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Welfare Regimes: The Welfare of the Old in Comparative Perspective

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A thesis submitted in partial fulfillment of the requirements for the degree in Doctor of Philosophy

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by

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ABSTARCT

Populations have faced significant challenges due to globalization, demographic ageing, and new social risks. These challenges have brought noteworthy pressures for pension systems, particularly as the large baby boom cohorts begin to exit the labour market. This thesis considers the recent developments in pension systems in OECD countries in light of path dependency associated with a four-fold welfare regime typology—namely the Social Democratic, the Liberal, Continental, and Southern European regimes. This thesis shows that pension regimes mainly follow a welfare regime typology based on differential responsibility for welfare distribution on the part of the market, the state, the family, and local actors.

This thesis takes the form of three distinct, though logically-interrelated, manuscripts. The following issues have been particularly examined in this research. First, the thesis examines the distribution of welfare with special emphasis on the elderly. Second, it examines the question of path dependency of pension policy characteristics across OECD countries. Third, it discusses the outcomes of welfare distribution and pension policies especially with reference to gender and generations.

Based on OECD data, Chapter 2 scrutinizes the differential pension policies, and places 19 OECD countries into a welfare regime typology that characterizes institutional similarities and differences. This chapter confirms that the institutional characteristics of welfare regimes matter despite the convergence that might be expected from economic and demographic changes. Analysing the conceptual foundation of previous research, Chapter 3 examines the latest economic and demographic trends in pension policies in OECD countries in light of a path dependency approach. This chapter concludes that there is no single path for pension reform. While there are some variations, welfare states mostly follow their traditional paths, which differ across welfare regime groups. Examining the Turkish welfare regime, Chapter 4 discusses the welfare of the old with special focus on the pension system. This chapter highlights the roles of the state, the family, the market, and local actors in welfare distribution, with particular emphasis on the state. This chapter concludes that in spite of noteworthy pension reforms seeking to achieve a fair pension system for all groups, the Turkish pension system has still some inequality problems in terms of gender and generations.

Key words: Welfare Regime, Welfare State, Pension Systems, Population Ageing, Typology, Inequalities, Turkey.

CO-AUTHORSHIP STATEMENT

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DEDICATION

To my family;

my grandparents Mazlum and Cevriye Akay,

my mother Selma Aysan,

my father Nuri Aysan,

my brothers Necati and Faruk Aysan,

my dearest sister Betul Aysan,

my wife Ummugulsum Aysan,

and my daughter Betul Aysan

for their enormous support and love.

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LIST OF ABBREVIATIONS

Bağ-Kur	The Social Security Institution of Craftsmen Tradesmen and Other Self-Employed People
ES	Retirement Fund
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
NGOs	Non-governmental organizations
OECD	Organization for Economic Co-operation and Development
PAYG	Pay-as-you-go
SOP	State Planning Organization
SSK	Social Insurance Institution
TURKSTAT	Turkish Statistic Institute
TUSEV	Third Sector Foundation of Turkey
TUSIAD	The Turkish Industry and Business Association
UN	United Nations
US	United States
WB	World Bank

CHAPTER 1

INTRODUCTION

Our world, particularly the industrialized countries, has faced various social and economic challenges in the beginning of the 21st century. One of the most significant challenges that afflicts state budgets and increases financial concerns, is the increasing number of elderly in industrialized countries. The considerable declines in mortality and fertility have given rise to a gradual increase in the ratio of older to younger people in the population. The decline in fertility brought "ageing at the bottom," with smaller numbers of young people (Caldwell and Schindlmayr 2003; McDonald 2006), while the mortality improvements at older ages have contributed to "ageing at the top" (Legare 2001; Beaujot and Kerr 2004; Bongaarts 2006). According to the United Nations population projections (2011), the world's population 65 and older is projected to almost triple by the second half of the 21st century, from about 524 million in 2010 to 1.51 billion in 2050 in the medium variant. The population under 15, however, is expected to increase by only 3 percent during the same period, from 1.85 billion to 1.91 billion.

Demographic ageing is partly a product of both success and failure of the welfare state. It is a success of the welfare state because important improvements in healthcare and state involvement in social services led to sharp falls first in the infant mortality and then in old-age mortality. Over the 19th and 20th centuries, life expectancy at birth has doubled from 40 years to about 80 years (Bongaarts 2006: 605). Decline in mortality rates and increase in the life expectancy at birth resulted in demographic ageing at the top. It was partly a failure of the welfare state because some states such as Italy and Greece were not able to provide social and economic resources that help couples to attain their intended number of children. In addition to cultural changes (Lesthaeghe 1995) and increase in women's education levels (McDonald 2006), social policies also affect fertility rates (see for example, Del Boca and Wetzels 2008). The significant gap between intended and achieved fertility rates might be evidence for a lack of adequate state support in childcare (Beaujot and Wang 2010).

The continuing change in the demographic structure of the world's population poses significant challenges to societies, economies, and families, in terms of meeting the needs of the various sectors of the population. In addition to demographic challenges, economic fluctuations brought new risks to societies through their effects on unemployment rates and pay-as-you-go (PAYG) pension systems. In this circumstance, the welfare state and the distribution of welfare in a society have become significant discussion topics in academic and policy circles.

It seems to me, there are two main research topics to understand social and demographic trends in welfare of societies. The first topic is demographic ageing and its challenges to social welfare. The second research topic is the distribution of welfare in ageing societies. This thesis mainly focuses on welfare distribution in ageing populations with special emphasis on the welfare of the old and pension policies.

1.1. Study Objectives and Research Questions

The main purpose of this thesis is to make a contribution to the welfare state literature focusing on ageing and pension policies. This thesis first seeks to examine the distribution of welfare with special emphasis on the elderly. Second, it aims to examine the question of path dependency of pension policy characteristics, using quantitative OECD data (Chapter 2), analysing conceptual foundation of previous research (Chapter 3), and examining Turkish pension reforms as a case study (Chapter 4). By comparing various OECD countries, their differential pension characteristics can be placed in a typology that helps to understand similarities and differences. Third, this thesis discusses the outcomes of welfare distribution and pension policies especially by reference to gender and generations. Turkey, which has a social security deficit despite its young population, was chosen to understand particular pension characteristics in welfare distribution. This study shows that pension variations across OECD countries support a four-fold welfare regime typology. Welfare regimes largely follow their institutional paths in their pension policies despite the convergence that might be expected from similar demographic and economic challenges.

In light of these objectives, this thesis seeks to answer the following research questions. How is welfare distributed in a society? What are the main pillars in the production of welfare? What are the variations among different welfare states? While there are some demographic similarities in ageing populations across countries, are they following similar pension policy paths? As some claim, are all of the different welfare regimes becoming liberal due to neo-liberal globalization or is there some path-dependency in these clusters? Does Esping-Andersen’s three-fold classification of welfare regimes need reconstruction with new clusters? What are the similarities and differences in terms of pension policies among these countries? How do pension inequalities, especially with regard to gender and generation, vary across welfare regimes?

1.2. Research Method and Data

The methodology to be used in analyzing the welfare of the old in the various regimes depends on quantitative secondary data and previous studies on welfare states and pension policies. Since this is a cross-national comparative research, I will use mostly comparative data on pension policies, labour market, and demographic indicators from the Organization for Economic Co-operation and Development (henceforth OECD) and the Turkish Statistic Institute (henceforth TURKSTAT).

The OECD data are used to create selected variables and to perform cluster analyses in the second chapter. Considerable institutional differences among countries make it difficult to obtain accurate and comparable data on pension policies. However, the availability of cross-national OECD data on pension policies and labour markets make it possible to compare pension policies in different welfare regimes (Castles 2008). In particular, the three volumes of *Pensions at a Glance* (OECD 2005, 2007, 2009) have been used to obtain the data for this research. Details of data, variables, and methodology will be discussed in the methodology section of the second chapter.

Since the third chapter focuses on theoretical and conceptual discussions regarding the welfare state, the family, ageing, and pension policies, descriptive statistics from OECD and UN data on pensions, families, demographic indicators, and labour market characteristics are invoked. In addition to evaluating the analyses of other researchers, my research objectives will be realized through studying the cross-national pension reforms and the associated OECD reports, and analyzing the way in which the costs and benefits of the pension systems have been distributed across population groups.

The fourth chapter is a case study on the welfare of the old in Turkey. OECD and TURKSTAT data will be used to understand the transformation of the Turkish welfare regime, family structure and pension policies. Pension reform drafts, strategic plans for various state departments, such as Social Security Institution and State Planning Organization will also be invoked in order to understand the rationale behind pension reforms.

1.3. Background, Concepts, and Literature Review

1.3.1. Definitions: Welfare, Welfare State, Social Policy

In order to understand the dynamics that affect the distribution of welfare and social policy variations among countries, the term welfare should first be examined. Welfare is defined as the condition of being or doing well. In other words, it is the well-being of individuals' health, happiness, safety, and prosperity (for discussions, see Spicker 2000). The concept "welfare" is used when some action is necessary in order to enhance reasonable and adequate life for individuals (Marshall 1998: 701). Therefore, the term welfare not only includes a minimum level of income, but also education, housing, employment, and healthcare. Welfare can be distributed by different actors, such as families, religious organizations, voluntary organizations, and governments. Since welfare distribution generally necessitates macro socio-economic regulations, the concept of welfare is mostly employed in the public policy arena. Therefore, the bulk of welfare research focuses on the state and state provisions.

There is no commonly agreed understanding of the welfare state. According to Pierson (2007), in a narrow sense, the welfare state refers to state provisions to meet the welfare needs of society through social services and income transfers. In a broader sense, the welfare state is a society in which the state is involved in the process of redistribution (Pierson 2007). The term social policy is another significant concept, when the welfare state and its provisions are considered. Social policies often refer to government programs which aim to achieve social harmony among social groups. Marshall (1964), one of the prominent figures in the welfare state literature, explains social policy with regard to state actions having a direct effect on the welfare of people through social services and income benefits. Beland (2010: 28) emphasizes five chief social policy areas achieved by the welfare state: i) work, and unemployment, ii) pensions, iii) health care, iv) housing, and v) family benefits.

1.3.2. History of the Welfare State

According to some researchers, the roots of the welfare state may be traced back to the early 19^{th} century. For Pierson (2007: 106), "welfare states tended to emerge in societies in which capitalism and the nation state were both already well established and these pre-existing economic and state formations have themselves prescribed the limits of subsequent welfare state development". Rosanvallon (2004: 20-21), however, criticizes researchers who consider the welfare state as peculiar to the 19^{th} and 20^{th} centuries and why associated with capitalism and socialism. For him, the roots of the welfare state may go back to the emergence of nation states in Europe. Contrary to Rosanvallon (2004), a significant number of researchers agree on the emergence of the welfare state after the Second World War (Pierson 2007: 105). However, it is more accurate to assume the emergence of the modern welfare state in the late 19th century. In order to solve mainly the problems of employees and to regulate labour markets, an organized system of state welfare provision was first introduced by Bismarck in Germany. The introduction of industrial accident provisions in 1871 in Germany was the first social service, demonstrating the state's role in the management of social risks. Health services in 1883 and pension system in 1889 followed the provisions for industrial accidents. In addition to these social services, unemployment compensation and family allowances were introduced in many countries after the Second World War (see Table 1.1).

Table 1.1.

Introduction of Major Social Policy Programs in Some OECD Countries

	Industrial Accident	Health	Pension	Unemployment	Family Allowance
Austria	1887	1888	1927	1920	1921
Canada	1930	1971	1927	1940	1944
Denmark	1898	1892	1891	1907	1952
Finland	1895	1963	1937	1917	1948
France	1898	1898	1895	1905	1932
Germany	1871	1883	1889	1927	1954
Greece	1914	1922	1934	1954	1958
Ireland	1897	1911	1908	1911	1945
Italy	1898	1886	1898	1919	1936
Netherlands	1901	1929	1913	1916	1940
New Zealand	1900	1938	1898	1938	1926
Norway	1894	1909	1936	1906	1946
Spain	1900	1929	1914	1919	1938
Sweden	1901	1891	1913	1934	1947
Turkey	1945	1950	1949	1999	1945
U.K.	1897	1911	1908	1911	1945
U.S.	1930	2010	1935	1935	-

Sources: Pierson 2007: 110; US Social Security Administration, 2010, http://ssa.gov/policy/docs/progdesc/ssptw/

Historically, the management of social risks does not have to be related to unemployment or old-age risk as we understand them in modern times. Providing life security for people or forming general rules and laws could be important duties of a state seeking the management of social risks. However, as Esping-Andersen (1999: 33) states, "until the 20th century, most risks were not considered social, that is, a matter of state". In the 20th century, we witnessed noteworthy improvements in dealing with social risks, such as social services and health care over the life-course. However, new social risks, which were not considered social risks before, were emerging, such as old-age and environmental problems. As Peloquin (*et al.* 2011: 1) asserted, "the pattern of risk and risk perceptions is not constant" and our perception of social risks change over time. For example, while insecurity and famine were the most important social risks for many centuries, the main social risks for industrialized countries in the 21st century may be poor health, unemployment, disability, and old-age.

In the second half of the 20th century, due to the state's ability to manage social risks through its institutions and resources, the modern state became an important player. While the modern welfare state emerged in the late 19th century in Germany, it became institutionalized after the Second World War with Keynesian economic policies and Beveridge's full employment and social security targets.

While the rationale behind the emergence of the modern welfare state is different according to various ideologies (for different ideologies and explanations see Mullard and Spicker 1998; Pierson 2007) the state emerged as an active player in welfare distribution in the mid 20th century. It could be argued that the state's significant involvement in social welfare stemmed from unexpected social and economic situations in post-war societies. The state's noteworthy role continued, even increased, in an economic and social atmosphere based on high economic growth and mass employment in the second half of the 20th century. Hence, the modern state took substantial responsibility for addressing social risks. It sought to cope with social problems and risks that were previously managed by families. The increasing role of the state in the production of welfare meant that families played a lesser role in the distribution of welfare. However, in history, the family and local actors were the main players in welfare distribution, with production and redistribution based in the household.

At the end of the 20th century, however, according to Pierson (2007) the welfare state was challenged by three main factors—globalization, demographic changes, and new social risks. For many researchers, socio-economic challenges and financial problems often led to claims of a "crisis" of the welfare state as a result of financial problems (O'Connor 1973), growing social expenditures (OECD 1981), contradictions of the welfare state (Offe 1984), and globalization (Mishra 1999).

According to Ferrera and Rhodes (2000), the erosion of the ideological consensus and economic crises have led to recasting of the European welfare states. Economic globalization has generated a debate on neo-liberal convergence as states are increasingly cutting their social expenditures and people are increasingly relying on the market for social services. Moreno and Palier (2004) argued that the Continental and Southern European welfare states have transformed into semi-sovereign political structures with neo-liberal ideas. Privatization of the social services and individualization of social risks are main markers of the neo-liberalization process. The convergence approach asserts that since welfare states are adopting policies of retrenchment and neo-liberalization, there is a process of neo-liberal convergence of welfare states in Europe. Hence, the extent to which welfare regimes are stable and path dependent is under debate due to mainly neo-liberalization process in various welfare regimes.

According to institutionalist perspective, however, the transformation of welfare states is largely a product of earlier institutionalized features; and changes are constrained by existing institutional arrangements (Myles and Pierson 2001). The path dependency approach was used to highlight the effects of economic and political institutions on political changes in history. Institutional thinkers argue that political institutions constructed earlier in history have significant impacts on policy making process at later points in time (Jochem 2007). While the economics literature on path dependency played an important role in Pierson's (2001) and Mahoney's (2000) works, other institutionalists (for example, Thelen 2004) focus on new mechanisms of institutional change such as including layering and conversion, in path dependency discussions (Boas 2007: 34). However, most of them agree with the idea that the transformation of welfare regimes is largely a product of earlier institutionalized features; and changes are constrained by existing institutional arrangements (Mahoney 2000; Myles and Pierson 2001; Thelen 2004).

Contrary to other researchers, who assert there is a radical change in the welfare state, Esping-Andersen (1996) claims that since the welfare state institutionalized over a long period of time, it is resistant to change. For example, due to the extensive pension programs in industrialized countries, radical pension reforms face considerable social and political resistances (Myles and Pierson 2001; Myles 2002). Hence, as Esping-Andersen (1996) argues, the contemporary situation of the welfare state is “frozen”.

It could be argued that in contrast to the “golden age” of the welfare state in the 1960s, which was based on high economic growth, full employment, and stable social institutions, it is more difficult for the state to cope with new challenges such as globalization, demographic changes, and new social risks in the 21st century. Consequently, one outcome is for the welfare state to further collaborate with other welfare actors—the market, the family, and local actors—in the distribution of welfare. Therefore, rather than a “welfare state crisis” or “welfare state retrenchment”, the new era could be defined as a restructuration of the function of welfare distribution among welfare actors—the market, the family, and local actors. This restructuration process necessitates the detailed consideration of other welfare actors.

1.3.3. Welfare Regime

The focus on public expenditures is insufficient to understand the welfare distribution in contemporary societies (Esping-Andersen 1990: 2-3). Contrary to the concept of the “welfare state”, which is narrowly associated with public expenditures, the term “welfare regime” focuses on not only public expenditures, but also the market, the family, and local actors in welfare distribution. In the welfare regime approach, societies are grouped not only in terms of how their social policies are constructed through welfare actors, but also in terms of how different welfare regimes influence social institutions, such as the family and local actors (Esping-Andersen 1990).

The welfare regime conceptualization is an effort to classify different welfare groups through analyses based on political economy and cross-national comparison. Gough (2001: 166) highlights two central features in defining welfare regimes: “(i) the pattern of state social policies and programmes, usually distinguishing social assistance, social insurance and universal citizenship modes of distributing benefits in cash and in kind; (ii) the wider pattern of welfare provisioning in society, usually in terms of the division of responsibility between the state, the market, and the household.” The first feature of welfare regimes resembles the definition of the welfare state concept, while the second feature has a broader meaning which emphasizes the role of other welfare actors in welfare distribution. Hence, focusing on societies and social actors helps us better understand the welfare mix of societies and allows for a broader cross-national comparative analysis. In addition, the welfare regime approach could assist us in understanding state-society relations throughout history as well as contemporary developments in social policy literature. Using the concept of the welfare regime denotes the fact that state, economy, and society are systematically intertwined in welfare distribution. Hence, this thesis aims to achieve a broader comparative study which takes into consideration about 20 OECD countries with special emphasis on the welfare of the old in welfare regimes.

Esping-Andersen (1999) asserts that there are three actors—namely, the state, the market and the family—in the management of social risks. In order to widen the welfare state literature, Esping-Andersen (1990) first used the term “welfare state regime” or “welfare regime” and he considered other welfare actors in his analyses. However, similar to most welfare state researchers, he generally focuses on state policies rather than on the social characteristics of welfare regimes. Contrary to many welfare state studies, this thesis emphasizes the role of four main welfare actors—the family, the market, the state, and local actors in the distribution of welfare. Many researchers do not consider the importance of local actors as a fourth pillar in welfare distribution. It seems to me that local actors play important roles in meeting the welfare needs of individuals through non-governmental organizations (NGOs), non-profit organizations, religious institutions, neighbourhood or kin groups. For example, while there is an emphasis on churches, charities, and private agencies for the welfare of the individual in the U.S., neighbourhood and kin groups play considerable roles together with families in welfare distribution in Turkey. However, there are few studies examining the influence of local actors in welfare distribution (Aspalter 2002).

1.3.4. Classifying Welfare Regimes

Welfare state researchers have mostly preferred to focus on class and political institutions in social policy discussions (Marshall 1964; O'Connor 1973; Offe 1984). Despite the importance of these dynamics in the welfare state discussions, there are other dynamics such as families, local actors, and gender that have noteworthy impacts on welfare distribution. For example, while earning and caring roles in families may be heavily influenced by the characteristics of the welfare state, the characteristics of families may also influence social and economic policies of the welfare state. These variations along different welfare regimes show the importance of groupings of welfare regimes.

As illustrated in Table 1.2, the classification of welfare states occupies much research attention (Esping-Andersen 1990; Leibfried 1992; Castles and Mitchell 1993; Ferrera 1996; Bonoli 1997; Korpi and Palme 1998; Trifiletti 1999). Titmuss (1974) is among the first researchers who classified welfare states by using a three-fold typology—the residual welfare model, the industrial achievement-performance model, and the institutional redistributive model. Subsequently, Esping-Andersen (1990, 1999) is the one who has extensively influenced welfare state discussions through using a comparative approach in welfare regime clustering. It is difficult to find a study comparing welfare states or social policies in different countries that does not refer to his study, entitled *The Three Worlds of Welfare Capitalism* (Arts and Gelissen 2002). In this book, Esping-Andersen (1990) constructed today's best-known three-fold typology of welfare states—the Social Democratic, the Liberal, and the Corporatist—based on 18 OECD countries in the 1980s.

According to Esping-Andersen (1990: 2-3), traditional analyses of the welfare state centering on public expenditures are inadequate, and his conceptualization which emphasizes de-commodification, social stratification, and employment, offers an alternative and broader approach to welfare state literature. The concept of de-commodification refers to interference of the state with the economy so that a person can maintain his or her life without dependence on the market (Esping-Andersen 1990: 21-22). Social stratification demonstrates that the welfare state not only attempts to mitigate social inequalities, but also recreates a system of stratification (Esping-Andersen 1990: 23). This stratification is an active force in the ordering of social relations and the welfare system

Despite Esping-Andersen's significant influence on comparative social policy analysis, there have been significant critiques of his methodology (Powell and Barrientos 2004) and three-fold typology (Leibfried 1992; Castles and Mitchell 1993; Ferrera 1996; Korpi and Palme 1998; Scruggs and Allan 2006). Even though some of these studies address significant drawbacks of his study, they do not test Esping-Andersen's classification in terms of pension policies in the 2000s. Hence, one of the purposes of this thesis is to make a contribution to the further development and operationalisation of Esping-Andersen's welfare regime by using OECD data on pension and social expenditure.

The study of pension reforms in the light of welfare regime typology is helpful in understanding the diversity of experiences among different societies and the historical embeddedness of existing welfare groups. This approach helps to clarify whether different welfare states are really being dismantled and whether the liberal group has become dominant in the last decades. It is important to scrutinize both the political process and the policy profile of pension reforms in studying the characteristics of pension systems and their change (Jochem 2007).

A welfare regime typology based on "ideal types", is useful for mapping the field of social policy (Beland 2010: 40) and has some explanatory value for comparative political sociology. Contrary to Esping-Andersen's "ideal world" of welfare states, there are additional variations among welfare states, and the "real world'" of welfare states is likely to show more complex and hybrid forms (Arts and Gelissen 2002: 139). Having this in mind, in this thesis I will use a four-fold typology of welfare regime—the Social Democratic, the Liberal, the Continental European and the Southern European. It seems appropriate to classify the South European countries as a separate cluster due to the strong role of the family and moderate role of the state in welfare distribution. In this thesis, in addition to Italy, Greece, Spain, and Portugal, Turkey is classified within the Southern European welfare regime. Turkey has revealed significant similarities with other Southern European countries through its familialistic structure, the residual nature of social assistance, and patronage. Different welfare regimes and variations within groups will be elaborated in the next chapters.

Table 1.2.

