

INFORMAL EMPLOYMENT IN TURKEY

Toker DERELİ*

ÖZET

Bu makale Türkiye’de enformel emek piyasasını incelemektedir. Makalede kayıt dışı ekonomi ve kayıt dışı istihdamın nedenlerinin tahlilinden sonra, bu çalışma türünün işçiler, işverenler ve genel olarak ekonomi için doğurduğu olumsuz sonuçlar üzerinde durulmakta, kayıt dışı istihdamla mücadele için gerekli önlemler ve kamusal politikalar belirtilmektedir. Enformel sektörün doğuşunun temel nedenleri açıklanmaya çalışılmakta, bu arada kayıt dışı istihdam lehinde öne sürülen bazı iddialara da değinilmektedir. Kayıt dışı istihdamla mücadelede karşılaşılan güçlükler işaret edilirken, bu istihdam türünün olumsuz etkilerinin olası yararlarını fazlasıyla aştığı, bu nedenle de Türkiye’de bu sorunla başedebilmek için ciddi çabalara ihtiyaç olduğu belirtilmektedir.

ABSTRACT

This article examines the informal labour market in Turkey. Following an analysis of the major causes of the informal economy and informal (unregistered) employment, it endeavors to investigate the adverse effects of informal employment on workers, employers and the economy in general, together with the measures to combat its expansion as well as public policies which should be implemented to eradicate it. In trying to shed light on the basic reasons for the emergence of informal employment, arguments raised in favor of its existence are also dealt with. While referring to the difficulties encountered in the fight against informal employment, the article aims to emphasize that its adverse consequences outweigh the possible benefits, construed to mean that serious efforts are needed to combat unregistered employment in Turkey.

A. Informal Sector in General

“The Background Study on Labour Market and Employment in Turkey” by Tunalı uses the term “hidden employment” to denote two concepts, namely “the employment of illegal immigrants” and workers who are not covered by the protection of labour law. As such, hidden employment can be taken to be synonymous with employment in the informal sector. While admitting that informal sector is a reality in Turkey, determining its size in exact terms is virtually impossible. Estimates on this matter are derived from information on employment status and social security coverage, often referred to as “unrecorded employment”. Depending on the definition adopted, the size of the informal sector tends to increase if, in addition to those not covered by social legislation, categories such as self-employed persons, unpaid family workers, workers in indeterminate places and small workplaces with three or fewer workers are taken into consideration. In this case the share of the informal sector in non-agricultural employment was reported to run as high as 40 per cent during the 1990s.

Findings of various studies on the size of the informal sector have yielded different estimates partly because of the differences in the methods used.

Estimates of researchers vary, however, even when the same methods have been used. It is therefore impossible to give a definite figure on the size of the informal sector. Difficulty arises largely because of the fact that the formal and informal sectors are inseparably intertwined. Despite the differences in the estimates, however, it is held by almost all the interested parties that the total informal sector in Turkey is not lower than 50 per cent of the GNDP.

Among the factors cited as contributing to the growth of the informal economy are “the fast pace of urbanization, high transaction costs in the recorded economy, and forces that limit women’s access to formal sector jobs.”

Behind the surface, however, the real underlying cause of the expanding informal sector is the natural motive of the human beings to maximize their self-interests; that is, in order to improve their living standards, people refrain from sharing their income with the State. The

* Prof. Dr., Işık Üniversitesi.

person active in the informal sector is likely to avoid moving into the formal sector simply because he wants to maintain the living standards to which he has been used. Therefore, underlying the various factors accounting for the presence and growth of the informal sector is the deep-rooted motive of individuals to maximize their incomes.

