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SELF EMPLOYMENT AND RELATIVE POVERTY IN TURKEY

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(The complete version will include the income and expenditure analysis as well.)

Abstract

In developing countries, despite of the fact that self-employment could prevent poverty and inequality in small and medium size enterprises, it might cause an increase in inequalities especially within the households in small family enterprises in rural area. The aim of this study is to calculate relative poverty and income inequality index by using the 2003 household income and expenditure data in Turkey. After the calculation relative poverty index, this index is decomposed by categories such as education, age, size of household and sex for the self-employed households. These decompositions are also made based on the
rural-urban separation and seven regional districts. These decomposition helps to understand comparative differences and inequalities in rural-urban area and seven regional districts for self-employed persons.

Key words: Relative poverty, self-employment and inequality.

Jel Classification:

1. Introduction

Relative poverty is the one of the most important issues in Turkey due to its various implications on unequal income distribution, informal sector, undeclared work and shadow economy, which all need to be address along the way to full European Union membership. Also there exists a strong association between the types of employment and the poverty status of individual or household. Informally employed or causal workers have a noticeably higher rate of poverty (World Bank and State Institute of Statistics, 2005). To escape absolute poverty after the 2001 economic crisis with higher unemployment rate relatively self-employed poverty rate became higher associated with a lack of registration at a social security institution.

Self-employment in Turkey, as in the most developing countries, characterized by low entry barriers in terms of skill, capital and organization; family ownership of enterprises; small scale of operation; labor-intensive production with out-dated tecnology; unregulated and competitive markets;and low levels of productivity and a low capacity for accumulation (ILO, 1972).

According to Hanley (2000), self-employment in the region functions largely as a refuge from poverty in Eastern Europe. Also his findings do not support the assertion that the self-employed have been relegated to peripheral sectors of economy. On the contrary, the self-employed in Poland, Slovakia, and the Czech Republic appeared in large numbers in many advanced sectors of economy, such as business and professional services. Unlike in the advanced sectors, Jumani (1991) points out the social and economic dynamics of self-employment of the rural poor (Ward, 1996).

The aim of this paper is to analyse the link between relative poverty and self-employment by calculating poverty and inequality indices based on the concepts of informal economy, age, gender, and regional differences.
2. Data and Methodology

In this study, the relative poverty and income inequality in Turkey are calculated, using raw data from the State Institute of Statistic (SIS) Household Income and Expenditure Survey of 2003. In order to calculate, income was normalised for household composition using the OECD Equivalence Scale;

\[ \text{OECD} = 1 + [\text{number of children under age 14}] \times 0.5 + ([\text{number of adults}] - 1) \times 0.75 \]

When calculating the relative poverty index for the rural and urban classification, we assumed households with an annual disposable income strictly less than half of the household income median as poor. The following presents this definition where \( HMI_j \) refers to a half of median income level in the region, while \( HHDI_j \) defines household total annual disposable income for region.

3. Poverty Profile in Turkey, in 2003

As can be seen in table 1, there are 25.764 households and 107.614 people in the 2003 household income and expenditure survey. Of those 4.146 households which is 16.09% of population, is in the poor category. This is equivalent to 24.175 people, which is 22.64% of the whole survey population. It is observed in table 5 that as households get crowded they tend to be poorer.

<table>
<thead>
<tr>
<th>Relatively Poor Household and Individual Numbers and Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Non Poor</td>
</tr>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

More than two thirds of households (nearly 71%) are at the urban side. Also the 70% of the poors are at the urban side too. Last 50 years, rapid increase in population causes migrations from rural side to urbans and this social process carried poverty together with rural habits to big cities.

<table>
<thead>
<tr>
<th>Relatively Poor Households Between Rural and Urban Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Non Poor</td>
</tr>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
29% of the survey population lives in rural areas. Both in rural and urban areas about the same percentage (16%) of people are poor households. The number of poor households living in urban areas is more than double of those living in urban areas.

East and central Anatolia have large number of poors. Anatolian shores have great opportunities for the people in the mean of agriculture, fishing, tourism, international trade etc. Migration from inner regions to the shores still goes on. Especially the people who retired, move their residence to the shore cities. Eleven early retirement projects that carried out in the last 35 years, caused more than 200,000 early retired people. They were retired before the age of 45. So, they keep working in the shadow economy in order to get their pension and extra salary together. They want to benefit from the various job opportunities of big shore cities.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Regional Distribution of Relatively Poor Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non Poor</td>
</tr>
<tr>
<td>Istanbul</td>
<td>2.696</td>
</tr>
<tr>
<td>West Marmara</td>
<td>1.580</td>
</tr>
<tr>
<td>Aegean</td>
<td>3.489</td>
</tr>
<tr>
<td>East Marmara</td>
<td>1.811</td>
</tr>
<tr>
<td>West Anatolia</td>
<td>2.303</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>2.810</td>
</tr>
<tr>
<td>Central Anatolia</td>
<td>1.404</td>
</tr>
<tr>
<td>West Black Sea</td>
<td>2.052</td>
</tr>
<tr>
<td>East Black Sea</td>
<td>1.065</td>
</tr>
<tr>
<td>Northeast Anatolia</td>
<td>436</td>
</tr>
<tr>
<td>Centraleast Anatolia</td>
<td>796</td>
</tr>
<tr>
<td>Southeast Anatolia</td>
<td>1.176</td>
</tr>
<tr>
<td>Total</td>
<td>21.618</td>
</tr>
</tbody>
</table>

It is also seen that the cities at the east Anatolia have big poverty rates among the households. About half of the households (49%) living in Southeast Anatolia are in the poor category. This is followed by Northeast Anatolia and Centraleast Anatolia with 27% and 24% respectively. The highest percentage of poor households are living in Southeast Anatolia (about 5% of the whole sample), while the lowest percentage is in East Black Sea area (lower than half percent).

