

THE YOUNG LACK HUMAN CAPITAL

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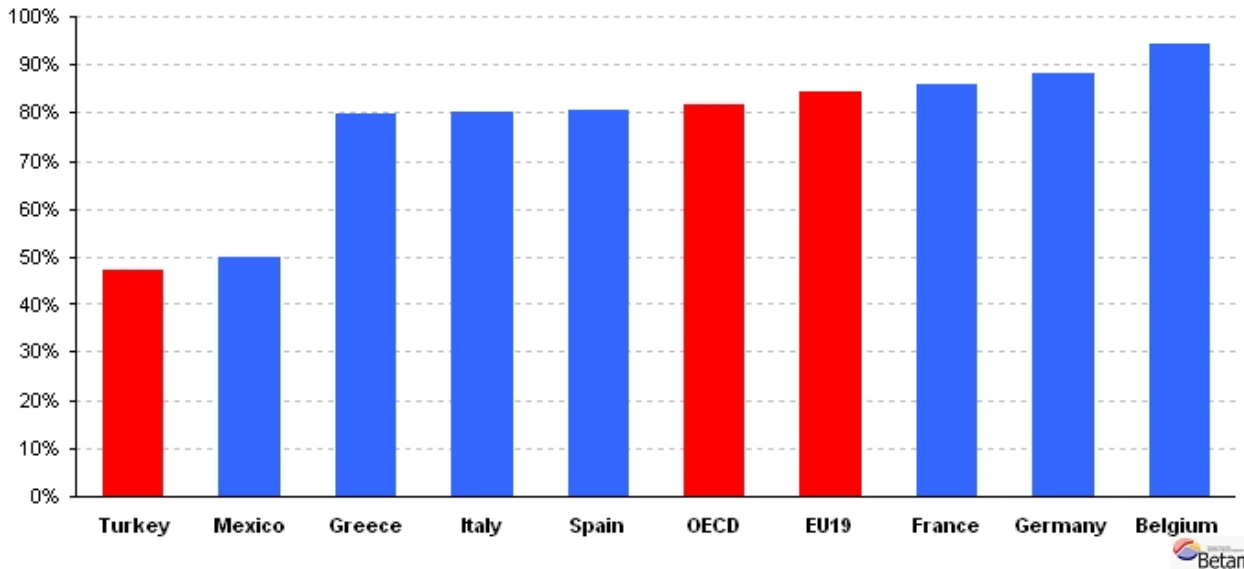
Abstract

The data from the Household Labor Force Survey 2009, released by TurkStat, show that only 50.4 percent of young women and 57.1 percent of young men are enrolled in school. These numbers indicate an improvement over 2006, albeit very weak. The OECD average is 81.5 percent for this age group. Out of the 2 million 853 thousand young people who are not enrolled, 2 million 186 thousand are at most primary education graduates. Those who have not graduated from any educational program constitute a non-trivial fraction. A majority of the young women who are not enrolled are out of the labor market; whereas most of the young men are participating. However, those who are in the labor market face high unemployment rates and unfavorable working conditions. Among the 1 million 466 thousand young people who are not enrolled and who are not participating in the labor market, the majority of the young women are occupied with household chores and a large part of the young men state that they have been unable to find jobs or that they do not believe that they can find jobs given their skills. Given that these young people already feel left out of the economic and social life at age 15 to 19, it is crucial that they are integrated back in the educational system to provide them with the opportunity of leading productive adult lives.

2 million 852 thousand young people are not enrolled

The new data on Household Labor Force Survey 2009, released by TurkStat, reveals that there has been some improvement in the educational status of 15 to 19 year-olds have since 2006, though it is far from sufficient. The research brief published by Betam in May 2008, titled "Turkey is losing its young generation", showed that in 2006, only 39 percent of the young women and 50 percent of young men, aged between 15 and 19 were enrolled in school. In 2009, these ratios were up to 50.4 percent and 57.1 percent respectively.¹ Even though the enrollment rates for both genders have increased in the past 3 years, international comparisons show that they are still unacceptably low.