An Overview of Typologies of Welfare Regimes

	Types of welfare states and their characteristics	Countries	Indicators
Esping-Andersen (1990)	**1. Liberal:** Low level of decommodification; market-differentiation of welfare	Australia, Canada, Ireland, New Zealand, UK, USA	Decommodification, stratification
	2. Conservative: Moderate level of decommodification; social benefits mainly dependent on former contributions and status	Finland, France, Germany, Japan, Italy, Switzerland	
	3. Social Democratic: High level of decommodification; universal benefits and high degree of benefit equality	Austria, Belgium, Denmark, Netherlands, Norway, Sweden	
Leibfried (1992)	**1. Anglo–Saxon (Residual):** Right to income transfers; welfare state as compensator of last resort and tight enforcer of work in the market place	Australia, New Zealand, UK, USA	Poverty, social insurance, poverty policy
	2. Bismarck (Institutional): Right to social security; welfare state as compensator of first resort and employer of last resort	Austria, Germany	
	3. Scandinavian (Modern): Right to work for everyone; universalism; welfare state as employer of first resort and compensator of last resort	Denmark, Finland, Norway, Sweden	
	4. Latin Rim (Rudimentary): Right to work and welfare proclaimed; welfare state as a semiinstitutionalized promise	France, Greece, Italy, Portugal, Spain	
Castles and Mitchell (1993)	**1. Liberal:** Low level of decommodification; market-differentiation of welfare	Ireland, Japan, Switzerland, UK, USA	Aggregate welfare expenditure, benefit equality, welfare expenditure
	2. Conservative: High social expenditures, but little adoption of equalizing instruments in social policy	Germany, Italy, Netherlands	
	3. Non-Right Hegemony: High social expenditure and use of highly equalizing instruments in social policy	Belgium. Denmark, Norway, Sweden	
	4. Radical: Achievement of equality in pre-tax, pre-transfer income (adoption of equalizing instruments in social policy), but little social spending	Australia, Ireland, New Zealand, UK	
Siaroff (1994)	**1. Protestant Liberal:** Minimal family welfare, yet relatively egalitarian gender situation in the labour market; family benefits are paid to the mother, but are rather inadequate	Australia, Canada, New Zealand, UK, USA	Family welfare orientation, female work desirability, extent of family benefits
	2. Advanced Christian-Democratic: No strong incentives for women to work, but strong incentives to stay at home	Austria, Belgium, France, Germany, Luxemburg, Netherlands	
	3. Protestant Social-Democratic: True work-welfare choice for women; family benefits are high and always paid to the mother; importance of Protestantism being paid to women	Denmark, Finland, Norway, Sweden	
	4. Late Female Mobilization: Absence of Protestantism; family benefits are usually paid to the father; universal female suffrage is relatively new	Greece, Ireland, Italy, Japan, Portugal, Spain, Switzerland	

Table 1.2.

An Overview of Typologies of Welfare Regimes (cont.)

	Types of welfare states and their characteristics	Countries	Indicators
Ferrera (1996)	**1. Anglo-Saxon:** Fairly high welfare state cover; social assistance with a means test; highly integrated organizational framework entirely managed by a public administration	Ireland, UK	Rules of access (eligibility), benefit formulae, financing regulations, organizational–managerial arrangements
	2. Bismarck: Strong link between work position and social entitlements; financing through contributions; reasonably substantial social assistance benefits; insurance schemes mainly governed by unions and employer organizations	Belgium, France, Germany, France, Luxembourg, Netherlands	
	3. Scandinavian: Social protection as a citizenship right; universal coverage; relatively generous fixed benefits for various social risks; financing mainly through fiscal revenues	Denmark, Finland, Norway, Sweden	
	4. Southern: Fragmented system of income guarantees linked to work position; generous benefits without articulated net of minimum social protection; health care as a right of citizenship; arrangements particularism in payments of cash benefits and financing; financing through contributions and fiscal revenues	Greece, Italy, Portugal, Spain	
Bonoli (1997)	**1. British:** Low percentage of social expenditure financed through contributions (Beveridge); low social expenditure as a percentage of GDP	Ireland, UK	Bismarck and Beveridge model, quantity of welfare state expenditure
	2. Continental: High percentage of social expenditure financed through contributions (Bismarck); high social expenditure as a percentage of GDP	Belgium, France, Germany, France, Netherlands	
	3. Nordic: Low percentage of social expenditure financed through contributions (Beveridge); high social expenditure as a percentage of GDP	Denmark, Finland, Norway, Sweden	
	4. Southern: High percentage of social expenditure financed through contributions (Bismarck); low social expenditure as a percentage of GDP	Greece, Italy, Portugal, Spain, Switzerland	
Korpi and Palme (1998)	**1. Basic Security:** Entitlements based on citizenship or contributions; application of the flat-rate benefit principle	Canada, Denmark, Ireland, Netherlands, New Zealand, Switzerland, UK, USA	Bases of entitlement, benefit principle, governance of social insurance programme
	2. Corporatist: Entitlements based on occupational category and labour force participation; use of the earnings-related benefit principle	Austria, Belgium, France, Germany, Italy, Japan	
	3. Encompassing: Entitlement based on citizenship and labour force participation; use of the flat-rate and earnings-related benefit principle	Finland, Norway, Sweden	
	4. Targeted: Eligibility based on proved need; use of the minimum benefit principle	Australia	
	5. Voluntary State Subsidized: Eligibility based on membership or contributions; application of the flat-rate or earnings-related principle	-	

Source: Arts and Gelissen 2002: 143-144; 149-150.

Following the four-fold typology, Table 1.3 presents the priority of the welfare actors in welfare distribution. The Liberal welfare regime is distinguished by the leading role of the market in welfare distribution, with lower responsibility on the part of the state and the family. In this regime there are modest universal transfers, modest social insurance plans, and a focus on means-tested assistance. The chief role of the state is to restore the self-sufficiency of the individual and the family, and to deter dependency on the state. In the Social Democratic welfare regime, the state plays the key role rather than the market, the family and the local actors in meeting the social needs of citizens. This regime promotes a high standard of social equality where all people are incorporated under one universal system. The Continental European countries reflect a strongly conservative and corporatist tradition. The main characteristics of this regime are the emphasis on the preservation of status differentials, and the institutionalization of rights attached to class and status rather than citizenship. The Continental welfare regime is, hence, criticized as being paternalistic, hierarchical, and gender biased. Contrary to the Liberal welfare regime, the state plays a relatively active role in the welfare distribution. In the Southern European welfare regime, the family remains the key actor in welfare distribution, while the state plays a moderate role. Populism and patronage are two indirect welfare distribution mechanisms used by governments to get voters' political support in the elections. In addition to the family, local actors have relatively higher roles in welfare distribution.

Table 1.3.

Relative Priority of Actors in Welfare Distribution

	Liberal	Social Democratic	Continental Europe	Southern Europe
State	Low	High	Moderate	Moderate
Market	High	Low	Moderate	Moderate
Family	Low	Low	Moderate	High
Local Actors	High	Moderate	Moderate	High

Source: Author's judgments as elaborated in the text.

1.4. Thesis Outline

This thesis takes the form of three distinct, though logically interrelated manuscripts supported by introduction and conclusion chapters. The relevant literature and methodology of the studies are discussed in each chapter, as are the policy implications. A general discussion and concluding remarks are presented in the conclusion chapter.

The second chapter, entitled "Pension regimes and inequalities across OECD countries" will appear in the forthcoming book, entitled *Ageing Populations in Post-Industrial Democracies,* published by Routledge Publishing House. This chapter aims to place pension policy discussions in a welfare regime context. By comparing 19 OECD countries, this chapter first examines the question of the path dependency of pension policy characteristics, using OECD data on pension systems. Secondly, it analyzes the differential pension policies, and places countries into a welfare regime typology that characterizes the institutional similarities and differences across OECD countries. Finally, unlike the existing body of knowledge on pension policy typologies, this chapter examines the outcomes of pension policies by reference to gender and generations. This chapter shows that the institutional characteristics of welfare regimes still matter despite the convergence that might be expected from economic and demographic changes. In addition, it is important to consider gender and generations in describing patterns of pension systems and inequalities within and across welfare regimes. This chapter shows that compared to other welfare regimes, gender inequalities are less serious in the Social Democratic welfare regime where there is higher social spending for women and the young. Generational inequalities are more serious in the Southern European welfare regime compared to other groups with high youth unemployment (aged 20-24) rates and old-age expenditures.

The third chapter, entitled “Welfare regimes for ageing populations: No single path for reform” was published in the December 2009 volume of *Population and Development Review.* This chapter examines recent trends in pension policies in OECD countries in light of both demographic ageing and path dependency associated with the welfare regime typology—namely the Social Democratic, the Liberal, the Continental European, and the Southern European regimes. These regime types represent different responsibilities assumed for social security on the part of the market, the state, and the family. While there are significant differences in labour market characteristics, the demographic similarities in ageing bring similar pressures for pension reforms across OECD countries. These reforms address fiscal issues in state pensions, typically by increasing the length of the working life, placing more of the pension responsibility on individuals, or converting to defined-contribution approaches. This chapter shows that there is no single path for pension reform. While there are some variations, welfare states tend to follow their traditional paths, which differ across welfare regime types.

The fourth chapter entitled “The Welfare of the old: The Turkish welfare regime and Turkish pension policies,” is a case study on the welfare of the old in Turkey and the Turkish welfare regime. Welfare regimes of newly industrializing countries and their responses to challenges of population ageing and pension systems are generally overlooked in the study of the welfare state literature. The Turkish case, which has not been very well studied, is an interesting example due to Turkey’s young population but high old-age expenditures. This chapter highlights the roles of the state, the family, the market, and local actors in welfare distribution, with particular emphasis on pension policies. Furthermore, it examines whether a neo-liberal economic process leads the Turkish welfare regime to adopt the characteristics of the Liberal welfare regime. There are two main objectives in this chapter. First, it aims to highlight major characteristics of the Turkish welfare regime and its pension policies. That is, it seeks to examine how the welfare regime has evolved in view of actors representing the interests of state, market, family, and local actors. Second, it aims to analyze the ways in which the Turkish welfare regime and its pension policies are affecting the welfare of the old across gender and generations. That is, it seeks to scrutinize how the pension system and its transformation are affecting equity across gender and generations. This chapter shows that despite important pension reforms seeking to achieve a fair pension system for all groups, the Turkish pension system has still some inequality problems in terms of generations and genders. The main problem for generational equality is the lack of well-paid standard jobs for the young, while the main problem for gender equality is gendered division of labour.

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CHAPTER 2

PENSION REGIMES AND INEQUALITIES ACROSS OECD COUNTRIES

Chapter 2 has been removed because of copyright restrictions. This chapter will appear in the forthcoming book by editors Pieter Vanhuysse and Achim Goerres, entitled *Ageing Populations in PostIndustrial Democracies*, in 2011 (London: Routledge, 9780415603829).

Publisher link: http://www.routledge.com/books/details/9780415603829/

2.1. Abstract

Socio-economic challenges and the need to reform welfare programs have often led to claims of a 'crisis' of the welfare state as a result of growing new social expenditure demands (O'Connor 1973; OECD 1981; Mishra 1984; Offe 1984). For other researchers, the contemporary trends in welfare state development represent retrenchment, and pension reforms across OECD countries are the key indicators of this development (Brown 1988; Starke 2006; Meyer 1998; Green-Pedersen 2002; Häusermann 2010). Contrary to the neo-liberal convergence thesis, however, some studies show that while the demographic and economic challenges are similar across OECD countries, different welfare states have developed varying retirement and employment policies following

their institutional paths (Esping-Andersen 1999, 2002; Pierson 2001; Castles 2004; Aysan and Beaujot 2009; Busemeyer 2009; Tepe and Vanhuysse 2009).

By comparing 19 OECD countries, this chapter first examines the question of the path dependency of pension policy characteristics with recent quantitative data. Secondly, using cluster analysis techniques, it places countries into a typology that characterizes the institutional similarities and differences across OECD countries. This chapter looks at the outcomes of pension policies especially by reference to gender and generations. This study shows that the institutional characteristics of welfare regimes still matter for inequalities and other outcomes in spite of the convergence that might be expected from very similar economic and demographic changes.

2.2. Appendices

Box 2.A.1.

List of Pension Regime Variables

1. Institutional variables

Public expenditure for old

Old-age expenditure in % of GDP, (2003-2005). OECD 2010a, OECD 2010b.

Government spending on old-age, (2003-2005). OECD 2010a, OECD 2010b.

Labour force participation and retirement age

Labour force participation rate for men 65 and over, (2004-2008). OECD 2010a.

Official retirement age for men, (2002 -2007). OECD 2006.

Pension wealth and pension replacement

Weighted average pension level for men, (2005-2009). OECD 2005, OECD 2007, OECD 2009.

Weighted average pension wealth for men, (2005-2009). OECD 2005, OECD 2007, OECD 2009.

Net pension replacement rate for average earner men, (2005-2009). OECD 2005, OECD 2007, OECD 2009.

Net pension replacement rate for low earner men, (2005-2009). OECD 2005, OECD 2007, OECD 2009.

Net pension replacement rate for high earner men, (2005-2009). OECD 2005, OECD 2007, OECD 2009.

2. Outcome variables

Poverty and inequality

Gini coefficient for retirement age population after taxes and transfers (%). OECD 2010a.

Poverty rates for retirement age group, mid-2000s. OECD 2008.

Risk of relative poverty rate of men age (66-75), mid-2000s. OECD 2008.

Risk of relative poverty rate of men age (above 65), mid-2000s. OECD 2008.

Risk of relative poverty rate of men age (above 75), mid-2000s. OECD 2008.

Gender inequality

Gender gap in old-age poverty (66-75), mid-2000s. OECD 2009.

Gender gap in old-age poverty (above 65), mid-2000s. OECD 2009.

Gender gap in old-age poverty (above 75), mid-2000s. OECD 2009.

Table 2.A.1.

Factor Loadings for Institutional Pension Characteristics

Variables	**Factors**		
	1	**2**	**3**
Old-age expenditure in % of GDP	0.883		
Government spending on old-age	0.927		
Labour force participation rate for men 65+		0.819	
Official retirement age for men		0.704	
Pension level for men			0.921
Pension wealth for men			0.862
Net pension replacement rate for average earner men			0.885
Net pension replacement rate for low earner men			0.889
Net pension replacement rate for high earner men			0.885

Table 2.A.2.

Cluster Membership for Women According to Institutional Pension Characteristics

Liberal	Social Democratic	Continental European	Southern European
Australia	Denmark	Austria (a)	Austria (b)
Belgium	Netherlands	France	Greece
Canada	Portugal	Germany (b)	Turkey
Germany (a)	Spain	Italy	
Ireland	Sweden	Switzerland (b)	
New Zealand			
Switzerland (a)			
UK			
US			

Notes: a) Hierarchical cluster analysis

b) k-means cluster analysis

This table is comparable with Table 2.1.

Table 2.A.3.

Distances between Final Cluster Centres by Institutional Pension Characteristics

Cluster	Liberal	Social Democratic	Continental European	Southern European
Liberal		3.85	3.36	6.04
Social Democratic	3.85		2.59	3.08
Continental European	3.36	2.59		3.81
Southern European	6.04	3.08	3.81	

Note: The final cluster centres reflect the features of the typical country for each cluster. The greater Euclidean distances between clusters correspond to greater distinctions.

Table 2.A.4.
Institutional Variables for Men

Country	GDP Old-age expend. (%)	Govern. Spending Old-age	LFP 65 (Men)	Official Retirement Age (Men)	Pension Level (Men)	Pension Wealth (Men)	NPR for Average Earner (Men)	NPR for Low Earner (Men)	NPR for High Earner (Men)
Australia	4.5	12.9	12.3	65	41.2	7.3	54.0	80.2	38.0
Austria	12.7	24.9	5.8	65	72.6	11.0	91.5	90.7	70.2
Belgium	7.2	14.0	2.6	60	37.2	6.2	63.3	79.6	41.5
Canada	3.8	10.6	12.6	65	41.2	6.8	57.5	89.2	30.8
Denmark	7.2	13.3	8.8	65	67.3	11.0	77.4	121.8	61.8
France	10.7	20.1	1.9	60	51.3	9.3	65.9	84.2	57.4
Germany	11.2	23.7	5.1	65	40.0	7.1	63.7	58.1	51.9
Greece	10.5	23.7	7.1	58	90.6	13.6	106.9	109.0	103.7
Ireland	2.9	8.6	15.0	65	32.4	6.4	38.4	65.7	23.3
Italy	11.5	23.9	6.1	57	71.4	10.3	80.5	82.0	82.4
Netherlands	5.5	11.9	7.2	65	79.6	13.9	94.7	94.8	91.4
NZ	4.3	11.0	17.9	65	38.7	7.4	40.8	79.3	22.7
Portugal	8.5	18.5	24.5	65	59.8	9.0	72.9	90.2	77.5
Spain	7.9	20.5	3.0	65	74.7	11.5	59.2	84.3	76.0
Sweden	9.7	17.4	14.6	65	68.5	10.8	65.4	83.6	78.0
Switzerland	6.7	18.6	12.5	65	49.5	8.8	65.4	71.7	36.6
Turkey	6.4	16.7	22.2	60	79.9	10.2	110.7	111.8	107.7
UK	6.0	15.2	9.8	65	32.0	4.9	43.2	69.4	25.5
US	5.3	14.6	20.2	65.8	37.9	5.6	49.4	62.2	38.5

Sources: OECD 2005, 2007, 2009.

Table 2.A.5.
Institutional Variables for Women

Country	GDP Old-age expend. (%)	Govern. Spending Old-age	LFP 65 (Women)	Official Retirement Age (Women)	Pension Level (Women)	Pension Wealth (Women)	NPR for Average Earner (Women)	NPR for Low Earner (Women)	NPR for High Earner (Women)
Australia	4.5	12.9	4.5	63	41.2	8.5	54.0	80.2	38.0
Austria	12.7	24.9	2.3	60	72.9	13.0	88.6	89.0	67.9
Belgium	7.2	14	0.9	60	37.3	7.2	63.3	79.6	41.5
Canada	3.8	10.6	5.4	65	41.2	7.9	57.5	89.2	30.8
Denmark	7.2	13.3	2.6	65	67.4	12.6	77.4	121.8	61.8
France	10.7	20.1	0.9	60	51.4	10.8	65.9	84.2	57.4
Germany	11.2	23.7	2.2	65	40.1	8.5	63.7	58.1	51.9
Greece	10.5	23.7	2.1	58	90.9	15.8	106.9	109.0	103.7
Ireland	2.9	8.6	3.8	65	32.4	7.6	38.4	65.7	23.3
Italy	11.5	23.9	1.2	57	61.5	11.6	70.1	76.5	71.9
Netherlands	5.5	11.9	2.1	65	79.9	16.3	94.7	94.8	91.4
NZ	4.3	11	8.9	65	38.7	8.6	40.8	79.3	22.7
Portugal	8.5	18.5	13.2	65	59.9	10.5	72.9	90.2	77.5
Spain	7.9	20.5	1.2	65	75.0	13.5	59.2	84.3	76.0
Sweden	9.7	17.4	7.0	65	68.6	12.2	65.4	83.6	78.0
Switzerland	6.7	18.6	5.5	64	50.0	10.8	66.8	72.0	37.0
Turkey	6.4	16.7	6.9	58	80.1	12.0	109.9	111.1	107.0
UK	6	15.2	4.4	60	32.0	5.6	43.2	69.4	25.5
US	5.3	14.6	12.0	65.8	38.0	6.5	49.4	62.2	38.5

Sources: OECD 2005, 2007, 2009.

Table 2.A.6.
Outcome Variables for Men

Country	GINI coefficient for Retirees	Poverty Rates for Retirees	Risk of Poverty 66-75 (Men)	Risk of Poverty 65+ (Men)	Risk of Poverty 75+ (Men)	Gender Gap in Old-age (66-75)	Gender Gap in Old-age (65+)	Gender Gap in Old-age (75+)
Australia	0.300	0.27	0.25	0.49	0.24	2.39	4.34	7.05
Austria	0.280	0.07	0.03	0.08	0.05	4.97	6.54	7.61
Belgium	0.240	0.13	0.11	0.27	0.16	-0.42	0.17	0.02
Canada	0.270	0.06	0.03	0.06	0.03	3.80	5.00	6.54
Denmark	0.200	0.10	0.06	0.17	0.12	2.63	3.52	3.20
France	0.310	0.09	0.06	0.13	0.07	1.74	3.78	5.66
Germany	0.270	0.09	0.04	0.11	0.07	4.12	5.73	6.92
Greece	0.330	0.23	0.15	0.44	0.29	7.80	4.15	-1.92
Ireland	0.280	0.31	0.22	0.51	0.29	7.40	10.70	13.65
Italy	0.310	0.13	0.08	0.16	0.08	5.40	7.96	11.30
Netherlands	0.240	0.02	0.02	0.03	0.02	0.70	0.66	0.65
NZ	0.230	0.02	0.02	0.04	0.02	-1.50	-1.25	-0.90
Portugal	0.380	0.17	0.14	0.34	0.20	1.13	1.02	0.09
Spain	0.310	0.23	0.17	0.42	0.25	5.80	4.61	1.90
Sweden	0.220	0.06	0.04	0.09	0.05	-0.26	3.49	7.06
Switzerland	0.280	0.18	0.14	0.31	0.17	4.40	4.10	3.43
Turkey	0.370	0.15	0.14	0.31	0.17	2.55	1.04	-3.85
UK	0.270	0.10	0.07	0.15	0.08	3.22	5.21	7.00
US	0.400	0.24	0.17	0.37	0.20	5.87	8.33	11.78

Sources: OECD 2005, 2007, 2009.

Table 2.A.7.
Outcome Variables for Women

Country	GINI coefficient for Retirees	Poverty Rates for Retirees	Risk of Poverty 66-75 (Women)	Risk of Poverty 65+ (Women)	Risk of Poverty 75+ (Women)	Gender Gap in Old-age (66-75)	Gender Gap in Old-age (65+)	Gender Gap in Old-age (75+)
Australia	0.300	0.27	0.27	0.58	0.31	2.39	4.34	7.05
Austria	0.280	0.07	0.08	0.21	0.13	4.97	6.54	7.61
Belgium	0.240	0.13	0.10	0.26	0.16	-0.42	0.17	0.02
Canada	0.270	0.06	0.07	0.16	0.09	3.80	5.00	6.54
Denmark	0.200	0.10	0.08	0.23	0.15	2.63	3.52	3.20
France	0.310	0.09	0.08	0.21	0.13	1.74	3.78	5.66
Germany	0.270	0.09	0.08	0.21	0.13	4.12	5.73	6.92
Greece	0.330	0.23	0.23	0.50	0.27	7.80	4.15	-1.92
Ireland	0.280	0.31	0.29	0.72	0.43	7.40	10.70	13.65
Italy	0.310	0.13	0.14	0.33	0.19	5.40	7.96	11.30
Netherlands	0.240	0.02	0.03	0.05	0.02	0.70	0.66	0.65
NZ	0.230	0.02	0.01	0.02	0.01	-1.50	-1.25	-0.90
Portugal	0.380	0.17	0.15	0.35	0.20	1.13	1.02	0.09
Spain	0.310	0.23	0.23	0.50	0.27	5.80	4.61	1.90
Sweden	0.220	0.06	0.03	0.15	0.12	-0.26	3.49	7.06
Switzerland	0.280	0.18	0.19	0.40	0.21	4.40	4.10	3.43
Turkey	0.370	0.15	0.16	0.30	0.14	2.55	1.04	-3.85
UK	0.270	0.10	0.10	0.25	0.15	3.22	5.21	7.00
US	0.400	0.24	0.23	0.55	0.32	5.87	8.33	11.78

Sources: OECD 2005, 2007, 2009.

CHAPTER 3

WELFARE REGIMES FOR AGEING POPULATIONS: NO SINGLE PATH FOR REFORM[1]

Demographic changes and their consequences for labour force participation rates are closely related to the formation and functioning of the welfare state. The welfare state, as we know it today, gradually emerged in the course of the twentieth century. For the first time in history, the modern state assumed substantial responsibility for addressing such problems as poverty, disability, and senescence. It sought to cope with social problems and risks that were previously managed by families, kin, and charities. Achieving higher living standards for its citizens has become the main responsibility of the state. Pensions and health services are integral parts of these welfare policies. In the early post World War II period, rapid economic growth rates and the rising numbers of young workers made it possible to accomplish the goals of the welfare state regarding the living standards of the elderly. Generous retirement benefits and increasing health costs are difficult for an ageing society to sustain, however.

The world population and especially the populations of industrialized countries are rapidly growing older, as a result of declines in mortality and fertility. In the regions the United Nations currently classifies as more developed, the ratio of the population

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aged 65+ to those aged 15–64 is projected to increase from 13 per 100 in 1960 to 40 per 100 in 2040 (UN 2008). Longer life and better health have not been accompanied by later ages at retirement. Before the development of welfare states, people generally worked until poor health disabled them. With the emergence of the welfare state, labour force participation rates for people aged 55 and over began to decline starting in the 1940s (Myles 1984). With the institutionalization of the welfare state and more generous social pension plans, the trend toward earlier retirement has compounded the fiscal costs of ageing (OECD 1998: 42).