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Provincial Distribution of Relatively Poor Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non Poor</td>
</tr>
<tr>
<td>Istanbul</td>
<td>2.696</td>
</tr>
</tbody>
</table>
More than half of the population is poor in Mardin (63%) and Sanliurfa (47%), while more than one third of the population is poor in Van (38%) and Gaziantep (35%). Tekirdag, Antalya, and Aydin have the smallest proportion of poor population by 0.6%. This ranking does not change when we consider the ratio of poor to the whole population.

<table>
<thead>
<tr>
<th>Household structure</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents with one child (&lt;18)</td>
<td>2.568</td>
<td>200</td>
<td>2.768</td>
</tr>
<tr>
<td>Parents with one child (&gt;18)</td>
<td>1.507</td>
<td>64</td>
<td>1.571</td>
</tr>
<tr>
<td>Parents with two child (18)</td>
<td>3.449</td>
<td>536</td>
<td>3.985</td>
</tr>
<tr>
<td>Parents with two children (one child&gt;18)</td>
<td>1.591</td>
<td>138</td>
<td>1.729</td>
</tr>
<tr>
<td>Parents with three children (&lt;18)</td>
<td>1.882</td>
<td>1.076</td>
<td>2.958</td>
</tr>
<tr>
<td>Parents with three children (at least one child&gt;18)</td>
<td>1.434</td>
<td>604</td>
<td>2.038</td>
</tr>
<tr>
<td>Parents with no child</td>
<td>3.205</td>
<td>116</td>
<td>3.321</td>
</tr>
<tr>
<td>Larger family</td>
<td>544</td>
<td>60</td>
<td>604</td>
</tr>
<tr>
<td>Larger family with children (&lt;18)</td>
<td>1.727</td>
<td>528</td>
<td>2.255</td>
</tr>
<tr>
<td>Larger family with children (at least one child&lt;18)</td>
<td>1.611</td>
<td>512</td>
<td>2.123</td>
</tr>
</tbody>
</table>
Single parent** | 960 | 58 | 1.018
Single parent with children (<18) | 318 | 117 | 435
Single parent with children (one child>18) | 667 | 122 | 789
Individuals living in the same house (students, workers etc.) | 55 | 4 | 59
Relatives living in the same house | 100 | 11 | 111
Total | 21.618 | 4.146 | 25.764

* Larger family consists of relatives of at least two generation living in the same house (grandparents, parents, aunt, uncle etc.)
** Other parent away from house due to various reasons such as working in another city, or divorce, or death, etc.

The higher proportion of poor households are among larger families of those with three children or more (between 23% and 36%).

Table 6
**Gender and Relative Poverty**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>40.824</td>
<td>11.728</td>
<td>52.552</td>
</tr>
<tr>
<td>Women</td>
<td>42.615</td>
<td>12.447</td>
<td>55.062</td>
</tr>
<tr>
<td>Total</td>
<td>83.439</td>
<td>24.175</td>
<td>107.614</td>
</tr>
</tbody>
</table>

About the same proportion of men and women are poor.

Table 7
**Age and Relative Poverty**

<table>
<thead>
<tr>
<th>Age</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-15</td>
<td>22.923</td>
<td>10.582</td>
<td>33.505</td>
</tr>
<tr>
<td>30-45</td>
<td>18.465</td>
<td>4.281</td>
<td>22.746</td>
</tr>
<tr>
<td>45-60</td>
<td>12.821</td>
<td>1.875</td>
<td>14.696</td>
</tr>
<tr>
<td>&gt;60</td>
<td>7.526</td>
<td>1.121</td>
<td>8.647</td>
</tr>
<tr>
<td>Total</td>
<td>83.439</td>
<td>24.175</td>
<td>107.614</td>
</tr>
</tbody>
</table>

The proportion of poor decreases with age. This is also true as a percentage of the whole population. About 15 percent of poor is in age category of below 30.

Table 8
**Health Insurance and Relative Poverty**

<table>
<thead>
<tr>
<th>Health Insurance</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory</td>
<td>57.294</td>
<td>5.250</td>
<td>62.544</td>
</tr>
<tr>
<td>Voluntary</td>
<td>878</td>
<td>204</td>
<td>1.082</td>
</tr>
<tr>
<td>Compulsory and Voluntary</td>
<td>829</td>
<td>127</td>
<td>956</td>
</tr>
<tr>
<td>Green Card</td>
<td>1.590</td>
<td>2.900</td>
<td>4.490</td>
</tr>
<tr>
<td>None</td>
<td>22.848</td>
<td>15.694</td>
<td>38.542</td>
</tr>
<tr>
<td>Total</td>
<td>83.439</td>
<td>24.175</td>
<td>107.614</td>
</tr>
</tbody>
</table>

