

The Impact of Public Investment in Social Care Services on Employment, Gender Equality and Poverty: The Turkish Case*

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and
The Levy Economics Institute*

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PREFACE

We value the partnership of three United Nations (UN) agencies—the International Labour Organization (ILO), United Nations Development Programme (UNDP), and United Nations Women (UN Women—in this collaborative research study between the Istanbul Technical University and the Levy Economics Institute of Bard College. We believe that this multilateral partnership reflects the scope of this research study, which stands at the intersection of various UN mandates, as also reflected in the Sustainable Development Goals (SDGs); namely,

- inclusive and sustainable development, and poverty alleviation;
- gender equality; and
- decent job creation.

This study aims to present a policy framework particularly for SDG target 5.4; its specific objective, which falls under the umbrella of SDG 5—“Achieve gender equality and empower all women and girls”—is “to recognize and value unpaid care and domestic work through the provision of public services, infrastructure, and social protection policies, and the promotion of shared responsibility within the household and the family.” Our research also addresses goals **under the more** general SDG 8—“Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all”—which includes the specific objective of achieving, by 2030, “full and productive employment and decent work for all women and men” (target 8.5). Finally, our research speaks to SDG 10, which addresses the need to reduce inequality within and among countries by 2030 using the strategy outlined in SDG 10.1, which is to “progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average”; SDG 10.3 ensures equal opportunity and reduced inequalities in outcomes, including the elimination of discriminatory laws, policies, and practices and the promotion of appropriate legislation, policies, and actions in this regard; and SDG 10.4 calls for the adoption of “policies, especially fiscal, wage, and social protection policies and progressively achieve greater equality” (see <http://sustainabledevelopment.un.org/focussdgs.html>).

The policy simulation undertaken in this study points to a specific fiscal priority, namely the expansion of institutional services for early childhood care and preschool education (ECCPE), and also, more generally, the expansion of social care services (for the elderly, the disabled, and the sick). ECCPE service expansion has been an emerging policy issue in Turkey, discussed mostly from the perspective of reducing constraints on female labor supply (and hence addressing the problem of very low female labor force participation) and also from the perspective of supporting child development. Yet the implications of public

investment in the social care services sector with respect to short-run economic returns such as employment generation, promotion of gender equality through labor demand and poverty alleviation have been overlooked.

This report aims to contribute to policy debates on ECCPE expansion in Turkey by exploring its demand-side effects. We show that the fiscal prioritization of ECCPE expansion, and hence the building of a social infrastructure of care, over, for instance, investments in physical infrastructure/construction or cash transfers, presents an enormous potential for decent job creation, particularly in the female-dominated occupations and sectors. This in turn would promote gender equality from the demand side. Moreover, if such expansion takes place in a targeted manner, it also carries the potential for effective poverty reduction through stronger income growth for households in the bottom 40% of the income distribution.

We believe that beyond the Turkish context, the results of this study also have implications for policy debates in other countries in the region, most of which lack social care infrastructure. There is thus ample space for expansion of ECCPE and other social care service subsectors. Our findings are particularly relevant for a number of developing and transition economies in Europe and Central Asia, which have very limited provisioning of social care services, low female labor force participation, and/or high unemployment. A recent assessment by the UNDP Regional Bureau for Europe and the Commonwealth of Independent States (CIS) on poverty and inequality in the region points to the key role played by early childhood education for sustainable human development and gender equality (UNDP 2014). The report shows that in countries such as Azerbaijan, Bosnia and Herzegovina, Kyrgyzstan, the Former Yugoslav Republic of Macedonia, Tajikistan, and Uzbekistan (in addition to Turkey), less than one-third of children are enrolled in preschools. Moreover, the enrollment rates have declined in Azerbaijan, the Former Yugoslav Republic of Macedonia, and Uzbekistan. We should note that some of these countries also suffer from very high unemployment rates, as much as 29% in Macedonia, 28% in Bosnia and Herzegovina, and 11% in Tajikistan and Uzbekistan; plus low female labor force participation rates—although higher than in Turkey—namely, in Bosnia and Herzegovina (34%), Macedonia and Montenegro (43%), Albania, and Serbia (45%) (WDI 2015). Very high poverty rates, as much as 38% in Georgia, 31% in Tajikistan, 25% in Kyrgyzstan and 24% in Armenia also present a substantial challenge to economic and social policy in the region (UNDP 2014).*

The findings presented in this research report suggest that a gender-sensitive fiscal policy targeting social care service expansion has the potential for addressing these multiple problems. Beyond the better-acknowledged and well-debated results of such an expansion as a strategy to promote gender equality, support child development, and eradicate

* Poverty line set at PPP USD 2.15/day; 2011 or most recent rates available (UNDP 2014, p. 11).

socioeconomic inequalities at an early age, this report also points to a short-run economic rationale to public investments in social care for providing solutions to jobless growth, high unemployment, low labor force participation, and rising poverty.