A number of countries developed public pension programs before World War I, but the full introduction of comprehensive and universal social security took place after World War II (Pierson 1991). We can separate the "first comers" in Continental and Social Democratic countries from the "late comers" in Southern Europe and Liberal countries. ("Liberal," here and subsequently, is understood in its classical economic sense of market based.) In the twentieth century, especially after World War II, risks that affect an individual's life were considered as social, that is, a matter of state concern. In the second half of the twentieth century, studies in political economy developed various welfare state typologies (Titmuss 1974). Since the early 1990s, that literature has been dominated by the widespread debate surrounding Esping-Andersen's (1990) influential analysis of three types of welfare regimes—Liberal, Social Democratic, and Conservative. Several authors have added a fourth type of welfare state regime—Southern European (Mediterranean, Latin Rim)—to Esping-Andersen's classification (Leibfried 1992; Ferrera 1996; Bonoli 1997; Korpi and Palme 1998; Gough 2000;

Mingione 2001). This addition seems appropriate to us, given the continuing strong role of the family and the lower levels of welfare services in the Southern European countries.

In this study, a classification into Liberal, Social Democratic, Continental, and Southern European welfare regimes will be used in analyzing labour market characteristics, including labour force participation by age and sex, along with social security policies, including pension policies. At the same time, countries in all regime categories are undergoing similar demographic trends, especially population ageing. This demographic transformation has made pension reform necessary, particularly as the large baby boom cohorts begin to exit the labour market (Bongaarts 2004).

While the challenges are similar across industrialized countries, policy responses vary. The main purpose of this chapter is to evaluate labour force participation of older persons and recent retirement policies in various welfare regime settings. Even though population ageing and retirement policies have similar characteristics across countries, different welfare regimes respond differently. By comparing sets of OECD countries, this chapter seeks to determine the extent to which pension reform follows a path associated with a particular welfare regime. That is, to what extent do the various types of welfare states adjust to the new challenges in ways that correspond with past institutional arrangements (Esping-Andersen 1999; Pierson 2001; Castles 2004)? We first discuss the reasons for significant changes in pensioner–worker ratios in light of population ageing and the early retirement policies promulgated during the 1970s and 1980s. We then analyze the welfare regimes of various OECD countries, their pension and employment strategies, and their pension reform trends.

3.1. Understanding the Recent Problem

3.1.1. Demography of Ageing

The patterns of population change can largely be summarized in terms of demographic transition theory. The substantial declines in mortality and fertility have resulted in a gradual increase in the ratio of older to younger people in the population. The decline in fertility brought "ageing at the bottom," with smaller numbers of young people (Caldwell and Schindlmayr 2003; McDonald 2006). Especially since the 1970s, the mortality improvements at adult and older ages have contributed to population ageing (Legare 2001; Beaujot and Kerr 2004: 47; Bongaarts 2006). The age structure of many countries is also affected by the postwar baby boom. As the baby boom generation passes through various ages, it affects the relative size of the corresponding age group (Foot 1996; Cork 1997). Starting in the second decade of the twenty-first century, it will bring an increase in the proportion of the population aged 65 and older.

These demographic trends are largely similar across OECD countries. Table 3.1 shows life expectancy at birth, total fertility rates, and percent of population aged 65 and older for countries in each of the four welfare regimes. In 1950-55, life expectancy was highest in the Social Democratic countries, followed by the Liberal countries, and lowest in the countries of Southern Europe. The differences were small in 1950-55, and they have since narrowed further. In 1950-55, the Liberal countries such as Canada, New Zealand, and the United States had higher fertility rates than other countries, while in 2010-15 the Liberal and Social Democratic countries are expected to have the highest fertility. The fertility trend is downward in each region over the periods indicated, with the exception of the Social Democratic countries where there is an increase between 1980 and 2010. Fertility is particularly low in Southern Europe although it is lowest in the largest European country, Germany, which is part of the Continental group.

In 1980, the countries with the highest proportion of the population aged 65+ were the Scandinavian and Continental European countries such as Sweden, Germany, Austria, and Norway. While all the trends are toward population ageing, significant differences are expected to emerge—ranging, in 2040, from an average of 22.2 percent aged 65 and older in the Liberal countries to 29.4 percent in Southern Europe. The marked fertility decline has produced more ageing in Southern European and Continental European countries, while the slight increases in fertility in the Social Democratic group and the higher fertility in the Liberal group have resulted in less ageing.

Table 3.1.

Life Expectancy, Total Fertility, and Proportions Aged 65+ by Sex in Selected OECD Countries Representative

Country	Sex	Life expectancy at birth				Total fertility rate				Percentage of population aged 65+			
		1950-1955	1980-1985	2010-2015	2040-2045	1950-1955	1980-1985	2010-2015	2040-2045	1950	1980	2010	2040
Denmark	Males	69.6	71.6	76.7	80.2								
	Females	72.4	77.6	81.4	84.8	2.55	1.43	1.85	1.85	9.1	14.4	16.7	24.7
Finland	Males	63.2	70.0	77.2	81								
	Females	69.6	77.9	83.6	87	3.0	1.69	1.85	1.85	6.7	12	17.2	25.5
Norway	Males	70.9	72.9	79.2	82.7								
	Females	74.5	79.5	83.4	86.8	2.6	1.69	1.86	1.85	9.7	14.8	15.0	23.4
Sweden	Males	70.4	73.5	79.6	83								
	Females	73.3	79.5	83.6	86.5	2.21	1.65	1.85	1.85	10.3	16.3	18.3	24.1
S.D. Average	**Males**	**68.5**	**72**	**78.2**	**81.7**								
	Females	**72.5**	**78.6**	**83**	**86.3**	**2.59**	**1.62**	**1.85**	**1.85**	**9.0**	**14.4**	**16.8**	**24.4**
Austria	Males	63.6	69.4	78.2	82.2								
	Females	68.8	76.6	83.2	86.6	2.08	1.59	1.41	1.71	10.4	15.4	17.6	28.5
France	Males	64.1	70.6	78.6	82.6								
	Females	69.9	78.8	85.1	88.3	2.73	1.81	1.85	1.85	11.4	14.0	17.0	26.5
Germany	Males	65.3	70.3	77.8	81.3								
	Females	69.6	76.8	83.1	86.5	2.16	1.46	1.34	1.64	9.7	15.6	20.5	31.8
Netherlands	Males	70.9	72.8	78.5	81.9								
	Females	73.4	79.5	82.6	85.6	3.06	1.52	1.77	1.85	7.7	11.5	15.4	26.3
C.E. Average	**Males**	**66.0**	**70.8**	**78.3**	**82**								
	Females	**70.4**	**77.9**	**83.5**	**86.8**	**2.51**	**1.60**	**1.59**	**1.76**	**9.8**	**14.1**	**17.6**	**28.3**
Greece	Males	64.3	72.8	77.7	81.2								
	Females	67.5	77.5	82.5	86.1	2.29	1.96	1.41	1.71	6.8	13.1	18.3	28.3
Italy	Males	64.4	71.4	78.6	82								
	Females	68.1	78	84.6	87.9	2.36	1.54	1.41	1.69	8.1	13.5	20.4	31.8
Spain	Males	61.6	72.8	78.6	82.6								
	Females	66.3	79.2	84.7	87.6	2.57	1.89	1.56	1.85	7.3	11.2	17.2	28.1
S.E. Average	**Males**	**63.4**	**72.3**	**78.3**	**81.9**								
	Females	**67.3**	**78.2**	**83.9**	**87.2**	**2.41**	**1.80**	**1.46**	**1.75**	**7.6**	**12.6**	**18.6**	**29.4**

Table 3.1.

Life Expectancy, Total Fertility, and Proportions Aged 65+ by Sex in Selected OECD Countries Representative (cont.)

Country	Sex	Life expectancy at birth				Total fertility rate				Percentage of population aged 65+			
		1950-1955	1980-1985	2010-2015	2040-2045	1950-1955	1980-1985	2010-2015	2040-2045	1950	1980	2010	2040
Canada	Males	66.8	72.5	79.2	82.6								
	Females	71.7	79.5	83.6	86.9	3.65	1.63	1.62	1.85	7.7	9.4	14.1	24.5
Ireland	Males	65.7	70.4	78.1	81.6								
	Females	68.2	75.9	82.9	86.4	3.38	2.88	1.92	1.85	10.7	10.7	11.4	20.3
New Zealand	Males	67.5	70.6	79.1	83								
	Females	71.8	76.7	82.8	86.3	3.69	1.97	2.02	1.85	9.0	9.8	13.0	22.5
UK	Males	66.7	71.2	77.8	81.3								
	Females	71.8	77.2	82.3	85.8	2.18	1.8	1.85	1.85	10.7	14.9	16.6	22.6
US	Males	66.1	70.8	77.7	80.4								
	Females	72.0	77.9	82.1	85.3	3.45	1.83	2.02	1.85	8.3	11.2	13.0	21.0
Liberal Average	**Males**	**66.6**	**71.1**	**78.4**	**81.8**								
	Females	**71.0**	**77.4**	**82.7**	**86.1**	**3.27**	**2.02**	**1.89**	**1.85**	**9.3**	**11.2**	**13.6**	**22.2**

Notes: Averages are shown for the four welfare regime types based on the countries shown in the table: Social Democratic (S.D.), Continental European (C.E.), Southern European (S.E.), and Liberal countries. Following the usual practice cluster averages are unweighted. The data presented are from the medium variant of world population prospects data.

Source: UN 2008, <<http://esa.un.org/unpp>>.

According to UN projections, Italy and Germany will have the oldest populations in Europe with about 32 percent of their population aged 65 and older in 2040. The overall ageing trend is seen in the average for OECD countries, which shows the proportion aged 65 and older rising from 7.8 percent of the total population in 1950 to 10.8 percent in 1980, 14.7 percent in 2010, and 23.9 percent in 2040 (OECD 2007d).

Levels of international migration complete this demographic picture. In the 1950s, all but the Liberal cluster show net outflow, but this is reversed and all clusters show net inflow by 1980. Other than Spain, the European regions are similar in 2005, with net in-migration of some 2.5 persons per 1000 population (UN 2008). Net immigration has increased the most in the Liberal countries, with an average level of 5.8 per 1000 population in 2005 (UN 2008).

3.1.2. Labour Market and Retirement

The significance of population ageing for welfare expenditures is affected by changing labour force participation. Especially in the second half of the twentieth century, the labour market underwent rapid changes, associated particularly with women's higher participation. At ages 25–54, men's labour force participation rates in the selected countries in 2005 are uniformly high, but women's rates range from an average of 85 percent for the Scandinavian region to 65 percent in Southern Europe (OECD 2007a). At ages 15–24, women's rates are highest in the Liberal and Social Democratic welfare states, while men's rates are highest in the Liberal group, followed by Social Democratic and Continental countries, and lowest for Southern Europe.

Table 3.2 presents labour force participation rates for men and women in the age group 55–64 for countries in the four welfare regimes. The declining labour force participation of older men in many industrialized countries is one of the most prominent economic trends of the period between 1970 and 2000. While the OECD average labour force participation rate for ages 55–64 was 78.6 percent for males in 1970, it fell to 62.7 percent by 2000. Male rates in all welfare regimes subsequently increased between 2000 and 2005. Even though women's participation at ages 55–64 has increased from 37.2

percent in 1970 to 43.8 percent by 2005, this rise has not compensated for the longer term decline in men's rates at these ages.

Table 3.2.
Labour force participation rates (in percent) at ages 55–64 by sex in selected OECD countries representative of four welfare regimes, 1970–2005

Country	Males					Females				
	1970	**1980**	**1990**	**2000**	**2005**	**1970**	**1980**	**1990**	**2000**	**2005**
Denmark	-	-	69.1	64.5	70.2	-	-	45.9	48.2	55.7
Finland	73.9	56.9	47.1	48.1	56.5	45.2	43.8	40.8	45.2	56.4
Norway	-	79.5	72.8	74.4	74.6	-	49.8	53.9	61.6	62.9
Sweden	85.4	78.6	75.5	72.8	76.4	44.5	55.3	65.8	65.9	69.2
S.D. Average	**79.6**	**71.7**	**66.1**	**65.0**	**69.4**	**44.8**	**49.6**	**51.6**	**55.3**	**61.1**
Austria	-	-	-	42.8	43.0	-	-	-	17.6	23.6
France	75.4	68.6	45.8	41.7	43.9	40.0	40.1	31.1	33.0	37.9
Germany	80.2	67.3	60.5	52.4	61.3	28.5	28.9	27.8	33.5	43.2
Netherlands	-	63.2	45.7	50.8	58.0	-	14.4	16.7	26.0	36.0
C.E. Average	**77.8**	**66.3**	**50.7**	**46.9**	**51.6**	**34.2**	**27.8**	**25.2**	**27.5**	**35.2**
Greece	-	-	59.5	57.3	60.7	-	-	24.3	25.5	26.9
Italy	48.2	39.6	53.0	42.7	44.3	10.6	11.0	15.5	16.1	21.5
Spain	-	75.9	62.5	60.5	63.2	-	21.0	19.4	22.6	29.6
S.E. Average	**48.2**	**57.8**	**58.3**	**53.5**	**56.1**	**10.6**	**16.0**	**19.7**	**21.4**	**26.0**
Canada	-	74.5	64.0	60.7	66.7	-	32.6	34.9	41.4	49.4
Ireland	-	-	65.0	64.7	67.7	-	-	19.9	27.8	38.4
New Zealand	-	-	56.8	72.2	79.7	-	-	30.7	47.9	62.5
UK	-	-	68.1	63.3	67.9	-	-	38.7	42.5	48.9
US	83.0	72.1	67.8	67.3	69.3	43.0	41.3	45.2	51.9	57.0
Liberal Average	**83.0**	**73.3**	**64.4**	**65.6**	**70.3**	**43.0**	**37.0**	**33.9**	**42.3**	**51.3**
OECD total	**78.6**	**72.6**	**65.6**	**62.7**	**65.6**	**37.2**	**37.0**	**36.2**	**38.7**	**43.8**

Notes: Averages are shown for the four welfare regime types based on the countries shown in the table: Social Democratic (S.D.), Continental European (C.E.), Southern European (S.E.), and Liberal countries. Following the usual practice cluster averages are unweighted. OECD total covers all OECD countries.

Source: OECD 2009, http://stats.oecd.org/Index.aspx.

Analyses have shown that public pension systems and generous benefits for the unemployed tend to reduce labour force participation at older ages in many OECD countries (Duval 2003). In the last three decades of the twentieth century, many people retired before they qualified for standard pensions. Some of these pathways to retirement were paved by social transfer programs such as disability, unemployment, and early retirement schemes. Some countries such as France and New Zealand reduced the standard age of eligibility for pension benefits in the 1970s and 1980s. When people reach the standard or early retirement age, their retirement decisions will depend not only on the level of pensions in comparison to employment income, but also on the expected gain from staying in the labour force in comparison to withdrawing from work. If working longer is compensated by a rise in future pension benefits or if early retirement benefits are not seen to be sufficiently high, people are more likely to stay in the labour force (OECD 2004b). In many OECD countries, however, public policies have prompted a significant number of people to retire as soon as they reach the age of pension entitlement. In their comparative study, Gruber and Wise (1999) show that many industrialized countries have strong social security incentives for people to retire early.

Labour force participation at ages 55–64 shows marked differences across the four welfare regimes. It is lowest in Southern Europe, partly because of women’s low labour force participation. In 1990 in the three representative countries only 19.7 percent of women aged 55–64 were in the labour force, and low female participation continued in the early twenty-first century. Women’s participation rates are also low in Continental Europe, with a low point of 25.2 percent of women aged 55–64 in the labour force in 1990, rising to 35.2 percent in 2005. Female participation rates were higher in the other two clusters, reaching 51.3 percent in the Liberal countries and 61.1 percent in the Social Democratic countries by 2005.

The labour force participation rate of men in the 55–64 age group also shows distinct differences among welfare regime clusters. Social Democratic and Liberal countries have generally higher male participation rates; Continental Europe and Southern Europe have relatively low rates. These differences across welfare regimes reflect not only policies toward early retirement, but also broader labour market and social policies. The high rates at ages 55–64 in the Social Democratic group reflect a need for extensive labour force participation to fund generous social benefits. The high rates in the Liberal countries follow from their less generous pension policies, especially for those taking early retirement. The low rates in Southern Europe reflect the expectations placed on families for old-age security, and thus on women playing caretaking rather than labour force roles.

3.2. Different Regimes, Similar Policies?

The study of pension reforms in the different welfare regimes is useful in understanding the diversity of experiences between countries. It helps to determine whether certain welfare states are really being dismantled and whether the Liberal group's approach has become dominant in recent decades. In studying the characteristics of pension policies and their changes, we discuss both the management of social risks in ageing societies and the policy profile of pension reforms.

Different welfare regime types represent different responsibilities assumed by the market, the state, and the family in the management of social risks and social security (see Table 3.3). The Liberal welfare regime is distinguished by the dominant role of the market in the management of social risks with lower responsibility on the part of the state and the family. In the welfare states of the Social Democratic regime, the state plays a larger role than the market and the family in meeting the social needs of citizens. While all of the these actors play a moderate role in the management of social risks in the Continental European group, the family remains the key actor in the Southern European group.

The extent to which welfare regimes are stable and path dependent is under debate (Taylor-Gooby 1998; Rein and Schmähl 2004). A pattern of path dependency occurs when institutions and programs, once established, become difficult to reverse (Pierson 1996, 2001; Myles and Pierson 2001; Wood 2001). Consequently, the transformation of welfare regimes is largely a product of earlier institutionalized features, and changes are constrained by existing institutional arrangements (Myles and Pierson 2001). Pierson's (2001) conceptualization focuses on welfare state restructuring along three dimensions: cost containment, recalibration, and re-commodification (see Table 3.3).

Table 3.3.

Characteristics of pension reforms within four welfare regimes: Relative priority of components of social risk management and pension reform agenda

	Social democratic	Continental Europe	Southern Europe	Liberal
Management of social risk		**Relative Priority**		
State	High	Moderate	Moderate	Low
Family	Low	Moderate	High	Low
Market	Low	Moderate	Moderate	High
Pension Reform Agenda				
Cost containment	High	High	Moderate	Moderate
Recalibration	Moderate	Moderate	High	Low
Re-commodification	Low	Moderate	Moderate	High

Notes: Cost containment: reforms that mostly seek to balance budgets and maintain the existing system. Recalibration: reforms that change regulations to reduce inefficiency or to update pension systems following on evolving conditions. Re-commodification: reforms that increase the individual's dependence on the market for social security.

These dimensions are useful in evaluating recent pension reforms and the transformation of the welfare state. According to Esping-Andersen (1990), as markets became hegemonic the welfare of an individual began to depend entirely on the cash economy, and maintaining a livelihood without relying on the market became almost impossible. This is called the commodification of the individual. De-commodification "occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (Esping-Andersen 1990: 21–22). Re commodification, on the other hand, is one of the most significant aspects of welfare state transformation, namely the effort to reverse dependence on the state through tightening eligibility or cutting benefits (Pierson 2001: 422). Re-commodification is therefore concerned with dismantling some aspects of the welfare state that protect individuals from market pressures. Many welfare states experience budgetary constraints, often a response to concerns that pension policies are not sustainable. Cost containment responds to pressures on government budgets and seeks reforms associated with government expenditures (ibid.: 424). Unlike re-commodification, these policy initiatives focus on deficit reduction and cost containment to maintain the existing system. By recalibration, Pierson (ibid.: 425) means welfare reforms through the removal of inefficient regulations. Recalibration consists of two kinds of change: rationalization (modification of social policies in line with new ideas for achieving welfare targets) and updating (adapting social programs to changes in the economy and society) (ibid.: 425). As indicated in Table 3.3, we propose that cost containment has been more central to the retirement policies of Social Democratic countries and Continental Europe, while Liberal welfare states focus mainly on increasing the role of the individual in the market (re-commodification), and Southern European welfare states focus on changing regulations (recalibration). In order to determine whether there is a dismantlement of welfare states or a pattern of path dependency, we need to scrutinize recent pension reforms in each welfare regime cluster in light of the categories in Table 3.3.

3.2.1. The Liberal Regime

The Liberal welfare regime (Canada, Ireland, New Zealand, United Kingdom, and United States) is distinguished by the dominant role of the market in the management of social risks and by the modest extent and scale of universal transfers, modest social insurance plans, and means-tested social assistance. In this regime, social welfare arrangements have been severely circumscribed by norms of Liberal work ethics, which limit welfare provision to marginal groups such as single mothers, the disabled, the elderly, and the poor (Esping-Andersen 1999: 40). There is an emphasis on local communities (churches, charities, private agencies) and on the market to provide for the welfare of the individual (ibid.: 33). As compared with the Continental and Southern European welfare regimes, women have higher participation rates in the labour market. Compared to the averages for the other regions, we find less population ageing in the countries following the Liberal model, along with relatively high labour force participation of both sexes at ages 55–64 and older retirement ages (Table 3.2). These countries lack egalitarian provisions, and average wages are lower than in other welfare regimes (ibid.). The problems of budget deficits and unemployment are largely avoided through policies that support the expansion of low-wage private-sector employment.

In the Liberal welfare states, pension reforms have focused on cost containment and re-commodification, which follow central aspects of the institutional structure of this regime (Pierson 2001). Many countries in this group have reduced social transfers in the last two decades. Reforms have concentrated on targeting pension systems to persons in need and finding measures to increase the coverage of private pensions through tax incentives. These countries are preceding other countries in retirement benefit privatization to reduce long-term pension expenditure. Employees are encouraged to opt for private pension plans, with government support through tax exemptions. In the United Kingdom in the late 1980s, workers were permitted to select private pension plans according to their needs and contributions. While 42 percent of all households in the

United States owned Individual Retirement Accounts (IRAs), 40 percent of workers in Canada were covered by Registered Pension Plans (OECD 2005b: 80; OECD 2005a: 74). Although the public pension system is the basic source of income for retirees in many OECD countries, employer-provided pension plans are becoming important sources of retirement income especially for the upper middle class. Analyses by the OECD (2000, 2004b, 2005a, 2005b) reveal that recent reforms in Liberal countries have strengthened the financial sustainability of old-age pensions, and these reforms have been more successful than those in other countries.

As shown in Table 3.4, public social expenditures and public old-age expenditures in the Liberal countries have been relatively low compared to expenditures in other welfare states, and these expenditures are predicted to remain relatively small in 2050 (OECD 2005b). Compared to other regions, the net replacement rate of public pensions represents an average of only 46 percent of former earnings (see Table 3.4 for definition of net replacement). Moreover, similar to reforms in other welfare regimes, these countries have also increased the age at retirement. The full pension age increased from 65 to 67 years in the United States, and the pension age increased from 60 to 65 in New Zealand. In the United Kingdom the pension age for women and eligibility for guaranteed credit increased from 60 to 65 years in 2004. Some differences in cost containment and re-commodification of pension policies over time are found across countries in the Liberal welfare regime. For example, the relative low income rate, which measures the proportion of persons below half of the median family income in each country, is only 5.4 percent for Canadian seniors, compared to 24.7 percent in the US in the late 1990s (Picot and Myles 2005: 12). Even though there have been some variations in retirement policies and pension reforms among Liberal countries, there has been no convergence by Liberal countries toward other welfare regimes (Myles and Pierson 2001). These countries have followed their traditional path.

Table 3.4.

Total public expenditure and public pension expenditure as a percent of GDP, net replacement rates, and average effective age of retirement in selected OECD countries representative of four welfare regimes

Country	Total public social expenditure in percentage of GDP (2001) [i]	Public pension expenditure in percentage of GDP (2001) [ii]	Net replacement rate at average earnings (2007) in percent [iii]	Average effective age of retirement (2005)	
				Males	**Females**
Denmark	29.2	6.5	87	64.1	61.4
Finland	24.8	8.0	71	60.5	60.1
Norway	23.9	4.8	69	63.9	62.2
Sweden	28.9	7.4	64	65.5	62.5
S.D. Average	**26.7**	**6.7**	**73**	**63.5**	**61.6**
Austria	26.0	12.9	91	59.1	58.1
France	28.5	11.9	63	58.5	59.2
Germany	27.4	11.2	40	61.7	60.7
Netherlands	21.8	6.4	97	60.2	60.5
C.E. Average	**25.9**	**10.6**	**73**	**59.9**	**59.6**
Greece	24.3	13.4	110	62.4	61.2
Italy	24.4	13.8	78	60.4	60.9
Spain	19.6	8.7	85	61.1	63.4
S.E. Average	**22.8**	**12.0**	**94**	**61.3**	**61.8**
Canada	17.8	5.3	57	63.3	61.4
Ireland	13.8	3.2	39	65.2	64.7
New Zealand	18.5	4.9	42	65.8	63.9
UK	21.8	8.3	41	63.2	61.4
US [iv]	14.8	6.1	52	64.5	63.1
Liberal Average	**17.3**	**5.5**	**46**	**64.4**	**62.9**

Notes: Averages are shown for the four welfare regime types based on the countries shown in the table: Social Democratic (S.D.), Continental European (C.E.), Southern European (S.E.), and Liberal countries. Following the usual practice cluster averages are unweighted.

i: Total public social expenditure is the provision by public institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer.

ii: Public pension expenditure comprises all cash expenditures on old-age pensions within the public sphere.

iii: The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners. The wedge between gross and net replacement rates varies substantially across countries.

iv: Total public social expenditure and public pension expenditure for the US refer to federal expenditures.