The highest proportion of poor is those with green card (around 65%).
### Table 9
**Education and Relative Poverty**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>6.971</td>
<td>4.16</td>
<td>11.131</td>
</tr>
<tr>
<td>Illiterate with no formal education</td>
<td>15.336</td>
<td>6.549</td>
<td>21.885</td>
</tr>
<tr>
<td>Primary (5 years)</td>
<td>26.141</td>
<td>6.116</td>
<td>32.257</td>
</tr>
<tr>
<td>Primary (8 years)</td>
<td>5.131</td>
<td>1.801</td>
<td>6.932</td>
</tr>
<tr>
<td>Secondary</td>
<td>5.156</td>
<td>734</td>
<td>5.89</td>
</tr>
<tr>
<td>Secondary (vocational)</td>
<td>203</td>
<td>26</td>
<td>229</td>
</tr>
<tr>
<td>High</td>
<td>10.326</td>
<td>1.016</td>
<td>11.342</td>
</tr>
<tr>
<td>High (vocational)</td>
<td>2.131</td>
<td>107</td>
<td>2.238</td>
</tr>
<tr>
<td>University (2 years)</td>
<td>1.164</td>
<td>39</td>
<td>1.203</td>
</tr>
<tr>
<td>University (4 years)</td>
<td>3.109</td>
<td>33</td>
<td>3.142</td>
</tr>
<tr>
<td>Master/PhD</td>
<td>206</td>
<td>0</td>
<td>206</td>
</tr>
<tr>
<td>Total</td>
<td>75.874</td>
<td>20.581</td>
<td>96.455</td>
</tr>
</tbody>
</table>

75% of poor is with no or primary education. With education level the percentage of poor reduces.

### Table 10
**Working Sectors and Relative Poverty**

<table>
<thead>
<tr>
<th>Working Sectors</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9.201</td>
<td>3.059</td>
<td>12.260</td>
</tr>
<tr>
<td>2</td>
<td>52</td>
<td>6</td>
<td>58</td>
</tr>
<tr>
<td>3</td>
<td>203</td>
<td>24</td>
<td>227</td>
</tr>
<tr>
<td>4</td>
<td>4.433</td>
<td>679</td>
<td>5.112</td>
</tr>
<tr>
<td>5</td>
<td>177</td>
<td>3</td>
<td>180</td>
</tr>
<tr>
<td>6</td>
<td>1.235</td>
<td>612</td>
<td>1.847</td>
</tr>
<tr>
<td>7</td>
<td>4.266</td>
<td>713</td>
<td>4.979</td>
</tr>
<tr>
<td>8</td>
<td>1.039</td>
<td>221</td>
<td>1.260</td>
</tr>
<tr>
<td>9</td>
<td>1.420</td>
<td>233</td>
<td>1.653</td>
</tr>
<tr>
<td>10</td>
<td>257</td>
<td>3</td>
<td>260</td>
</tr>
<tr>
<td>11</td>
<td>630</td>
<td>63</td>
<td>693</td>
</tr>
<tr>
<td>12</td>
<td>1.645</td>
<td>98</td>
<td>1.743</td>
</tr>
<tr>
<td>13</td>
<td>1.227</td>
<td>27</td>
<td>1.254</td>
</tr>
<tr>
<td>14</td>
<td>661</td>
<td>40</td>
<td>701</td>
</tr>
<tr>
<td>15</td>
<td>663</td>
<td>224</td>
<td>887</td>
</tr>
<tr>
<td>16</td>
<td>403</td>
<td>118</td>
<td>521</td>
</tr>
<tr>
<td>17</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>27.514</td>
<td>6.123</td>
<td>33.637</td>
</tr>
</tbody>
</table>

### Table 11
**Jobs and Relative Poverty**

<table>
<thead>
<tr>
<th>Jobs and Relative Poverty</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non Poor</td>
<td>Poor</td>
<td>Total</td>
</tr>
<tr>
<td>---</td>
<td>----------</td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1</td>
<td>2.675</td>
<td>147</td>
<td>2.822</td>
</tr>
<tr>
<td>2</td>
<td>1.814</td>
<td>20</td>
<td>1.834</td>
</tr>
<tr>
<td>3</td>
<td>1.328</td>
<td>45</td>
<td>1.373</td>
</tr>
<tr>
<td>4</td>
<td>1.435</td>
<td>73</td>
<td>1.508</td>
</tr>
<tr>
<td>5</td>
<td>2.814</td>
<td>474</td>
<td>3.288</td>
</tr>
<tr>
<td>6</td>
<td>8.921</td>
<td>2.758</td>
<td>11.679</td>
</tr>
<tr>
<td>7</td>
<td>3.912</td>
<td>1.010</td>
<td>4.922</td>
</tr>
<tr>
<td>8</td>
<td>2.329</td>
<td>365</td>
<td>2.694</td>
</tr>
<tr>
<td>9</td>
<td>2.286</td>
<td>1.231</td>
<td>3.517</td>
</tr>
<tr>
<td>Total</td>
<td>27.514</td>
<td>6.123</td>
<td>33.637</td>
</tr>
</tbody>
</table>

**Table 12**

Employment By Status and Relative Poverty

<table>
<thead>
<tr>
<th>Status</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employee</td>
<td>12.346</td>
<td>1.593</td>
<td>13.939</td>
</tr>
<tr>
<td>Casual Employee</td>
<td>1.514</td>
<td>1.166</td>
<td>2.680</td>
</tr>
<tr>
<td>Apprentice</td>
<td>23</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>Employer</td>
<td>1.671</td>
<td>68</td>
<td>1.739</td>
</tr>
<tr>
<td>Self Employed</td>
<td>6.035</td>
<td>1.385</td>
<td>7.420</td>
</tr>
<tr>
<td>Unpaid Family Worker</td>
<td>5.925</td>
<td>1.907</td>
<td>7.832</td>
</tr>
<tr>
<td>Total</td>
<td>27.514</td>
<td>6.123</td>
<td>33.637</td>
</tr>
</tbody>
</table>

The highest percentage of poor is in casual employees category (44%). 6% of the total is poor unpaid family workers.

