attention only when they are seen waiting in long queues to receive their pensions. It is obvious that the situation of this population group, who retired from the working life at an early age due to the possibilities of early entitlement to

pension and under the competitive pressure of young population, depend on their past savings, on their "families" and on the future of "social security institutions". However, there are also elderly people who lack these resources and have been entirely entrusted to the sphere of "family and kinship relationships". We do not know much about the difficult living conditions of this group of elderly or their position within their families.

A field survey conducted in Istanbul offers interesting findings in this area. It has already been mentioned that newcomers to the city did not have time or resources to allocate to their children as they struggled to find housing and jobs. It is not difficult to foresee the extent to which they could allocate time and resources to their elderly. One of the solutions employed by those households that maintain relations with their villages is to send the elderly who are not capable of working back to the village. The above-mentioned study also shows that those "elderly couples, widows or widowers" feel that they are excluded from the solidaristic relationships and have been abandoned.

The "elderly population" will steadily increase during the period ahead, and their problems will rapidly grow and become perceptible. In this respect, the reform of the pension system carries importance. However, this arrangement will not in itself be sufficient for the solution of this problem. It is clear that special and professional institutions need to be developed for the "elderly population" who constitute a special age group. In addition, it is necessary to contribute to the change of certain prejudices among society. It is useful to remember in this context that the problem of the elderly population is not limited to "the elderly who are without families or have been abandoned" and is a broader problem.

3.3.3. Cultural Groups and Ethnic Relations

Although it is known that there are various cultural groups who represent the cultural wealth of Anatolia, the cradle of civilisations, very few studies have been conducted on this subject. **However, global tendencies whose signs are observed in our society too cause relationships between different cultures to increase, render local cultural groups identifiable, and make the issue of "cultural identity" one of the major themes of our days.** Therefore, it should be noted that this issue would be one of the inevitable themes of the next period in Turkey.

Cultural groups are those groups who live in the same geographical location but believe that they have distinct languages, religions, beliefs, histories or life

styles. Although the existence of cultural groups dates back to very early times, the establishment of contacts between different cultural groups is needed for perceiving this. In this connection, the phenomenon of migration has especially produced important effects in the perception by different cultural groups of one another.

The mass internal and international migration that has taken place in Turkey caused various cultural groups to leave their homes and brought different cultural groups into contact. **Research studies conducted in certain societies that have undergone an intense process of migration show that cultural identity by itself does not lead to conflict and that conflict emerges only in the circumstances of discrimination. That is to say, those groups that have suffered systematic discrimination due to their cultural identities are transformed into "ethnic groups".**

It is known that groups with different life styles originating from different regions of Turkey have migrated to, and live together, in cities. On the other hand, these different cultural groups have established relations based on kinship and local origins, and are trying to maintain their culture thorough these groupings.

The experience we had until today shows that these groups with different origins did not have serious conflicts between themselves while they were settling in the city, and they often lived in solidarity with one another. In this connection, it is also argued that shantytown movements are social movements that brought these different groups of new city dwellers together around a "shared problem".

It is observed that certain cultural identities, with the establishment of new relations, are becoming perceptible in cities under a new form. However, since these issues have long been regarded as a political taboo, any debate on this explicit reality is suppressed. Yet, the denial of existence of certain cultural identities for political or ideological reasons and the self-perception of exclusion among some other social groups do not cause this reality to vanish, but, on the contrary, renders these groups more visible.

Furthermore, the failure to introduce systematic and institutional arrangements during the establishment of everyday public life in cities has contributed to the strengthening of organisations of "communal type", which expand their scope and go beyond groupings based on local origin so as to include religious groups as well. In this connection, one may mention communal organisations of those who believe themselves to have been discriminated against, including "orthodox

Moslems", "Alawites" and "Kurdish identity". The observations made in the urban area show that these denominational or cultural groups, each consisting of heterogeneous elements, may overlap, due to the possibilities created by multiple identities. For example, their Turkish or Kurdish identity for the Alawites, their Alawite or orthodox Moslem identity for the Kurds, and their heterogeneous cultural identities for the orthodox Moslems can produce effects which prevent them from gathering around a single and definitely demarcated identity. However, the existing tensions in society show that this is a limited effect and the subject has become part of our political agenda.

It is obvious that our incompetence to make policies in this area is associated with our failure to debate the issue of "cultural identities" because of long-standing taboos. On the other hand, there must be found a way to reduce the tensions existing in society around these subjects. During the period ahead, this will be one of the inevitable agenda items in Turkey as elsewhere in the world and will have to be solved in the period ahead.

This requires the development of concrete policies towards building a society which distinguishes "national identity" from "nationalism" and "cultural identity" from "ethnicism"; defines "national identity" on the basis of civil and political rights and duties; and perceives "cultural identity" as cultural identity plus pluralism. In addition, there are benefits to be derived from the rapid development of secular and formal institutions and opportunities of organisation and solidarity, which will hinder "the process of organisation into communities".

3.3.4 The Problem of Foreign Population and Migration

Due to its history and geographical position, Turkey has witnessed the arrival and departure of different cultural groups through exchange of population at various times. Over the last three or four decades, it has sent workers abroad and defined itself as a country of "out-migration".

However, recent developments have begun to lead to changes in the position of Turkey as regards international migration movements. Workers "abroad" has now become established, and Turkey is about to become a country that receives international migration.

In terms of its nature and legal position, recent international migration to Turkey is different from the "displaced people" we are traditionally accustomed to

receive. In this connection, we can talk about three different population movements that affect our international relations as well. The first includes "refugee" groups coming from various countries in the region. In terms of their origins, their reasons of migration, their legal position and their expectations from migration, these migrant groups is different from the "displaced" groups we are accustomed to receive.

The second group of foreign population migrating to Turkey includes legal or illegal migrants from the countries of the region, or even from Asian or African countries, who see Turkey as a "transit country" where they will live temporarily and who aim to migrate to the countries of West Europe. It is known that these illegal immigrants spend some time in Turkey, find employment as illegal workers, and seek ways to go to another country by various means.

The third group of foreign population movement includes those who come to Turkey for economic reasons. These groups often arrive as tourists, are employed as "illegal foreign workers" in sectors such as agriculture, construction, tourism and entertainment, or try to make a living by engaging in the passenger-accompanied-luggage trade.

Given these, it is not difficult to estimate that Turkey will rapidly become a country that receives international migration, a fact we are not yet aware of. Under the impact of the process of demographic transition, the flow of foreign workers to Turkey may continue at a more rapid pace.

It will be useful to consider the question of "foreign population", which will constitute one of the important agenda items in Turkey during the period ahead, in the context of domestic social, economic and political balances as well as international relations, to develop a consistent "international migration policy", and to introduce corresponding legislative arrangements.

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C H A 4 T E R

THE STRUCTURE OF TURKISH
LABOR MARKETS: 1998 - 2025

THE STRUCTURE OF TURKISH LABOR MARKETS: 1998-2025

4.1. Introduction

In a study that examines the Turkish labor markets, one first has to briefly lie out the background international and domestic trends as they pertain to the structure and development of the local labor market. In the next section, a few of these major topics will be presented, starting with the rising returns to skill in the world which worsens income distribution, as this is clearly related to wage trends and structure. This will be followed by a discussion of expected employment trends in Turkey. A related short section will follow: aggregate investment, unemployment, and inflation in Turkey. These will be brief remarks, to set the stage, so to speak. Unemployment will be dealt with later in the report.

After the following section, there is a section on the reflection of global trends on Turkish labor markets. It is followed by labor force participation estimations. Women will be analyzed separately, as their human capital levels on average are lower than men's and there are traditional occupational differences. Their labor force participation decisions, therefore, are markedly different than men's. After this discussion of the supply side, we will conclude with the demand, employment growth and unemployment in Turkey.

The reader should note that the long time perspective of 25 years allows us to determine only the broad trends in labor force participation and the sectoral distribution of employment. These trends will be estimated and justified by utilizing the past experiences of other countries.