Sources: OECD 2007a; OECD 2007b; OECD 2007c.

Increasing health costs for an ageing society and quality of health care have become major policy concerns in Canada and the United Kingdom. Pension eligibility has been tightened and benefits have been reduced in the United States. In Canada, the contribution rates to public pensions were increased. We conclude that in the Liberal group re-commodification, or increasing the individual's dependence on the market for old-age security, constitutes the main goal of recent pension reforms, while cost containment is another significant goal.

3.2.2. The Social Democratic Regime

In the welfare states of the Social Democratic regime (Denmark, Finland, Norway, and Sweden), the state plays a larger role than the market and the family in meeting its citizens' social needs. State-centered welfare provisions lessen the individual's reliance on the family and maximize individual command of economic resources independent of familial reciprocities (Esping-Andersen 1999: 45). Welfare state provisions, therefore, make it easier for women to enter the labour market and to achieve economic independence. This regime also aims to harmonize women's employment with childbearing (ibid.: 27). In part because of family-friendly institutional arrangements, the Scandinavian countries have higher fertility than other European countries, and thus population ageing is slightly less than elsewhere. Labour force participation is relatively high, as is age at retirement, partly as a function of active labour market programs and life-long learning provisions. The official age at retirement is also relatively high, and the net replacement rate of pension entitlements represents 73 percent of average former earnings (Table 3.4). Total public spending is 26.7 percent of GDP, but this spending is not concentrated in pensions to the degree it is in Continental and Southern Europe.

In the Social Democratic regime, individuals are less dependent on the market for old-age security, which is provided through universal and comprehensive welfare policies to which all income earners must contribute. The cost of maintaining a universalistic social support system is met through revenue from registered employees (Esping-Andersen 1990: 28). This regime is also committed to full employment and to allowing two-earner couples to reconcile their family and work responsibilities. It is more fully committed to gender equality than other welfare regimes.

Even though some argue that Scandinavian countries are becoming the "frontrunners in Liberalization" (Andersen *et al*. 2007), pension reforms in this regime are more concerned about cost containment, with moderate recalibration and little re-commodification (Pierson 2001; Vidlund 2006). The new pension system in Sweden, for example, is a combination of an earnings-based pension and a minimum guaranteed pension that seeks to minimize pension costs. Those pensions based on earnings have adopted defined contributions both for the pay-as-you-go component and for the pre-funded component (OECD 2003a: 47). Cost containment is thus met through high labour force participation and defined-contribution approaches.

The reform agenda of Social Democratic countries has focused on rationalizing programs, following on social and cultural changes and on global economic developments. These countries have been relatively successful in restoring their fiscal equilibrium over the medium term (Pierson 2001: 444). Their most pressing long-term problem is reconciling the need for continuing cost containment with the maintenance of support for a strong welfare state. Social Democratic welfare states depend on successful economic performance and the allegiance of all stratums of society.

Thus in the Social Democratic regime, the state has two main roles in managing social risks: first, “de-familialization” to provide individual freedom; second, “de-commodification” to minimize individuals’ welfare dependence on the market (Esping-Andersen 1999, 2002). This approach can be seen in the pension regimes of Scandinavian countries. The state provides generous pension plans and social security for its citizens and emphasizes high labour force participation and cost containment of pension obligations.

3.2.3. The Continental European Regime

The Continental European welfare regime (Austria, France, Germany, and Netherlands) reflects a highly conservative and corporatist tradition heavily influenced by religious institutions. The conservative tradition is seen in the emphasis on the preservation of status differentials. Corporatist elements include the institutionalization of rights attached to class and status rather than to citizenship (Esping-Andersen 1990). The social insurance system, for example, is differentiated by occupational groups; even unemployment benefits differ according to a recipient’s previous occupation. The Continental welfare regime is sometimes criticized as being paternalistic, hierarchical, and gender biased. Contrary to the Liberal welfare regime, the state plays a fairly active role in the management of social risks. The state is considered mainly as minimally interventionist, and the welfare provisions tend to uphold the stratification of society and the patriarchal family structure (Pierson 2001: 96). This gives rise to a focus on the male workforce with high wages, strong job security, and high pension incomes combined with the family's dependence on the breadwinner's income (Esping-Andersen 1996: 18). Men have higher employment opportunities in the form of full life-time employment and an entitlement to generous pension and unemployment rights. Relatively high wages and a long unbroken career for males provide support for the moderate familialistic character of the regime.

While not as extensive as in Southern Europe, population ageing is significant in Continental Europe, with some countries anticipating population decline, and there are relatively low overall labour force participation rates and a young age at retirement. Countries in this regime cluster have a combination of generous pension schemes defined by occupation or by civil service membership. Relatively high replacement rates and diverse pension plans made early retirement popular. During the 1970s and 1980s, the Continental regime countries opted to use an early retirement strategy to address the problem of increasing unemployment. In Germany, for example, with the introduction of an early retirement option in 1973, the average retirement age declined from 62.2 years in 1973 to 58.4 years in 1981 (OECD 2005d: 73). This trend toward early retirement has been reversed by reforms in the 1990s and 2000s seeking to extend people's working lives (OECD 2005c). In Austria, the early retirement age was increased by 1.5 years, and pension ages for women were aligned with those of men (OECD 2007b: 102). After pension reform in Germany, some reductions in benefits were imposed on workers who retired before age 65. In France, however, one can retire at age 60 after 40 years' coverage without any reduction in benefits (OECD 2005c). Overall, there are fewer regulations regarding retirement age than in Southern European countries.

The main goal of pension reforms in Continental European countries is to minimize financial costs in an ageing population through adjusting contribution rates and pension benefits. France, for example, changed to using the 25 highest income years of a person's work life, instead of the ten highest years, in the calculation of pension benefits (OECD 2007b). Austria is gradually extending its benefits-averaging period from the 15 highest to the 40 highest income years. In the Netherlands, the calculation of pension benefits in many occupational plans is shifting from final salary to average lifetime salary (OECD 2007b: 55). These conservative welfare states face significant problems associated with high unemployment rates, low economic growth rates, low levels of female work force participation, relatively low fertility rates, and high pension expenditures. According to Pierson (2001), reforms have centered especially on cost containment and recalibration of welfare policies to meet these challenges. Nevertheless, the introduction of a new private pension tier in Continental Europe is a clear example of increasing the individual's dependence on the market (re-commodification). Hence, the role of state and family in managing social risks for the elderly population is shared by the market.

Employment-linked social security, which protects life-long employment in these conservative countries, is one of the main characteristics of the Continental European welfare regime. Thus, there is strong social opposition to changes in employment structures and to reneging on the promise of full employment (Pierson 2001; Natali and Rhodes 2004). The situation in this regime cluster differs from that of the Liberal and

Social Democratic welfare states, where there is less recognition of specific class interests, especially those associated with the middle class (Korpi and Palme 2003).

3.2.4. The Southern European Regime

The Southern European welfare regime (Greece, Italy, and Spain) may be seen as a variant of the Continental regime because of its adherence to traditional familial welfare responsibilities. However, the socio-political structure of the Southern European countries differs from that of the Continental countries. Southern Europe has a distinctive type of welfare regime with features of universal national services in the health area and income transfers in other areas (Ferrera 1996). Moreover, the persistence of patronage in politics brings frequent changes to pension policies as political responses from the party in power. Unpaid family labour is common for women, providing child care, elder care, health care, and other services that the market provides in the Liberal regime. Women are entitled to benefits and access to social services through their husband's or father's social security coverage (Trifiletti 1999: 53). At the same time, women's participation in the labour market, particularly in the paid service sector, has increased in recent decades, bringing changes to family structures. Financing of the social security system is dominated by contribution-based social insurance schemes, differentiated by occupation, as in the Continental welfare regime. Only registered workers and their dependents (in contrast to employees in small firms and the self employed) have access to pensions, health coverage, and social security. A basic means-tested plan provides these social benefits to the disadvantaged segments of the population. Unlike the Social Democratic and Continental regimes, only irregular and weak protections are available to workers.

The Southern European countries are characterized by having, on average, the oldest populations in our four groups, along with low labour force participation at ages 55–64, especially for women. The family was once the most important pillar in managing social risks in the Southern European countries, but this pillar has lost its strength. The significant decline in fertility rates presents new social and economic challenges. Public spending as a percentage of GDP is relatively low, and half of this spending is for pensions. As in the Social Democratic and Continental welfare regimes, net replacement rates for pensions are high, at an average of 94 percent of former earnings for those retirees who have access to public pensions (Table 3.4).

Pension plans in the Southern European countries can be seen as a less developed form of the Continental European model. Social security institutions were established late in the twentieth century, in contrast to their earlier introduction in the Continental and Social Democratic regimes. The lack of institutionalized social security structures, and the presence of political systems based on patronage, produce instability in public pension policies. While attempts have been made to strengthen social security institutions, some pension plans are being privatized in the face of budget deficits (OECD 2003b, 2004a; Natali and Rhodes 2004). The move toward re-commodification is not as strong as in the Liberal countries, but it still represents an important aspect of pension reform agendas in Southern Europe.

The early retirement option in pension plans is another factor that reduces the labour force participation of older workers in Southern European countries. The pension eligibility age in this group is among the youngest in OECD countries. As in the Continental European countries, early retirement had been used during the 1980s and

1990s to attempt to lower high unemployment rates among the young. Turkey, for instance, which shows features similar to the Southern European cluster, eliminated the minimum retirement age and permitted retirement in some cases after less than 15 years of pension contributions. This led to persons retiring early and then joining the informal sector while receiving their pension (Brook and Whitehouse 2006).

In the Southern European regime, the reforms of the 1990s and 2000s aimed to secure financial sustainability by increasing the retirement age and implementing a supplementary private pension scheme. Pension reforms in Southern Europe cover all three of the Pierson categories: cost containment, recalibration, and re-commodification. Recalibration is especially important in achieving welfare goals, given that the welfare regime is less developed. In the reform agenda of these countries, improving the effectiveness of pension programs is required to cope with widespread benefit abuse and patronage, which threaten the future stability of welfare institutions. Raising pension eligibility ages is the first reform undertaken both to improve financial sustainability and cost containment and to rationalize a pension system under which life expectancy has been increasing over time. Hence, raising the age at eligibility became the most common feature of pension reforms in Southern European countries. In Italy, the normal pension age for women was increased from 55 to 60 years and for men from 60 to 65 in 2004. The early pension age for men with 35 years' coverage increased from 60 to 62. In Greece, the pension age increased from 58 to 65 after the 1990–92 reforms. In 2002, Spain's parliament passed a law penalizing early retirement. According to the new system, workers can retire at age 61 but their pension would be 24 to 30 percent lower than the full pension available at age 65 (OECD 2003b: 10).

The 1995 Dini Reform in Italy improved long-term fiscal sustainability of pensions by changing the benefit scheme from defined-benefit to defined contribution. In all countries in the Southern European regime cluster, reforms favoured private pension plans. Today, the pension system in Italy is a combination of compulsory pay-as-you-go and private pension systems (OECD 2004a: 66). In Spain, tax advantages were given to private pension schemes through the Toledo Pact of 1995. Similar regulations were introduced in Italy and Greece in the 1990s and 2000s. In spite of tax incentives, private pension plans are still in their infancy. In Spain, for instance, private pensions cover only 3 to 5 percent of total employment (OECD 2003b: 67).

3.3. Discussion: No Universal Public Policy for Ageing

Discussion of pension reform is overly focused on public finances (Esping Andersen and Myles 2006). To facilitate the sustainability of pension systems, many analysts propose a combination of contribution increases, benefit cuts, increases in retirement age, and increases in the contribution period needed to qualify for full pensions. Intergenerational social justice, however, is largely overlooked in these discussions. In effect, poverty rates among the elderly have declined in most OECD countries, and the share of elderly among the poor has also been reduced (OECD 2000: 56). The recent global economic downturn particularly affects young people entering the labour market, rather than retirees who have the benefit of guaranteed payments without increases in premiums. The economic recession reduces the availability of well-paid standard jobs for labour force entrants. According to the OECD, by the end of 2009 the unemployment rate is expected to be 2.0-2.5 percentage points higher than at the end of 2007. Especially in the United States and Canada, the unemployment rate has increased about 3.0-4.0 percentage points since the economic recession began. Older people who had invested in private retirement plans lost some of their savings, but the most significant impact will be on the younger generation, especially in non-standard service-sector jobs.

These different vantage points according to generation are triggering debates between workers, who are contributing to the pension system, and retirees, who are benefiting from past contributions to the system. Phillipson (2000) argues that this conflict can lead to a change in the perception of ageing from being a public/life-course issue to being a private/life-stage problem. Even though ageing becomes a private problem for an individual with a private pension plan, it also becomes a social and political problem when dealing, for example, with the need for pension reform. That is, the approaches to pensions and social security are linked with the demographic dynamics of particular countries. All countries face ageing populations, but countries in the Social Democratic regime cluster have shown greater ability to influence the level of childbearing (McDonald 2006), along with an interest in maximizing labour force participation of men and women to pay for generous social benefits. The Liberal regime is based on greater privatization. (It also allows for greater reliance on immigration to deal with demographic problems of a slower-growing labour force.) With their differential treatment of different groups in society, the Continental and the Southern European regimes have the most difficulty in achieving reforms, and they also face the highest rates of population ageing. While the market plays a significant role in the retirement and pension systems in the Liberal group, the state remains the key actor in the Social Democratic group. In other European countries, however, the family (especially in Southern Europe) still plays decisive roles in caring for the elderly. In spite of these differences, there are important uniformities across regimes, which include attempts to delay retirement, to convert pensions to defined-contribution plans, and to have a higher dependence on private plans, all in the interest of seeking to achieve sustainability.

This chapter shows that different welfare regimes have developed their own approaches to public pension reform. The Liberal welfare regime countries focus on cost containment and re-commodification; the Social Democratic countries on cost containment and recalibration; the Continental and Southern European countries on cost containment, recalibration, and re-commodification—each depending on their endogenous structures and traditions.

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CHAPTER 4

THE WELFARE OF THE OLD: THE TURKISH WELFARE REGIME AND TURKISH PENSION POLICIES

4.1. Introduction

As populations get older, the costs of welfare provisions pose serious challenges to societies (OECD 1998). There has been significant debate on pension systems based on pay-as-you-go (PAYG) schemes since the 1980s. Pension policies have been particularly discussed and studied in Europe and North America (OECD 2000; Pierson *et al*. 2001; Esping-Andersen and Myles 2006; Arza and Kohli *et al.* 2008). There are, however, few studies analyzing welfare of the elderly and pension systems in newly industrializing and recently ageing countries. In addition, welfare regimes of these countries and their responses to challenges of population ageing and pension systems are generally overlooked in the study of the welfare state literature.

At this point, Turkey is an interesting example, with its rapid economic growth in the 2000s, European Union (EU) candidacy, an increasing political role in the Middle East, and young population. Contrary to many welfare regimes in Europe, there are few studies on the Turkish welfare regime. However, the Turkish welfare regime has encountered significant changes due to the changes in the family, the state, and the market (Bugra and Keyder 2006). These changes have brought to the research agenda important questions regarding the Turkish welfare regime. This study seeks to answer the following questions. What are the roles of the family, the market, and local actors in the management of social risks? Are public pension policies based on one's employment history adequate for the social security of the old citizens? Do we witness a neo-liberal economic process in Turkish pension policies?

Hence, the purpose of this chapter is two-fold. First, it aims to highlight important characteristics of the Turkish welfare regime and its pension policies. That is, it seeks to examine how the welfare regime has evolved in view of actors representing the interests of state, market, family, and local actors. Second, it aims to analyze the ways in which the Turkish welfare regime and its pension policies are affecting the welfare of the old across gender and generations. That is, it seeks to analyze how the pension system and its transformation are affecting equity across various groups, including elements that are progressive and regressive.

Having established the main purposes of the chapter, the analysis will be done as follows. The first purpose involves evaluating the analyses of other researchers and using comparative data from the Turkish Statistics Institute (TURKSTAT) and the Organization for Economic Corporation and Development (OECD) in regards to socioeconomic changes in Turkey. The second purpose will be achieved through studying the pension reforms and the associated working documents, and analyzing the way in which the costs and benefits of the pension system have been distributed across population groups.

The contribution of this chapter to the literature is two-fold. First, it highlights the main characteristics of the Turkish welfare regime, which have been underrepresented in the literature so far. Here the focus is on the roles of welfare actors— namely, the state, the market, the family, and local actors. Despite some studies on the Turkish welfare regime which focus on state policies (Boratav and Ozugurlu 2006; Bugra and Keyder 2006), this chapter focuses on other welfare actors. Second, it studies the welfare of the old in Turkey using the welfare regime approach. While there are some studies focusing on the general characteristics of the social policies in Turkey (see for example, Bugra and Keyder 2003; Yakut-Cakar 2007) and others that focus on the economic impacts of the pension reforms (see for example, Brook and Whitehouse 2006; Elveren 2008b), this paper scrutinizes the welfare of the elderly and pension reforms in light of the welfare regime approach.

This study claims that the Turkish welfare regime is undergoing significant transformations through the impact of internal and external dynamics. Contrary to what has been documented in other countries, it is difficult to argue that the Turkish welfare regime has transformed to a Liberal welfare regime dominated by market actors, or to a Social Democratic welfare regime based on a universalist and right-based system. While on the one hand, Turkey’s EU accession process, an ageing population, and increasing living standards induces the state to play a more active role in the welfare of the old, on the other hand, increasing social expenditures necessitate the state to collaborate with other actors, especially the market. This chapter will argue that while families are losing their dominance on welfare distribution, the state, the market, and local actors are strengthening their roles in the Turkish welfare regime. In order to understand the increasing role of the state and transformation of the Turkish welfare regime, the pension system and pension reforms are important. During the 2000s, there have been important developments that have enabled a sustainable and fair pension system in Turkey. This research indicates that recalibration is the main target of the recent pension reforms.

This chapter is organized as follows. After the introduction, the second section examines the Turkish welfare regime and its actors. This section discusses how welfare is distributed through the family, the market, the state, and local actors. The third section analyses the welfare of the old with particular focus on pension policies and pension reforms. Also, this section discusses the problems of pension policies in terms of gender and intergenerational equity. Finally, in the last section, policy recommendations for a better pension system will be briefly discussed in light of the Turkish welfare regime.

4.2. Highlighting the General Characteristics of the Turkish Welfare Regime

Traditional analyses of the welfare state focusing on public expenditure are inadequate to examine the welfare distribution in contemporary societies (Esping-Andersen 1990: 2-3). Contrary to the concept of the welfare state, which is narrowly associated with state expenditures, the term welfare regime focuses on not only state expenditures, but also the market, the family, and local actors in welfare distribution. Hence, centering on societies and social actors helps researchers to better understand the welfare mix of the newly industrializing countries and allows for a deeper cross-national comparative analysis.

There are four major actors—the state, the family, the market, and local actors—in welfare distribution, and these actors are important in classifying societies according to welfare regimes. For example, while the market is an important player in the Liberal welfare regime as is the case in the US and Canada, in the Social Democratic welfare regime (e.g., in Denmark and Sweden) the state is the main player. Similar to the Southern European welfare regime, the family and local actors play a significant role in the Turkish welfare regime.

In welfare regime groupings, some comparative studies include Turkey in the Southern European welfare regime (Gough 1996; Bugra and Keyder 2006; Yakut-Cakar 2007; Gal 2010; Aysan 2011). There is also a small body of research that assigns Turkey to a "Middle Eastern" group. In these studies, it is argued that the state has a relatively limited role in welfare distribution and that religion is an important determinant in the formation of social policies (Karshenas and Moghadam *et al*. 2006; Jawad and Yakut-Cakar 2010). Others report that the Turkish welfare regime is a combination of the Southern European and Middle Eastern welfare groups (Aybars and Tsarouhas 2010).[2] It seems that we need a more cross-national approach in order to better understand the similarities and differences between the Turkish welfare regime and other welfare regimes.

The Turkish welfare regime has undergone significant changes in respects to the family, the state, and the market (Bugra and Keyder 2006). On the one hand, social and economic criteria for EU accession have prompted the Turkish state to play an active role in welfare distribution. On the other hand, privatization processes defended by the Bretton Woods Institutions (the World Bank and the International Monetary Fund) lead

[2] It seems that it is difficult to construct a welfare group that contains all Middle Eastern countries. Although they have similar religious and cultural features (Jawad and Yakut-Cakar 2010), oil-rich gulf countries diverge from other countries in the region because of their natural resources and relatively strong state involvement in the welfare distribution.

markets to play an important role in the distribution of welfare in Turkey. Changes in family structure and increases in the labour force participation of young and educated women lead the family to lose its dominant role in welfare distribution in this regime. At the same time, globalization and localization trends enhance the role of non-governmental organizations (NGOs) and local actors in the management of social risks. In light of aforementioned trends, the main characteristics of the Turkish welfare regime can be summarized as follows:

1) Welfare is distributed through a family-centered patriarchal structure (Bugra and Keyder 2006; Gal 2010; Aysan 2011).

2) Based on traditional and religious values, local actors, such as kinship or home township groups and other religious non-profit organizations, play a significant role in welfare distribution (Jawad and Yakut-Cakar 2010, Gal 2010).

3) The market has a relatively minor but increasing role in welfare distribution.

4) The state has a moderate role in welfare distribution, except with regards to education and to some extent health care. Also, populism and patronage are two important welfare distribution forms used by governments.

4.2.1. The Family

The World Values Survey (2011) indicates that Turkey has one of the highest scores on importance of marriage and family, along with Italy and Egypt (see Figure 4.A.1 and Figure 4.A.2). According to this survey, 95 percent of Turks, which is the highest percentage among OECD countries, think that marriage is not outdated. Among the different types of relationship status, “divorced” is the least common, at only 1 percent, while the OECD average is 4 percent (OECD 2011b). Although Turkey has a relatively stable family formation compared to other OECD countries, there are significant changes in family formation and gender roles due to social and economic challenges. For example, Aytac and Rankin (2009) show that contrary to previous research, economic difficulties in the family have a direct impact on marital problems and an indirect impact on women via emotional distress. The significant increase in crude divorce rates over the period 1970-2008 also shows the challenges to Turkish families. While the crude divorce rate was 0.3 per thousand in 1970, it increased to 1.4 per thousand in 2008 (OECD 2011c).

In this regime, welfare is distributed based on the gendered division of labour in the family. While men are responsible for meeting the economic needs of the household, women are responsible for unpaid domestic labour, such as caring and housekeeping. Not only child care, but also elder care is provided by women in this welfare regime. As Table 4.1 presents, Turkish women do more unpaid house work than other women in OECD countries with 377 minutes per day. Also, in other Southern European countries, such as in Italy and Portugal, women spend more time on unpaid work than men. Women from the Liberal and Continental European countries spend relatively less time on unpaid housework (e.g. US with 258 minutes and Germany with 269 minutes) when compared with women from the Southern European countries. As Table 4.1 shows, the Scandinavian countries with the smallest gender gap in unpaid work are also those countries where men devote relatively more time to unpaid work. While Turkish and

Portuguese women spend 4 hours more per day on unpaid work than men, the difference between genders is only around an hour per day in the Scandinavian countries (e.g. Norway with 225 minutes).

Table 4.1.

Unpaid Work by Gender across OECD over the period 1998-2009, in minutes per day

	Female unpaid work	Male unpaid work	Difference between genders
Turkey	377	116	260
Portugal	328	96	232
Italy	326	103	223
Spain	294	107	187
Australia	311	172	139
Ireland	296	129	167
New Zealand	294	158	136
United Kingdom	273	150	123
United States	258	154	104
Canada	248	146	102
Netherlands	273	163	110
Austria	269	135	134
Germany	269	164	105
France	258	136	122
Sweden	249	177	72
Finland	245	154	91
Denmark	243	186	57
Norway	225	152	73
OECD Average	279	131	148

Source: Miranda 2011, Figure 5, pp. 13.