**Table 13**

Social Security Registration and Relative Poverty

<table>
<thead>
<tr>
<th></th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7.032</td>
<td>672</td>
<td>7.704</td>
</tr>
<tr>
<td>2</td>
<td>2.944</td>
<td>22</td>
<td>2.966</td>
</tr>
<tr>
<td>3</td>
<td>2.966</td>
<td>157</td>
<td>3.123</td>
</tr>
<tr>
<td>4</td>
<td>43</td>
<td>0</td>
<td>43</td>
</tr>
<tr>
<td>5</td>
<td>14.529</td>
<td>5.272</td>
<td>19.801</td>
</tr>
<tr>
<td>Total</td>
<td>27.514</td>
<td>6.123</td>
<td>33.637</td>
</tr>
</tbody>
</table>

**Table 14**

Employment By Status in Social Security Registration

<table>
<thead>
<tr>
<th>Status</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employee</td>
<td>7.296</td>
<td>2.962</td>
<td>42</td>
<td>43</td>
<td>3.596</td>
<td>13.939</td>
</tr>
<tr>
<td>Casual Employee</td>
<td>236</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>2.438</td>
<td>2.680</td>
</tr>
<tr>
<td>Apprentice</td>
<td>11</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Employer</td>
<td>4</td>
<td>0</td>
<td>1.164</td>
<td>0</td>
<td>571</td>
<td>1.739</td>
</tr>
<tr>
<td>Self Employed</td>
<td>5</td>
<td>0</td>
<td>1.867</td>
<td>0</td>
<td>5.548</td>
<td>7.420</td>
</tr>
</tbody>
</table>
4. Self-Employment and Relative Poverty in Turkey

Men have the great part of the self-employment. As it is seen in the table below, there are 954 women and 6,466 men who declared that they work for themselves. Women have almost %13 of total self-employment but the poverty for the self-employed men is nearly %18, and for the self-employed women is nearly %17. That is to say, both genders have about the same poverty level for self-employment.

<table>
<thead>
<tr>
<th>Gender of Self Employment and Relative Poverty</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>5,246</td>
<td>1,220</td>
<td>6,466</td>
</tr>
<tr>
<td>Women</td>
<td>789</td>
<td>165</td>
<td>954</td>
</tr>
<tr>
<td>Total</td>
<td>6,035</td>
<td>1,385</td>
<td>7,420</td>
</tr>
</tbody>
</table>

The self-employed persons in Turkey are predominantly with married status. Self-employment by divorced or separated persons is very low. But the highest rate of poverty are at the married groups. It is %18.

<table>
<thead>
<tr>
<th>Marriage Status of Self Employment and Relative Poverty</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>250</td>
<td>41</td>
<td>291</td>
</tr>
<tr>
<td>Married</td>
<td>5,503</td>
<td>1,290</td>
<td>6,793</td>
</tr>
<tr>
<td>Widowed</td>
<td>231</td>
<td>46</td>
<td>277</td>
</tr>
<tr>
<td>Divorced</td>
<td>42</td>
<td>6</td>
<td>48</td>
</tr>
<tr>
<td>Separated</td>
<td>9</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>6,035</td>
<td>1,385</td>
<td>7,420</td>
</tr>
</tbody>
</table>

The majority of self-employed persons are between 30 and 60 ages. Among the age groups, from youngs to elders the poverty rate are decreasing. It might easily be explicable that people earn their living after years and improve their living standard year by year.

<table>
<thead>
<tr>
<th>Age of Self Employment and Relative Poverty</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-30</td>
<td>674</td>
<td>213</td>
<td>887</td>
</tr>
<tr>
<td>30-45</td>
<td>2,280</td>
<td>625</td>
<td>2,905</td>
</tr>
<tr>
<td>45-60</td>
<td>2,065</td>
<td>392</td>
<td>2,457</td>
</tr>
<tr>
<td>&gt;60</td>
<td>1,016</td>
<td>155</td>
<td>1,171</td>
</tr>
<tr>
<td>Total</td>
<td>6,035</td>
<td>1,385</td>
<td>7,420</td>
</tr>
</tbody>
</table>
When we look at the regional and provincial distribution of self-employed, we can see the great part of the self-employed are living at the shores. Central and eastern regions and provinces have low trading practice on self-employment and thus the poverty level is comparatively higher.

<table>
<thead>
<tr>
<th>Table 18</th>
<th>Regional Distribution of Self Employment and Relative Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non Poor</td>
</tr>
<tr>
<td>Istanbul</td>
<td></td>
</tr>
<tr>
<td>West Marmara</td>
<td></td>
</tr>
<tr>
<td>Agean</td>
<td>1,024</td>
</tr>
<tr>
<td>East Marmara</td>
<td>371</td>
</tr>
<tr>
<td>West Anatolia</td>
<td>492</td>
</tr>
<tr>
<td>Mediterrenian</td>
<td>892</td>
</tr>
<tr>
<td>Central Anatolia</td>
<td>380</td>
</tr>
<tr>
<td>West Black Sea</td>
<td>846</td>
</tr>
<tr>
<td>East Black Sea</td>
<td>446</td>
</tr>
<tr>
<td>Northeast Anatolia</td>
<td>194</td>
</tr>
<tr>
<td>Centraleast Anatolia</td>
<td>189</td>
</tr>
<tr>
<td>Southeast Anatolia</td>
<td>381</td>
</tr>
<tr>
<td>Total</td>
<td>6,035</td>
</tr>
</tbody>
</table>

The largest percentage of poor self-employed is in Southeast Anatolia.