4.2. Rising Returns to Skill in the World: Human Capital and Employment Trends

In the developed countries, especially in the U.S., a dominant feature of the labor markets of the past two decades was the rising wage inequality between high-skilled and low-skilled workers (e.g. Borjas and Ramey, 1994). That is, the ratio of wages of college graduates relative to high school graduates and high school drop outs displayed an upwards trend in the U.S, and this in the face of an increasing relative supply of college graduates. Apparently, demand for skill has outpaced the supply, and this wage premium to skill has been observed across industries. There is a plethora of explanations for the phenomenon, from increased labor force participation of women reflecting demographic changes, to declining unionization and manufacturing jobs which most adversely affected less skilled

men, to international trade (e.g. Murphy and Welch, 1992). Concomitant and correlated with these explanations, the role of technology should be stressed: new production technologies created in the manufacturing sector tend to be labor saving. As manufacturing declined, service industries have been on the rise, with the related rise in part-time employment (which is relatively more preferred by women) in the developed countries. This had a profound impact on wages and fringe benefits (the quality) of jobs (Blank, 1990). All told, low-wage jobs grew and income distribution worsened in the U.S. because of technology induced structural change in industry and other sectors.

How are these developments expected to reflect themselves, then, in a middle income developing country like Turkey? Note that, "Other middle-income countries that have gone through a similar process of liberalization and integration into world factor and product markets have experienced a strong increase in the demand for skilled labor, and rising labor earnings inequality (this has been the case in Mexico, Argentina, and Chile, among others)." (See Revenga, 1998.) Note also that, increasing education levels (one of the two more important components of human capital, the other being experience) affect both wages and participation rates positively. A few reasonable predictions thus may be made for Turkey. On the supply side, firstly, Turkey has 40 to 45% of its labor force in the agricultural sector, which is high relative to the similar income countries like those in Latin America. Most of this employment (especially for women) is in the form of unpaid family labor. Agricultural subsidies help keep this population in the rural areas, although urbanization is steadily on the rise. Secondly, as urbanization and education levels increase, women participate more. It will be shown later in this report that, Turkey, for women, has just about reached the turning point of the well-known U shape of female labor force participation. Female unemployment rates are expected to hit 30% by 2010, which is currently the unemployment rate observed for urban young females.

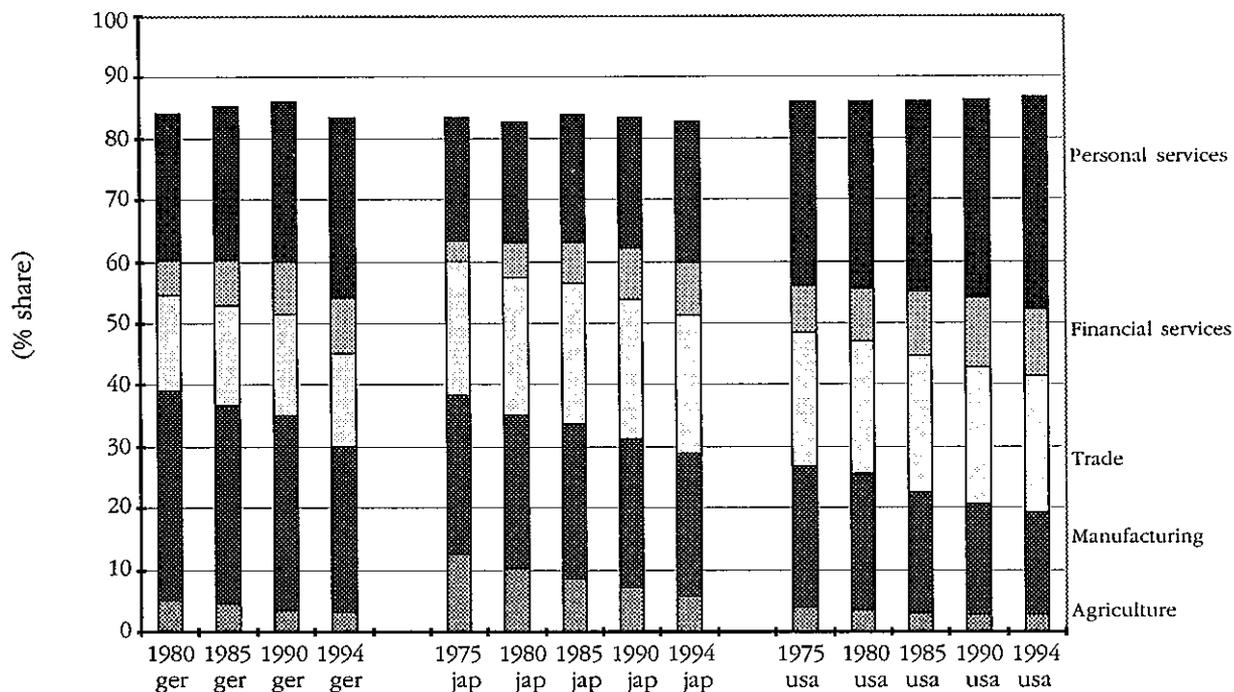
4.2.1. The Direction of Employment Distribution: General Remarks

On the demand side, the sectors that should absorb this supply coming from the agricultural sector and women, are manufacturing and services. The first reasonable prediction is related to the share of manufacturing employment in total employment. That ratio in Turkey is not expected initially to reach the 30-40% range experienced by developed countries' (two decades ago) and then start to decline. Present day globalization trends and production technologies preclude this

option. Manufacturing employment in Turkey is expected for a short while to rise moderately and then settle at the present day levels of around 20% or less observed in most of the rest of the world. Services are then the key to employment. As will be shown later, unless services can create jobs at a growth rate of around 5% per year, Turkey will face an unemployment problem on par with the recent Spanish experience. Note also that, service jobs are relatively low paying on average than manufacturing jobs.

Figure 4.1 and 4.2 help us visualize the above discussion. When one examines the experience of the developed world, one observes that the share of agricultural employment is low, 3 to 6% in Germany, Japan, and the US (OECD, 1996) (Figure 4.1). Manufacturing employment is steadily declining, 27%, 23%, and 16%, respectively, in Germany, Japan, and the US in 1994. Total services are on the rise, with 38%, 31%, and 46% in 1994, in the same country order.

Figure 4.1. Sectoral Employment Shares in Germany, Japan and the US.

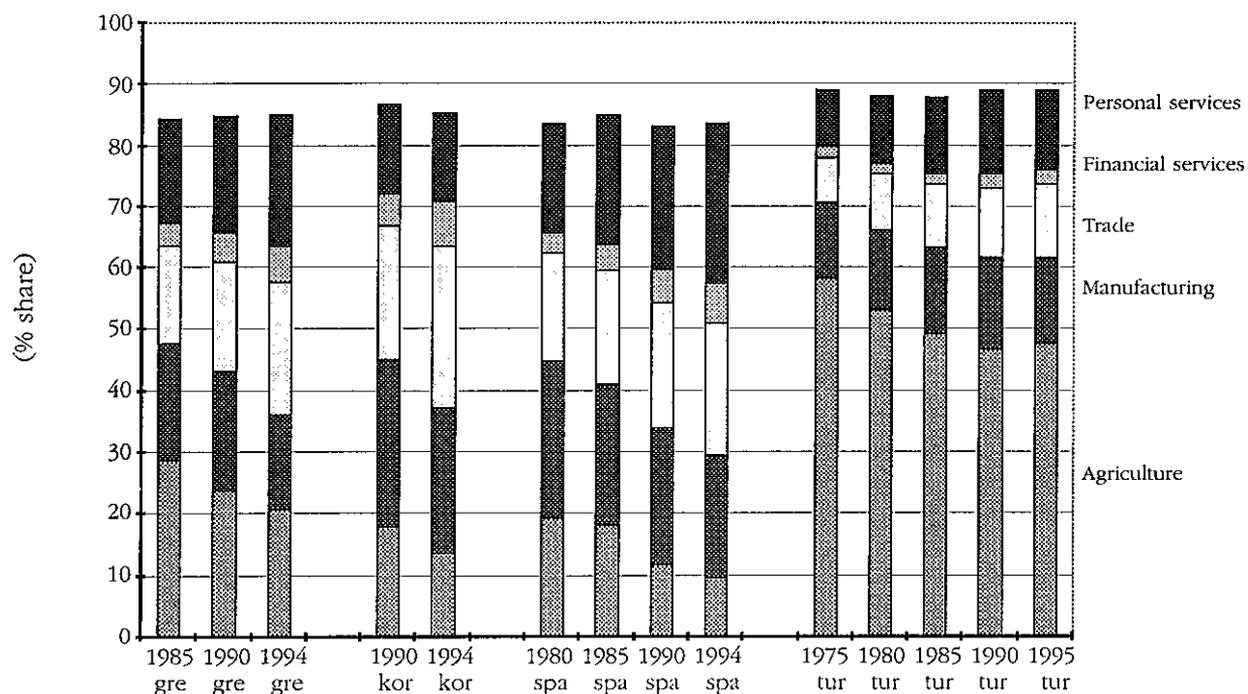


Source: OECD, 1996

Figure 4.2 exhibits the same information for smaller countries (Greece, Korea, and Spain) along with Turkey. The share of agricultural employment in these countries in 1994, was 21% in Greece, 14% in Korea, and 10% in Spain. Turkish share still stands at 45% in 1997 (SIS-LFS). However, it has come down from 58%

in 1975. The decline in manufacturing is observed in these smaller countries, too (15%, 24%, and 20%, in alphabetical order). Between 1975 and 1997, Turkish manufacturing employment share went up from 12% to 15%. In all four countries, service sector's share in employment has gone up in the periods reported in Figure 4.2.