B. Reasons Accounting for the Emergence of the Informal Sector and Its Effects

A more detailed list of the reasons accounting for the emergence and growth of the informal economy in Turkey is given in the publication of the Ministry of Labour and Social Security, "Kayıt Dışı İstihdam ve Yabancı Kaçak İşçi İstihdamı". The reasons cited in this source as well as the writer's own observations may be summarized as follows:

1. Resistance of tax payers to the relatively high rates of taxation

Tax rates which start from 25 per cent (for the lowest bracket) and reach 55 per cent (for the highest bracket) tempt the entrepreneurs to move into the informal sector (The rates for the US range between 15 per cent and 28 per cent, respectively). Coupled with their effect on the expansion of the informal sector, high tax rates are also mentioned as one of the causes indirectly entailing the reduction of the State's total tax income. On the other hand, tax exemptions and exceptions foreseen for certain categories have an adverse effect on perceptions of distributive justice which in turn contribute to the flight from the formal sector.

Among the tax-related reasons, one should also note the effects of the rather complicated tax legislation which frequently undergoes changes in Turkey, plus the inefficiency of the auditing and inspection mechanisms. (Inspection ratio is quite low; 3-5 per cent). The insufficiency of penal sanctions for tax evaders also encourages risk taking and thus skirting tax regulations.

2. Political factors

Politically motivated concessions such as tax amnesties granted by governments also impact the behaviors of tax payers. Political parties in power tend to reward their supporters by diverting the tax burden to

certain groups. Frequent tax packages foreseeing amnesties for tax evaders create certain expectations that future tax amnesties are likely in the pipeline, thus causing regular tax payers to perceive inequities in the system which in turn tempt them to give up or to put off their regular tax payments as well.

3. Economic reasons and their socio-economic effects

One factor leading to the growth of the informal sector is the inequitable distribution of the national income among income groups. According to the 2002 survey of the SIS (State Institute of Statistics), the top 20 per cent of the population dispose of 50 per cent of the GNP while the lowest 20 per cent bracket receives only about 5.3 per cent. This income distribution has not changed (roughly) since the 1963, 1968, 1973 and 1994 surveys. The distorted income distribution leads to the growth of marginal sector jobs as well as to the increase in child labour in order to support the incomes of poor families.

A major economic factor has, of course, been the prevalence of high inflation rates in the country. Of special significance is the presence of high progressive taxation rates which, because of inflation, shifts the taxpayers to higher but fictitious income brackets, thus tempting them to evade tax payments by hiding or understating their incomes.

The considerable size of the informal sector adversely affects the Turkish economy in many diverse ways. The inability to compute reliable figures on the GNDP and employment and budgetary magnitudes due to the prevalence of the informal sector results in failure to take correct and effective measures, which in turn entail insufficient policies and misallocation of resources. The lack of effective measures to combat the informal economy force many law abiding firms to move into the informal sector or subcontract their operations out to smaller firms active in the informal sector in order to maintain their competitive position in the markets. Employers' concerns as regards losing their national and international competitive advantage make the struggle against the informal economy indeed a difficult task for economic policy-makers.

Perhaps the most important adverse effect of the informal economy is the loss of financial resources which otherwise could be

obtained by the State through legal channels. The State's inability to collect taxes, fees and social security contributions from those active in the informal economy –who nevertheless benefit from the public goods and services provided by the State although they do not share the costs associated with them– entails the shifting of the costs entirely to those operating in the formal sector.

The expansion of the informal sector is accompanied by the contraction of the formal sector which causes drastic reductions in the State's potential revenues. This forces the State to perform its functions through more borrowing. Substitution of tax revenues by increased debts results in turn in rising interest and inflation rates. This cycle is necessarily accompanied by the deterioration of moral values, loss of trust in the authority of the State and the declining respect for legal norms. As the effectiveness of the legal system is hindered and the void is filled by rules of the underground economy, a new milieu for increased crime rates and criminals tends to become the dominant feature of the society. The elimination, or at least the restriction, of the informal sector will undoubtedly help alleviate the problems which plague the financing of public spending as well as to eradicate unfair competition and the resultant illegal activities besetting the socio-economic system.