<table>
<thead>
<tr>
<th>Table 19</th>
<th>Provincial Distribution of Self Employment and Relative Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non Poor</td>
</tr>
<tr>
<td>Istanbul</td>
<td></td>
</tr>
<tr>
<td>Tekirdag</td>
<td>281</td>
</tr>
<tr>
<td>Bursa</td>
<td>160</td>
</tr>
<tr>
<td>Konya</td>
<td>332</td>
</tr>
<tr>
<td>Antalya</td>
<td>262</td>
</tr>
<tr>
<td>Adana</td>
<td>473</td>
</tr>
<tr>
<td>Hatay</td>
<td>157</td>
</tr>
<tr>
<td>Kirikkale</td>
<td>143</td>
</tr>
<tr>
<td>Kayseri</td>
<td>237</td>
</tr>
<tr>
<td>Zongulak</td>
<td>269</td>
</tr>
<tr>
<td>Kastamonu</td>
<td>295</td>
</tr>
<tr>
<td>Samsun</td>
<td>282</td>
</tr>
</tbody>
</table>
Table 20

<table>
<thead>
<tr>
<th>Jobs of Self Employment and Relative Poverty</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislators, Senior Officials and Managers</td>
<td>991</td>
<td>97</td>
<td>1.088</td>
</tr>
<tr>
<td>Professionals</td>
<td>62</td>
<td>0</td>
<td>62</td>
</tr>
<tr>
<td>Technicians and Associate Professionals</td>
<td>84</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Clerks</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Service Workers and Shop and Market Sales Workers</td>
<td>173</td>
<td>39</td>
<td>212</td>
</tr>
<tr>
<td>Skilled Agricultural and Fishery Workers</td>
<td>3,520</td>
<td>915</td>
<td>4,435</td>
</tr>
<tr>
<td>Craft and Related Trades Workers</td>
<td>551</td>
<td>101</td>
<td>652</td>
</tr>
<tr>
<td>Plant and Machine Operators and Assemblers</td>
<td>439</td>
<td>53</td>
<td>492</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>210</td>
<td>172</td>
<td>382</td>
</tr>
<tr>
<td>Total</td>
<td>6.035</td>
<td>1.385</td>
<td>7.420</td>
</tr>
</tbody>
</table>

The poverty by jobs has an interesting proportional scale. Self-employed professionals and clerks are doing well. On the other hand, nearly the %10 of legislators, senior officials and managers are under the poverty level.

Table 21

<table>
<thead>
<tr>
<th>Self Employment and Relative Poverty By Sector Codes</th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Hunting, Forestry</td>
<td>3,488</td>
<td>911</td>
<td>4.399</td>
</tr>
<tr>
<td>Fishing</td>
<td>27</td>
<td>5</td>
<td>32</td>
</tr>
<tr>
<td>Manufacturing Industry</td>
<td>354</td>
<td>58</td>
<td>412</td>
</tr>
<tr>
<td>Construction</td>
<td>115</td>
<td>22</td>
<td>137</td>
</tr>
<tr>
<td>Wholesale and Retail Trade; Motor Cars, Motor Cycles, Repair of Personal and Home Tools</td>
<td>1,339</td>
<td>285</td>
<td>1,624</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>110</td>
<td>15</td>
<td>125</td>
</tr>
<tr>
<td>Transportation, Communication and Storage Services</td>
<td>406</td>
<td>53</td>
<td>459</td>
</tr>
<tr>
<td>Financial Services</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Real Estate and Rental</td>
<td>89</td>
<td>2</td>
<td>91</td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Medical Care and Social Work</td>
<td>16</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Other Social, Public and Personnel Services</td>
<td>78</td>
<td>32</td>
<td>110</td>
</tr>
</tbody>
</table>
Table 22
Self Employment and Relative Poverty By Declared/Undeclared to Social Security Institutions

<table>
<thead>
<tr>
<th></th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared to S.S.K.</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Declared to Bağ-Kur</td>
<td>1.744</td>
<td>123</td>
<td>1.867</td>
</tr>
<tr>
<td>Undeclared</td>
<td>4.286</td>
<td>1.262</td>
<td>5.548</td>
</tr>
<tr>
<td>Total</td>
<td>6.035</td>
<td>1.385</td>
<td>7.420</td>
</tr>
</tbody>
</table>

Table 23
Health Insurance of Self Employment and Relative Poverty

<table>
<thead>
<tr>
<th></th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory</td>
<td>3.196</td>
<td>167</td>
<td>3.363</td>
</tr>
<tr>
<td>Voluntary</td>
<td>42</td>
<td>7</td>
<td>49</td>
</tr>
<tr>
<td>Compulsory and Voluntary</td>
<td>106</td>
<td>11</td>
<td>117</td>
</tr>
<tr>
<td>Green Card</td>
<td>207</td>
<td>186</td>
<td>393</td>
</tr>
<tr>
<td>None</td>
<td>2.484</td>
<td>1.014</td>
<td>3.498</td>
</tr>
<tr>
<td>Total</td>
<td>6.035</td>
<td>1.385</td>
<td>7.420</td>
</tr>
</tbody>
</table>

About half of the self-employed without health protection is poor.