Figure 4.2. Sectoral Employment Shares in Greece, Korea, Spain, and Turkey



Source: OECD (1996) and SIS Labor Force Surveys (for Turkey).

It is therefore clear that manufacturing employment declines (current average for OECD countries is 28%). Turkish industrial employment was caught at its rising stage to the changing global paradigm. **As things stand at the moment, it is not reasonable for Turkish manufacturing employment to first rise to the 35-40% range where most industrial country shares started their decline from, and then go down. We expect a moderate rise in manufacturing employment for sometime before it stabilizes.** Case in point: Turkish manufacturing sector value added grew at an average rate of 10% between 1981-1995, whereas employment growth rate was 3% (Filiztekin and Tunali, 1998).

These two figures have also clearly shown the way agricultural employment will go. However, the present Turkish situation deserves some more attention. Agricultural productivity is low in Turkey. This inhibits growth in the non-agricultural sector. That is, higher productivity levels in this sector should free resources that may be utilized in higher value added sectors. But, if the out-migration from agriculture is fast, then the resulting urban and social problems, mainly unemployment, and infrastructure etc. costs will outweigh the expected short-run benefits (of higher wage, higher value added employment for those who can find it). This appears to be the consensus in the development literature: it is cheaper to keep a person in the rural sector than it is to accommodate him/her in the city. Employment creation costs (investment for employing one person) and urban infrastructure requirements are higher than subsidizing agriculture. Net migration will clearly be determined by comparing the expected value of high wage employment with lower probability in the city, versus the higher probability of employment with low wages in agriculture.

Turkey seems to be hanging on the rural side of this balancing act, with an exceptionally high agricultural employment relative to other middle income developing countries. This also causes wage-salary employment's share to be low. As most agricultural production is still family unit oriented with no formal wage-salary structure, paid employment's share, hence number of taxpayers, is low in Turkey: about half in 1998, and this includes informal daily wage workers. Wage-salary employment is two thirds of the total in Latin American countries. Unless non-agricultural employment grows at a faster rate, Turkey will likely miss its demographic window of opportunity.

Therefore, global trends and Turkish dynamics combine and call for an increased income inequality in the near future. However, income distribution by quintiles in Turkey, reveals, it is hard to imagine how worse this could get. The highest quintile of households in Turkey has been getting 50 to 55% of income in the past decade and before.

4.2.2. Aggregate Investment, Unemployment and Inflation in Turkey: Brief Remarks

Related to the income distribution, this section highlights some of the domestic dynamics of investment and inflation as they relate to employment, and hence income. Both public investment and foreign direct investment have been on the decline in Turkey. If one once to add to this the fact that the non-operating rev-

venues of the largest firms (that is interest income from government papers) has been on the rise, if it is right to conclude that the employment creation capacity of the economy has been reduced. Investment expenditure's share in the consolidated budget expenditures was 18% in 1991 and 7% in 1995. Share of total investment in the economy (as a percentage of GDP) was 22% in 1994 (World Bank, Atlas, 1996). In the same year, China registered 43%, Malaysia 39%, Japan 30% and Austria 25%. These figures are roughly representative of their respective regions.

The high PSBR-high inflation environment of Turkey results in extremely high real (and volatile) rates of return tying the capital in government papers. Because of the panic Russian crisis created in foreign lenders, Turkey is affected negatively in regards to foreign investment. Preferring the high returns on government papers, banks are usually reluctant to lend to the private sector and do so with high margins. Turkish producers (because of mark-up pricing in the non-tradable sector) are usually dependent on bank loans for operating capital, and as the crisis hits Turkey, both the production and bank sides are hurting. Anecdotal evidence suggests lay-offs and banks in trouble because of bad loans.

These brief remarks make it clear that macro-economic stabilization is the key for growth in the real sector. Lack of FDI and declining domestic investment, political instability, high interest rates and PSBR that crowds out private investment, and income inequality do not suggest a rosy picture for the employment prospects of Turkey. In the next section, Turkish labor supply and labor demand will be analyzed against the background briefly presented above.

4.3. Reflection of Global Labor Market Trends in Turkey

In this and the following section, the state of the Turkish labor markets (participation and employment patterns) will be presented for the past 10 years, with forecasts through 2025. The State Institute of Statistics (SIS) has unpublished projections of the demographic structure by age and gender group until 2025. Sis has for the first time collected household level labor market data in October 1988. Since then, these surveys were carried on in every April and October. Note that, questions on earnings were only asked in the first survey. As the chosen forecast horizon is longer than the data, short-term time-series econometric forecasting is not meaningful. Therefore, participation and sectoral distribution of employment will be broad-brush in breakdown (e.g. part-time employment may not be covered), but rigorous in technical analysis. A panel of country data consisting of labor market indicators and real GDP per capita through years will be utilized to

point out the highly expected Turkish labor market trends in the first quarter of the next century. These trends will be laid out separately for women and men.

In the 1980's, on average, 37% of American women did not work, 18% worked part time, and 45% worked full time. In the next quarter of a century, Turkey is not expected to reach the 60-65% active women proportion typical of developed countries, but it will hit 40-45%.

A well-known stylized fact about women's labor force participation rates is the U-shaped curve as development progresses. Participation starts high at low income countries because of agriculture and unpaid family labor, drops as urbanization speeds up, and picks up again as the newly urban female labor force's education levels go up and they participate more. The shape of this curve is clearly discernible in various studies, with the x-axis being real GDP per capita. Another indicator that is positively correlated with the stage of development is the share of white-collar occupations in total employment (45-50% in developed countries). These patterns are driven by the switch from a family based production paradigm to a firm based paradigm that will allow economies of scale to kick in (Williamson, 1985; Whyte, 1996). Studying the histories of developed economies and recent development experiences of NIC's, therefore, help one to analyze the near future of a developing country like Turkey, assuming a reasonable growth rate of GDP per capita.

As to the sectoral distribution of employment, manufacturing has been losing ground because of labor saving technological developments, and relatively low-paying service sector has been picking up the slack. A direct consequence of manufacturing decline is the trend for de-unionization. The service sector's larger share and increased female participation rates, when added to manufacturing decline, resulted in a downward pressure on the low-skill end of the wage distribution in the past two decades. This, coupled with the increased skill premia observed at the same period, raised income inequality, as mentioned in the previous section.

Note also that, there are two tiers of employment in the services. Lower tier is secretarial, data entry, and clerical. Mean education level here is lower than the higher tier's (managerial, professional-technical occupations), mostly high school. Their promotion prospects are dim or non-existent, job security low (Mishel and Bernstein, 1994, p. 119). Such is the nature of most new jobs in the post-industrial societies: low wage and services (OECD, 1994).

Some of these issues are highlighted for the Turkish case in Table 4.1: Average

monthly earnings by occupation and sector. Table 4.1 reveals that, in each occupation and industry cell (except service –low level support- jobs in finance) women get paid less than men on average, not controlling for human capital, hours, and other demographic variables. Also, finance and services (personal) employment for women comprise 40% of total female wage-salary employment, whereas the corresponding figure for men is one third.

There are two important findings in Table 4.1. The first one is sectoral wages. It seems, at first glance, that contrary to expectations average wages in the services sector is higher than the manufacturing sector's. However, when one excludes professional-technical occupations from the computation, lowest wages are in agriculture, and then services, as expected. Manufacturing and finance wages are higher than the overall average.

Second important finding is that, **regardless of sector of employment**, high-skilled members of the labor force (professional-technical) command the highest wages. **Table 4.1 provides preliminary evidence that, global employment and wage trends were valid in Turkey as early as 1988.** Clearly, these segments of the workforce would have commanded the highest wages regardless of the century we live in, therefore the term 'preliminary evidence'.