EXECUTIVE SUMMARY

The social care service sector (i.e., care services for children, the elderly, the disabled, and the sick) remains an underdeveloped sector in Turkey. In terms of early childhood care and preschool education (ECCPE), an important subsector of social care, Turkey has the lowest rate of provisioning by a large margin among Organisation for Economic Co-operation and Development (OECD) countries. Recent research has revealed that the lack of high-quality, accessible social care services places significant constraints on female labor supply in Turkey, and is among the key factors that weaken women's labor market attachment. Beyond the much-debated female labor supply effects, this study evaluates a demand-side economic rationale for public investment in the social care sector by estimating its potential for employment creation, pro-women allocation of jobs, and poverty alleviation compared to the construction sector, which has been an engine of economic growth in Turkey in the past decade.

According to 2013–2014 figures, in order for Turkey to catch up with the average OECD preschool education enrollment rate among children under age 6, there is a need for 3.27 million additional places in preschool education programs. This corresponds to an estimated increase of 20.7 billion TRY (in 2014 prices) in expenditure on this sector. With such an expansion in the ECCPE sector, total expenditures would correspond to approximately 1.36% of GDP in 2014.

This study provides an evaluation of the new employment opportunities to be created by an additional 20.7 billion TRY expenditure on child-care centers and preschools. We compare the case of such an ECCPE expansion with an equivalent expenditure on physical infrastructure and public housing (i.e., in the construction sector). We estimate that an expenditure of this magnitude in the construction sector would create a total of 290,000 new jobs in construction and other sectors. Investing this same amount in the ECCPE sector, however, has the potential of generating 719,000 new jobs in ECCPE and other sectors (i.e., 2.5 times the number of jobs generated by the construction sector). While 73% of the new jobs created via an ECCPE expansion are estimated to go to women, as little as 6% of the new jobs created via a construction boom go to women. Nevertheless, in terms of absolute numbers, ECCPE still creates a substantial number of jobs for men (195,463 jobs)—as much as 72% of the total number of male jobs created through construction (272,389 jobs).

More than half of the job recipients in ECCPE are women excluded from the labor market and engaged in domestic work (394,203 female homemakers are estimated to become employed), while in the case of construction the majority are unemployed men (237,032 unemployed men receive jobs). In terms of absolute numbers, however, the ECCPE expansion still creates more jobs for the unemployed (157,003 jobs for unemployed men and

95,744 jobs for unemployed women, amounting to a total of 252,747 jobs for unemployed people) than a construction boom of similar cost (237,032 jobs for unemployed men and only 5,263 jobs for unemployed women, amounting to a total of 242,295 jobs for unemployed people).

Beyond creating more jobs in total, more jobs for women and the unemployed, we find that an ECCPE expansion also creates more decent jobs than a construction boom. Of the ECCPE-generated new jobs, 85% are estimated to come with social security benefits, versus 30.2% in the case of construction-generated new jobs. In the case of construction, the new jobs created are predominantly (64.1%) occasional jobs without a contract, 24.6% are permanent jobs with a contract of unlimited duration, and 11.3% are temporary jobs with contracts of limited duration. These ratios are reversed for ECCPE, where 84% of the new jobs are estimated to be permanent jobs with a contract of unlimited duration, 10.5% are temporary jobs with contracts of limited duration, and only 6.1% are occasional jobs without a contract.

Our findings show that the impacts on poverty of both expansions are pro-poor in that the consequent increase in income is the highest for the bottom two household income quintiles. Yet more jobs go to workers below the relative poverty line in the case of a construction boom than in the case of an ECCPE expansion (92,356 jobs for the poor in a construction boom versus 49,797 jobs for the poor in a ECCPE expansion), resulting in a net decrease in the relative poverty rate of 0.35 percentage points in the former case. However, combining both demand- and supply-side effects, our results suggest that an ECCPE expansion targeting prime-working-age poor mothers of small children has the potential to decrease the relative poverty rate by as much as 1.14 percentage points.

As far as the short-run fiscal sustainability of public expenditures is concerned, we find that an ECCPE expansion is likely to recover 77% of expenditures through increased government revenues, while for construction the same ratio stands at 52%.

Our findings suggest that in addition to the supply-side effects, there is a strong demand-side economic rationale for public investments in early childhood care and preschool education services in terms of decent employment creation, gender equality, and poverty alleviation, as well as fiscal sustainability. The same argument can be expanded to cover other subsectors of social care, namely the expansion of care services for the elderly, the disabled, and the sick. Hence, this report suggests that a fiscal prioritization of public investments and expenditures in building a social care service infrastructure represents not only a good macro example of gender budgeting but also an effective macroeconomic policy for promoting inclusive and sustainable growth.