

ECONOMIC CRISIS AFFECTING THE WELFARE OF FAMILIES IN TURKEY

BY TEPAV, UNICEF AND THE WORLD BANK

The economic slowdown, through lower incomes and higher unemployment, has affected the lives of the majority of families in the five largest urban centers in Turkey: Adana, Ankara, Istanbul, Izmir, and Kocaeli. A new survey of living conditions in these cities shows that almost three quarters of families report reductions in income between October 2008 and June 2009. Among the poorest families at the onset of the crisis, more than 90 percent reported such a decline in their income. One third of the interviewed poor families have fallen behind in utility payments, and 9 percent have lost their electricity connection, at least temporarily. Families report they adjust to lower incomes by reducing food expenditures so that other vital expenses – like education – can be protected. Many poor urban families say they have mobilized support from neighbors, friends, family, their community, and public programs to make ends meet. And quite a few families say they have borrowed money. Yet families state that these survival rings are becoming thinner. About one-fifth of the poorest families say they have been left without any support.

This brief reports key findings of the survey which is being sponsored jointly by TEPAV, UNICEF and the World Bank. Follow-up rounds of the survey are currently planned for November 2009 and May 2010 (Box 1). The data are publicly available at www.worldbank.org/tr; www.tepav.org.tr, and www.unicef.org.tr.

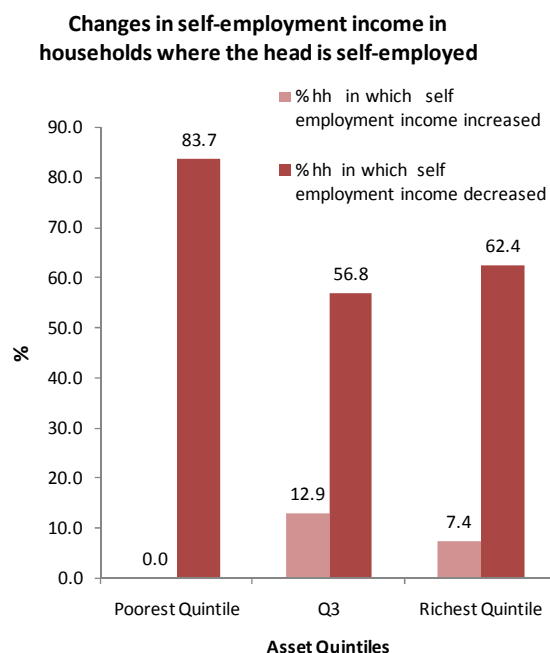
Household incomes

In the survey of 2102 Turkish families in Adana, Ankara, Istanbul, Izmir, and Kocaeli (see Box 1) almost three-quarters of all households reported a fall in their income. Among the poorest families at the onset of the crisis,¹ more than 90 percent reported such a decline in their income. In other words, the economic slowdown, largely driven by a reduction in external capital flows and external demand for Turkish

products, has now affected the large majority of Turkey's urban population, with poor families most frequently affected.

Job loss is the most visible impact of the economic crisis – but even many workers, especially those in informal jobs and in self-employment, report reductions in labor incomes while staying employed. About one third of households that depend on informal wage incomes report a fall in income, significantly higher than for those dependent on formal wages (18 percent report a decrease). And two-thirds of families that depend on self-employment record a decline in available family income— with such share above 80 percent, among those 20 percent of families who were poorest before the economic slowdown (Figure 1).

Figure 1: Income in the Previous Year by Asset Quintile



Source: Turkey Welfare Monitoring Survey

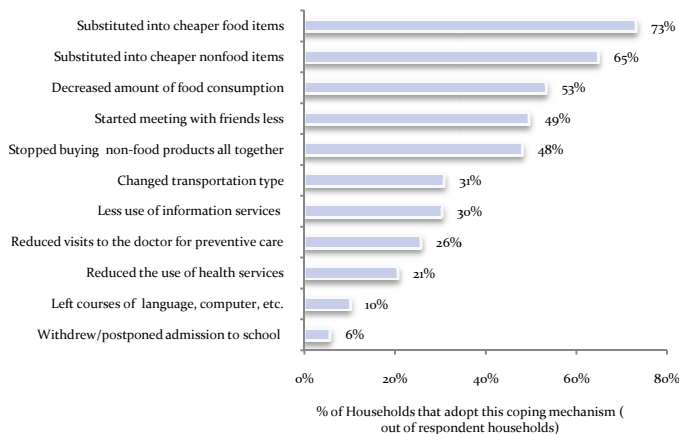
¹ We approximate the wellbeing of households before the Crisis through household wealth, including households characteristics, and ownership of household assets (such as TV, oven, dishwasher etc).

While wages and income from self-employment decreased for many households, especially poor ones, households report other transfer incomes – such as from pensions, rents, and other support incomes – to have remained relatively stable since the economic crisis broke.

Coping Mechanisms

How do urban families, especially those that had been poor before the crisis, cope with such shock? Urban households report on a variety of adjustments—primarily, families buy cheaper food (three quarters of all households), substitute into cheaper non-food items (65 percent) and decrease the amount of food consumption (Figure 2). Reducing expenditures for social events, obtaining food from own production (i.e., through home village connections) and changing transportation also feature prominently. By contrast, families appear to protect education and health expenditures as much as possible.