Table 24
Education Level of Self Employment and Relative Poverty

<table>
<thead>
<tr>
<th></th>
<th>Non Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>417</td>
<td>253</td>
<td>670</td>
</tr>
<tr>
<td>Illiterate with no formal education</td>
<td>473</td>
<td>165</td>
<td>638</td>
</tr>
<tr>
<td>Primary (5 years)</td>
<td>3.845</td>
<td>844</td>
<td>4.689</td>
</tr>
<tr>
<td>Primary (8 years)</td>
<td>13</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Secondary</td>
<td>544</td>
<td>68</td>
<td>612</td>
</tr>
<tr>
<td>Secondary (vocational)</td>
<td>19</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>High</td>
<td>458</td>
<td>37</td>
<td>495</td>
</tr>
<tr>
<td>High (vocational)</td>
<td>110</td>
<td>8</td>
<td>118</td>
</tr>
<tr>
<td>University (2 years)</td>
<td>34</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>University (4 years)</td>
<td>116</td>
<td>2</td>
<td>118</td>
</tr>
<tr>
<td>Master/PhD</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>6.035</td>
<td>1.385</td>
<td>7.420</td>
</tr>
</tbody>
</table>

The proportion of self-employed poor tend to diminish with education.

5. Undeclared Self-Employment and Relative Poverty in Turkey

Nowadays, the labor force especially employed in the urban areas of developing
countries is classified in two different groups. The first one is formed by employees who work in the organized sectors which can be called as formal or institutionalized sector. The second one consists of the persons who generally migrated to urban areas, could not find job in short order, working as day labourer-temporary with unskilled labor force and earning income by working in her/his own job without capital or with only a small volume of capital in the service sector. The above mentioned sector is called as informal or institutionalized sector. Unofficial sector has been widespread in developing countries. The official sector can be classified classically into three sub-groups (agriculture, service, industry); and identified as institutionalized facilities.

Undeclared work is term which is mostly used for the people who work independently. The example of facilities which can be counted as independent works are commercial facilities, and agricultural facilities. The types and scope of these facilities are identified in the tax legislations and job regulations in detail.

There is a need to know about two significant subjects in order to be able to investigate the undeclared work in Turkey. The first one can be summerized by the following statement: Undeclared work might be realized in the light of the current situation which can be explained by indiviual’s own will and self-control. As a result of this fact, not only dealers, traders artisans, industrialists, self-employed, or farmers have a tendency to work unregistered with their own will, but also some wage earners wish to work unregistered as a feedback of their self-control. The persons who still works although they are retired or the widows and orphans who still works even though they have a monthly pay from the social security funds of the public sector can be mentioned as the examples of above mentioned topic. The other point is about the undeclared work which is occured by the wish of the employer via enforcement in regardless to the will of the worker. The wage earners who experience the above mentioned situation is either unaware of the situation or could not raise any objection (or declaring their working time or salary in a misleading way) as a result of the threats about being fired.

<table>
<thead>
<tr>
<th>Year</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Unemployment</th>
<th>Economic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>0.387866109</td>
<td>0.502584721</td>
<td>0.304494762</td>
<td>0.087</td>
<td>0.010</td>
</tr>
<tr>
<td>1989</td>
<td>0.353293413</td>
<td>0.497452693</td>
<td>0.286027878</td>
<td>0.087</td>
<td>0.000</td>
</tr>
<tr>
<td>1990</td>
<td>0.296788483</td>
<td>0.507238793</td>
<td>0.272506608</td>
<td>0.082</td>
<td>0.094</td>
</tr>
<tr>
<td>1991</td>
<td>0.277481906</td>
<td>0.508524704</td>
<td>0.256895479</td>
<td>0.078</td>
<td>0.030</td>
</tr>
<tr>
<td>Year</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>0.254496054</td>
<td>0.512898331</td>
<td>0.257413022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>0.192440743</td>
<td>0.492753623</td>
<td>0.231904427</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>0.229642290</td>
<td>0.554546955</td>
<td>0.261971409</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>0.234826336</td>
<td>0.567072182</td>
<td>0.267366171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>0.247355663</td>
<td>0.565573770</td>
<td>0.268708125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>0.251531798</td>
<td>0.556258902</td>
<td>0.278060743</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>0.186142284</td>
<td>0.547252063</td>
<td>0.244420975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>0.261763224</td>
<td>0.516648256</td>
<td>0.266328012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>0.275934401</td>
<td>0.485154671</td>
<td>0.278717390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>0.284757779</td>
<td>0.487238622</td>
<td>0.281592641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>0.271152941</td>
<td>0.460876494</td>
<td>0.270347476</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>0.241183338</td>
<td>0.463186290</td>
<td>0.260148012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: T.C. Çalışma ve Sosyal Güvenlik Bakanlığı, Sosyal Sigortalar Kurumu, T.C. Bağ-Kur, T.C. Emekli Sandığı, T.C. Bağkanlık, Devlet İstatistik Enstitüsü, Hane Halkı İşgücü Anketleri, calculated by authors.

As it is seen on the table above, the share of the self employment who are self-employed is relatively high in the undeclared work statistics of Turkey.