The family is the prominent actor in the management of social risks in Southern European and Middle Eastern societies, and Turkey. The Southern European welfare regime is characterized by a preference for family solutions to welfare problems (Ferrera

1996; Mingione 2001; Gal 2010). In this regime, the family is considered as an alternative to state institutions for people—in other words, they rely on either their families, some extended forms of kinship, or other social networks (Mingione 2001; Saraceno 2002).

In a subsequent section (section 4.3) it will be documented that, in Turkey, young adults usually live with their parents until they get married, while many seniors reside with their children when they become very old or disabled. The welfare distribution is heavily based on informal strategies of household income maintenance (Grutjen 2008). This is particularly common in urban areas where an extended family type is a standard. As is the case in the Southern European welfare regime, seniors contribute to the income of the household through their pensions and other incomes (Albertini *et al*. 2007).

In Turkey, the family receives little public support in the form of child benefits and family allowances. Paid maternal leave is very low (with 16 weeks) when compared to other OECD countries, such as 52 weeks in UK. Paternal leave is also low in Turkey. What is most disconcerting, however, is paternal leave has a duration of only three days in length and is only available to civil servants. A lack of affordable high quality social services for children and seniors in the market, and a lack of state support with regards to family care, both contribute to increase the burden of women in Turkey. This problem mainly leads women's labour force participation to remain very low in the Southern European countries and Turkey compared to other OECD countries. For example, in 2009 the labour force participation for women was 77.8 percent in Sweden, 75.7 percent in Canada, and 71.3 percent in Germany, whereas it was only 57.2 percent in Greece, 51.6 percent in Italy, and 29.1 percent in Turkey (OECD 2011a).

Increasing education levels, employment rates, and societal expectations for women to preserve their traditional caring roles as homemakers, converge and create a double burden for women (Hochschild and Machung 2003). It is in this regard that the adult generations, especially those of women, become what is referred to as a “sandwich generation” – a generation captured by responsibilities for their children and their parents. The impacts of work-family conflict on fertility could have been partially mitigated with the help of institutional arrangements, such as paternal leaves, childcare benefits, and tax benefits as in many Scandinavian countries (Gauthier 1996). Also, institutional arrangements that help women to balance work and family are inadequate in Turkey as well as in the Southern European countries and Japan (Boling 2008; McDonald 2006). The low total fertility rate in these countries is one of the outcomes of limited public support for families. The fertility rates in Turkey, for example, declined significantly in the 1980s and 1990s. While the total fertility rate was 5.00 in 1970, it declined to below replacement level with 2.06 in 2009 (TURKSTAT 2011).

Even though the labour force participation of women is relatively lower in Turkey when compared to other OECD countries, labour force participation has increased significantly among educated young women in urban areas (Aysan 2008). According to TURKSTAT (2011), the number of employed women who have a university degree increased about four times between 1990 and 2010. The increase in the labour force participation rates for women in urban Turkey also evidences this trend. As Table 4.2

shows, while the labour force participation rate for women had increased in all age groups, it fell for men in all age groups between 1990 and 2010. The increase in the labour force participation rates for women was especially significant in younger age groups (20-24 and 25-29). In these age groups, women have about half of men's labour force participation, while in other age groups the labour force participation gap is 4 or 5 times greater.

Table 4.2.

Urban Labour Force Participation by Age and Gender, Turkey, 1990-2010

	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Total
Men											
1990	84.7	97.4	98.4	98.3	95.6	87.7	66.9	49.8	32.9	16.2	79.7
1995	76.1	95.9	98.1	98.3	94.7	83.1	69.3	50.7	34.6	17.0	77.8
2000	66.0	91.5	95.9	96.1	92.9	79.1	58.8	43.0	27.9	14.0	73.7
2005	71.9	94.1	96.2	96.2	93.8	79.5	58.4	41.5	24.8	11.9	70.6
2010	70.1	93.1	96.5	96.4	94.4	83.5	60.6	41.1	27.6	10.7	70.8
Women											
1990	25.3	20.7	21.8	22.4	18.5	10.7	6.5	4.3	3.0	0.9	34.2
1995	24.4	22.3	21.3	20.5	17.8	12.1	7.5	5.0	3.2	2.5	30.9
2000	25.6	24.9	21.9	20.6	17.6	11.1	8.0	4.5	2.5	1.4	26.6
2005	29.5	29.5	24.3	24.8	20.2	14.9	9.4	6.0	3.5	1.7	23.3
2010	35.1	36.9	33.1	33.3	30.4	20.0	12.9	7.8	4.0	1.5	27.6

Note: Total Labour force participation is for the whole population including rural population.

Source: TURKSTAT 2011, http://tuik.gov.tr.

Table 4.3 shows the percentage of women in various sectors and total employment between 1990 and 2010. In 1990, 75 percent of women worked in agriculture, 14.7 in the service sector, and 9.8 in industry. In 2010, although the number of employed women was still the highest in agriculture, the number of employed women in the service and industry sectors tripled and doubled, respectively, within two decades. While the percentage of employed women in agriculture fell to 42.4 percent, the percentages increased to 15.9 in industry, and 41.7 in services. However, in spite of significant increases in the service and industry sectors during the period 1990-2010, the total number of employed women increased only about half a million due to a decline in the agricultural employment of women.[3]

Table 4.3.

Distribution of Women by Various Economic Sectors, Turkey, 1990-2010 [i]

	Agriculture		**Industry [ii]**		**Services [iii]**		**Total**	
	Total Number	**%**	**Total Number**	**%**	**Total Number**	**%**	**Total Number**	**%**
1990	4,428	75.0	576	9.8	868	14.7	5,902	100.0
1995	4,255	71.2	572	9.6	1,148	19.2	5,976	100.0
2000	3,508	60.5	763	13.2	1,529	26.4	5,800	100.0
2005	2,367	46.3	850	16.6	1,892	37.0	5,108	100.0
2010	2,724	42.4	1,022	15.9	2,680	41.7	6,425	100.0

Notes: i) Thousand person, age 15 and over.

ii) Industry as the sum of manufacturing, mining, quarrying, electricity, gas, and water, construction sectors.

iii) Service as the sum of finance, business, retail, real estate, social services, transportation, and restaurant.

Source: TURKSTAT 2011, http://tuik.gov.tr.

Significant increases in young women's labour force participation in urban areas as well as the continuation of traditional gender roles in society pose important threats not only to women but also to families. Due to changes in family formation and the increase in

[3] The fact is that lack of job opportunities in service or industry sectors for unskilled agricultural workers who migrated to urban areas led to a decrease in labour force participation rates recently (see Table 4.2). This is also valid for women. Women, working as a family worker in agriculture and doing domestic work at home, are considered as employed according to TURKSTAT. When they migrate to urban areas, they become homemakers due to the lack of work opportunities outside of the home for these unskilled women. Traditional values that consider women's work outside of the home inappropriate also affect women's labour force participation. However, increase in the number of educated women has positively affected women's labour force participation since the 1980s.

labour force participation among young women who are responsible for caring in the family, families are losing their main role in the distribution of welfare. The importance of the family in social welfare and challenges to its traditional roles are key matters in the transformation of the Turkish welfare regime.

4.2.2. Local Actors and NGOs

In addition to the family, another important player in the Turkish welfare regime is local actors. These institutions can be shaped by a particular religious or political group as well as by people who migrated from the same rural regions. The influence of religion and religious values is especially significant in the formation of social welfare in Turkey as well as in the Middle East (Jawad and Cakar 2010). Therefore, the Turkish welfare regime cannot be understood without analyzing Islamic tradition. For Muslim dominated countries and the Ottoman State (the predecessor of today's Turkey), Islam was the main determinant of the charitable activities in society and social policies of the state. *Zakat* (obligatory alms) and *sadaka* (alms) have noteworthy roles to reduce inequality and to provide the basic needs of the poor. *Zakat*, one of the five pillars of Islam, is the giving of 2.5 percent of one's surplus wealth every year to the poor and needy. In Islamic history, apart from *zakat* and *sadaka*, various forms of assistance for the poor and the needy were carried through charitable foundations. Since these assistances—*zakat* and *sadaka*—are generally not documented officially, it is difficult to estimate the amount of assistance given to people in need. However, the religious orientation of the population encourages high charitable contributions.

Traditional foundations, *Vakıfs*, are major institutions shaped by Islamic jurisprudence to manage basic social risks within a community and to improve the living standards of people. *Vakıf,* as a religious institution, has a long history which goes back to the 11th century in Turkey (Directorate General of Foundations 2011). It is an institution which devotes its profits to charitable activities for good deeds. Compared to European and American counterparts, these institutions are slightly different due to the organization and functions of *vakıf*s. In many regions of Turkey and territories ruled by the Ottoman State, where the state could not meet the basic needs of people, *vakıf*s undertook social responsibilities. Their services extend into the areas of education, health, shelter, infrastructure, and religion. Even though many Ottoman *vakıf*s have disappeared, there are still many *vakıf*s heavily influenced by religious and traditional values which have continued to provide social services not only for Turkish citizens but also for other needy people outside of the country.

Especially since the 1980s, the state encourages NGOs and private companies to participate in social welfare projects. The Law number 5253 on associations which passed in 2004 improved the legal status of NGOs. This law allowed NGOs to constitute their own social welfare projects with limited government controls. The state has also tried to encourage private firms and companies to finance social projects. The Marmara Earthquake in 1999 prompted in the development of NGOs, and especially non-profit organizations. Inadequate state involvement in relieving the problems of people affected by the earthquake, and significant success of non-profit organizations in the earthquake region, helped these organizations to become popular and trustworthy in Turkish society.

In 2011, around 10 percent of the population was a member of an association and there were about 87,700 associations and 46,000 *vakıf*s in Turkey (Department of Associations 2011). There are two major associations—charity associations and hometown associations—in welfare distribution. Charity associations, which compose about 20 percent of all associations, are established to solve various social problems such as poverty, hunger, shelter, and education. Hometown associations, which compose about 18 percent of all associations, are established to create solidarity for fellow countrymen in the cities (Department of Associations 2011). Contrary to charity associations, they are established to achieve group solidarity and they can operate a political lobby in the cities. The high rate of charity associations and hometown associations, when compared with all other associations, indicates how these associations occupy an important role in welfare distribution.

Among these organizations, faith-based charity organizations have significant success in dealing with social needs (Bugra 2007; Gal 2010). For example, *Deniz Feneri* (the Lighthouse), *Kimse Yok mu?* (Is anybody there?), and *IHH* (the Foundation for Human Rights and Freedoms and Humanitarian Relief) are some of the biggest faith-based charity organizations which have social services and aid programs ranging from Haiti to Africa. For example, the Lighthouse association spent about US$ 45 million cash and in kind for social welfare activities in 2010 (Lighthouse 2011). Since 1989, tax deduction incentives for both public benefit associations and foundations have encouraged people to donate to these non-profit organizations. In 2011, there were 474 public charitable associations and 222 foundations registered as public benefit association, and donors can apply for tax exemption up to 5 percent of their annual income, if they donate specially to these organizations (TUSEV 2011).

4.2.3. The Market

The third actor in welfare distribution is the market. Due to the minimal and residual role of the state, in some welfare regimes such as US and UK, the market plays a significant role in the management of the social risks. In Turkey, however, due to the strong statist economic policies, the market did not have a significant role in any aspect of social life, especially in welfare distribution, until the 1980s. With the implementation of export-oriented industrialization and neo-liberal policies, the private sector started to flourish after the 1980s (Boratav 2005). Parallel to neo-liberal trends in the world, the new economic policies led to privatization of state-owned enterprises, subcontracting, and flexibilization of labour markets. There were two main consequences with regard to welfare distribution. First, the state gradually withdrew from its important welfare role—as an employer and provider—through privatization of state-owned enterprises. Second, neo-liberalism led private entrepreneurs to invest in various sectors which have traditionally been provided by the state, such as health care and education. These trends brought new challenges to workers who work in relatively secure and well-paid jobs in the public as well as private sector. The result was evident, while the export increased about 5.5 times from $1.7 million to $11 million, average real wages declined approximately 34 percent over the period 1977-1987 (TURKSTAT 2011).

During the 1990s and 2000s, the market started to play a more active role in welfare distribution in Turkey. For instance, while the number of primary and secondary school students in public schools increased about 16 percent from 11.4 million to 13.3 million, the number of students in private schools increased 370 percent from 106 thousand to 396 thousand over the period 1992-2010. Various reforms during the 2000s increased the number of social services provided by the market. For example, the heath care reform, Law no. 5502 on Universal Health Insurance was enacted in 2006. This law, which accompanies Law no. 5510 on Social Security and Universal Health Insurance, aimed to unify health services of different occupation-based social security institutions (ES, SSK, and Bağ-Kur). The new law not only brings uniformity to health care services, but also presents different choices to the patients. Those who have social security coverage from any of three social security institutions can choose to receive heath care services from private hospitals. Patients need to pay extra charges beyond the average prices of health service limits set by the Social Security Institution. The reform had a significant effect on the expansion of private hospitals in health care. Between 2002 and 2008, while the number of public hospitals increased about 10 percent from 824 to 904, the number of private hospitals increased about 48 percent from 270 to 400 (Ministry of Health 2010). Also, the number of private hospital visits significantly increase in the same period. While the number of hospital visits increased about two times in average, the number of hospital visits increased 7 times for private hospitals (Ministry of Health 2010).

Another reform of social services enacted in 2005 increased the number of private social service providers in various areas, such as rehabilitation, disability, elderly care. Parallel to health care services, costs of the private social services are covered by the state for those who cannot afford to pay costs of the services. The number of people who choose private social services providers is expected to increase about 65 percent from 19,600 to 32,240 over the period 2009-2014.

However, it is difficult to agree with Yakut-Cakar (2007) who claims the privatization of health care services deepened social inequalities. For example, after the reform, these benefits of the Green Card system, which provides free health care services for the poor, were equalized with the benefits of other social security systems. Also, for the first time, free health services have been provided to children under the age of 18 regardless of the social security coverage of their parents. In this regard, as discussed in the next section, rather than simply liberalizing social services, the state aims to collaborate with other welfare actors to provide efficient and high quality social services to mitigate the rising cost of an ageing population.

4.2.4. The State

4.2.4.1. The Turkish State: Moderate role

The Turkish state has a paternalistic character inherited from the Ottoman state. The concept of the state as the "father" of the nation retains more than a symbolic value for Turkish people (Bugra 2004; Aybars and Tsarouhas 2010). However, compared to oil-rich countries in the Middle East, the Turkish state lacks natural and financial resources to distribute. Hence, the state has a moderate role in welfare distribution. This paternalistic mentality, based on the idea that state involvement in social welfare is a gift rather than a citizenship right, has been inherited from the Ottoman State (Bugra 2004). The Ottoman State had a regulatory role in the formation of welfare distribution rather than as a direct actor. As highlighted, local actors, especially *vakıf*s, played an active role in meeting various needs.

Similar to Turkey, the role of the state in welfare distribution is considered as "residual" in the Southern European and Middle Eastern countries. Social policies have nation-building and developmentalist objectives in Turkey, rather than being built on the idea of social citizenship rights and a welfare state (Boratav and Ozugurlu 2006; Aybars and Tsarouhas 2010: 749). While the state is motivated by a traditional paternalistic approach, the state is generally not seen as a key player in the distribution of welfare in the Southern European countries (Ferrera 1996) in Turkey (Bugra 2004).

The statist (or etatist) approach, championing the role of the state in economic growth, was the main ideology of the Turkish Republic until the 1950s. The Turkish state continued to be the biggest employer in various economic sectors ranging from finance to mining until the 1980s (Boratav 2005). The state always had surplus workers in its factories and it purchased products from farmers to support the national economy and the labour market. In fact, significant state involvement in economic questions was a way of "indirect" welfare distribution which was exploited by political parties.

Contrary to some European countries, social security services, such as health care, pension allowances, and family allowances were institutionalized later in Turkey. However, the corporatist character of the Continental European regime is shared by Turkey as well as the Southern European welfare regime. As will be discussed in the next section (section 4.3), the Turkish welfare regime is highly dependent on the membership of occupationally defined groups— namely, civil servants, workers and self employed people. It is inegalitarian in nature, especially with regards to its exclusion of some groups from the formal labour market (see Table 4.6 for the number of insured people).

Until the 1950s, social policies in Turkey were mostly concerned with protecting civil servants' pension and health service entitlements. As will be mentioned below, due to the corporatist characteristic of the Turkish welfare regime, pension and health care services had been organized according to employees' occupations until the 2006 social security reform. In this regard, similar to the Southern European welfare regime, the existence of universal health provision alongside a flourishing private health market, posed a seminal characteristic of the Turkish welfare regime.

In spite of welfare reforms and economic developments, over 80 percent of people in Turkey, Italy, and Portugal think that benefits and economic gains were not distributed fairly (OECD 2008a: 15). This problem may be closely related to cultural and institutional reasons, such as the significant role of families in welfare distribution, high levels of tolerance to poverty and inequality, and particularly less state accountability (Bugra and Adar 2008; Ferreira 2008). Also, according to Ferrera (1996) and Gal (2010) ineffectiveness and fragmentation in the social security system result in significant economic and social gaps among different groups of society in these countries. In the Turkish case, the main social welfare roles of the state are considered to be education and to some extent health care.

4.2.4.2. Patronage and Populism: A Way of Welfare Distribution

As indicated, the state plays a relatively limited role in terms of its ability to distribute welfare. There are, however, other ways which are considerably more crude and informal to distribute welfare in the society. This section asserts that although they are losing their importance in the welfare distribution, there are two main paths—patronage and populism—in the Turkish welfare regime.

The terms patronage and clientalism are commonly used interchangeably.[4] The term patronage refers to the use of state resources to reward particular groups such as partisans to get their electoral support (Piattoni 2001: 5). This patronage is closely related to clientalism, which is the distribution of resources in the public administration by political leaders (patrons) to their supporters (clients). In extreme circumstances, the term patronage refers to a type of corruption in which a political party in power illegally rewards its partisans for their political support. In this regard, patronage or clientelism is one of the conventional forms in which interests are represented and promoted— this constitutes a practical solution to the problem of democratic representation (Piattoni 2001:18). Indeed, due to social and economic empowerment within various groups, clientalistic relationships in peasant societies and among recent migrants to the cities are common (Roniger 2004).

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[4] According to Piattoni (2001), patronage has two meanings. First, it serves to point out the distribution of administrative positions to partisans to keep the "organic" structure between politicians and their electors. For example, in the British political tradition, the Prime Minister is allowed to appoint the ministers of the government who support the political party of the Prime Minister. Second, patronage is used to show the use of political power to distribute jobs, goods, and resources to partisans to strengthen position of the politician.

According to Ferrera (1996) and Gal (2010), patronage and clientelism in the Southern European countries are linked to historical commonalities—particularly those that are related to the process of political mobilisation and the establishment of state institutions in these countries. It seems in countries like Turkey, which experienced a rapid urbanization process and high rural-urban domestic migration, patronage is considered to be a general welfare distribution mechanism in return for political support in the elections. Clientalistic relations are strengthened by ongoing political tensions among political parties and ideologies as well as weak political institutions. For example, in the congress of his political party, a previous Minister of Interior could declare that he and his predecessor from the same party had collectively employed 3,000 judges who were affiliated with their party during their administrative terms. He also questioned: "Should I have appointed the members of rival political parties to these positions instead of my own party?" (Aksiyon 1995).

Populism is the second informal welfare distribution mechanism applied by local and national administrations. Unlike patronage or clientelism, populism benefits the masses in the hopes of gaining the majority of voters. Therefore, contrary to the arguments of Aybars and Tsarouhas (2010), populism is different from patronage in the way it is practiced and in terms of the population it targets. For example, as pointed out in the next section, decreasing the official retirement age before an election is a type of populism which negatively impacts the long run sustainability of the pension system and public budget. Therefore, despite financial damages in the long term, politicians apply populist policies to gain a majority of electors' votes for upcoming elections.

Another method of populist welfare distribution is accomplished by condoning the illegal construction of homes (squatter settlements or *gecekondu* in Turkish) on public land in the periphery of cities. The formation of squatter settlements denotes a process whereby lower income migrants from rural areas find informal solutions to their basic shelter needs within urban regulations (Saracgil 1999). Starting from the 1940s, squatter settlements began to emerge in big cities due to rapid internal migration and a lack of urban planning. According to Isik and Pinarcioglu (2001), in addition to local network relationships (relatives and people from the same hometown), local resettlement policies (or lack of resettlement policies for newcomers) helped new migrants to emancipate from poverty through squatter settlements in the periphery of cities. Local administrators had neither the power nor the intention to stop the illegal construction of squatter settlements (Saracgil 1999). Being potential electors, by the 2000s local administrators permitted new migrants to construct new squatter settlements by providing amnesty to squatters and as well as basic infrastructure services. Therefore, patronage and populism, which emerged in various forms, constitute two informal welfare distribution strategies used by the state in the Turkey.

To sum up, the family is the main actor in the Turkish welfare regime, whereas gender is the key factor that determines roles of family members in welfare distribution. While men are responsible for meeting the economic needs of the household, women are responsible for unpaid domestic labour. However, traditional Turkish families have been challenged by socio-economic and cultural dynamics. These challenges not only influence traditional families but also the welfare regime in general and the welfare of the old in particular. In addition to families, local actors are important players in welfare distribution. Hometown relations, NGOs, and *vakıfs* are some of the local actors that formally and informally distribute the welfare among social groups. Despite its increasing role through neo-liberal reforms, the market has a relatively minor role in welfare distribution. Compared to the Social Democratic countries, the Turkish state has a relatively moderate role in welfare distribution. Populism and patronage are two noteworthy strategies that governments use to distribute welfare.

4.3. The Welfare of the Old and Pension Policies in Turkey

Compared to other age groups, the state plays a more active role in the welfare of the old. Pension benefits are the central tool that helps the state to distribute welfare. Hence, this section will examine the welfare of the old particularly in light of the state and pension policies.

Incomes of the elderly (aged 65 and over) are generally lower than those of the total population in OECD countries. According to OECD (2011b) estimations, on average people aged 65 and over had incomes that were about 83 percent of the whole population in the mid-2000s. Between the mid-1980s and the mid-2000s while incomes of elderly increased faster than those of the whole population in many OECD countries, incomes of the elderly dropped about 13 percent in Turkey (OECD 2011b). With this decline in older people's incomes between the mid-1980s and the mid-2000s in Turkey, the old-age poverty rate[5] was slightly higher at 15.1 percent compared to the OECD

[5] Poverty rates are defined by the OECD as the share of individuals with equivalised disposable income less than 40, 50 and 60 percent of the median for the entire population.

average of 13.5 percent in the mid-2000s (OECD 2011d). However, the poverty gap between Turkey and the OECD average is higher for the total population. In the same period, the poverty rate, on average, was 10.6 percent for the whole population in OECD, while it was 17.5 percent in Turkey. The poverty ratio of the elderly to the whole population was 1.27 in OECD, it was 0.86 in Turkey.

4.3.1. The Welfare of the Old: The Family

Parallel to its significant role in the management of different social risks over the lifecourse, the family is an important actor in handling social risks of seniors. As indicated before, child and senior care are among the main functions of families. In their cross-national research, Guerrero and Naldini (1996) show that despite the rapid family transformation, the Southern European societies have a high degree of cross-generational cohabitation compared to Scandinavian and Continental European countries. Comparative OECD data on family structure in the 2000s supports Guerrero and Naldini’s findings. According to the OECD (2011c), it is a common phenomenon to see different generations—children, parents, and grandparents—living in the same household in Turkey, as well as other Southern European countries. For the age group 20-34, 60 percent of children live with their parents in Turkey, 52 percent in Spain, and 51 percent in Italy, but is only 25 percent in the UK, 24 percent in Germany, and 8 percent in Denmark (OECD 2011c). Also, in Turkey, extended families that consist of children, parents, and grandparents are very common, particularly in rural areas where earning and caring are shared by younger and older generations. According to TURKSTAT (2006a), while 10 percent of households were extended families in urban areas, it was 18 percent in rural areas in 2006. OECD (2011b) data show the importance of family support and sharing the same household in the welfare of the Turkish elderly. In Turkey, households headed by a single person aged 65 and over have incomes of only about 48 percent of those households headed by someone of the same age group but composed of two or more adults (OECD 2011b: 147).

Even if children and parents live in separate households, children care for their senior parents in hard times. In particular, when parents become disabled or get very old, they start living with children. TURKSTAT (2006a) data on life choices of individuals about old-age support this phenomenon. In 2006, while 50 percent of respondents who live in urban areas said that they are planning to live with their children when they get old, 65 percent of respondents who live in rural areas gave the same response (TURKSTAT 2006a).