Figure 1 Enrollment rates (Ages 15-19), 2007



Source: Education at a Glance 2009, OECD

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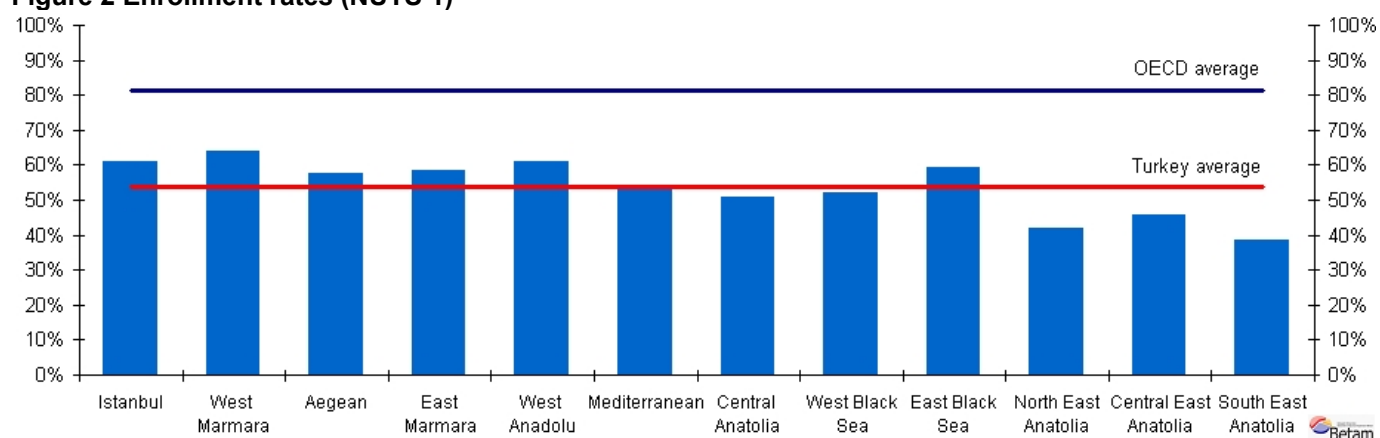
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¹ 210 thousand young people in this age group who have graduated from high school and who are not enrolled, claim that they are continuing their education. We believe that these people are preparing for the university entrance exams. Including them increases the enrollement ratio by 3.4 percentage points.

The data presented in Figure 1 shows the enrollment rates in Turkey in comparison to the OECD average and the EU 19 average. The enrollment rates in 2007 are 53.9 in Turkey, 81.5 in the OECD and 84.4 in the EU 19 countries. Clearly, the enrollment rates are very low in Turkey, even when compared to Southern European countries. Despite the improvements in the past couple of years, Turkey is far from closing the educational gap.

Regional differences which constitute a deep-rooted problem in the Turkish economy are reflected in the enrollment rates as well (Figure 2). The highest enrollment ratio in this age group is 64.1 in West Marmara, which is still 17.4 percentage points lower than the OECD average. Even though the average enrollment rate is 53.9 percent in Turkey, it falls to 38.4 percent in the South East Anatolia. This clearly indicates that any policy aimed at increasing enrollment rates should be reinforced with policies to eradicate regional differences.

Figure 2 Enrollment rates (NUTS 1)



Source: HLFS 2009, TurkStat; **Betam**

Low human capital among the young is a barrier to growth

According to the Household Labor Force Survey 2009, there are 6 million 200 thousand young people in Turkey between the ages of 15 and 19. Unfortunately approximately half of them are not enrolled in school. 1 million 483 thousand young women (49.6 percent) and 1 million 370 thousand young men (42.9 percent) are currently out of the educational system. Moreover, among those who are not enrolled, primary school graduates constitute the majority (Table 1). 28.6 percent of young women and 14.1 percent of young men have not graduated from any educational institution. In total, three quarters of those who are not enrolled are at most primary education graduates. The fact that the majority of those who are not enrolled are not high school graduates has dire implications for their own future as well as for the long run potential growth of Turkey. Human capital being the main engine of growth, such low levels of it present a major obstacle to Turkey's future growth.²

Table 1 The educational attainment of those who are not enrolled

		Female		Male
Have not graduated from any educational institution	424,699	28.6%	193,680	14.1%
Primary education	741,913	50.0%	825,352	60.3%
Vocational high school	91,969	14.6%	113,104	16.9%
Regular high school	215,715	6.2%	231,430	8.3%
Vocational tertiary education	8,605	0.6%	5,997	0.4%
Total	1,482,901	100%	1,369,563	100%