There is a need to investigate the surveys about the labor force of households in order to determine in which sectors the undeclared work is intensified. In the following table; the distribution of the workers from various economical sectors can be seen in regard to either they are declared to any social security organization or not. The evaluation of the table can be summarized with the following statement. 2.229.000 persons who work in non-agricultural activities and work as plant and machine operators and assemblers; 6.531.000 persons who are related with agricultural activities; 721.000 persons who work in service sector; 1.042.000 persons who work as shop and market sales workers continue their activities without making any declaration to any social security institutions. As it is obviously seen, undeclared work is mostly common in agricultural sector and manufacturing industry. In 2003; more than the half of 10.943.000 persons (the guess about the number of the undeclared working persons) who are making no declaration to a social security institution was occupied as workers in agricultural sector. This observation is a very important indicator which would prove the existence of hidden unemployment in agricultural sector which has been a very popular subject in argument for long years.

<table>
<thead>
<tr>
<th>Table 26</th>
</tr>
</thead>
</table>

<p>| Employment By Status and Undeclared Work in 2003 (.000) |
|-----------|----------------|----------------|---------------|--------------|----------|----------|</p>
<table>
<thead>
<tr>
<th></th>
<th>Declared to S.S.K.</th>
<th>Declared to T.C. Emekli Sandığı</th>
<th>Declared to Bağ-Kur</th>
<th>Undeclared</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared to S.S.K.</td>
<td>0.254496054</td>
<td>0.512898331</td>
<td>0.257413022</td>
<td>0.080</td>
<td>0.064</td>
<td>0.379</td>
</tr>
<tr>
<td>Declared to T.C. Emekli Sandığı</td>
<td>0.192440743</td>
<td>0.492753623</td>
<td>0.231904427</td>
<td>0.077</td>
<td>0.081</td>
<td>0.468</td>
</tr>
<tr>
<td>Declared to Bağ-Kur</td>
<td>0.229642290</td>
<td>0.554546955</td>
<td>0.261971409</td>
<td>0.081</td>
<td>0.061</td>
<td>0.424</td>
</tr>
<tr>
<td>Undeclared</td>
<td>0.234826336</td>
<td>0.567072182</td>
<td>0.267366171</td>
<td>0.069</td>
<td>0.080</td>
<td>0.377</td>
</tr>
<tr>
<td>Others</td>
<td>0.247355663</td>
<td>0.565573770</td>
<td>0.268708125</td>
<td>0.060</td>
<td>0.071</td>
<td>0.343</td>
</tr>
<tr>
<td>Total</td>
<td>0.251531798</td>
<td>0.556258902</td>
<td>0.278060743</td>
<td>0.067</td>
<td>0.083</td>
<td>0.458</td>
</tr>
</tbody>
</table>
Another interesting point about the table is that more than half of the 21,147,000 persons who participate into labor force work as undeclared workers. If the number of the persons who making activities as declared workers is quessed about 11 million; it can be said that a population which is approximately 110 percent of the declared workers is making activities as undeclared workers.

As a result of our studies on the datas for the same period, it is observed that poverty is relatively high in the sectors in which hidden economic activities are intensified.

In other words, unregistered activities are prefered by most people in order to challenge to the poverty. In addition, when we investigate the income of the persons who makes no declaration to a social security instituion, it is obviously seen that their earnings are above the poverty line. So, the above mentioned proposition is approved by this second observation, too.

### Table 27

<table>
<thead>
<tr>
<th>Regions</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediterranean</td>
<td>23,8</td>
<td>94,7</td>
<td>20,9</td>
<td>62,4</td>
<td>96,3</td>
<td>53,0</td>
</tr>
<tr>
<td>East Anatolia</td>
<td>14,2</td>
<td>92</td>
<td>16,6</td>
<td>77,9</td>
<td>99,1</td>
<td>66,8</td>
</tr>
<tr>
<td>Agean</td>
<td>14,1</td>
<td>87</td>
<td>10,9</td>
<td>49,3</td>
<td>97</td>
<td>46,5</td>
</tr>
<tr>
<td>South East Anatolia</td>
<td>38,0</td>
<td>96,2</td>
<td>42,6</td>
<td>84,8</td>
<td>99,6</td>
<td>72,0</td>
</tr>
<tr>
<td>Central Anatolia</td>
<td>15,3</td>
<td>86,6</td>
<td>11,4</td>
<td>51,8</td>
<td>97,3</td>
<td>40,0</td>
</tr>
<tr>
<td>Black Sea</td>
<td>14,0</td>
<td>86,9</td>
<td>13,2</td>
<td>80,3</td>
<td>99,2</td>
<td>70,3</td>
</tr>
<tr>
<td>Marmara</td>
<td>19,8</td>
<td>93,4</td>
<td>17,8</td>
<td>60,4</td>
<td>95,2</td>
<td>39,0</td>
</tr>
<tr>
<td>Turkey</td>
<td>18,9</td>
<td>91,5</td>
<td>18,4</td>
<td>65,9</td>
<td>98,0</td>
<td>51,7</td>
</tr>
</tbody>
</table>


A: Undeclared Regular Employees / Total Regular Employees
B: Undeclared Casual Employees / Total Casual Employees
C: Undeclared Employers / Total Employers
D: Undeclared Self-Employment / Total Self-Employment
E: Undeclared Unpaid Family Workers / Total Unpaid Family Workers
F: Undeclared Work / Total Work

In 2003, the average undeclared working ratio of self-employment was about %65.9 in
Turkey. When the same analysis made for every region of Turkey, the following ratios are calculated: Mediterranean Region %62.4, East Anatolia Region % 77.9, Southeast Anatolia Region % 84.8, East Black Sea Region % 80.49.3, 60.8 and 51.8 percent of self-employment is undeclared in Agean, Marmara and Cental Anatolia, respectively.