In addition to caring and social support among different generations, there are also financial transfers between older and younger generations. Hence, there is a reciprocal relationship within families in terms of social (caring) and financial (money) transfers. Albertini *et al.* (2007) have shown that there is a downward social and financial transfer flow from older parents to younger adults in all welfare regimes. However, using mostly European data on health and ageing, Daatland and Lowenstein (2005) and Albertini *et al.* (2007) found that social and financial transfers from older parents to younger adults are more intense in the Southern European countries than in the Social Democratic and the Continental European countries. This downward flow is also the case for the Turkish welfare regime in which older parents are involved in child care and support their children's household income with their pension incomes or other resources. For instance, after mothers, grandmothers are responsible for childcare of the 0-5 year age group in the household. In 2006, 3.3 percent of children aged 0-5 were cared by their grandmothers, while only 0.5 percent of them were cared by their fathers (TURKSTAT 2006a). Therefore, contrary to the general assumption which considers the elderly as a burden on society, downward social and financial transfers in families show that the elderly have a noteworthy role in the distribution of welfare across generations. Pensions and other incomes are used to contribute to the welfare of the younger adults in the family. Hence, in light of Daatland and Lowenstein (2005) and Albertini *et al.* (2007) findings, it can be observed that public pensions for the old are shared by younger generations as well.

4.3.2. The welfare of the Old: Local Actors and NGOs

Local actors and NGOs play a relatively a minor role compared to the family in the welfare of the old. Their role is mostly achieved through cash and in kind transfers to the needy elderly. Unfortunately, data limitations on the age structure of aid recipients make it difficult to document the age groups that mostly benefit from aid. There is also a lack of data on which specific groups are targeted by NGOs.

In addition to aid, there are also other social services provided by local actors, such as elderly homes—accommodation facilities intended for the elderly. Elderly homes are mostly managed by the state agency, the General Directorate of Social Services and Child Protection Agency (SHÇEK), or *Sosyal Hizmetler ve Çocuk Esirgeme Kurumu*, in Turkish. In 2011, out of 23,213 elderly living in elderly homes, 61 percent of them were staying in public elderly homes, while 25 percent and 14 percent of them were staying in elderly homes managed by private entrepreneurs and NGOs (SHÇEK 2011). There were only about 3,400 people living in elderly homes managed by NGOs. Despite the minor roles of NGOs in elderly care, in order to increase the quantity and quality of social services the General Directorate of Social Services plans to collaborate more with the private sector and NGOs (SHÇEK 2009).

4.3.3. The Welfare of the Old: The Market

In the 1980s and 1990s, in line with a neo-liberal paradigm, the pension system evolved toward a market-oriented structure (Elveren 2008b: 214). One of the important developments was the introduction of the voluntary pension systems as a third tier in addition to occupational PAYG systems. The law no. 4632 on Individual Pension System (henceforth IPS) came into force and a third tier of the Turkish pension system was constituted in 2001. After some regulatory changes that strengthen the base of IPS, it commenced in 2003 with the participation of six private pension companies. The aims of the IPS were to provide additional retirement income to middle and high income earners, to increase national savings by directing participants' savings into long-term financial investments, and to make the financial markets stronger (Elveren 2008b; PMC 2010). Contributors in the IPS can retire at age 56 after ten years of contribution and they may choose to get back their investments in the form of an annuity or to obtain a lump-sum payment on retirement (Elveren 2008a: 44).

Contrary to the World Bank and the IMF, which support private schemes, Orszag and Stiglitz (2001) assert that private pension schemes are not always the right direction for social welfare. Even though defined contribution private pension schemes are important income resources for many retirees, there are significant critiques to these plans due to low returns and high operation costs. According to Elveren (2008b), voluntary pension schemes would disadvantage women and lower income classes in countries like Turkey, with its unstable labour market based on a gendered division of labour and high wage fluctuations among occupational groups.

Despite critiques of the private pension systems, the number of participants in the IPS increased in the period between 2003 and 2011. As Table 4.4 indicates, in December 2003, when the IPS was established, there were only about 15,000 participants in this voluntary pension system, while it increased to about 2.4 million participants in April 2011. The total accumulated contributions also increased over the period from 5.9 million in 2003 to about 10.3 billion in April 2011. According to Pension Monitoring Center (PMC 2010), while total funds accumulated in the private pension system are only 1 percent of GDP in 2009, it is expected that the total funds accumulated will reach 10 percent of GDP by 2023 (PMC 2010). Clearly, tax deduction incentives offered by the government play a significant role in the enhancement of individual pensions systems (PMC 2010).

Table 4.4.

Development of Private Pension Schemes, Turkey, 2003-2011

	Number of Participants (thousand)	**Total Accumulated Contributions (million TL)**
2003	15	5.9
2004	314	288.3
2005	673	1,117.2
2006	1,074	2,592.5
2007	1,458	3,917.1
2008	1,745	5,467.7
2009	1,988	7,102.0
2010	2,281	9,515.2
2011	2,406	10,302.8

Source: PMC 2011, http://egm.org.tr/weblink/BESgostergeler.htm.

4.3.4. The Welfare of the Old: The State

Besides co-residency and financial transfers, health care is another significant factor that influences the well-being of the elderly. Contrary to the Social Democratic welfare regime, there is no universal health care system in Turkey. Basic health care is provided by the state for those who pay social security premiums. Spouses and dependent children of the insurant also enjoy health care benefits through three different social security institutions (these institutions—ES, SSK and the Bağ-Kur—will be examined in 4.3.4). In addition, the poor and children under 18 years are entitled to benefit from the same health care services without paying social security premiums. When dependants and the poor are included, the health care system covers almost the whole population. As Table 4.5 shows, only 4 percent of the population was covered by health care services in 1950, while coverage increased to 95 percent in 2010. People who are not covered by the health care system are generally young people who have completed their education but have not started working or people working informally.

Table 4.5.

Percentage of the Insured People in the Whole Population, Turkey, 1950-2010

	Active Insured [i]	Pensioners [ii]	Insured Dependant [iii]	Total Insured Population [iv]	Insured Population Covered by Health Services[v]
1950	1.0	0.04	2.96	4.0	4.0
1960	1.3	0.2	4.3	5.8	5.8
1970	6.1	0.9	18.8	25.8	25.8
1980	10.5	2.8	33.2	46.5	36.3
1990	14.3	5.2	46.8	66.3	60.6
2000	17.5	8.8	55.9	82.2	80.9
2010	22.0	12.9	48.1	83.0	95.0

Sources: SSI 2011, http://sgk.gov.tr; SPO 2011, http://dpt.gov.tr.

Notes: i) Active insured covers only active workers who pay social security premium and voluntary active insured who do not work but pay social security premium.

ii) Pensioners include retired, invalid, widow, widower, and orphan.

iii) Dependants include spouses or children of insured person.

iv) Total insured population includes active insured, pensioners, and their dependants.

v) The poor and children under 18 years old are covered by general health care system without paying social security premium.

As Table 4.5 indicates, in 1950, the percentage of active insured people, who contribute to the social security system, in the whole population was 1 percent. If their dependants and pensioners are included, only 4 percent of population was covered by a social security institution in 1950. Institutionalization of social security services gave rise to an increase in the number of insured population over the period in Turkey. By 2010, the percentage of insured people (active insured, dependants, and pensioners) increased to 83 percent of the whole population, while pensioners increased to 12.9 percent of the whole population. Contrary to the dramatic increase in the percentage of pensioners, total active insured, who contribute to the system, did not considerably increase within 60 years. The percentage of the active insured people consisting of active workers and voluntarily active insured who do not work but pay social security premium was only 22 percent in 2010.

Pensions are the main resource which provides permanent earnings in old-age. Pension income is provided by the state for those who paid old-age pension premiums. Since these pensions are based on defined benefit pension system and protected from economic fluctuation, retirees enjoy relatively higher incomes compared to younger workers in Turkey. The net pension replacement rate in 2009 for an average income earner in Turkey was one of the highest in OECD region at 124.7, compared to the OECD average of 70.3 (OECD 2009: 121).[6]

According to the OECD (2011d), public transfers are important income resources for the elderly in many countries. As an average for the OECD countries, public transfers account for 60 percent of average total income of the elderly, while work and capital gains account for 21 percent and 19 percent of average total income in the mid-2000s. However, in Turkey, in addition to pension and other public transfers which account for 46 percent of the total income, work is another significant resource adding up to 41 percent of the total income, with capital gains and investments accounting for 13 percent (OECD 2011d).

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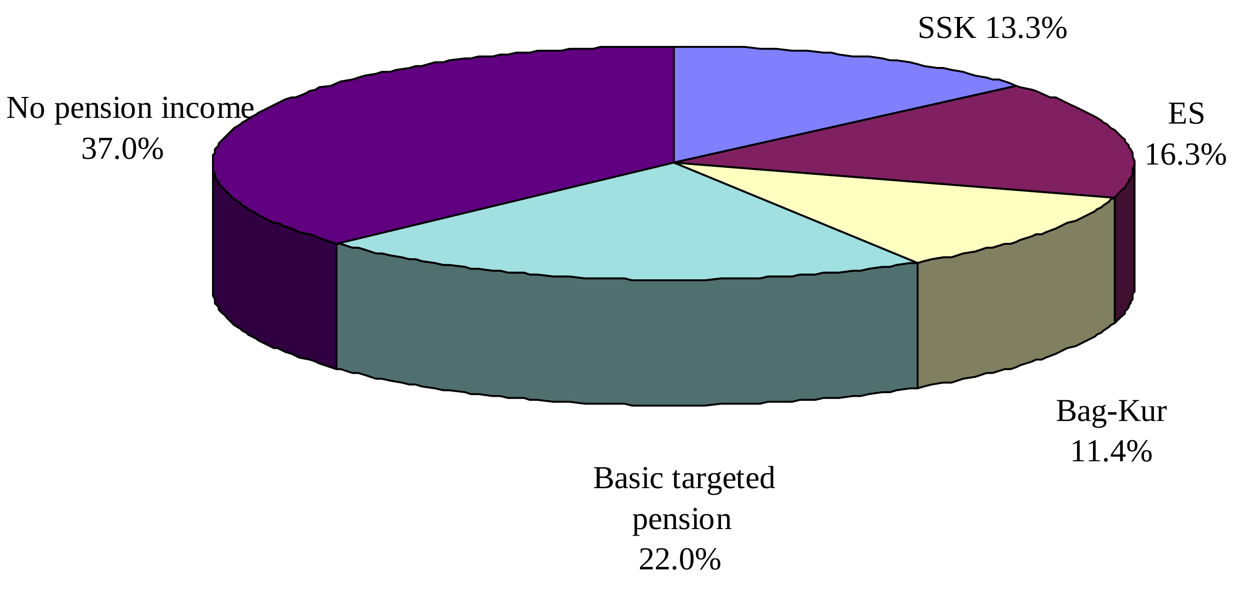
[6] The net replacement rate is the individual net pension entitlement divided by net pre-retirement earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners. The gap between gross and net replacement rates varies substantially across countries (OECD 2011d).

Figure 4.1 shows the distribution of resources of pension income for the elderly in 2005. About 41 percent received a pension from one of the three social security institutions in 2005. Approximately 22 percent received a means-tested basic targeted pension, and the remaining 37 percent received no pension income. Many of those receiving neither pension nor means-tested income are probably wives of pensioners, who qualify for a survivor benefit in the event of the primary pensioner's death. For example, about 50 percent of the ES and 33 percent of the SSK and the Bağ-Kur pensioners aged 65 and older are survivors or orphans who have no other registered income (Brook and Whitehouse 2006: 19).

Figure 4.1.

Sources of income for people aged 65+ in Turkey, in 2005



Source: OECD 2006, Figure 4.6, pp. 147.

As highlighted, pension is the most important income resources for most of the elderly in Turkey. In the next part, after a brief history of pension policies, general characteristics of the pension systems, pension reforms and, main problems of the system will be examined.

4.3.4.1. Pension Regime in Turkey

Even though there was no modern pension system in Turkey until the late 1940s, there were some arrangements for civil servants during the 19th century. The first social security arrangements for civil servants can be traced back to 1866 when pension funds for soldiers were established. In the late 19th century, various pension funds were established for other groups such as soldiers, civil servants, and mining workers (Ozbek 2006). In 1906, in order to create a unified pension system, different pension funds were merged under the name of Fund of Military and Civilian Authorities. Despite this reform attempt, the system did not cover most of the workers, including civil servants, and it was still fragmentary.

After World War II, certain international standards in social security were formulated by various international organizations. The most significant international agreements approved by Turkish Governments are: the Universal Declaration of Human Rights in 1948, International Labour Organization (ILO) Convention no. 102 on Social Security accepted in 1952, and the European Social Security Code in 1976 (Elveren 2008b: 215; SETA 2010: 4). These conventions brought important improvements to employees' working conditions and social security. These international agreements overlapped with the import-substituting industrialization economic policies based on high wages for workers and high profits for businessmen. During the 1950s and 1960s, these policies assisted modern social security regulations to come into practice in Turkey.

The Ministry of Labour as well as three main social security institutions in Turkey were formed within the framework of these international agreements. First, in 1946, the Social Insurance Institution or *Sosyal Sigortalar Kurumu* in Turkish (henceforth SSK) was established in order to protect blue-collar workers employed in the public sector as well as all workers in the private sector against a broad range of social risks such as work injury, sickness, and old-age. Second, in 1949, fragmentary structure of pension system became deeper when a separate social security system, the Retirement Fund or *Emekli Sandığı* in Turkish (henceforth ES) was established for only white-collar employees working in state institutions. The ES provided its contributors with various benefits in addition to retirement pension such as job disability pension, disability pension, survivor's pension, and lump-sum payments. Lastly, the Social Security Institution of Craftsmen Tradesmen and Other Self-Employed People or *Esnaf ve Sanatkarlar ve Diğer Bağımsız Çalışanlar Sosyal Sigortalar Kurumu* in Turkish (henceforth Bağ-Kur) was established in 1971 to cover craftsmen, merchants, agricultural workers, and the remaining self-employed people. This institution provides relatively fewer social benefits and old-age entitlements compared to the ES and SSK. Social security coverage provided by the Bağ-Kur was broadened for citizens working abroad in 1978 and for housewives in 1979. Contrary to the SSK and ES, Bağ-Kur provided relatively low levels of benefits, such as disability insurance, old-age insurance, and health insurance. A fragmentary structure in social security also exists in the Continental and Southern European welfare regimes. Table 4.6 presents changes in the number of insured people (active insured, dependants, and pensioners) in three occupational social security institutions. While 36.3 percent of the insured population was covered by the ES and 63.7 percent of the insured population was covered by the SSK in 1970, the percentages of the insured population were 14 for the ES, 62 for the SSK, and 24 for the Bağ-Kur in 2005. Even though the member of all social security institutions had increased from around 9 million to 66.5 million by 2005, the increase was especially significant in the SSK and Bağ-Kur.

Table 4.6.

Insured People in Three Social Security Institutions, Turkey, 1970-2005

	ES		**SSK**		**Bağ-Kur**		**Total**	
	Total (million)	**%**	**Total (million)**	**%**	**Total (million)**	**%**	**Total (million)**	**%**
1970	3.3	36.3	5.8	63.7	0.0	0.0	**9.1**	**100.0**
1975	4.4	27.7	8.2	51.7	3.3	20.5	**15.9**	**100.0**
1980	5.4	26.1	10.7	51.8	4.5	22.0	**20.6**	**100.0**
1985	5.8	21.2	13.6	49.6	8.0	29.2	**27.4**	**100.0**
1990	6.4	17.3	19.5	52.3	11.3	30.4	**37.2**	**100.0**
1995	7.2	15.1	28.5	60.0	11.8	24.9	**47.5**	**100.0**
2000	8.2	14.8	32.2	58.0	15.0	27.1	**55.4**	**100.0**
2005	9.3	14.0	41.2	62.0	16.0	24.0	**66.5**	**100.0**

Note: See list of abbreviations at the beginning of the thesis.

Source: SPO 2011, http://dpt.gov.tr.

In addition to these social security institutions for different occupation groups which represent the inegalitarian corporatist character of the Turkish welfare regime, the Directory of Social Assistance and Solidarity Fund (henceforth the Solidarity Fund) was established in 1986. The Solidarity Fund is a state institution designed as a charitable organization, which provides cash and in kind benefits for needy people based on means-tested benefits but without well defined social rights (Bugra and Keyder 2003: 36).

Due to various system changes based on populist measures, the retirement system for the young Turkish population has faced many problems since the late 1960s. When the Turkish social security system was first established, the pension eligibility age for men and women was 60 and the premium payment requirement based on level of an individual's income was 25 years. In 1969, pension eligibility age was abolished, while in 1976 the premium payment requirement for women was reduced to 20 years. In 1986, pension eligibility age was set at 60 years of age for men and 55 years of age for women (Oral 2008: 137). The last populist retirement law was passed in 1992. The 1992 law replaced the minimum retirement age requirement by a minimum period of attachment to the social security system. This law eliminated the minimum retirement age and set the premium payment requirement at 20 years (7,200 days) for women and 25 years (9,000 days) for men. The 1992 legislation effectively brought down the pension eligibility age to 38 for women and 43 for men for those who started to work at the age of 18 (World Bank 2006: 48). According to OECD (2011d) estimations in 2010, a retired woman at age 41 with a life expectancy of 78 may enjoy an average retirement period of 37 years. Therefore, due to the early retirement options, Turkey has the longest average period of pension eligibility among OECD countries (OECD 2011d: 29).

Numerous changes in pension laws show how populism has played an important role in pension polices. The Turkish pension system was changed nine times over the period 1954-1999 (SETA 2010: 12). Most of these pension laws were passed before the elections in order to get political support. Also, there was another facet of early retirement polices which constituted populist characteristics of the welfare regime. Similar to the previous pension system changes, the 1992 changes in the Labour Act were promoted not only as a gift for current employees who retired at very young ages, but also as an employment opportunity for unemployed youth. Table 4.7 presents unemployment rates for young and old people in Turkey over the period of 1990-2010.

There have been significant increases in unemployment rates for 15-24 and 25-29 age groups for both sexes for twenty years. While men's unemployment rates for 15-24 and 25-29 age groups were 16.6 and 8.4 percent in 1990, they increased to 20 percent and 13.4 percent by 2010. However, men's unemployment rate for 60-64 and 65 and above age groups slightly increased from 3.4 percent and 1.8 percent in 1990 to 5.7 percent and 2.1 percent in 2010. Unemployment rates of women in the age groups 60-64 and 65 and above declined from 3.4 percent to 1.1 percent and 1.8 to 0.1 in the period between 1990 and 2010. Hence, similar to the Continental and Southern European welfare regimes (Esping-Andersen 1999; Myles 2002), early retirement options were used to reduce persistent high unemployment rates when governments are not able to create new employment opportunities for their citizens.

Table 4.7.

Unemployment Rates by Age and Sex, Turkey, 1990-2010

	Men					**Women**				
	15-24	**25-29**	**60-64**	**65+**	**Total**	**15-24**	**25-29**	**60-64**	**65+**	**Total**
1990	16.6	8.4	3.4	1.8	7.8	15.0	8.4	3.4	1.8	8.5
1995	16.9	8.7	2.4	1.5	7.8	13.1	8.7	2.4	1.5	7.3
2000	13.7	7.2	2.7	0.7	6.6	11.9	7.2	2.7	0.7	6.3
2005	19.5	12.4	3.7	1.1	10.4	20.6	12.4	0.9	0.1	11.2
2006	18.3	12.4	3.8	1.0	9.9	20.7	12.4	0.3	0.3	11.1
2007	19.6	11.8	4.1	1.2	10.0	20.8	11.8	0.8	0.0	11.0
2008	20.1	12.6	4.9	1.2	10.7	21.2	12.6	0.8	0.6	11.6
2009	24.4	16.7	5.6	1.8	13.9	25.0	16.7	0.6	0.3	14.3
2010	20.0	13.6	5.7	2.1	11.4	23.0	13.6	1.1	0.1	13.0

Source: TURKSTAT 2011, http://tuik.gov.tr.

Contrary to some countries, which face social security challenges due to demographic factors that negatively affect financial balances and the pension systems, the problem of the Turkish social security stems from totally different factors. According to the World Bank (2006), about 50 percent of men age 55 and over in cities had pensions in 1994.

The social security system began to produce a deficit in 1993, due not to population ageing but as the result of populist policies, irresponsible use of social security funds, and even corruption (TUSIAD 2004; SETA 2010). In order to compensate for the deficits of the social security institutions (combined budget deficit of the pension and public health systems), the state has contributed to the social security system through budgetary transfers since the mid-1990s. Table 4.8 shows the budgetary transfers from the public budget to the SSK, Bağ-Kur, and ES during the period 1998-2010.

In 1998, the total transfer to these institutions was about 1.5 billion TL (\$1=1.6TL) and budgetary transfers constituted 2.1 percent of the GDP (for revenues and expenditures of social security institutions, see Table 4.A.1). The budgetary transfers to these institutions have significantly increased, and total budgetary transfers reached 55 billion TL, representing 5 percent of GDP in 2010. Variations in budgetary transfers among these institutions were remarkable. Compared to other social security institutions, ES, which covers civil servants, received relatively higher budgetary transfers despite having fewer insured people. For example, in 2005, the budgetary transfer to the ES, which served 14 percent of the whole insured population, constituted 1.37 percent of the GDP, whereas it constituted 1.16 percent for the SSK—consisting of 62 percent of the whole insured population—and 1.07 percent for Bağ-Kur—consisting of 24 percent of the whole insured population (see Figure 4.1 and Table 4.8).

Table 4.8.

Budgetary Transfers to Social Security Institutions, Turkey, 1998-2010 [i]

	Budget Transfers (Million TL)					Transfers as Proportion of Total GDP (%)			
	ES	**SSK**	**Bağ-Kur**	**Total**	**Annual Change in Total %**	**ES**	**SSK**	**Bağ-Kur**	**Total**
1998	610	451	435	1,496	102.2	0.87	0.64	0.62	2.13
1999	1,035	1,105	796	2,936	96.3	0.99	1.06	0.76	2.81
2000	1,775	400	1,051	3,226	9.9	1.07	0.24	0.63	1.94
2001	2,675	1,108	1,740	5,523	71	1.11	0.46	0.72	2.30
2002	4,676	2,386	2,622	9,684	75	1.33	0.68	0.75	2.76
2003	6,145	4,809	4,930	15,884	64	1.35	1.06	1.08	3.49
2004	7,800	5,757	5,273	18,830	19	1.40	1.03	0.94	3.37
2005	8,889	7,507	6,926	23,322	24	1.37	1.16	1.07	3.59
2006	10,035	8,527	4,330	22,892	-2	1.32	1.12	0.57	3.02
2007	12,675	14,156	6,229	33,060	44	1.50	1.68	0.74	3.92
2008				35,016	6				3.68
2009				52,600	50.2				5.52
2010				55,244	5.0				5.03

Note: i) Fiscal transfers to compensate both deficit of the pension and public health systems provided by the social security institutions.

Source: SSI 2011, http://sgk.gov.tr.

Some of the reasons for high budgetary transfers to social security institutions are a change in the worker to retiree balance, the informal nature of the labour market, and poor enforcement of pension laws by the state (TUSIAD 2004; Elveren 2008a: 43). In the late 1990s, it was apparent that the Turkish pension system was not sustainable due to a high budget deficit. There had been various pension reforms proposed by the World Bank and the IMF in many OECD countries as well as in Turkey (Aysan and Beaujot 2009). The chapter will now discuss the impact of international organizations in pension policies, the 1999 and 2006 reforms, and their influences on the Turkish welfare regime.

4.3.4.2. International Organizations and Reform Demands

Having examined the corporatist structure of the pension system and the evolution of the pension structure in Turkey since the 1990s, the effects of international organizations will be discussed in this part. Social security reforms, as well as the national policy agenda in Turkey, have been discussed by international organizations especially since the 1990s. Orenstein (2008) highlights the decisive role of the transnational organizations in both pension reforms and the rise of private pensions all over the world.

In *Averting the Old-age Crisis*, the World Bank (1994) advocated that the economic growth of nations and the financial security of the old would be better served if governments developed three pillars of old-age security. According to the World Bank (1994), the first pillar aims to reduce old-age poverty. It covers the redistribution of wealth through a publicly managed pension system with mandatory participation. The second and third pillars cover individual savings. While the second pillar consists of a privately managed mandatory savings system, the third pillar is defined contribution voluntary savings. In fact, the reform proposal of the World Bank stemmed mainly from two main factors. First, the idea that individuals should contribute more to their old-age savings through private pensions. Second, savings could be managed efficiently by means of a private saving system. Through this system, the state not only provides different saving options for individuals but also shares pension responsibility with the market.