One usually under-emphasized aspect of the global restructuring of capitalism (international integration of technology, capital, and to a limited extent, labor) is its technological integration aspect. To belabor the point made a few paragraphs earlier, the information age is turning the ordinary white collar office worker to yesterday's assembly line worker: lower skilled white collar workers have no promotion prospects and have no say in management (Mishel and Bernstein, 1994).

Note, however, that, low skill in Turkey is even lower than the industrial countries' average. The median education level of the populace (and the workforce) is primary in Turkey, high school in the West. This does not bode well for a country that will experience out-migration from the agricultural sector and whose rate of job creation in manufacturing will be moderate at best. **Primary school level education is clearly not the required level of skill for even the previously mentioned lower tier of the white-collar occupations that should provide the increase in employment.**

These descriptive remarks provide us with some of the clues for the medium term employment prospects in Turkey. In brief, these are:

Table 4.1.**Average monthly earnings by occupation and selected sector: Turkey, 1988.**

		Administrative (1)	Service Jobs (2)	Total (1+2)	Professional-technical (3)	Total* (1)+(2)+(3)
WOMEN						
Agriculture	Income (x 000 TL)					106.3
	Number in the cell					363
Manufacturing	Income (x 000 TL)	193.7	127.1	175.8	277.8	140.2
	Number in the cell	90	33		35	699*
Trade	Income (x 000 TL)					142.3
	Number in the cell					172
Finance	Income (x 000 TL)	211.7	220.5	212.7	278.8	233.6
	Number in the cell	146	18		25	204
Services	Income (x 000 TL)	163.2	106.1	138.6	222.8	185.2
	Number in the cell	232	176		500	944
Total	Income (x 000 TL)	181.6	126.0	163.7	226.3	162.1
	Number in the cell	576	273		590	2508
MEN						
Agriculture	Income (x 000 TL)					144.3
	Number in the cell					561
Mining	Income (x 000 TL)					176.6
	Number in the cell					354
Manufacturing	Income (x 000 TL)	251.1	174.6	207.0	390.4	177.7
	Number in the cell	130	177		136	3353
Construction	Income (x 000 TL)	224.6	135.2	165.9	428.1	215.1
	Number in the cell	23	44		40	1765
Trade	Income (x 000 TL)					179.6
	Number in the cell					1320
Finance	Income (x 000 TL)	222.0	205.5	217.2	401.0	283.5
	Number in the cell	208	85		80	474
Services	Income (x 000 TL)	176.9	157.4	163.8	264.2	202.0
	Number in the cell	471	957		954	3486
Total	Income (x 000 TL)	202.2	162.9	177.2	291.9	195.4
	Number in the cell	1074	1880		1329	12132

**All occupations are not listed, so the total column is more than the sum of the first three columns. Only the wage and salary earners are reported, therefore the numbers in the agriculture cells are low.*

Source: SIS Labor Force Survey (1988). Computed by the author from the household level panel data for those aged between 12 and 65, excluding students and retirees. This is the only survey that collected information on wages at the household level.

i) Turkey needs to increase its human capital stock, especially considering that the low-skilled concept usually includes high-school graduates in the developed countries.

ii) Falling labor force participation rates (LFPR) of women will start to climb as their education levels go up and urbanization increases, as they keep moving out of agriculture. 25-54 age group women's LFPR is expected to reach 47% by 2025.

iii) Turkey is expected to maintain its obvious comparative advantage in textiles (presently around 4, that is its export share in the sector is four times higher

than the share of textiles in world trade) in the near future, although this will slowly and steadily come down (Alidedeoğlu, 1998). However, the share of employment in this sector is wrong' employment, it should eventually be utilized in higher value added sectors¹.

iv) Unfortunately and predictably, considering the rise of services, Turkey will lock itself into one of two paths in employment: low-wage, higher employment (USA and to a certain extent UK) vs. higher wage and lower employment (EU until recently).

4.4. Long-term Labor Supply in Turkey

The usual pattern for workers is that real wages increase at a decreasing rate until the peak years between 40 and 50, then slowly declines, presumably because of dated skills. Consequently, labor and development literatures attribute a special importance to the so-called 'prime age' group of workers who are between 25-55 years old. They have the highest participation rates, a stylized fact that has clear implications for a country's development structure.

4.4.1. Population Trends in Turkey

Figures 4.3 and 4.4 present the age and gender breakdown of the Turkish population between 1990-2025, for men and women, respectively. These are unpublished estimates of the SIS for 2000 onwards.

The institute's main findings can be summarized as follows. 0-14 and 15-19 age groups' numbers are not increasing. This is good news for the present level of educational investment. Investment to increase physical capacity need to be done once to meet the demands of the new 8-year minimum schooling drive, the rest will be quality improving investment even if the share of education in the budget remains constant. The important observation is that the number of people in the 25-54 age (potentially most active) bracket is increasing (at a decreasing rate). This is the so-called "window of opportunity" according to some authors (e.g. Tunalı, 1996). The implications of this phenomenon for both production and social security system in Turkey are obvious. Dowrick (1996) discusses that the high growth periods in Japan (1960-64) and Korea (1984-88) coincided with the period when the proportion of the active population increased significantly. Unless Turkey manages to take advantage of this window of opportunity that is encountered only once in a country's history, the increasing dependency ratio that will follow upset social balances.

¹ Case in point. The share of employment in textiles and clothing is 50% in the largest 500 firms in Turkey (ICI, 1998). These sectors' share in total value added is 30%, a remarkably low level of productivity.

Figure 4.3. Turkish Population by Age Group: 1990-2025 (men)

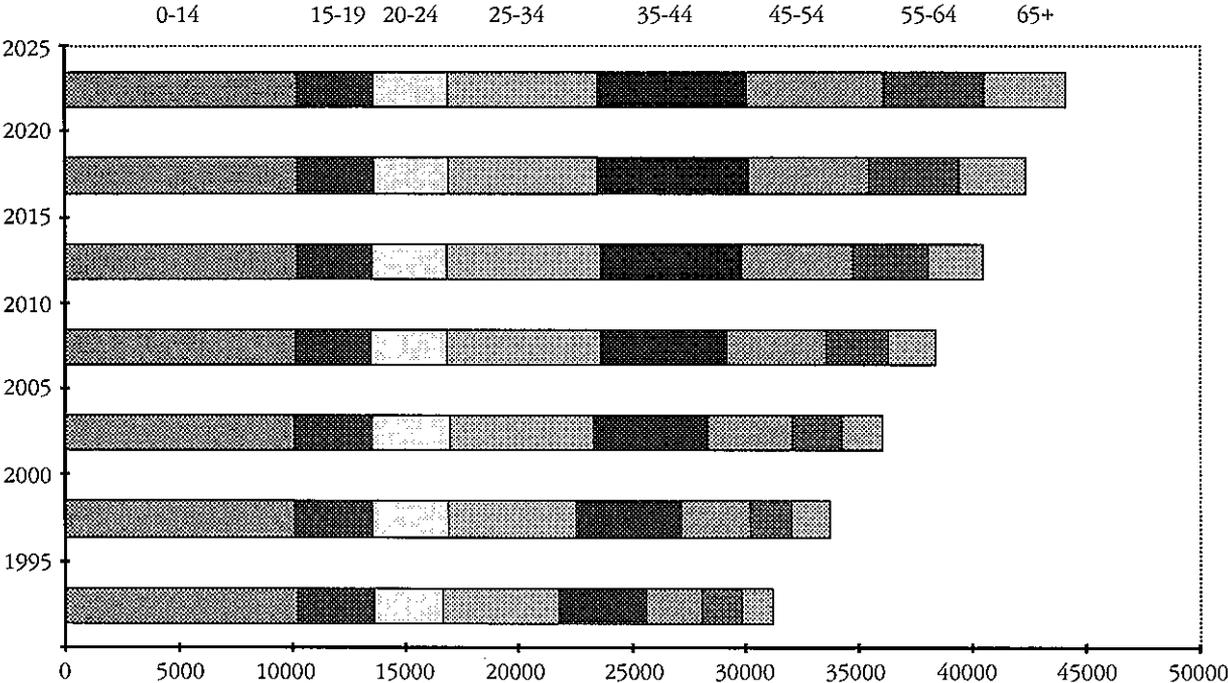
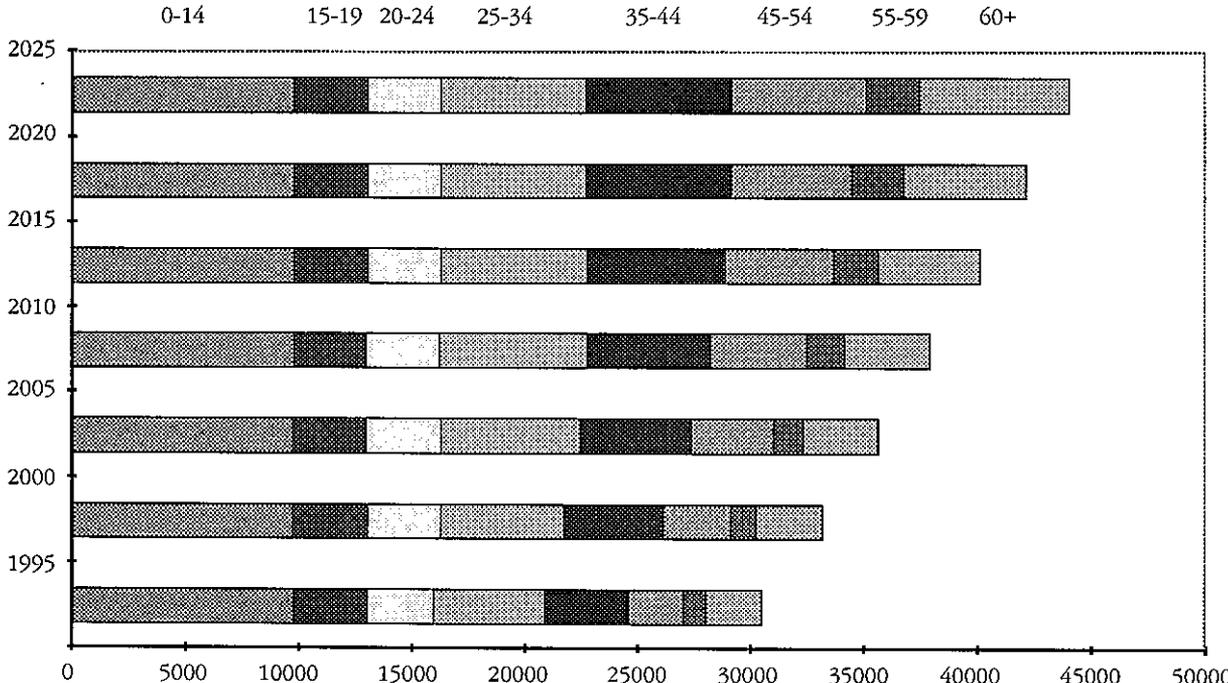