C. Employment in the Informal Sector

The term “informal employment” is generally used in Turkey to denote the employment of workers in the informal economy as well as employment conditions in that sector. For our purposes it manifests itself in the form of unregistered workers whose presence in the economy is not declared or only partially declared to the public institutions concerned, as a result of which legal obligations such as the payment of workers' (and employers'), taxes and social security contributions are not fulfilled.

In the case of workers whose presence in the economy is not declared at all to public authorities, employment is contrary not only to social security and labour law regulations but also to other legislation which regulates economic activities. Home-based manufacturing, street vending, unauthorized parking services, services dealing with the sale

of home-produced goods and unrecorded subcontracting are examples for this category. Such activities are performed outside the knowledge and control of the municipal authorities, tax offices, social security administration, trade and industry chambers, and the like. Employers and workers in this category are both in the informal sector.

Those who are reported only partially to the public authorities concerned also constitute an important part of informal sector employment. In an effort to spend less on taxes and social security premiums, employers report the number of the workdays of the employees less than the actual days worked, or declare their actual wages only at the minimum wage level.

Among the major reasons which account for the increased informal employment, one could also cite the following: high and rapid rate of population increase, regional underdevelopment and increasing unemployment.

Unemployment makes finding adequate employment difficult for many workers. Lower educational levels making the workers unemployable in the formal sector push them to the easily accessible informal sector where activities which do not require capital –like home-based work, street vending, and pretzel selling– are prevalent. Perhaps the basic underlying factor is the predominance of employment with low added value. The value added created by a person minus deductions (taxes and social premiums) from his wage must be sufficient to maintain that worker at least at the minimum level possible. There is therefore need for more productive and qualified employment to deal with this problem. Added value is low in a milieu where the average length of education is only 6-7 years. Shifting a workforce with such a low educational level into the formal employment is naturally very difficult.

Factors such as the number of days for which lower level of payments for social security contributions being sufficient for entitlements, voluntary or early retirement, and broad definitions for dependents (spouse, child, parents) lead to perceptions that staying in the formal employment during the whole working life is not actually necessary.

As a result of non-payment of taxes in the informal sector, total taxes collected in Turkey are low-relatively, as contrasted with other countries –while the tax burden on the formal sector is indeed high.

The inequitable income distribution mentioned above is another variable of explaining the size of the informal sector in Turkey. The poverty-stricken and poorest segments of the population that make up the bottom two percentiles are forced to work in the informal sector just to survive.

For purposes of this article, however, the following factors seem to be more direct reasons which account for the size of the informal employment in Turkey.

1. The relatively high levels of employment-related costs

As noted above, high rates of deductions from wages like taxes, social security contributions, etc. adversely affect the competitive position of firms and tend to force them to push operations away from the formal sector. Since workers conclude their employment contracts over the net rather than the gross wage rate, employers are thrust into a position of making the said deductions –including both the employer's and the worker's shares– themselves, thus entailing high social costs all of which are imposed on the employer.

Among other social costs to be borne by the employer, the following are generally cited: Regulations on occupational health and safety; the duty to employ workplace physician and first-aid personnel, safety engineer and technical staff; obligation to establish an occupational health and safety committee and to provide health and training for workers; to provide nursing facilities for working mothers in larger establishments, as well as the payment of various wage-related compensations –i.e. notice pay, severance pay, job security pay as an alternative to reinstating the terminated employee.– While these costs are naturally an integral part of protective labour legislation which a law-abiding employer must respect, they tend to put him into an unfavorable competitive position vis-a-vis the employer who operates within the informal sector. It should be recalled, however, that the occurrence of a work accident or occupational disease in the informal

sector might entail for the employer costs likely much higher than the costs of abiding by the regulations concerned.