Source: HLFS 2009, TurkStat; **Betam**

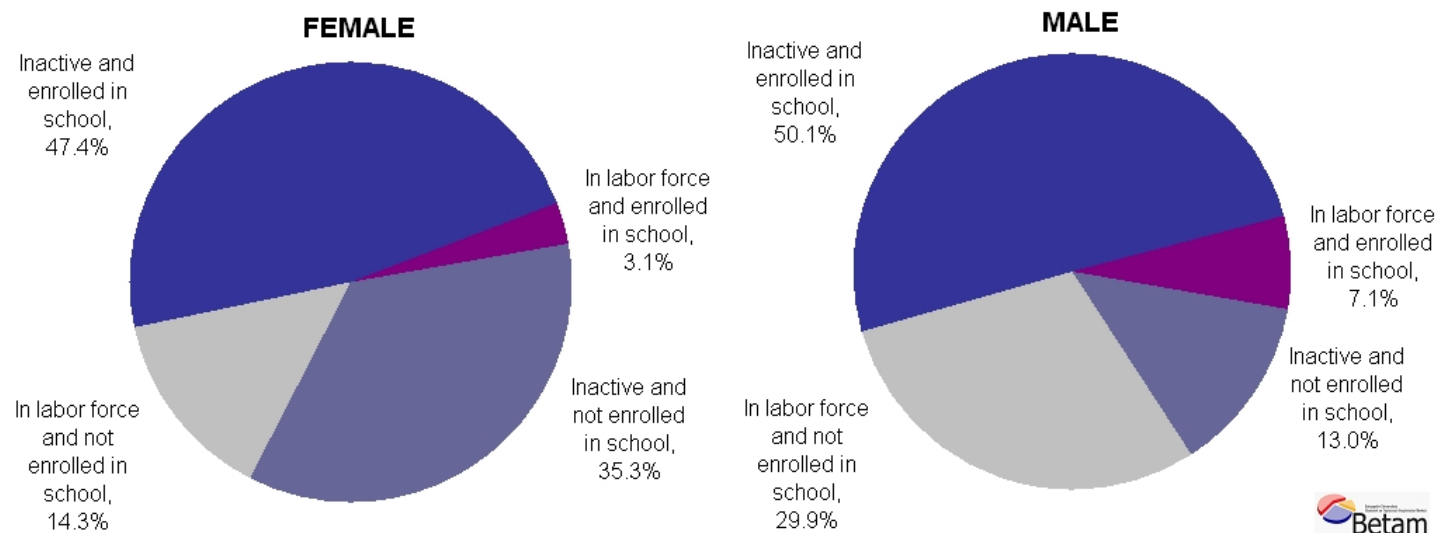
66.6 percent of those who work earn less than the minimum wage

Some of the young people who are not enrolled have already entered the labor market. The labor force participation rate of the young women who are not enrolled is 28.8 percent, whereas the same rate for young men is higher at 70 percent. Those who have entered the labor market face high unemployment risk. The

² Secondary school has been increased to 4 years recently, implying that more of this age group are still in high school and fewer have graduated from high school. In other words, the ratio of high school graduates among those who are not enrolled has decreased due to the fact that the secondary education has increased to 4 years.

unemployment rate, which is 14 percent for Turkey, increases to 24.3 percent for 15 to 19 year olds. In 2006, these number were 10.2 percent and 17 percent respectively. In other words, the unemployment rate differential has increased from 6.8 percent in 2006 to 10.3 percent in 2009. In general, economic crisis affect the young workers disproportionately given that they have lower levels of experience and tenure. Undoubtedly, the global crisis which started in 2008 is reflected in higher unemployment rates of the young.

Figure 3 The enrollment and labor force status of 15 to 19 year olds



Source: HLFS 2009, TurkStat; **Betam**

Higher unemployment rate are not the only problem that the young workers face in the labor market; informality is also higher. Even when agriculture is excluded from the analysis (given that the agricultural employment is highly informal), 70.8 percent of the young workers who are employed are not registered at a social security institution. Partially due to high levels of informality, the working conditions are also gloomy. 86 percent of those who are employed in the non-agricultural sectors, are working more than 45 hours per week.³ 66.6 percent of those who are working for pay in the non-agricultural sectors earn less than the minimum wage.⁴ The same rate for those above age 19 is only 14.2 percent.

One out of every three young women are only doing housework

Out of the 1 million 466 thousand young people who are not enrolled and who are not in the labor market, 270 thousand claim that they are continuing their education. These young people are assumed to be preparing for the university entrance exam. As for the remaining 1 million 200 thousand, the reasons for not searching for employment are provided in Table 2.⁵

Obviously, social roles create a major barrier to entry into the labor market for young women. Data in Table 2 show that 70 percent of the young women are not seeking employment because they are responsible for household chores such as providing care for the children and the elderly. The ratio who reports this reason is very similar among the young and the adult women. Note that they have already accepted to stay out of the economic life when they are 15 to 19 year old. For the sake of their own welfare and the welfare of the future generations, these women should be convinced to continue their education and should be integrated in the labor force. The women who participate in the economic sphere, increase household savings as well as the ratio of health and education expenditures in total household expenditures.

³ Labor legislation dictates that the working week entails a maximum of 45 hours per week.

⁴ The net minimum wage was 527.13 TL for the first half of 2009 and 546.48 TL for the second half. Given that it is not possible to tell the month of the survey, we set the minimum wage to be 530 TL for this analysis.