Figure 4.4. Turkish Population by Age Group: 1990-2025 (women)



Talking about social balances, it is fitting to have a few words about the social security system in Turkey. In 1996, there were 9.1 million active participants in the three major social security programs who paid dues to three different institutions: SSK (Social Insurance Institution, for all private sector employees and public blue collar workers), Emekli Sandığı (ES) (Pension Fund, for white collar state employees), and Bağ-Kur (for the self employed). There were 4.4 million pensioners: one pensioner for 2.07 contributors (Petrol-İş, 1996, p.499). In 1975, this ratio was 6.3 workers for one pensioner for SSK coverage. At present, the number of pensioners grows at 6-7% per annum while active participants grow by only 2% only. In only two or three years, the system will go bankrupt. SSK is already in dire straits, because of the shortsighted populist policy of reducing the retirement age of eligibility to retire for women to 38, and for men to 43. Many do make this choice and get new jobs while receiving pension benefits. Therefore, the demographic window of opportunity for Turkey should be utilized to better the situation: the number of active participants should go up as the prime age group will continue growing until 2025 or so. We do not expect the present retirement age regulations to stay in effect for much longer, despite the objections by the unions.

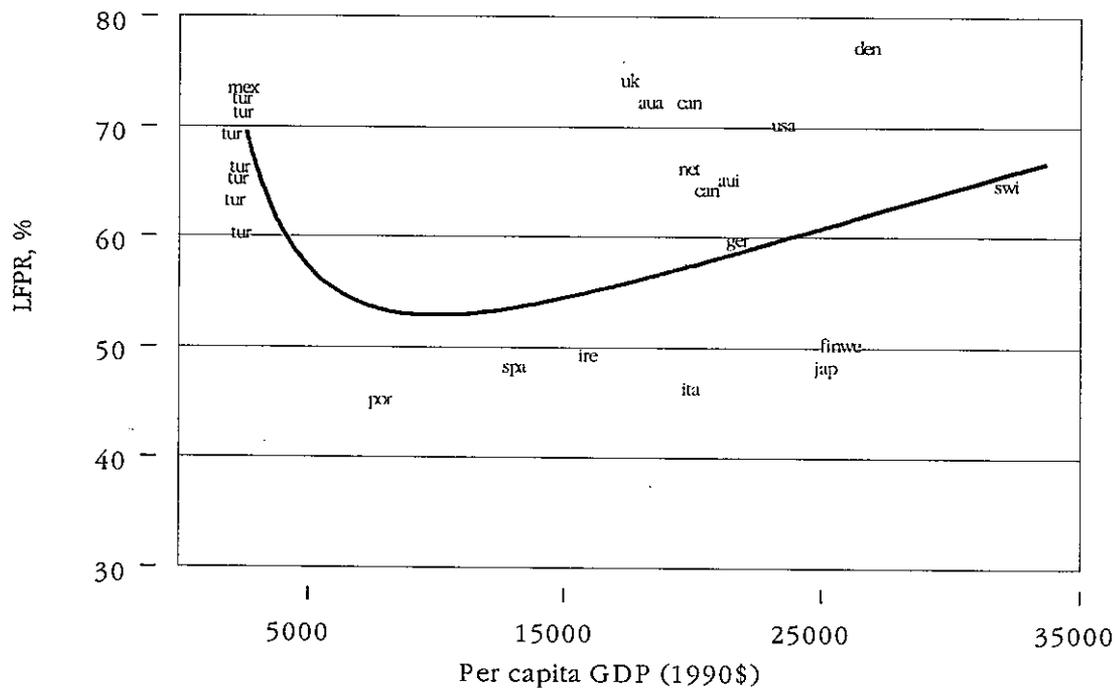
The population structure of Turkey thus contains an important potential benefit but also give two alarm signals. The first signal is that, SIS-Labor Force Surveys reveal an average annual growth rate of employment at 1.8%. This is smaller than the increase in the working age population, 2.5% per annum. As unemployment is more or less constant, labor force participation rates (LFPR) are decreasing. This will change, however, as urbanization and education levels go up. Formerly unpaid family workers in agriculture will be looking for jobs in the near future, as opposed to (the present pattern of) staying at the newly constructed 'gecekondü'.

The second signal is positive on the employment side, negative on the earnings side. The increase in service sector employment is higher than the average increase in the working age population, which was mentioned to be 2.5%. As the share of service employment in the total will be going up (let us assume for now, roughly 60% in the first quarter of the next century) this sector will absorb 1.5% (0.6x2.5%) of the supply. The remaining 1-% will cause Turkey to walk on a knife's edge. If the net effect of agricultural out-migration and industrial new employment is less than this amount, either unemployment should rise, or LFPR should fall.

4.4.2. Estimation of Turkish Labor Force Participation Rates

Figure 4.5 shows the LFPR of young males (15-24) with real GDP per capita in the x-axis for various countries. It exhibits the typical U shape for young persons and women. Older males participate at around 90-95% on average in most countries (Figure 4.6).