2. Factors associated with the problems posed by the social security system

In addition to the relatively high rates of social security contributions (a total of 36- 42 per cent of the wage bill), there are several loopholes besetting the system and contributing to the expansion of informal employment. For example, unlike the situation in Bağ-Kur and Emekli Sandığı (social insurance schemes for the self-employed and public servants, respectively), including even the days for which lower contributions have been paid as well as the days not worked in the computation of the employee's length of service, enable workers to fulfill the "number of days" requirement easily and, while awaiting to fulfill the "age" and "number of years" requirement, they start to work in the informal sector. Similarly, practices like early or voluntary retirement tempt workers to continue working in the informal sector. One may encounter people who have become retirees at a relatively young age who keep working in the informal sector, or who must by definition pay social insurance contributions under the SSK (Social Insurance Organization) scheme and yet prefer to pay the lower premium rate to Bağ-Kur or the voluntary insurance branch of the SSK. The fact that some workers who work in the informal sector and therefore are uninsured utilize health benefits by fraudulently obtaining "green-cards" is another abusive practice.

Legislation passed occasionally which protracts payment of social security contributions, thereby spreading the payments to future dates, a practice called "debiting the insured person for prospective work", is yet another factor which adversely affects the social security system. Without doubt such politically motivated legislation is enacted without considering the loss of income it entails for the State. Those who thus become indebted receive back the premiums they have paid within a relatively short period of time upon their retirement. A person who has thus been in informal employment for many years is enabled to pay the premiums for the worked and unworked periods in a short time, thereby profiting soon in his retirement from the collection of these monies back. Also, the expectation that similar legislation is likely to be

passed in the future has a deterrent effect on the workers' willingness to move into formal employment. It is therefore desirable to foresee forestalling this practice in the new social security reform package which will be revised within the six-months term beginning from 1 January 2007 due to the partial cancellation of the new Social Security regime by the Constitutional Court.

3. Changes in labour relations stemming from competitive pressures

In response to increasing competitive pressures on the economy, employers are inclined to downsize their operations in order to cut costs stemming from the labour and social security legislation. Downsizing starts a process of forcing the work, workplace and workers to move into the informal sector. The economy strives to sustain its competitive position simply by turning to cheaper clandestine workers, both domestic and foreign, to youth employment and child labour, to family economy, seasonal and temporary workers, and by handing over part of the operations to subcontractors who themselves are in the informal sector in many cases. All this results in the expansion of the informal sector.

4. Perceptions regarding the quality of social security services

Dissatisfaction with the quality of services provided by the social security system as perceived by the employers, the insured, retirees and labour unions is cited yet as another reason to move into and remain in informal employment. Workers usually engage in collusive practices with the employer to remain uninsured and yet request him to add the premiums partly or in whole to their wages which otherwise would be deducted. Research conducted on the interested parties by the Social Insurance Organization in 1996 had revealed dissatisfaction with its health services. The reform initiative should also focus on improving the quality as well as the accessibility and coverage of the SSK's services.

5. Insufficient coordination and collaboration between the institutions concerned

The lack of effective communication, coordination and collaboration between the social security institutions, Ministries of Public Finance, Interior, Industry and Commerce make expanding the scope of formal employment difficult. There are important discrepancies between the numbers of workers declared to the SKK and to the Ministry of Finance. Many employers registered with occupational chambers do not have official workplaces recorded in the SSK registers, and many so-called subcontractors are likely to be in this category as well. Duplications in utilizing from different health services is also the result of the absence of the said coordination between institutions.

6. Insufficient information given by workers themselves on informal employment

One way of ascertaining the size of informal employment and coping with it would be information and complaints reported by workers themselves to the authorities concerned. However, due largely to the workers' generally low level of education and poor consciousness in this sector and their fear of dismissal by disgruntled employers who would retaliate workers' filing of such complaints, the number of cases reported by workers is limited in relation to the size of informal employment, as revealed by the SSK statistics (about 40.000 workers by the year 2002). As the State Institute of Statistics (SIS) household surveys show, approximately 13 per cent of workers in the informal sector are entirely illiterate, and of this magnitude the great majority (72,6 per cent) are women; 60,8 per cent have had some elementary schooling. SIS surveys have also shown that the workforce in the informal sector represents the poorest segment of Turkey's population, whereby poverty also tends to be higher as the level of education drops. This uneducated and consequently unskilled labour is characterized by low productivity. SIS data indicate that unpaid family workers, the self-employed and casual wage earners who constitute approximately 83 per cent of informal employment represent the groups with the highest poverty rates. While the data for 2000 on medium and small sized enterprises (SMEs) show that they employ a considerable portion of the labour force (64 per cent), their share in the total added value created is

only 36 per cent, an indication of the low labour productivity prevailing in this sector.