⁵ According to the data provided in Table 2, 153 thousand claim that they are not seeking employment due to other personal and family reasons, and 67 thousand claim other reasons. It is worth investigating what these reasons may be, given that these answers make up about 15 percent.

Table 2 The reasons for not seeking employment of non-enrolled and inactives

	Female		Male	
	Number	%	Number	%
Found a job but waiting to start	-	0,0%	295	0,1%
Awaiting recall from previous job / works seasonally	13.178	1,3%	16.332	4,0%
Searched but could not find a job	8.752	0,8%	55.582	13,5%
Believes there are no jobs to suit his/her skills	26.906	2,6%	39.720	9,6%
Continuing to his/her education or training	129.705	12,3%	140.187	34,0%
Household chores	709.571	67,4%	-	0,0%
Looking after children in the family	16.398	1,6%	-	0,0%
Looking incapacitated adults in the family	2.367	0,2%	-	0,0%
Looking after children or incapacitated adults in the family	2.328	0,2%	-	0,0%
Other personal or family reasons	87.891	8,3%	65.143	15,8%
Own illness or disability	31.868	3,0%	52.773	12,8%
Other	24.311	2,3%	42.418	10,3%
Total	1.053.274	100%	412.450	100%

Source: HLFS 2009, TurkStat; **Betam**

131 thousand young people are already discouraged

23.1 percent of young men claim that they have searched but could not find jobs or that they do not believe that there are jobs to suit their skills. A large majority of this group (87.4 percent) have at most a primary education degree. Unfortunately, these young men have already accepted that the labor market does not welcome them. The labor market conditions that they face in their adult lives will only worsen given the labor demand shifts towards skilled labor parallel to the skill biased technological change.

Working is a prerequisite to participation in the economic and social sphere. It is crucial not only for individual but also social development. Labor force dependency ratio is the ratio of the non-employed to employed, providing a measure of non-productive individuals to productive individuals. In periods to come, the labor force dependency ratio is expected to increase as the younger generations get smaller in size, and the older get larger. Keeping this in mind, increasing labor force participation rates is imperative for social welfare.

Educational campaigns should start immediately

The data show that labor market conditions are important determinants of the labor force participation decision, and educational attainment is an important determinant of labor market conditions an individual faces. Given that the education provided once the workers leave the educational system, such as those provided through active labor market policies, are not as efficient, the young people between the ages of 15 and 19 who already feel excluded from the economic and social spheres should be reintegrated in the educational system.

It is clear that gender-based policies are need to increase labor force participation rates. The data hints that the cultural effects and social roles present important obstacles to labor force participation of young women. Increasing education is an obvious policy in overcoming these obstacles; however, it is clearly not going to enough. Social scientists need to develop policy recommendations that focus on the cultural effects.

The young generation needs to be provided with a basis for building the human capital infrastructure necessary for a productive adult life. Being productive is an important prerequisite to individual and social welfare. Moreover, being the engine of long term growth, human capital is an area Turkey desperately needs to invest in. Turkey has very low levels of human capital compared to developed countries, and hence will enjoy high returns to all investment in human capital.

Appendix 1 NUTS1 and the Provinces

TR1	Istanbul	<i>İstanbul</i>
TR2	West Marmara	<i>Edirne-Tekirdağ-Kırklareli- Balıkesir-Çanakkale</i>
TR3	Aegean	<i>İzmir- Denizli-Aydın-Muğla- Manisa-Afyon-Kütahya-Uşak</i>
TR4	East Marmara	<i>Bursa-Eskişehir-Bilecik- Kocaeli-Sakarya-Düzce-Bolu-Yalova</i>
TR5	West Anadolu	<i>Ankara- Konya-Karaman</i>
TR6	Mediterranean	<i>Antalya-Isparta-Burdur- Adana-Mersin- Hatay-Kahramanmaraş-Osmaniye</i>
TR7	Central Anatolia	<i>Nevşehir-Aksaray-Niğde-Kırıkkale-Kırşehir- Kayseri-Sivas-Yozgat</i>
TR8	West Black Sea	<i>Zonguldak-Karabük-Bartın- Kastamonu-Çankırı-Sinop- Samsun-Tokat-Çorum-Amasya</i>
TR9	East Black Sea	<i>Trabzon-Ordu-Giresun-Rize-Artvin-Gümüşhane</i>
TRA	North East Anatolia	<i>Erzurum-Erzincan-Bayburt- Kars-Ağrı-Iğdır-Ardahan</i>
TRB	Central East Anatolia	<i>Malatya-Elazığ-Bingöl-Tunceli- Van-Muş-Bitlis-Hakkari</i>
TRC	South East Anatolia	<i>Gaziantep-Adıyaman-Kilis- Diyarbakır-Şanlıurfa- Siirt-Mardin-Batman-Şırnak</i>