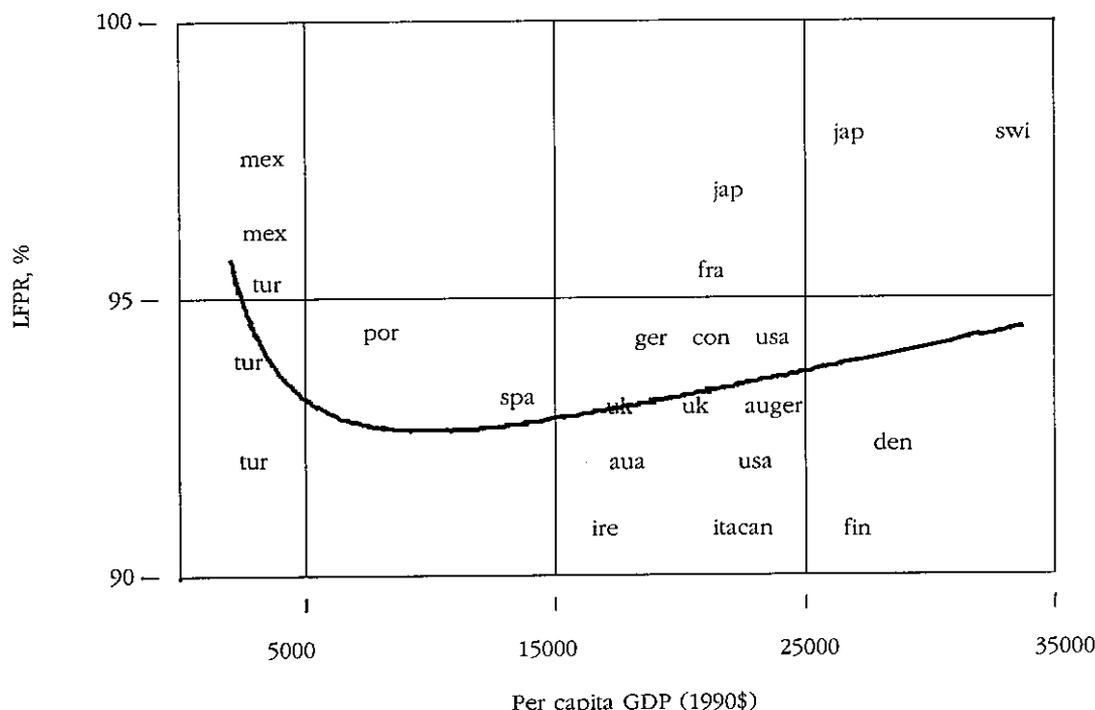
Figure 4.5. Labor force participation rates of young males (15-24).



Source: World Bank, OECD.

Note: Trend line is $\log(\text{GDP per capita})$ and its square. For exposition clarity, not all data points are shown.

Figure 4.6. Labor Force Participation Rates of Prime Age Males (25-54)



Source: World Bank, OECD.

These and previously identified trends help estimate Turkish LFPR by gender and age group. For forecasting purposes, one has to assume a reasonable growth rate for real GDP per capita. This is assumed to be 2.5% per annum, which has been the exponential trend value between 1980-1997². For all age and gender groups, participation rates have been estimated using log (GDP per capita) and its square as the explanatory variables on the panel of countries constructed. Table 4.2 has the results.

Table 4.2 suggests that young male and older male LFPR's will decline, prime age group's LFPR will remain constant as expected, and 65+ male LFPR will shoot down as agriculture declines. These add up to a slow but steady decline in overall male LFPR.

² The author has also experimented with a slower growth scenario, a growth rate of 1.7 % per annum, which has been the average of the past ten years. General trends were quite the same, even most of the numbers for labor force participation rates that are reported in Table 4.2. However, larger growth rate (that is, speedier social change) increased unemployment rates one or two points at any given year.

TABLE 4.2.**Estimated LFPR by age and gender for Turkey (%).**

	Male				Total	Female				Total	TOTAL
	15-24	25-54	55-64	65+		15-24	25-54	55-64	65+		
Actual											
1990	72	94	61	31	74	39	36	27	9	33	54
1995	60	93	61	33	71	35	34	27	12	31	51
Predicted											
1990	69	95	66	36	84	38	36	27	11	33	58
1995	67	94	65	35	83	38	37	26	10	33	58
2000	62	94	62	29	78	38	39	21	8	34	56
2005	60	94	61	26	77	38	40	19	7	35	56
2010	57	93	60	24	77	39	42	18	6	35	56
2015	56	93	58	21	75	39	43	17	6	35	55
2020	54	93	58	19	74	40	45	16	5	35	55
2025	53	93	57	17	72	41	47	16	4	36	54

Source: Semi-annual SIS-Labor Force Surveys and author's calculations.

Note: Actual values are for 12+, estimated values are for 15+, as Turkey has recently mandated eight years of mandatory schooling.

For women, it is seen that the aggregate LFPR registers only a slight increase. However: Young female participation rates increase slowly; prime age LFPR goes up which is mostly offset by the declining LFPR of older women (consistent with the decline of agriculture). The important prediction made in Table 4.2 is that Turkish prime age women have hit the bottom of the U-shaped LFPR curve, and LFPR is expected to climb. These will be urban women. Clearly, these predictions assume that present regulations that allow women and men to retire as early as the ages of 38 and 45, respectively, is simply not sustainable and will change in the very near future.

4.5. Employment and Unemployment Predictions in Turkey

In the previous section, expected participation rates have been found. This section closes the argument by considering demand.

4.5.1. On Manufacturing Employment in Turkey

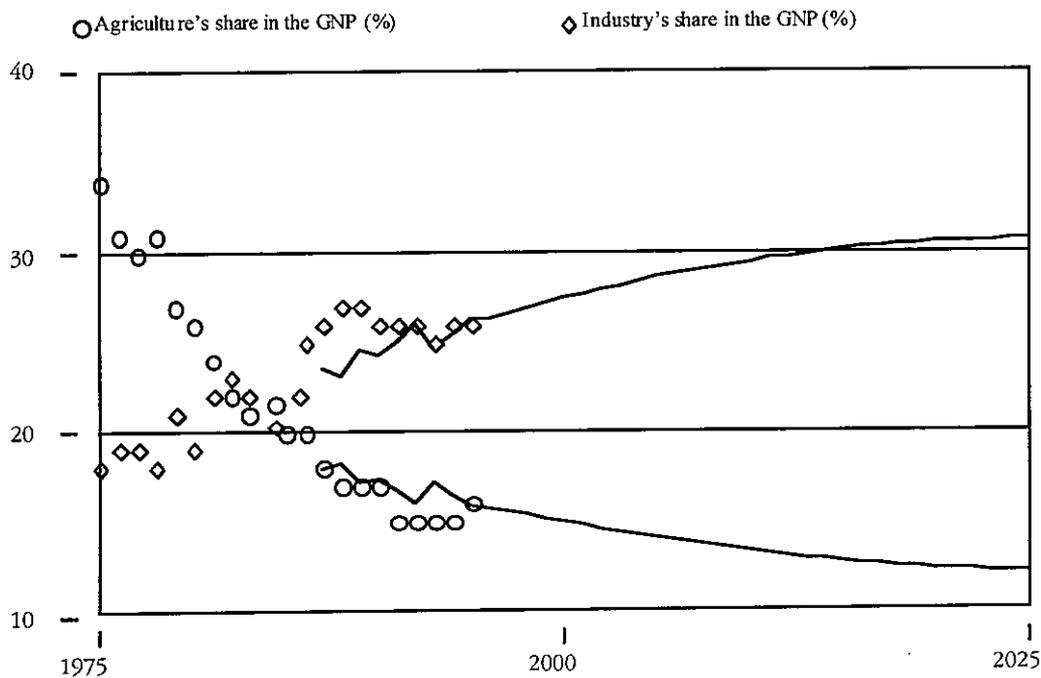
In the manufacturing sector (and other sectors as well) wages are clearly the dominant factor in employment determination. Aggregate employment also responds naturally to domestic demand (positively correlated), exports (positively correlated), and imports (negatively correlated). The net effect of foreign trade depends on the positive effect on employment of export orientation in the labor intensive sectors and negative impact of imports. An obvious cutoff point for analyzing Turkish development is the year 1980 when Turkey switched to an

export-led growth regime. In both pre and post 1980 periods, the driving force in manufacturing employment was domestic demand (positive) and productivity increases (negative) (Erlat, 1998). The net effect was a small and steady growth. Export orientation had a minimal positive impact on employment. The gains registered in the exporting sectors were almost offset by the losses in import-competing sectors.

4.5.2. Employment and Unemployment in Turkey: 2000-2025

In the light of the previous discussions on manufacturing employment in the world and the immediately preceding discussion on Turkish manufacturing employment, this is clearly not the sector that could absorb the labor supply in the long run. As the final item that justifies our employment distribution predictions, Figure 4.7 presents the expected sectoral shares in the Turkish GNP. These shares have been predicted with a similar methodology similar to the one used for LFPR predictions. By the end of the forecast period (2025) agriculture's share in GNP is expected to fall down to 12% (from the present 16-17%) and industry's share is expected to register a slight increase from 26-27% to 30%. This leaves 58% for services. This figure is the basis for the sectoral employment growth patterns to be reported in Table 4.4. Current sectoral growth values were adjusted through time according to the growth patterns of sectoral GNP reported in Figure 4.7.