7. *Lack of an efficient labour inspection system*

Although the General Directorate of Labour Inspection of the Ministry of Labour and Social Security has a long history, it is at present understaffed and poorly equipped to deal with the many problems posed by informal employment. With the limited number of inspectors available, action can be taken only upon the complaints filed and thus most illegal activities go undetected. This of course accounts largely for the unchecked growth of the informal economy. Coupled with the meager state of labour inspection, insufficient unionization of workers in informal employment is a significant handicap in initiating a viable control mechanism which could compel the unrecorded enterprises to move into the formal sector. Legally all working people employed under an employment contract are entitled to join unions. But in so far as the informal sector is concerned, right to organize is only on paper, and for various reasons. Because of the difficulties involved, unions are rarely interested in organizing the medium sized enterprises, let alone the small ones whose rather sporadic and uncertain existence makes them virtually inaccessible. Secondly, in order to gain bargaining authorization, the target employer must have a registered establishment in the first place, a requirement which most employers lack in the informal sector. And thirdly, due to the denial of job security to workers employed in undertakings with less than 30 employees, workers are reluctant to join unions for fear of losing their jobs. However, there is still a lot unions could do in combating informal employment. As a matter of fact, some unions have already taken initiatives to establish collaborative efforts with the labour inspectorate, such as reporting the unregistered workplaces they have encountered in their organizing drives (Statement of Faruk Büyükkucak, 1st Regional Representative of Türk-İş, interview on 5 November 2004).

D. Some Arguments Stated in Favor of Informal Employment

The following are sample statements expressed in favor of the informal sector encountered in the literature or during interviews:

Although informal employment seems to create adverse effects on the States' finances, informal employment, by generating net contributions to total employment, helps to ward off various negative developments which would otherwise be caused by unemployment. Thus, informal employment creates positive social and economic utilities. The formal sector is unable to create jobs for everyone because of the high costs involved, limited resources and underutilization of capacity. Informal economy provides the livelihood of the jobless who can not be absorbed by the formal sector. Only those individuals with certain levels of education, training and skills can find employment in the formal sector, whereas the informal sector accepts people with every educational level and skill, and at lower costs for that matter. It is true that the informal sector creates unfair competition among the actors of the national economy, but at the same time it leads to competitive advantages in national and international markets because of lower production costs. Income generated in the informal sector boosts up the demand for goods and services of the formal sector. Similarly income of the formal sector shifting to the informal sector enlivens economic activity by creating a multiplier effect. In a sense, income created at the informal (unrecorded) sector may be controlled and recorded at its consumption stage. Also because it creates added value, the informal sector helps the economy achieve a high economic growth rate. Besides, informal economy should not be conceived of as being constantly in competition with the formal sector. As activities in the informal economy could be carried out without obstructing those in the formal sector, it becomes possible to create additional income and employment in the economy without much reduction in the fiscal amounts to be transferred by the formal economy to the public sector. While street vending, for example, is generally perceived as a market of poor-quality goods, research done by Akgeyik, Yavuz, Ersöz, Özdemir and Şenocak has confirmed that vendors of certain central locations in Istanbul emphasize the high quality of their merchandise as evidenced by the volume of their sales. As a matter of fact, one frequently encounters well-known national and world brands being sold much cheaper than their official prices at the formal market.

It follows from all this, then, that a forced shift from the informal to the formal sector may undermine the international competitive

advantage obtained in some sectors (i.e. textiles), thereby resulting in reductions in exports.

In an economy where unskilled labour abounds along with unemployment, efforts aimed at bringing the informal economy under the control of the formal sector, with the sole aim of collecting more taxes and premiums, are destined to decrease the income produced by the informal economy, thereby raising the level of unemployment even further.