The working ratio of women without making declaration to a social security institution is relatively higher than men. In 2003, 4.2 million women were occupied as undeclared workers. In the other words; 71 percent of the employed women had not any social security. The number of the members of various sub-groups in the undeclared women workers can be counted as the followings: 2,859,000 unpaid family worker, 655,000 self-employment, 10,000 employer, 337,000 causal, 347,000 regular. For the same period, 37 percent (6,742 thousand) of the total employed men (15,256 thousand) worked without making declaration any social security institution.

In Turkey; there is a close relationship between the undeclared work and the shadow economy. In last decades, the socio-economical developments which are experienced both in Turkey and worldwide have been causing a rise in undeclared work. The high rate of population growth and urbanization are can be counted as the most important ones of the processes which enlarge the volume of shadow economy. The migration from rural areas to urban areas and unemployment cause the increase of the numbers of undeclared workers when those are combines with high volatile and inflationist structure. The income distribution which has been becoming more and more unfair gradually since 1961 and the increasing poverty can be emphasized as some of the important reasons of undeclared work. The poor people who are not capable to pay premium match a great share of the undeclared workers. On the other hand; the globalization trend over the worldwide manipulated the producers towards smaller scales in order to minimize their costs of production and caused the transformation of the organizational structure in a post-fordist manner. Finally, working conditions which are out of the regular standarts occured inevitably. Some applications such as putting out and outsourcing have become very popular in Turkey. However, at the same time, the employment related fiscal burdens over the employer and employees caused the birth of some radical ideas about the cutted share of the wages. Wage cuts begun to anticipated as employment tax. The high number of bureaucratic operations and the complex procedure about entering and operating in the market encourage undeclared working. On the other hand the sectors which can not create any brand and which produce poor quality commodities in
which contract techniques are commonly used at production stage, hire undeclared workers for the sake of competing in international area via minimizing the labor costs. For workers, having the possession of the deserved share of labor force from national income and feeling guarantee of the social security laws are only possible with a organized structure and union. However, the number of the workers who are members of the labor unions at the same time has been decreasing day to day. Individuals have no job guarantee and union assurance. The borrowing laws which are legislated frequently and applied backswept cause the people think like “I am sure, in future, parliament would approve a new borrowing law and by this way i could retire by borrowing” and those laws can be accepted a sort of support fort he undeclared work. Some laws and applications, which are integrated into our social security system and accepted as cheaper social security enstruments, such as preferential insurance implementation or The Act for Agricultural Workers Social Security and green card accelearate the escape from obligatory insurance system. The unefficient structures of the punishments and the problems which are sourced by the organizational structure of the social security Institutions can be counted as additional reasons which cause the increasing trend of the undeclared work. The disutility sourced by the publis services, espically social security services, increaes the rate of undeclared work. The lack of coordination between the instituions of public sector is another reason of the undeclared work.

6. Conclusion

As a conclusion; poverty and unemployment are two important reason which cause undeclared economy.

As a result of this fact, a battle against poverty and unemployment carries great importance in order to prevent undeclared work. The needed legal and administrative preventions should be applied for the sake of providing usage of the social security programs against by only the ones who really deserve that right. The determination of the poverty via objective criterias by related instutions is the most important factor against poverty. When the level of education of undeclared workers is taken into account, it is obviously seen the education level is very low and most of the undeclared workers are graduates of primary schools or not literate. So to develop education programmes for those persons would be an important step in order to create councionuess individuals. Espically, the programmes which is adapted in order to increase the value-added created by labor force in production process sholu be prepared. The capability of paying premium should be increased both for
employers and employees. Active employment policies should be used for the sake of winning victory versus unemployment. In the short run, increasin the popularity of the some applications which can match the labor force demand and supply such as labor force barometer and labor force database would be an important step against unemployment. The occupational educational programmes should be revisited in the light of the modern needs and demands. We are living in a century in which information is a highly appreciated asset. So we should educate information workers who create significant added value for the market and find job easily all over the world.

The shadow economy and undeclared work is at low levels in the countries in which tax rates are relatively low, bureaucratic system is not very complex and the number of legal regulations are not very high. As a result of the some economical models runned with datas of different countries, the fundamental factors which determine the volume and development of the shadow economy and undeclared work are observed as the followings: High tax burden, high shares of social security cuts and the various distortive factors which deregulate the elasticity of the declared labor force, plus it should be emphasized that the wage levels in the registered economy is another important point that affects the above mentioned factors.

In Turkey, as a result of the experienced economical conjuncture, it is not possible to decrease the fiscal burden of employers about the employment in the short run from the point of macroeconomic equilibrium and the budget performance. Nonetheless, a reduction in social security premiums would be possible if insurance premiums and the other fiscal obligations over the employment might be decreased and alternative sources could be found in order to compensate the loss. On the other hand, the fiscal deficit which is sourced by the decrease of the fiscal obligations over the employment could be compensated by the increase in tax revenues which is sourced by the rise in the ratio of registering.

BIBLIOGRAPHY