Figure 4.7. Expected sectoral shares in the Turkish GNP : 1975-2025



Source: SIS, author's calculations

Finally, Table 4.3 gets at the crux of the matter: Employment predictions. Table 4.4, assumed growth rates of employment by gender and sector, follows it.

Note that, participants are obtained by multiplying the cell populations in Table A1 (which shows unpublished SIS predictions that were used in Figures 4.2 and 4.3) by the predicted participation rates of the previous section. Table 4.3 reports expected employment by sector. Therefore, the unemployed in the last rows of Table 4.3 is obtained by the difference of the two. Present day unemployment rates reported in the table were used to calibrate the model. That is, the assumed growth rates of sectoral employment obtained from present day values and calibrated through time by using Figure 4.7, were slightly adjusted to give a good fit (1 to 2 points above the actual values in the Table). These are reported in Table 4.4.

Male employment growth of 1% has eventually been reduced to 0.2% in agriculture. Females' growth rate of -0.4% have been increased to -0.6%. Male industrial employment growth went down from 2.5% to 2.1%. Services growth remained constant at 1.9%. For females, maybe erring on the optimistic side, manufacturing growth was slightly increased, from 2.5% to 2.9% per annum. Services pick up the slack, from 4.2% to 4.5%. In our opinion, neither these predictions nor their results in Table 4.3 were out of the ordinary or unexpected, based on the background laid before. They revealed an interesting picture.

TABLE 4.3.
Predicted employment patterns in Turkey: 1990-2025 (x000 persons).

	1990	1995	2000	2005	2010	2015	2020	2025	% distribution 1995	% distribution 2025
Men										
Agriculture	4644	5074	4975	5126	5260	5366	5464	5519	35	23
Industry	3298	3782	4453	4989	5589	6250	6935	7694	26	33
Services	5096	5597	6409	7097	7797	8567	9412	10341	39	44
Total	13038	14453	15836	17211	18647	20183	21810	23553	100	100
Women										
Agriculture	4466	4805	4102	4021	3933	3836	3729	3619	75	41
Industry	447	577	675	768	877	1007	1157	1335	9	15
Services	749	1000	1283	1599	1993	2483	3095	3856	16	44
Total	5662	6382	6060	6388	6803	7326	7981	8811	100	100
TOTAL	18700	20835	21896	23599	25450	27509	29792	32364		
Unemployment	%8	%7								
Predicted										
Male Labor	14774	16843	18447	20036	21788	22847	23741	24455	69	67
Female Labor	5957	6826	7960	9055	9859	10610	11303	12299	31	33
Total	20731	23669	26407	29091	31647	33456	35043	36754	100	100
Unem. men	1345	1957	2136	2309	2582	2058	1276	195		
Unem. women	465	635	2082	2859	3260	3503	3561	3753		
Unem. (%)										
Men	9,1%	11,6%	11,6%	11,5%	11,8%	9,0%	5,4%	0,8%		
Women	7,8%	9,3%	26,2%	31,6%	33,1%	33,0%	31,5%	30,5%		
Total	8,7%	11,0%	16,0%	17,8%	18,5%	16,6%	13,8%	10,7%		

Source: 1990-95 realization SIS-LFS. Rest is author's predictions.

Note: SIS-LFS sectoral totals do not yield the grand total in the originals.

TABLE 4.4.**Assumed sectoral employment growth rates that are used in Table 4.3.**

	Men			Women		
	Agriculture	Industry	Service	Agriculture	Industry	Service
1995	1.0%	2.5%	2.1%	-0.4%	2.5%	4.2%
2000	0.6%	2.5%	2.1%	-0.4%	2.6%	4.5%
2005	0.6%	2.3%	1.9%	-0.4%	2.7%	4.5%
2010	0.4%	2.3%	1.9%	-0.5%	2.7%	4.5%
2015	0.4%	2.1%	1.9%	-0.5%	2.8%	4.5%
2020	0.2%	2.1%	1.9%	-0.6%	2.9%	4.5%
2025	0.2%	2.1%	1.9%	-0.6%	2.9%	4.5%

Source: 1995 actual values are calculated from SIS-LFS (logarithmic trend of 1989-98).

Unemployment will rise in Turkey. It will peak around 2010 (give or take a couple of years) then will fall as demographic pressures start to ease. Male total unemployment will reach present day EU averages. We do not place much confidence at the end point (2020 and less to 2025) estimation as in much econometric work except that they signal a declining unemployment trend. The brunt of unemployment will be born by women. Their unemployment rate will peak at 30-35%. This is not surprising, because this is already the unemployment rate observed in young urban females (and males, for that matter).

4.6. Employment Policy Suggestions for Turkey

Some elements of the previous discussion on employment patterns in Turkey appear to be at odds with one another. These are, increasing unemployment rates, the need for productivity growth, and the slow decline of the members in the low productivity agriculture sector.

First and foremost, the rise in (especially youth) unemployment is unavoidable. We hope to have succeeded in making this point clear. The latter two items above should be analyzed with this axiom in mind. Productivity issue, then. In the tradable sectors, the key to long term competitiveness is indisputably the rise in productivity. Utilizing unused capacity or increasing the level of employment will eventually prove to be a dead end (as Turkey has been doing in the recent past). How would such productivity increase in the exporting sectors affect employment? The net effect would still be positive if the foreign demand keeps increasing for Turkish products, which can only be the case if Turkish products are competitive. Case in point: Food (311 + 312) sector registered between 1988-1993 (over the

whole period) a 75% increase in total productivity and it only lost 2% of its employment: demand grew fast (Yentürk, 1997, p. 12). Clothing (322) productivity increase was 61% and its employment grew by 35%! Similar observation can be made for non-tradable sectors. This time it would be the increase in domestic demand that would offset the negative impact of productivity gains on employment. Wood (331) registered a 115% productivity increase and lost only 1% in employment between 1988-1993. Furniture (332) increased its productivity by 52% and increased its employment by 36% in the same period (Yentürk, 1997, p. 17).

The problem here is not whether Turkey should increase its production technology levels or not. **The problem is, for about ten years, rate of growth in employment will be less than the rate of growth of the labor supply. The cost will be paid in terms of unemployment, and there does not seem to be a way out of this dilemma.**

Finally, on agricultural subsidies. These keep an unusually high portion of the Turkish labor force in agriculture. This helps Turkey to incrementally cope with the problems associated with rapid urbanization. The down side is the slow growth in non-agricultural employment, which could produce more value added for given input levels.

An appropriate solution for Turkey may be a gradual decline in agricultural subsidies and changing their composition. One subsidizes either the quantity or price. Turkey, inexplicably, has been doing both: whatever is produced is bought at governmentally determined high (relative to world) prices. Conditional subsidies focusing on the production technologies and quality of the product may be enforced instead. The aim is increasing agricultural productivity levels. In a related manner, processed food may be subsidized. Note that, EU barriers apply to the portion of the product left after the industrial value added portion is disregarded.

In the following sub-section, an employment policy will be sketched.