E. Likely Advantages of the Move from Informal to Formal Employment

While the views expressed above in favor of the informal economy carry some weight, one should not sidetrack the many negative consequences associated with informal employment, with various ramifications in the long run. Below is a list summarizing the positive likely consequences of transferring the unrecorded employment to the formal sector.

1. With the expansion of formal employment, it will be possible to gradually reduce the rates of social security contributions.
2. Income of social security institutions will increase as the number of the "insured" rises.
3. Parallel to the increased income of social security institutions, there will be relative increases in the level of pensions paid in real terms.
4. Impact of financial burdens on the firms active in the formal sector will ease due to the increased share of the informal sector's transfer to the formal in financing the system.
5. The quality of health services and other benefits provided by the social security institutions will get better.
6. Workers will have access to health services and other benefits of which they were deprived so far when they were in informal employment.
7. Conditions of competition which favored the informal sector in the past will change to the benefit of formal sector firms.

8. Quality of the labour force and hence labour productivity will increase.
9. There will be less use of child labour.
10. Employment conditions of women, the disabled and other vulnerable groups will improve.
11. Parallel to the disappearance of hazardous and unhealthy conditions, there will be a reduction in industrial accidents and occupational diseases.
12. Eradication of work by clandestine foreign nationals will result in a parallel increase in employment.
13. Expansion of formal employment will encourage unionization by creating an environment favorable to unions' organizing activities.
14. New regulations on flexicurity will be more readily applicable in the new milieu of law abiding employers and workers.
15. Production of non-standard and low quality goods will diminish and labour productivity will rise due to better working conditions.

F. Measures that Could Be Taken to Combat Informal Employment

Measures that could be taken to eradicate informal employment and move it to the domain of recorded economy may be the following:

1. Giving a number to individuals from a single source of registration can be an effective measure in monitoring the employment market. Since for psychological reasons not all individuals may be willing to take a tax number, the preferred alternative should be a "social security number". This number could also be the same as the citizenship number given to individuals within the framework of the MERNIS Project. In following up the status of corporate bodies, on the other hand, tax number could be used as across-check between the tax administration and social security institutions.

2. In this connection, collaboration among public institutions such as SSK and Bağ-Kur must be strengthened by cross-checking the registers electronically. Copies of registers taken by tax inspectors at the opening and dosing of undertakings or during their field checks must be forwarded to the SSK.
3. Education of people at every level by awareness creating programs with respect to social security issues may lead to extremely effective results. For people who are illiterate, however social security institutions must make available an extensive consulting network with responsible officials serving the needs of citizens on social security issues. Also, use must be made of the media (TV, press and radio broadcasts) and other public relations functions in the dissemination of knowledge about the advantages of working in the formal sector.
4. The provincial employment boards must be assigned special tasks in the struggle against informal employment and clandestine foreign labour. Coordination among provinces as well as work at local levels must be provided by the provincial employment boards, and the outcome of their activities should be monitored centrally by the Ministry of Labour and Social Security.
5. In the longer term, financial costs on employment must be lowered; and cost elements which undermine competitive advantage could be made more flexible and perhaps variable according to sectors.
6. No significant impact of the new flexible working arrangements on employment creation has yet been felt in formal employment. Labour unions and workers seem to have emphasized the job security dimension of the new Labour Act, while remaining reluctant to accept flexible changes in employment contracts and working time. With this view in mind, training programs should be emphasized to create and disseminate an awareness among workers and their organizations.