The World Bank and the IMF policy recommendations were very important for the stability of the Turkish economy which signed four stand-by agreements with the

IMF during the 1990s and 2000s. TUSIAD, the strongest organization representing business interests, supported the World Bank and the IMF policy recommendations about state administered pension systems and the privatization of PAYG, claiming that private pension systems will increase performance of the financial economy and individual welfare (TUSIAD 2004).

In addition to international financial institutions, the European Union (EU) has had a significant influence on social policies and the labour market in Turkey. In order to join the EU, Turkey has to achieve serious social policy reforms, particularly in the social security system to prevent poverty. For some researchers, the EU process, which encourages rights-based and universalist approaches in social policy, mitigates the influence of the liberal agendas of international financial institutions (Bugra Keyder 2006; Coban 2006). A report on sustainable pensions in Europe by the European Commission (2010) indicates the standpoint of the EU on pension systems. Contrary to the World Bank and the IMF, which emphasize re-commodification of pension systems, the EU emphasizes cost-containment or fiscally sustainable pensions through implementation of structural reforms such as sustainable economic growth, higher official retirement ages, strengthening work incentives, and fiscal consolidation (EC 2010: 11). Moreover, the report warns European governments about the stability of pension systems and mandatory privately funded schemes in the long term (EC 2010: 59). Hence, in addition to the unique characteristics of the Turkish welfare regime, the agreements with the international financial institutions and EU accession criteria led to a conflict between market-oriented liberal inclinations and rights-based universalist approaches in social policies, particularly in pension policies. Within the framework of these international actors and economic factors, two important social security reforms were realized in 1999 and 2006. In the next part, the reasons for the 1999 and 2006 reforms and their influence on the Turkish welfare regime will be discussed.

4.3.4.3. Transformation of the Turkish Welfare Regime and Pension Reforms after 1999

4.3.4.3.1. The Goal of Pension Reforms

Besides the external factors outlined in the previous section, the main internal factors for pension reform in Turkey were the increasing social security deficits since 1993, and the prospect of losing Turkey's demographic opportunity window due to the ageing population by the year 2035 (SSI 2004). For example, as shown in Table 4.8, despite its young population, fiscal transfers from general budget to three social security institutions (SSK, ES, and Bağ-Kur) comprised 5.03 percent of GDP in 2010 (SSI 2011). Moreover, a comparative table on old-age expenditures also shows how old-age expenditures increased in OECD countries over the period between 1990 and 2007 relative to GDP (see Table 4.9). While France had the highest public pension spending with 10.6 percent of GDP in 1990, Italy was the highest at 14.1 percent in 2007. Public pension spending in the Liberal and Social Democratic countries, such as Canada and Norway were low, whereas the Southern and Continental European countries, such as Greece and France, had a public pension spending rate above the OECD average. Although Turkey had the lowest public pension spending with 2.4 percent of GDP in 1990, its old-age expenditures increased to 6.1 percent in 2007. That is, public pension expenditures more than doubled relative to the national income over the period between 1990 and 2007.

Table 4.9.

Public Pension Expenditures in OECD countries, 1990-2007 [i]

	Level (% of GDP)		Change %
	1990	**2007**	**1990-2007**
Canada	4.2	4.2	-1.2
Denmark	5.1	5.6	8.6
France	10.6	12.5	17.5
Germany	9.0	10.7	19.1
Greece	9.9	11.9	20.9
Ireland	3.9	3.6	-7.7
Italy	10.1	14.1	38.9
Netherlands	6.7	4.7	-29.8
New Zealand	7.4	4.3	-41.8
Norway	5.6	4.7	-16.6
Portugal	4.9	10.8	119.8
Spain	7.9	8.0	1.5
Sweden	7.7	7.2	-6.8
Turkey	2.4	6.1	159.2
United Kingdom	4.8	5.4	11.0
United States	6.1	6.0	-1.5
OECD	6.1	7.0	14.5

Note: i) Public pension expenditure is public cash benefits for the old and survivors.

Source: OECD 2011d, pp.155.

In order to establish a more sustainable pension system, the Turkish state aims to keep the fiscal deficit originating from the pension cost at less than 1 percent of GDP in the near future (Verbeken 2007: 5). As mentioned before, such a high social security deficit does not stem from demographic ageing in Turkey, but it stems from populist policies, poor political decisions, and even corruption. Hence, the main problems of the past pension systems are that these systems were organized to cover people with occupation based social security institutions (see Table 4.5 and 4.6) and many people benefited from pension incomes at relatively younger ages without paying adequate pension premiums (Alper 2005: 12).

While Turkey's high number of young retired people poses a threat to the ratios of active compared to passive insurants, informal employment negatively impacts the earnings of social security institutions. Hence, the system faces double jeopardy. While a significant number of young retirees benefit from the system, relatively low labour force participation and informal labour force participation make the pension system unsustainable. The percentage of the labour force with social security coverage was only about 63 percent for men and 42 percent for women in 2010 (see Table 4.10). That is, about 50 percent of the labour force contributes to the social security system. Social security coverage was particularly low at ages 55-64 and 65 and older, for both sexes (see Table 4.10). While the former is 32.6 percent for men and 8.1 percent for women, the latter is 15.6 for men and 3 percent for women in 2010. For the age group 50-59 only about 20 percent of men contributed to a social security institution, while about 55 percent of men aged 50-59 received a pension in 2005 and 25 percent of men participated in the labour force informally (Brook and Whitehouse 2006: 11). Hence, the challenge for the public budget is serious; how should increasing social security costs be managed in a relatively young population? Next section explores pension reforms and their impacts on gender and generational equity.

4.3.4.3.2. Pension Reforms

The law number 4447 legislated in 1999 was the first significant reform which aimed to solve the problems of the social security system. This reform only focused on the Bağ-Kur and SSK, and excluded the ES. This reform implemented a two-pillar pension system: the first pillar was managed by the social security institutions based on the PAYG system and the second pillar was based on private pension schemes (Elveren

2008a: 44). This reform increased the pension contribution period from 5,000 to 7,000 days and shortened the average benefit period by gradually fixing the minimum retirement age at 60 for men and 58 for women over a period of 20 years (OECD 2006).

Even though the 1999 reform brought some improvements to the pension system, it was still inadequate to achieve a sustainable and modern social security system. In 2004, a new proposal for social security reform was initiated by the government. This reform aimed to provide wider coverage for basic health services, to reform the existing social security institutions, and to set up a new overarching institution under a single administrative body (Elveren 2008a).

In 2006, the new social security law was passed in parliament (see Appendix box for the details of the pension reform). The 2006 reform consisted of four key elements (SSI 2004). The first component of the reform is the implementation of a general health insurance system which aims to provide equal health coverage for every citizen through providing basic health services. The second component of the reform is to establish a single pension system which covers different social security institutions (SSK, ES, and Bağ-Kur) where social security rights are equal. The third element is to establish an overarching social assistance system that coordinates all means-tested social assistances equally, and in a manner accessible for all citizens. The last component is to establish a new and uniform institutional structure that provides integrity in the social security services. This law is particularly crucial in transforming the corporatist and inegalitarian feature of the Turkish welfare regime by replacing the separate social security institutions (SSK, ES, and Bağ-Kur) with a new and overarching institution—Social Security

Institution. Through the new system, some of the privileges of civil servants, such as higher incomes and pension entitlements were lowered and a relatively more equal structure was formed.

Similar to the 1999 reform, the 2006 social security law gradually increased the minimum official retirement age from 58 to 65 for women and from 60 to 65 for men. However, the minimum retirement age will be 65 only by 2036, and it will be gradually equalized at 65 for both sexes between 2036 and 2048. In addition to increasing minimum retirement ages, the reform gradually increased the average pension contribution period from 7,000 to 9,000 days for both sexes.

Similar to other Southern European countries, these four components of the reform were mainly implemented to achieve the recalibration of the social security system. Recalibration is the most important target of this reform. Recalibration means the removal of inefficient regulations. For example, forming a new and uniform institution, the Social Security Institution, will improve the ability of the state to accurately monitor revenues and expenses, as well as to provide better services for its citizens (Brook and Whitehouse 2006: 7). Increasing the official retirement age due to increasing life expectancy can also be considered recalibration.

Introducing a single pension formula based on more sustainable parameters, and increasing the average pension contribution period represent cost containment in the new pension system.[7] Even though the importance of private pensions increases in old-age welfare, the result is not the re-commodification of the pension system. This is due to the strong support of the defined benefit pension systems by the government. Hence, similar to the Southern European welfare regime, de-commodification remains moderate in Turkey compared to the Liberal welfare regime.

4.3.4.4. Pension Problems in Turkey: Intergenerational Justice and Gender Inequalities

Despite fundamental pension reforms in the last decade, there are two important problems posing a threat for the welfare of society in terms of the pension structure and the labour market in Turkey.

3.4.4.1. Intergenerational Justice

Intergenerational equity issues are important discussion themes in pension reform (Myles 2002; 2003). In the Turkish case, however, intergenerational equity is largely overlooked in pension reform discussions. Two main changes in the pension system—the rising retirement age and decreasing accrual rate—may be considered a threat to intergenerational equity and younger generations' welfare. While the older generations benefited from relatively high pension incomes at relatively young ages, without paying pension premiums for a long period of time, the younger generations must work more to

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[7] Net pension replacement rates in Turkey are one of the highest across OECD countries. This is mainly due to the fact that pensioners do not pay income tax or health insurance premiums in Turkey contrary to most of the OECD countries. In addition, the accrual rate, which is the rate at which pension benefits build up for each year of coverage, in Turkey is very high with 2.5 percent per annum. The 2006 reform aimed to decrease the accrual rate to 2 percent by 2016 (Brook and Whitehouse 2006: 8).

be entitled to old-age benefits. Even though these are significant concerns in relation to intergenerational equity, the real problem that poses a threat to intergenerational equity and welfare of younger generations is difficulties in standard employment opportunities for the young. Indeed, these challenges are the consequences of the transformation of the Turkish welfare regime. This section will discuss why rising retirement age and decreasing accrual rates are not the real problem in terms of intergenerational equity.

The first debate about intergenerational equity is that due to the increase in the minimum retirement age, younger generations will have to work more than the older generations. As mentioned, both pension reforms raised the minimum age threshold for men from around 45 to a benchmark between 60 and 65. Previously, people could retire in their late 40s and continue to work after their retirement. The average effective age of retirement for men in Turkey was almost the same as the OECD average, which was 63 in 2005 (OECD 2011a). For example, on the standard assumption of labour force entry at age 20, a man who started to work at age 20 in 1962 retired after 43 year of work in 2005. Since the retirement age will continue to be 60 for those who start to work before 2008, a young man who started to work at age 25 after completing his university degree in 2005 would retire after 35 year of work in 2040. Put it differently, compared to their parents, younger generations will stay approximately the same period of time in the labour force. Also, although the minimum retirement age has been increased, this will be implemented gradually. According to the 2006 reform, the minimum retirement age for men will not be set at age 65 until 2036. Also, the minimum retirement age for both sexes will be equalized at 65, but only by 2048. Therefore, it is misleading to claim that younger generation will have to work longer after the pension reforms in Turkey.

The second concern about the 2006 reform is the reduction of accrual rates after the reform. According to OECD projections, in defined benefit plans, pension benefits are calculated according to the accrual rate. The accrual rate or accrual factor is the rate at which pension benefits build up for each year of coverage (OECD 2011b). Before the 2006 reform, the accrual rates were 3.5 percent per annum for the first 10 years (or 3,600 days), 2 percent per annum between the 10th and 25th year (15 year or 5,400 days), then 1.5 percent per annum after 25th year of social security coverage. Between 2008 and 2015, transitionary pension rules will be applied. In this period, the accrual rate will be 3 percent for those who had already started to work in 2006. For those who started to work after 2008, the accrual rate will be 2.5 percent per annum for every year until 2015 and then 2 percent per annum for every year after that. After 2016, the accrual rate will be 2 percent per annum for all people (see Appendix). Put differently, people have to work more in the formal sector for the same pension after the reform. It should be noted that despite the decline in the accrual rate, Turkey has relatively high accrual rates compared to other OECD countries (OECD 2009). However, since people will contribute to social security for a longer time, decreasing the accrual rate will not necessarily imply lower retirement incomes.

The pre-2006 pension system will continue to strongly affect retirement age and pension benefits in the next decades (Brook and Whitehouse 2006: 12). In 2006, more than 75 percent of pensioners were younger than the benchmark of 65 years, and this percentage will remain high in the first half of the 21st century (Brook and Whitehouse 2006: 9). According to OECD (2006) estimations, many people will still be eligible for pensions in their early 50s by 2020. According to Brook and Whitehouse's (2006) estimations, the only birth cohorts to encounter the impact of the 2006 pension reform will be 1980s births cohort and over who started to work after the reform, while the 1970s-birth cohorts can still retire relatively young. Therefore, the raising retirement age and decreasing accrual rate will not fundamentally affect pension incomes of the most of most young adults.

The main problem causing intergenerational inequity is the lack of well-paid standard jobs for the young. As mentioned in the previous section, the surplus labour in the state-owned enterprises and the early retirement options were a way of welfare redistribution provided by populist governments in Turkey in the period from the 1960s to the late 1990s. Through relaxing retirement rules, governments aimed to guarantee political support of middle-aged groups who would retire earlier and young voters who would have more job opportunities because of these retirements.

As indicated earlier, populist policies that change retirement ages, are no longer a means of welfare distribution in Turkey. The Turkish state has already privatized the biggest state-owned enterprises, such as telecommunication, mining, and energy. Neo-liberal globalization and international competition oblige private companies to recruit contractors who have part-time unregistered workers. Until the 2000s or even later, it was common for people to officially retire from one of the social security institutions, and then to continue to work unregistered. This employment strategy was reasonable for both employers who do not have to pay extra social security contributions on behalf of their old employees, and employees who would have social security and receive pension income, paying neither social security contributions nor income tax. However, cohorts who start to work after the 2006 reform will not be able to follow this strategy since they will retire at older ages. They have to work until 65 and pay social security contribution for 25 years (9,000 days). However, in a more fragile employment market, it might be difficult for younger generations to find a well-paid and secure job for 25 years.

It should be noted that intergenerational equity problems arising from pension reforms are not peculiar to Turkey and the Turkish welfare regime (Phillipson 2000; Aysan 2011). Turkey, however, faces double jeopardy because of budget deficits in its pension system in spite of its younger population. In the near future, when it loses its demographic opportunity window, the financial constraints on the pension system will be more intense. Despite the significant improvements of the 2006 reform in achieving a sustainable and fair pension system, more needs to be done to encourage formal employment and to decrease intergenerational inequity.

4.3.4.4.2. Gender Inequalities

In addition to the state and the market, the family is one of the important actors that determine the characteristics of a welfare regime and gender inequality. Similar to the Southern European countries in which the family is the main pillar in welfare distribution, such as child care and elder care, social services are provided by the unpaid domestic work of women. However, Turkey did not have labour policies that provided pension benefits for mothers who were out of the labour force caring for children until 1979. A main gender inequality problem not only in the labour market, but also in pension system stems from “the divergent gender-based care giving and work patterns” (Estes 2005: 553).

There are two important problems affecting gender inequality in the Turkish pension system. First of all, similar to other pension systems in the OECD region, the social security system is based on premium contributions. The elderly receive old-age benefits, only if they contribute to the system or they are dependants of insurants, such as orphans or widows. As Table 4.10 shows, in a welfare regime where a gendered division of labour is common, the percentage of the labour force with social security coverage was only about 63 percent for men and 42 percent for women in 2010. Even though the number of women with social security coverage increased, particularly in young age groups (e.g. from 43.5 percent to 57.5 percent for age 20-29) between 2000 and 2010, women's low labour force participation rates (e.g. urban labour force participation was about 28 percent for women compared to 71 percent for men in 2010) pose a threat to the welfare of women in their retirement years. TURKSTAT (2011) data also indicate that 60 percent of women were doing temporary work and 27 percent of self-employed women did not have social security coverage in 2009. As highlighted before, since 83 percent of the population has social security coverage, a great number of women are taking advantage of the system through their spouses' or father's social security coverage. This reconstructs the gendered division of labour and gender inequalities.

Table 4.10.

Percentage of Labour Force (employed and unemployed) in Social Security Coverage by Age and Sex, Turkey, 2000-2010

	Men					Women				
	20-29	**30-54**	**55-64**	**65+**	**Total**	**20-29**	**30-54**	**55-64**	**65+**	**Total**
2000	53.0	49.9	42.8	24.5	55.6	43.5	30.2	5.2	3.6	30.2
2005	56.5	66.5	33.9	20.6	57.6	50.2	34.7	5.7	1.8	35.0
2006	58.3	67.1	32.6	19.5	58.6	52.5	36.9	6.0	2.0	37.0
2007	62.3	67.8	28.6	14.2	59.9	55.4	38.7	5.3	1.3	39.3
2008	66.6	69.0	29.9	12.9	61.9	59.0	41.0	5.9	1.3	41.6
2009	64.5	69.8	31.5	13.4	61.7	57.5	42.1	8.8	3.1	41.6
2010	65.8	70.9	32.6	15.6	62.8	57.5	41.9	8.1	3.0	41.5

Source: TURSTAT 2011, http://tuik.gov.tr.

In Turkey, mothers who care for children and the elderly typically experience career interruptions. However, similar to the Southern European countries, the Turkish state expects families and especially women to bear caring responsibilities. Inadequate state support results in lower labour force participation rates and lower pension income returns for women. For instance, while Norway provides paid time off work up to 44 weeks for mothers, paid maternal leave in Turkey is only 16 weeks—eight weeks of maternity leave prior to delivery and eight weeks after the delivery. Moreover, while in many countries childcare is considered a responsibility of both mothers and fathers and parental leave is provided to fathers, there is only a three day paternal leave and it is only for public sector employees in Turkey.

Second, not surprisingly, at all ages and all educational levels, women's incomes are relatively lower than those of men in Turkey. Lower incomes and career interruptions lead women to have lower pension entitlements. Indeed, in order to understand gender inequality in the labour market and its impacts on the Turkish pension system, one needs to differentiate women who do not have standard jobs, such as temporary employees and unpaid family workers, and educated women who work at well-paid standard jobs. Having a university degree significantly increases women's earnings and narrows the gender income gap. According to TURKSTAT (2006b), university graduate women earn three times more than their primary school graduate counterparts. Also while vocational school graduate women earn 33 percent less than their male counterparts, university graduate women earn 18 percent less than their male counterparts (TURKSTAT 2006b).

In order to analyze gender inequality with regard to education level and residence, Eleveren (2008a) projected the pension incomes of various groups for both men and women who work 30 years in full-time jobs in Turkey. According to Elveren's (2008a) estimations, gender inequality in pension incomes changes with education level and residence characteristics. The gender inequality is less in urban areas than for rural areas, and, as the education level rises, the inequality gap narrows. For example, while a university graduate woman in an urban area earns 57 percent of the income of a man who has the same education, a primary school graduate in an urban area earns only 46 percent of a man's income. However, in the 2000s educated women who work in professional jobs faced less pension loss (TURKSTAT 2006b).

The establishment of the private pension system in 2004 offered people alternative pension plans. Compared to voluntary defined contribution schemes, gender inequality problems are relatively less severe in defined benefit PAYG pensions. The private pension plans are not designed to strengthen social welfare of all older groups, rather they are a way of creating extra income for upper-income and middle-income earners who contribute to the private pension system on a regular basis. Hence, private pension plans based on defined benefit contribution schemes would increase the gender inequality gap (Elveren 2008a). Due to the significant interruption in women's employment history they may earn less pension income through private pension schemes and this may increase the gender income inequality between men and women in old-age.

4.4. Conclusion

The welfare distribution for the elderly has become a significant social and political challenge for many welfare regimes. For the Turkish welfare regime which is undergoing a significant transformation, social and financial challenges are particularly serious. Traditional Turkish families, the main actors in welfare distribution, have been challenged by cultural dynamics, such as modernization and individualization, and economic factors, such as increases in the number of women in paid work. These challenges not only influence traditional families but also the welfare regime of Turkey in general and the welfare of the old in particular. The welfare transferred downward and upward between the younger and the older generations within the family is not adequate to protect the welfare of the elderly. In addition to the state, NGOs and the market are two actors that have an increasing role in the welfare distribution for the old. While non-profit organizations seek to assist low-income elderly through cash and in kind aid, the market targets particularly the middle and upper middle-income elderly, through private social services, such as health care and private pension schemes.

Both the Bretton Woods Institutions (the WB and IMF) and the EU advise the Turkish state, which has traditionally a moderate and fragmented role in welfare distribution, to constitute a more sustainable and stronger pension system. As indicated in this chapter, while the former encourages the market involvement in pension plans, the latter urges the state to reach the social standards of the EU. Demographic ageing and increasing cost of old-age transfers from the public budget are the main problems which the state needs to consider in pension reforms.

The 1999 and 2006 pension reforms are the result of aforementioned internal and external factors. The outcome of the pension reforms shows that these pension reforms were mainly implemented to achieve the recalibration of the Turkish pension system. Increases in the minimum retirement age and payment premium requirements, the modernization of the pension system, and unification of different social security institutions illustrate that recalibration is the most important target of this reform. Cost containment, such as decreasing the accrual rate, is also an important reform dynamic to reduce the increasing cost of pension transfers. Although recommodification exists through the introduction of private pension schemes, the relatively smaller number of people in private pension schemes demonstrates that recommodification is not the main factor in the pension reforms.

Even though there have been important developments in the pension system towards achieving a sustainable and fair pension reform, the Turkish pension system has still some problems. The pension system is an obstacle to the expansion of the formal job opportunities for young people (see Table 4.10 for the percentage of workers who have social security coverage). Due to high social security contributions in the formal sector, the young retirees who have pension incomes and healthcare benefits continue to work informally. However, the young have to find well-paid and secure jobs to guarantee their old-age income in a period which is marked by uncertainties and the state's inability to ensure full-employment.

It is worth mentioning that contrary to the general assumption that the elderly are a burden on society, downward social and financial transfers in families show that the elderly have a noteworthy role in the distribution of welfare across generations. In Turkey, generous occupation-based public pensions were constituted to provide minimum living standards for the elderly that were to be shared with young adults through downward financial transfers within the family.

Due to their caring roles and structural barriers, women particularly face career interruptions and lower old-age benefits. Also, private pensions based on defined contribution systems will increase the gender inequality in the future. These challenges deepen gender and generational problems in the pension system. Also, the first tier of the pension structure, which provides very low means-tested benefits for the poor, does not really consider old-age poverty and equity issues. As Brook and Whitehouse (2006) illustrated, the means-tested pension benefits in Turkey, equal to 6 percent of average earnings, are extremely low compared to other OECD countries in 2005. Despite the high net pension replacement rates (for an average income earner it was one of the highest in the OECD region with 124.7, while the OECD average was 70.3 in 2009), Turkey had a higher gini coefficient for the elderly with 0.37 compared to the OECD average of 0.28 in 2008 (OECD 2008a).

Pension policies and pension reforms cannot entirely be understood by financial and economic determinants. One needs to examine social and political factors which led to the pension reforms. The welfare regime approach provides considerable opportunities to understand pension reforms in Turkey and the welfare of the old in particular. Increasing social expenditures necessitate the state to collaborate with other actors. Indeed, a question that should be asked in order to understand the welfare of the elderly is not how the pension system should be reformed, but rather how the new Turkish welfare regime and its actors—the family, the state, the market, and local actors—should respond to the changing needs of the elderly.

Unfortunately, there are many challenges in examining the role of the main pillars in welfare distribution. Data limitations on family structure, intergenerational transfers, income variations of pensioners, age structure of aid recipients assisted by NGOs, and occupations of people in the private pension system could be highlighted as some of the important data restrictions. Hence, TURSTAT should attempt to provide comparable statistical information for researchers at the EU level as well as OECD level.

4.5. References

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4.6. Appendices

Box 4.A.1.