4.6.1. Employment Policy: A Brief Outline

This sub-section briefly collates a well-known outline that has been discussed repeatedly in the national and international forums. These assume macro-economic stability.

i) Encouraging entrepreneurship: A marked superiority of American labor market is its flexibility. Another remarkable American institution is the venture capital

markets. The attempt to emulate these markets in Western Europe and Japan met with limited success. Clearly, establishing venture capital institutions for especially high-technology start-ups is not a viable strategy for Turkey, if for nothing else, in an inflationary environment. Turkish banks apparently are banks no more. They have increasingly become intermediaries for collecting funds and buying high yield government papers. Neither the banks, nor the wealth holders would be keen for providing venture capital (or operating capital, for that matter). **The only other tool left for encouraging entrepreneurship, therefore, is the regulations that would reduce the cost of employment.** That is, reducing the proportion of take-home pay not directly related to actual working hours (only about 40% of a blue collar worker's pay is directly related to working hours in Turkey), and mandatory state contribution to social security funds are the two main items. **Reduction of employment costs make labor markets flexible, reduces informal employment, and positively affect production and employment, especially in small and medium sized enterprises.** Supply side complementary components of entrepreneurship, such as a high-skilled labor force, modern telecommunications infrastructure, and better municipal infrastructure are hoped to be steadily improving in Turkey.

ii) Young unemployed and occupational training programs: Higher human capital levels were mentioned to be the prerequisite for employment. European Union has registered a drop in youth and total unemployment in 1997 and 1998, despite the financial crises in the world. Occupational training programs are thought to contribute to this decline. Turkish government's efforts on this front are minimal. NGO's and municipalities should be encouraged to conduct such programs. Turkish Unemployment Office must cease to be a mere registration bureau and actively devise and conduct occupational re-training programs for the young unemployed and displaced workers. **Unemployed are usually the least skilled portion of the workforce. Occupational training programs along with an increase in the quantity and quality of vocational schools will affect employment opportunities positively.**

iii) Investment in education: Education's share in government expenditures needs to go up.

iv) Flexible working hours: Because of strong union objection, feasibility of this proposal is low in the near future. Let it flex instead of break. As the demand contracts, labor input adjustment in Turkey usually takes the form of a lagged but severe response: firms stop producing. Unions are not for flexible time and flexi-

ble wage in times of trouble. Only 40% of employment costs in Turkey are related to direct hours worked, anyway.

v) Easing of employment regulations: Like most of Europe, Turkish regulations governing hiring and firing decisions are rigid. **We have previously mentioned that, the choice in labor markets is one between lower wages-higher employment and higher wages-higher unemployment, and economic reality has not and is not likely to come up with a third option.** U.S. (and to a certain extent UK) follow the first path, most of the rest of the developed world, walk on the second one. First group has recently had more converts after the sudden explosion of unemployment in the Nordic countries.

vi) Incentives for workers: The brunt of the preceding propositions falls on the workers. Here we balance the act. Prospective workers might be encouraged to finish training programs by temporarily guaranteeing them government employment in critical regions. Also, the demographic situation discussed in detail before necessitates establishing formal unemployment insurance that does not exist at the moment. Turkish traditional family structure and informal support mechanisms have served well for Turkey. As the conditions change, they will not be enough to prevent social unrest. **Regulations to safeguard the rights of workers in a satisfactory manner are absolutely indispensable.**

4.6.2. Desired Sectors of Manufacturing Employment

Turkey has been trying to cope with its traditional problems of social security financing, youth unemployment, and the like. Recently the international agenda has added new ones (or old ones with a new face): a skill premium differential that increases income inequality, and a flexible labor market, lower wages, higher employment vs. higher, rigid wages, lower employment dilemma. There are countries that have been experiencing these trends for the past two decades, and their experiences should be illuminating. Which (especially manufacturing) sectors' employment kept growing within the new technological paradigm? Our source is the web pages of the U.S. Bureau of Labor Statistics and Strategis-Canada.

In both the U.S. and Canada total manufacturing employment has been declining. There are a few sectors whose employment has gone up though. One of them is the food industry. This is a potential key industry for Turkey because of the Southeastern Anatolia Project (GAP) that comprises of large dams and irrigation networks that will supply water to arid areas presently dependent on the rare rainfall. It is expected that upon completion of the project out-migration from this poor

region of Turkey will stop or reverse itself, and there will be an inflow of investment, mostly in the food industry. GAP agriculture should be mechanized and should employ state of the art irrigation techniques for fully realizing its potential output that would provide the input to food industry.

- We think that, along with food industry, petro-chemicals, rubber and plastic, and electrical and non-electrical machinery sectors of manufacturing industry have the potential for growth in Turkey. They should absorb some of the supply coming from agriculture in short to medium term, and textiles and apparel in the medium term. These are also the industries registering growth in employment in the industrialized North America in an otherwise declining manufacturing employment environment. They already have the highest level of productivity in Turkey. Given recent developments in Central Asia, the potential for the oil industry there it is only natural that Turkey invests in petro-chemicals and rubber and plastic. Employment growth in these industries is clearly expected to stem from sectoral growth although production per worker should steadily improve. The bulk of employment growth will of course be realized in financial services for the upper tier workers, and personal and community services for the lower tier, for reasons discussed before.

4.7. Conclusion

We will briefly repeat the major points made elsewhere in the report.

Turkey needs to increase its human capital stock in order to be able to increase its productivity in every sector. Failure to do so will hamper development.

As agricultural employment declines and urban female education levels rise, presently declining participation rates of women will start climbing. By 2025, we expect this rate to be around 47% for urban prime age females. This supply will mostly be absorbed by services. However, initial employment growth will fall short of increased participation, which will create an unemployment problem. The worst will come around the year 2010 (unemployment is estimated to be 15% for men, 30% for women). Later, demographic pressures will ease and conditions will slowly improve.

Worker productivity increase and shifting of employment from low productivity to high productivity sectors are imperative for an increase in living standards. Recent Turkish growth performance did not cause a significant growth in wage employment in high value added sectors. Turkish share of wage-salary employment in total employment is low (49% in 1998, including daily-wage workers). This

is around two thirds in Latin America and northern Mediterranean countries.

Low rates of productivity growth in agriculture causes a slow growth in employment in non-agricultural sectors. Agricultural productivity should rise in order for these resources to be channeled into more productive activities and for employment demand in non-agriculture to be met. This path is hampered by absolutely non-discriminating agricultural subsidy policies of Turkish governments: whatever is produced is bought at prices well above the prevailing world market prices. Turkish farmers have absolutely no incentives to improve their efficiency.

Agricultural subsidies should be gradually eased for a soft transition from agriculture to non-agricultural production activities. Not too fast, because the already unpleasant urban conditions will be unmanageable if there is a sudden influx from the rural areas to urban areas. It is an accepted fact in the development literature that keeping a person in his/her village is cheaper than accommodating him in the city.

The above shift in the industrial composition of Turkey will increase real wages (agriculture pays the lowest), that is, overall welfare. Number of households will increase, as discussed before, which will boost consumption, therefore production. This makes us optimistic about finding jobs for the previously rural population in the cities. Prerequisites for employment growth have been discussed before (human capital, industrial composition shift, and labor market regulations).

Turkey should and will move out of agriculture and textiles in the medium term, although its revealed comparative advantage in textiles and apparel will continue for some years to come. Petro-chemicals, food, and electrical and non-electrical machinery sectors are thought to be the rising stars.

Appendix

Table A1. Population of Turkey by Age Group and Gender: 1990-2025.

Women	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+	Total
1990	3218	3281	3225	2894	2542	2408	2018	1686	1358	1099	1024	959	801	487	292	428	27720
1995	3222	3216	3298	3239	2904	2552	2417	2023	1683	1347	1082	996	924	733	415	421	30472
2000	3229	3223	3229	3308	3244	2907	2555	2415	2014	1666	1323	1052	949	844	623	511	33092
2005	3230	3229	3232	3236	3310	3243	2906	2550	2401	1991	1635	1285	1002	870	722	720	35562
2010	3250	3228	3233	3235	3235	3306	3237	2896	2534	2373	1953	1587	1225	922	750	915	37879
2015	3271	3245	3228	3232	3231	3228	3297	3223	2875	2503	2328	1897	1514	1131	801	1053	40057
2020	3262	3262	3240	3223	3224	3221	3215	3279	3197	2840	2456	2261	1811	1401	987	1178	42057
2025	3252	3254	3258	3235	3215	3215	3209	3199	3255	3160	2789	2390	2165	1684	1235	1414	43929
Men	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+	Total
1990	3392	3444	3379	3042	2639	2519	2130	1764	1395	1074	953	973	735	456	237	343	28475
1995	3344	3385	3459	3383	3033	2634	2519	2130	1754	1374	1043	904	891	640	365	317	31175
2000	3358	3342	3355	3459	3369	3021	2629	2510	2112	1723	1330	988	828	774	511	396	33705
2005	3365	3355	3348	3393	3444	3353	3009	2616	2486	2073	1667	1258	904	721	521	540	36053
2010	3390	3359	3356	3343	3376	3425	3335	2990	2589	2439	2005	1576	1150	789	583	696	38401
2015	3415	3381	3356	3348	3325	3355	3403	3309	2956	2539	2359	1896	1442	1006	643	757	40490
2020	3409	3403	3373	3343	3328	3302	3330	3373	3269	2899	2456	2231	1735	1264	824	839	42378
2025	3399	3397	3395	3361	3325	3305	3278	3303	3334	3209	2809	2332	2053	1530	1040	1016	44086

Source: State Institute of Statistics (SIS), unpublished data.

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