Figure 2: Coping Mechanisms during the Crisis



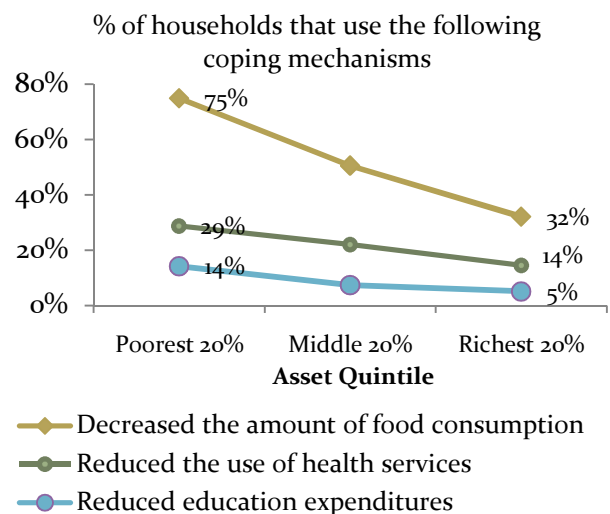
Source: Turkey Welfare Monitoring Survey

The urban poor have to adjust the most. Among the poorest 20 percent of families in the urban centers, three out of four stated that they reduced food consumption (Figure 3) with almost half saying that they reduced the amount of food for their children. Also, 29 percent of this poorest population reported a reduced use of health services.

Box 1. The Turkey Welfare Monitoring Survey

The survey collects information on household characteristics, demographics, labor market outcomes, income and expenditure patterns, and coping mechanisms for 2102 Turkish families. The survey, sponsored by TEPAV, UNICEF and the World Bank, was fielded by BAREM International. In the first round of the survey (collected in May/June 2009), data are representative for five urban centers (Istanbul, Izmir, Ankara, Adana, and Kocaeli). The survey aims to assess the impact of the economic slowdown on income and consumption of households and to understand how families cope with such changes. Indicators about the population provided by the survey (e.g., education attainment rates, labor force participation rates, employment composition by sector, access to health insurance) match closely with results for urban Turkey from the Labor Force Survey (LFS) and the Household Budget Survey (HBS). We plan to implement repeater (panel) surveys, following the same household until mid-2010

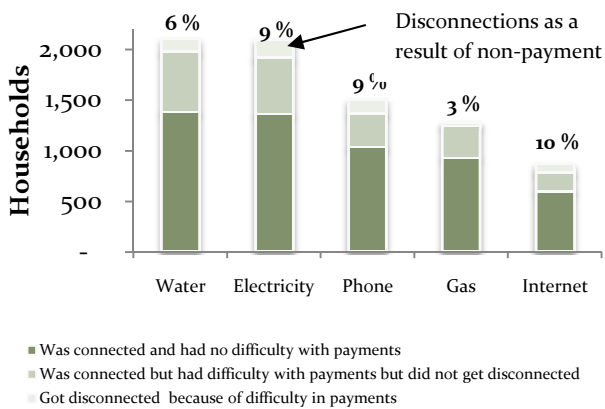
Figure 3: Coping Mechanisms, by quintile



Source: Turkey Welfare Monitoring Survey

As much as one third of urban households report difficulties in making payments for vital utilities such as electricity, water and gas over the past months (Figure 3). These payment arrears have led, at least temporarily, to disconnections from electricity, phone and internet services for about 10 percent of families while 3 to 6 out of every 100 households reported involuntary disconnection of water and gas services.

Figure 4: Access to Utility Connections



Source: Turkey Welfare Monitoring Survey

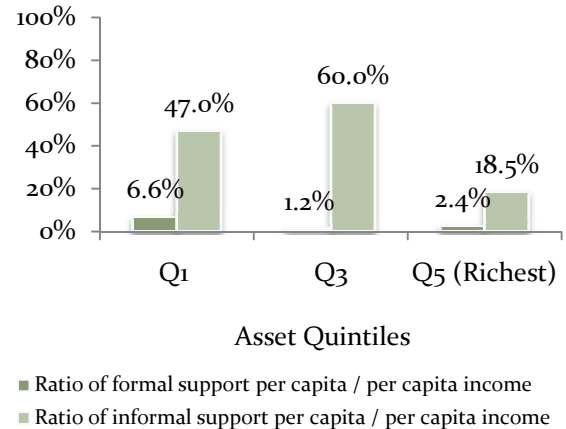
Household Support Networks

Which support networks can urban households, and most importantly the poor, count on? Survey results indicate that 10 percent of the poorest urban households benefit from public safety net programs such as cash, or in-kind fuel or food support. Such limited coverage of social insurance mechanisms is confirmed by administrative data which shows that as of February 2009, only slightly more than 7 percent of the unemployed in Turkey received unemployment insurance benefits (as compared to 50 to 80 percent in OECD countries) and about 7 percent benefited from active labor market training programs provided by ISKUR. For poor, recipient households, public support accounts on average for around 7 percent of household income.

Households in the five urban centers have relied predominantly on other sources of support, including borrowing from various sources and seeking help from family and friends (Figure 5). Households, particularly the poor and middle class, have borrowed heavily in this time as they strive to make ends meet, with new borrowing amounting up to one half of their total income. With higher credit card debt and resources from families and friends stretched, as households report in interviews, such coping networks might well become thinner in the months to come. The next rounds of the welfare monitoring survey will follow

such adjustments, including access to public and private safety nets, in depth.

Figure 5: Formal vs. Informal Safety Nets



Source: Turkey Welfare Monitoring Survey

The survey data is publicly available on the TEPAV, UNICEF and World Bank websites. For further information, please contact Ms. Nesrin Hocaoglu at N.Hocaoglu@tepav.org.tr; Ms. Sema Hosta at SHosta@unicef.org or Ms. Tunya Celasin at TCelasin@worldbank.org