General Characteristics of the Recent Turkish Pension System

Social security premium rates in 2011
Old-age and disability insurance premium: 20 percent of employee's total income (9 percent paid by employee and 11 percent by employer)
General health insurance premium: 12.5 percent of employee's total income (5 percent paid by employee and 7.5 percent by employer)

Qualifying conditions
Pre-1999 reform (until 1999)
Men: 1) 25 years of insurance coverage with 5,000 contribution days, or 2) age 55 with 5,000 contribution days
Women: 1) 20 years of insurance coverage with 5,000 contribution days, or 2) age 50 with 20 years of insurance coverage.
September 1999 - October 2008 (The 2006 reform became effective after October 2008)
Men: 1) Age 60 with 7,000 contribution days, or 2) age 60 with 25 years of insurance coverage and 4,500 contribution days.
Women: 1) Age 58 with 20 years of insurance coverage
After October 2008
Men: 1) Age 60 with 25 years of insurance coverage and 9,000 contribution days (From 2036 the age will begin to rise towards 65).
Women: 1) Age 58 with 25 years of insurance coverage and 9,000 contribution days (Official retirement age for both sexes will be equalized at 65 in 2048).

Benefit calculation
Between September 1999 - October 2008
The pension under the scheme is based on average lifetime earnings revalued in line with nominal GDP growth and the change of consumer price index (CPI)
Benefit calculation formula: [(1+GDP) x (1+CPI)].

The accrual rates change for different years. The pension has a non-linear formula with years of coverage. 3.5 percent of income per annum in the first 10 years (3,600 days), 2 percent of income per annum for the next 15 years (5,400 days), and 1.5 percent of income per annum thereafter.
After October 2008
The pension income under the new system is based on average lifetime earnings revalued in line with nominal GDP growth and the change of consumer price index CPI
Benefit calculation formula: [(1+CPI + %30 GDP)].

The accrual rates change for different years. The pension's formula between 2008 and 2015 is 2.5 percent of income for every year. Starting from 2016, the accrual rate will be fixed at 2 percent level. The pension's formula is based on 2 percent of earnings per annum and it cannot exceed 90 percent of earnings before retirement.

There is a floor above which contributions are required. This is 760 Turkish Lira (TL) for the second half of 2010. Also, the value of the ceiling to pensionable earnings was 4,943 TL.

The minimum pension income in June 2011
SSK: 752 TL.
Bağ-Kur: 450TL.
ES: 900TL.

The maximum pension income in June 2011
SSK: 1,250 TL.
Bağ-Kur: 1,648TL.
ES: 4,135TL.

Targeted
The means-tested pension is payable only to those with no other social security rights who are disabled or those who have a low living standard aged 65 and over. In Turkey, about 22 percent of the elderly receive the means-tested pension. The means-tested pension is paid quarterly. For the second half of 2009 the pension was 94.8 TL per month.

Early retirement
Employees in specific industries (such as mining and military) and people with disability can retire early but other employees cannot claim pensions before the eligibility ages.

Late retirement
It is possible to postpone the pension beyond the normal pension age.

Taxation and social security contributions of pensioners
Pension income is not taxed. Pension income is not subject to social security contributions. Pension contribution rate (percent of gross earnings) is 20 percent of gross income of an employee.

Dependants
Unmarried female orphans are eligible for old-age pensions throughout their lives. Sons however, can receive benefits until adulthood.

Private pension plans
In addition to some private sector corporations that run voluntary occupational pension funds for managerial positions, a new private pension system established in 2001 and became effective in 2003. The new private pension system is open to all adult participants, who take out contracts with a pension company. There are no employment relationship requirements. Also, employers can contribute to the individual pension accounts of their employees. There were about 2.4 million participants by the end of April 2011. There are currently 13 pension companies.

Contributions and benefits in private pension plans
At the end of 2007, the average monthly contribution was 112 TL. Members are entitled to retirement benefits when they reach the age of 56 and have been saving under the scheme for at least 10 years. Benefits can take the form of a lump sum or a monthly annuity.

Taxation of private pension
Participants may deduct contributions from their income tax base up to a maximum of 10 percent of the gross monthly income. Investment returns are tax-exempt. As for benefits, where a participant withdraws benefits and has contributed to the system for less than 10 years, they are taxed at a rate of 15 percent. Where the participant has contributed for more than 10 years, but is under 56, benefits are taxed at a rate of 10 percent. If the participant has contributed for more than 10 years and is 56 or older, benefits are taxed at 3.75 percent.

Sources: SSI 2011, http://sgk.gov.tr; OECD 2011: 314-315, OECD 2008: 288-290.

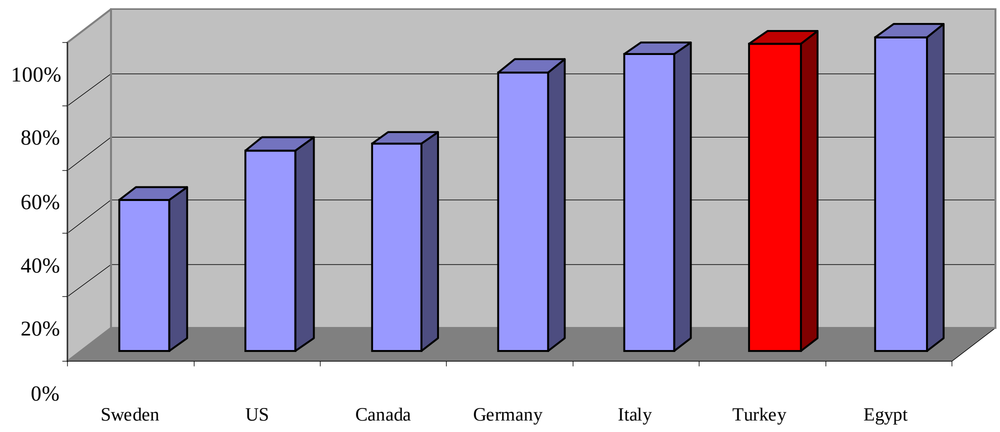
Table 4.A.1.

Revenues and Expenditures of Social Security Institutions

Year	Revenues (Million TL)	Rate of Increase (%)	Expenditures (Million TL)	Rate of Increase (%)	Deficit (Million TL)	Compensation Rate (%)
2 000	8,576		10,987		-2,411	78.1
2 001	13,361	55.8	17,831	62.3	-4,470	74.9
2 002	20,018	49.8	27,982	56.9	-7,964	71.5
2 003	27,917	39.5	41,336	48.0	-13,420	67.5
2 004	34,689	24.2	50,622	22.5	-15,932	68.5
2 005	41,249	18.9	59,941	18.4	-18,692	68.8
2 006	53,831	30.5	71,867	19.9	-18,037	74.9
2 007	56,875	5.66	81,915	13.9	-25,041	69.4
2 008	67,257	18.3	93,159	13.7	-25,902	72.2
2 009	78,073	16.1	106,775	14.6	-28,703	73.1
2 010	95,273	22.0	121,997	14.3	-26,724	78.1

Source: http://sgk.gov.tr

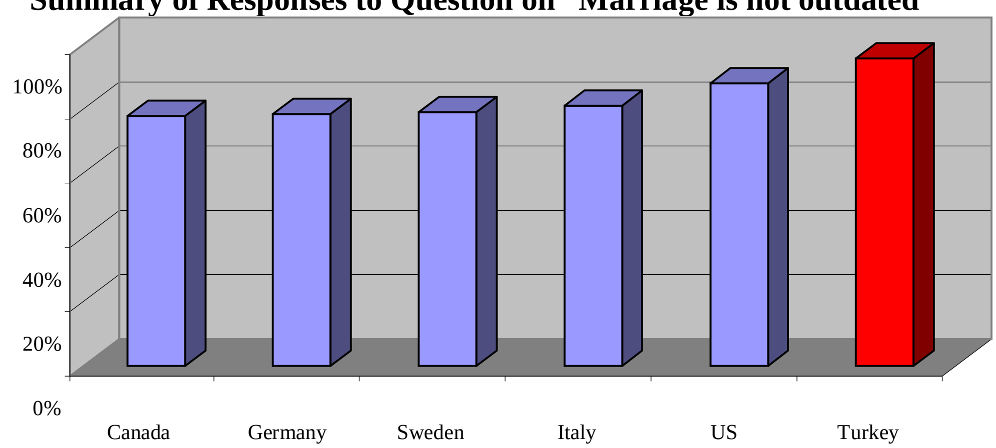
Figure 4.A.1.
Summary of Responses to Question on "Child needs a home with father and mother" [i]



Note: i) Selected countries: Canada [2006], Egypt [2008], Germany [2006], Italy [2005], Sweden [2006], Turkey [2007], United States [2006].

Source: World Values Survey Databank 2011, http://worldvaluessurvey.org/.

Figure 4.A.2.
Summary of Responses to Question on "Marriage is not outdated" [i]



Note: i) Selected countries: Canada [2006], Germany [2006], Italy [2005], Sweden [2006], Turkey [2007], United States [2006].

Source: World Values Survey Databank, 2011, http://worldvaluessurvey.org/.

CHAPTER 5

CONCLUSION

Over the period 1980-2010, the welfare state literature has been heavily centered on welfare state change. There are significant number of studies on the retrenchment of the welfare state and the welfare state crisis (O'Connor 1973; OECD 1981; Mishra 1984; Offe 1984; Mishra 1999). In light of those emphasizing the welfare state crisis, is Marshall (1964 [1950]) mistaken to suppose that modern citizenship based welfare rights is the final stage reached through a historical process of development of the civil rights, political rights, and finally social rights in three centuries? Then, is Polanyi (1957 [1944]) wrong to assume that the domination of the market on social relations through commodification of land, money and labour in the 19th century was diminished in the 20th century? Or to put it differently, is the market replacing the role of the welfare state? It seems to me, although these questions are very noteworthy and provocative, they do not help us to understand clearly the recent socio-economic developments due to too much focus on the welfare state. As I attempt to explain in this thesis, the focus of analysis should be the welfare regime, not the welfare state. Too much focus on the welfare state is a hindrance in understanding challenges to the welfare of populations across societies. As Esping-Andersen (1999: 4) highlighted, if there is any crisis, it springs from the interaction “between the composite parts that, in unison, form contemporary welfare regimes”.

The term welfare regime focuses on not only the state and its public expenditures, but also the market, the family, and local actors in welfare distribution. Hence, in the welfare regime approach, societies are grouped not only in terms of how their social policies are constructed by the welfare state, but also how other actors play roles in welfare distribution. In fact, the questions that we should ask are: Which welfare regimes face which socio-economic challenges? What are the impacts of demographic and socio-economic challenges on welfare actors and welfare regimes? What are the responses of welfare regimes to these challenges? Do different welfare regimes diverge or converge in this process? In light of pension policies, I have attempted to show that, while the challenges, such as demographic ageing, rising old-age expenditures, and new social risks are usually similar across industrialized countries, various welfare regimes have diverse solutions.

Polanyi (1957 [1944]) was right to assert that the market was not the dominant power in social relations until the 19th century. Until the Second World War, families and local actors were main players in welfare distribution. As highlighted in the introduction chapter, the state and the market started to emerge as important welfare actors in the second half of the 19th century. The great depression and then the huge demolition in the Second World War had a crucial impact on the increasing role of the state in maintaining the welfare of their citizens across Europe and North America. As Esping-Andersen (1996: 3) asserted, many countries could achieve social security (welfare) and economic growth (efficiency) due to the social consensus between employees and employers based on a full-employment promise in the postwar period. While private companies benefited from protectionist policies designed to discourage imports, workers had well-paid employment opportunities in the post-war era.

In the beginning of the 21st century, there have been three main challenges—globalization, demographic changes, and new social risks—for welfare regimes (Pierson 2007). First, globalization has given rise to various economic challenges to the economic system constructed after the Second World War. The production system has evolved from a Fordist one based on large stocks (just-in-case), standardized products, and mass production to the post-Fordist production system based on flexible machinery, lean production, minimal stocks (just-in-time), and differentiated products (Krahn *et al.* 2007). In addition, the characteristics of the labour market have changed since the late 1970s. According to Bell (1976), the world evolved from the industrial era to the post-industrial era. In the new era, the number of blue-collar workers in factories decreased, while the number of white-collar workers increased. According to Braverman (1974), with modern management techniques, the labour process became increasingly standardized and deskilled. Rifkin (2004 [1995]) interpreted technological developments and deskilling as the main characteristics of a new era in which fewer workers are needed to produce goods and services. In addition, competitive global trade and profit maximization goals led multinational companies to move their production to newly industrializing countries. The impact of outsourcing is especially significant on unskilled workers in the industrialized countries and their future pension incomes.

Second, as observed in previous chapters, the continuing change in the demographic structure of the world's population poses noteworthy challenges to societies, in terms of meeting the needs of the ageing populations. As the post-war baby boom generation passed through various ages, it affected the relative size of the corresponding age group (Foot 1996). Population ageing has a negative effect on economic growth due to the old-age dependency ratio—the ratio of the population aged 65 and older to the population aged 15-64. In the beginning of the 21st century, it is difficult for ageing populations to sustain generous retirement benefits and increasing health costs with slow economic growth (OECD 1998).

Third, new social risks, particularly changes in family formation and "gender roles" pose important challenges to the welfare of people (Pierson 2007: 222-223). The rise in women's labour force participation and their increasing roles in the work-force have challenged traditional "gender roles" in society as well as families. As highlighted in the fourth chapter, change in family formation is especially important to welfare distribution. Change in families could be analyzed through two main explanations: structural and cultural perspectives. While structural approaches mainly focus on macro social transformations, such as modernity and industrialization (Presser 2003; Crompton 2006), the cultural approach focuses on changes within the family, such as social norms, the meaning of marriage, and changes in gender roles (Lesthaegue 1995; Beaujot 2000). Especially in the second half of the 20th century, in many industrialized countries, families underwent rapid changes, such as increased flexibility in modes of entry and exit, increased variability across families, changes in the social meaning of fatherhood and motherhood, and changed association between gender and family earnings.

These contemporary changes pose challenges in the management of welfare states. Hence, the main issue for many welfare regimes is how to involve the various welfare actors in welfare distribution. In addition, there are other problems. First, if the market plays an active role in welfare distribution, it may lead to increased social inequality. This is because the market cannot (does not) cover "bad risks" for people that are frequently "the ones that are most desperately in need" (Esping-Andersen 1999: 39). Second, if the family plays a more active role in welfare distribution, it would increase the burden on women and thus accentuate gender inequalities (Esping-Andersen *et al.* 2002). For example, gender inequality is an important problem especially in the Southern European countries where families play strong roles in welfare distribution (see chapter 4). Third, despite their noteworthy role in some cases, local actors have largely played a residual role in welfare distribution. Lack of comparative data on local actors makes it difficult to document the role of local actors in welfare distribution. As indicated in Chapter 4, however, they played a significant role in Turkey over the centuries.

Hence, if focusing on other actors than the state in welfare distribution poses threats to social equality, what is the solution? One could argue that since it is very difficult for governments to retract social rights gained over decades, the welfare state will continue to play an important role in welfare distribution. As Esping-Andersen (2002: 13) has proposed, the choice of how to divide the responsibilities among welfare actors will be defined by institutional characteristics of welfare regimes. For example, as Myles and Pierson (2001) asserted, since pension systems are broad and deep, radical pension reforms face negative political reactions from the citizens.

In effect, as some analysts have asserted, welfare regimes will mainly continue to follow their traditional welfare regime paths (Esping-Andersen 1996, 1999; Pierson *et al.* 2001; Myles 2002; Anderson 2004; Aysan and Beaujot 2009; Aysan 2011). My thesis shows how historical and institutional characteristics of welfare regimes are important in pension reforms across OECD countries, and how welfare regimes are stable and path dependent.

In particular, Chapter 2 shows that there are three main findings with regard to institutional characteristics of welfare regimes based on results of cluster analysis. First, cluster analysis findings confirm a four-fold pension typology. Hence, it reveals that pension policy characteristics of countries can be described by referring to the much more general welfare regime typology. Second, the findings of institutional pension characteristics support that, contrary to the convergence thesis which asserts convergence of welfare regimes as a result of neo-liberal policies, different welfare regimes have followed their welfare regime paths in pension policies. Third, there are significant differences among welfare regimes in terms of pension outcomes for gender and generations. The Social Democratic and Continental European countries have some similarities with regards to the different pension policy dimensions and inequalities. The Continental European countries have higher employee costs, generous pension benefits and high levels of labour market exclusion for younger cohorts. The Southern European countries have generous pension replacement rates, higher public old-age spending and pension level, but higher old-age poverty rates, and pension inequalities. The Liberal countries have higher official retirement age, labour force participation, and pension inequalities, but lower public old-age spending and pension levels. The Social Democratic group succeeds best in minimizing gender inequality in old-age, while the Liberal and the Southern European welfare regimes have high old-age gender inequality.

Chapter 3 focuses on recent trends in pension policies in OECD countries in light of both demographic ageing and path dependency associated with the welfare regime typology. All four welfare regimes face demographic ageing, but the Social Democratic countries have shown greater ability to influence the level of childbearing (McDonald 2006), along with an interest in maximizing labour force participation of both sexes to pay for generous social entitlements. With their differential treatment of different groups in society, the Continental and the Southern European countries have the most difficulty in achieving reforms, and they also face the highest rates of population ageing. The pension reforms of the Liberal countries focus on greater privatization. While the state plays a noteworthy role in the retirement and pension systems in the Social Democratic countries, the market remains the key actor in the Liberal countries. In other Southern European countries, however, the family still plays key roles in caring for the elderly.

Chapter 4 is a case study to understand the transformations of welfare regimes and the effects of pension policies on the welfare of the old. This chapter shows that the Turkish welfare regime is undergoing transformation. Traditional Turkish families, the main actor in welfare distribution, have been challenged by cultural and economic dynamics. These challenges not only influence traditional families but also the Turkish welfare regime in general and the welfare of the old in particular. In addition to the state, the market is a welfare player that has an increasing role in welfare distribution including pensions and health care. While the market targets particularly upper middle-income elderly, non-profit organizations assist low-income elderly. In spite of major pension reforms that aim to achieve a sustainable and fair pension system, the Turkish pension system has still some problems. The pension system is an obstacle to the expansion of the formal job opportunities for women and youth, which poses a threat to gender and generational equalities. In a more fragile employment market, it might be difficult for women and younger generations to find a well-paid and secure job for 25 years.

During the last two decades of the 20th century, a neo-liberal ideology challenged the legitimacy of the welfare state through economic globalization and labour market transformations (Moreno and Palier 2004). Following the reform proposals of the World Bank, the IMF, and other international organizations, the most frequent path for pension policy reform was the implementation of private pension schemes as a supplement to PAYG public pension schemes. Even though defined contribution private pension schemes are important income resources for many retirees, there are significant critiques to these plans due to low returns and high operation costs. Orszag and Stiglitz (2001) showed that private pension schemes are not always the right direction for the welfare of the old.

Contrary to neo-liberal convergence thesis, path dependency approach is mostly used to show institutional variations across welfare states (Myles and Pierson 2001). As asserted in this thesis, despite neo-liberal challenge to welfare regimes, pension reforms have been influenced by their institutional paths that are differentiated across welfare regimes. However, it should also be noted that small institutional changes might be of little consequence in the short run, given the institutions that are already in place, but in the long run they could lead to something completely different (see Palier *et al.* 2010).

This thesis suggests that various welfare regimes have developed their own approaches to pension systems and pension reforms based on their institutional paths.

The Social Democratic countries mostly focus on cost containment and to some extent recalibration, while the Liberal countries mostly focus on re-commodification and to some extent cost containment. The Continental European countries mostly focus on cost containment but recalibration and re-commodification are also important considerations. The Southern European countries mostly focus on recalibration but cost containment and re-commodification are also important factors.

The welfare regime typology based on "ideal types" has some explanatory value for cross-national analyses (Arts and Gelissen 2002: 13) and it is useful for mapping the field of social policy (Beland 2010: 40). It is important to bear in mind that although these alternative typologies have been subject to some empirical analyses, they are generally based on theoretical assumptions. The empirical validity of Esping-Andersen's classification, as well as that of other researchers, might be criticized for methodological limitations and limited theoretical reasoning (Kangas 1994; Ragin 1994; Scruggs and Allan 2006). Despite the significant number of critiques, some studies support Esping-Andersen's typology (Wildeboer Schut *et al.* 2001; Powell and Barrientos 2004). Most of these studies depend on factor analysis or cluster analysis that are better techniques to cluster welfare states than Esping-Andersen's ordinary least square regression methods.

In addition to Esping-Andersen's threefold typology, the welfare state literature includes other welfare state taxonomies. Focusing on welfare of the old and pension policies, this thesis contributes to the literature by emphasizing the Southern European welfare regime as a distinct fourth cluster through its unique institutional and social characteristics. The Southern European welfare regime can be seen as a distinctive type of welfare regime with mixed features of Beveridgean universal national health services and Bismarckian income transfers (Ferrera 1996). As shown in the fourth chapter, the Southern European welfare regime is proposed as a separate cluster based on highly fragmented and unsystematic pension system. This regime is based on a strong role of the family in welfare distribution for all age groups and the moderate role of the state in welfare of the old. Unlike other welfare regimes, patronage and clientelism are two indirect welfare distribution mechanisms in this group.

In this thesis, I have used a four-fold welfare regime typology based on “ideal types” to examine pension policies across OECD countries. This thesis shows that pension regimes largely follow this welfare regime typology. However, as many researchers have highlighted, there could be more variations among (for a discussion see Arts and Gelissen 2002, and for the list alternative welfare regimes see Bambra 2007) and within welfare regimes (e.g. Myles 1998) and the “real world” of welfare states is likely to show more complex and hybrid forms. Hence, further research is needed in order to understand variations in welfare distribution, particularly in pension policies, across countries. In fact, there have been four main problems or limitations in welfare regime research that have also influenced this thesis.

First, methodological problems in welfare regime research (for discussions see Shalev 1999 and Scruggs and Allan 2006) and data limitations pose significant threats to welfare regime research. For example, Shalev (1999) criticizes Esping-Andersen’s analysis as heavily based on his personal judgments on welfare states without any systematic statistical test, while some researchers question the goodness-of-fit of his typology (Obinger and Wagschal 2001). In addition, lack of cross-national comparative data makes analyzing various countries and their social policies difficult. OECD presents the most extensive comparative data on social policies, namely the OECD Social Expenditure database. In addition, the SHARE (Survey of Health, Ageing, and Retirement in Europe) data on health, ageing, and retirement, offer important statistics on European societies. However, both of these databases cover mostly industrialized European and North American countries. While OECD data cover 33 OECD countries for the period 1980-2007, the third wave of the SHARE data covers only 15 European countries. In addition, there is very limited information on the role of other welfare actors, such as the family and local actors in welfare distribution.

Second, most of the comparative welfare regime studies focus on public expenditures and state policies in welfare distribution. However, as indicated in this thesis, other welfare actors—namely the market, the family, and local actors—also play important roles in welfare distribution. Since this thesis has particularly examined public pension policies, it has mostly focused on the state policies. Further research is needed to understand how welfare is distributed by various actors especially for various age groups. If we consider that welfare historically was mainly distributed by families and local actors in history, future research should pay further attention to these pillars.

Third, most of the studies on welfare regimes and particularly pension policies scrutinize Europe and North America. However, there are few studies analyzing the welfare of the elderly and pension systems in newly industrializing countries (e.g. Gough 2001). In addition, welfare regimes of these countries and their responses to challenges of population ageing are generally overlooked in the welfare state literature. Chapter 4 has attempted to broaden the welfare regime literature by examining the Turkish welfare regime. However, we need further comparative research particularly on East Asia, Eastern Europe, and Middle East which have diverse historical and institutional characteristics affecting welfare distribution.

Fourth, one of the most important problems is little systematic attention to gender in the welfare regime literature (Orloff 1996: 65; Benoit 2000: 21). Some analysts argue that although the welfare state is particularly produced and consumed by women, it is analyzed through male centered explanations (for discussions see Pierson 2007: 67-77). An inadequate theorization of gender in welfare regime research and a failure to specify the features of welfare provisions are the main problems of welfare state studies and particularly Esping-Andersen's typology (Orloff 1996; O'Connor *et al.* 1999). Hence, in order to understand the effect of gender on welfare distribution and public policies, one needs to analyze the role of gender in welfare regimes. Even though this thesis has paid particular focus on gender in welfare regimes and pension policies, further research is needed to understand how gender questions play vital roles in the welfare of societies, particularly in the welfare of the old.

In light of aforementioned problems, further research is needed to elaborate the welfare regime research. Certainly the challenges to the welfare regime studies are multiple and any research contributing to the literature must have a broader perspective. It seems to me, comparative welfare regime research is particularly needed to understand how various welfare regimes have formed various responses to the similar socio-economic challenges in the 21st century.

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