7. After careful scanning, amendments should be made in social security legislation, in order to bring it into conformity with the provisions of the new Labour Act No. 4857. Concerning at least the vocational and technical training aspects, the Unemployment Insurance legislation must be amended so that persons under the "uninsured unemployment" status can also benefit from the provisions of Act No. 4447 like the "insured unemployed."
8. In order to pave the way for efficient unionization, the "10 per cent minimum representitivity in industry" requirement for collective bargaining authorization should be deleted. Because most smaller unions which can not pass this threshold feel discouraged to organize nonunion workplaces, they seem reluctant to initiate organizing drives in establishments many of which are active in the informal sector. One could go even further and advocate lowering the second collective bargaining criterion from 50+1 to, say, 40+1 per cent of workers employed in the undertaking. Unions' infiltration into workplaces in the informal sector could help expand the formal sector. These proposed amendments are also in line with the demands of the International Labour Organization as well as the European Union in reference to Labour Law reforms in Turkey. Liberalizing industrial relations legislation in general for that matter, is a long-debated issue which will ease the way to more efficient and democratic unions and collective bargaining, and as such may contribute to effective monitoring of informal employment in small and medium sized enterprises. In any case, the Ministry of Labour and Social Security must seek the support and cooperation of the social partners, labour unions and employers' organizations as well as chambers of commerce and industry in the struggle against informal employment.
9. Simplifying bureaucratic procedures and minimizing the number of documentary requirements must be provided for in order to create a viable monitoring and inspection system, to be bolstered by electronic processing where possible.

10. A labeling system indicating the firm's commitment to labour standards and social security obligations should be promoted with a view to encourage informal sector employers to operate in the formal sector. A document, like that of the Institute of Turkish Standards (TSE), bearing a sign such as "social responsibility standard" could perhaps be issued to firms, certifying that the firm is a socially responsible employer. And the public must be motivated to use the products of firms bearing this sign.
11. Practices like "green card" applications in utilizing health services as well as regulations (like voluntary insurance schemes under SSK and Bağ-Kur) encouraging the flight from the formal to the informal sector should be based on stiffer conditions. Green-card applications should be supplanted by a universal health insurance system.
12. The definition of the concept "the insured" in Social Security legislation must be changed so as to limit the scope of "the uninsured". This may help to shift part of the informal employment into the formal sector. Of special significance are workers engaged in home-based work, domestic servants and porters who are poorer and therefore unable to pay premiums. A special social security program must be established to take such marginal workers into formal employment. Insofar as the scope of the Labour Act is concerned, the exceptions cited in Article 4 (home-based work, domestic servants, small establishments employing up to three workers according to Act 507, etc.) dating back to earlier versions of the Turkish Labour Act must now be deleted, as these categories mentioned in the said article form part of informal employment.
13. An extensive inspection system which can take immediate action upon complaints for alleged violations must be promoted as a deterrent to working in the informal employment. The number and pay of inspection officials who make on site visits must be increased to raise the effectiveness and respectability of labour inspectors. Inspectors of the Social

Insurance Organization must be assigned annual inspection programs by sectors and charged with the special task of investigating cases concerning informal employment.

REFERENCES

- Akgeyik, Tekin, Arif Yavuz, Halis Yunus Ersöz, Süleyman Özdemir ve Hasan Şenocak, İstanbul'da Enformel Sektör: İşportacılar (Eminönü İlçesinde Bir Alan Araştırması), İstanbul, Erguvan Yayınevi, 2004.
- Çalışma ve Sosyal Güvenlik Bakanlığı, Kayıt Dışı İstihdam ve Yabancı Kaçak İşçi İstihdamı, Ankara, ÇSGB, Yayın No. 116, 2004.
- Çalışma ve Sosyal Güvenlik Bakanlığı, Türkiye'de İşsizliğin Önlenmesi ve İstihdamın Arttırılması, Ankara, ÇSGB, Yayın No. 117, 2004.
- Toker Dereli; et.al., Flexibilisation and Modernisation of the Turkish Labour Market, ed. by R. Blanpain, Kluwer Law International, 2006, pp. 13-28.
- İstanbul Sanayi Odası, İstihdam Stratejileri ve Türkiye İçin Bir Model Önerisi, İstanbul, 2006.
- İhsan Tunalı, Background Study on the Labour Market and Employment in Turkey, 27 June 2003, (unpublished paper)