Investing in Turkey’s Next Generation:  
The School-to-Work Transition and Turkey’s Development

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(Exchange Rate Effective May 30, 2008)

Currency Unit = New Turkish Lira
US$ 1 = 1.21 New Turkish Lira

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

<table>
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HLFS</td>
<td>Household Labor Force Survey</td>
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<td>ISKUR</td>
<td>Turkish Employment Organization</td>
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<td>KOSGEB</td>
<td>Small and Medium Industry Development Organization</td>
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<td>MONE</td>
<td>Ministry of National Education</td>
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<td>MYO</td>
<td>Post-secondary vocational school</td>
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<td>NGO</td>
<td>Non Governmental Organization</td>
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<td>OECD</td>
<td>Organization of Economic Co-operation and Development</td>
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<td>OKS</td>
<td>Secondary School Exam</td>
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<td>OSS</td>
<td>University Entrance Exam</td>
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<td>PLMA</td>
<td>Participatory Labor Market Assessments</td>
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<td>PISA</td>
<td>Program for International Student Assessment</td>
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<td>SPO</td>
<td>State Planning Organization</td>
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<td>TEPAV</td>
<td>Economic Policy Research Foundation of Turkey</td>
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<td>TISK</td>
<td>Turkish Confederation of Employer Associations</td>
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<td>TOBB</td>
<td>Union of Chambers and Commodity Exchanges of Turkey</td>
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<tr>
<td>TUSIAD</td>
<td>Turkish Industrialists' and Businessmen's Association</td>
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<td>UN</td>
<td>United Nations</td>
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<td>WDR</td>
<td>World Development Report</td>
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<td>Council of Higher Education</td>
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THE SCHOOL-TO-WORK TRANSITION AND TURKEY’S DEVELOPMENT

EXECUTIVE SUMMARY

Turkey needs to invest in its young people to capture the potentially substantial dividend of today’s large youth cohort. Because of the sheer number of young people, Turkey’s working-age population will expand by over 800,000 every year during the next decade. This so-called “productive population” will continue to grow until around 2020 when the demographic window starts to close. By that time, Turkey will have the population profile of an aging society. East Asia’s economic miracle of the 1970s and 1980s demonstrated that a large youth cohort can propel an economy to very high growth rates. However, the experience in other regions, such as Latin America, has shown that this outcome is by no means guaranteed. Investments made now in today’s children and youth will be critical in determining the extent to which Turkey benefits from this “demographic dividend”.

While the potential benefits are great, so are the risks if today’s large youth cohort does not find its place in tomorrow’s labor market and society. The potential downside of this demographic profile is also significant. If Turkey’s young people are not well prepared for the world of work and if the labor market does not generate more and better jobs for them, then this large youth cohort will be the source of social and economic pressures and tensions. Indeed, managing the transition into adulthood will be a very important factor in determining how well Turkey achieves the goals of stability, equity, and competitiveness that are at the heart of the Ninth Development Plan.

The current generation of young people will enter adulthood in a context that is changing rapidly. Today’s young people will need to find their place in an open economy where the competitive environment is challenging and the standards are high. Turkey cannot base its economic strategy on low costs if it wants to continue on the path of convergence with higher-income countries in Europe and the OECD. It must compete

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1 This report has been written by Gordon Betcherman (Task Team Leader), Jean Fares, Maureen McLaughlin, and Susana Puerto. Background studies were prepared by Hakan Ercan; Jean Fares and Laura Sanchez; Susana Puerto; and Sam Mihail. Eda Ozdek prepared summary reports of the Participatory Labor Market Assessments. The authors acknowledge contributions to the project by John Innes, Ozan Cakmak, Emin Fidan, Jennifer Manghinang, Kerry Papps, Zeynep Ozbil, Elif Yukseler, Raif Can, Arzu Uraz, Jesko Hentschel, and Sangeetha Malaiyandi. The State Planning Organization has been the principal counterpart in the Government of Turkey for this study. The General Directorate of Youth and Sport and Turkstat contributed to the overall effort in important ways. This final report also benefited from a consultation with Government officials, youth groups, employers, and trade unions in December 2007.
on the basis of knowledge, skills, and innovation and this requires not only universal basic education but also advanced skills and an open labor market that allows people to deploy their human capital.

**In many respects, Turkey has taken important steps to prepare for this future.** Today’s young people are more educated and healthier than previous ones, which is a strong base to build on. Educational achievements have been notable, especially in basic education. Enrollments are up at all levels. Some important steps have been taken to modernize the labor market and to establish the foundations for employment institutions and policies suitable for an open, private-sector led economy.

**However, the analysis undertaken for this report highlights the difficult challenges that many young people are experiencing entering the labor market.** Only about 30 percent of Turkey’s youth, defined as between 15 and 24 years of age, are employed and the unemployment rate in this group is more than twice the national rate. Turkey’s youth participation and employment rates are significantly lower than averages in the European Union. “Inactivity” rates are a particular concern: about 40 percent of young people are neither working nor in school. Young women, in particular, have very low employment rates – only 20 percent in 2006. This is primarily because the large majority does not participate in the labor force. The better educated are more likely to join the labor force; however the gains in female educational attainment alone are not likely to increase the labor force participation of women. In fact, well-educated Turkish women are actually less likely to be in the workforce than they were a generation ago.

**In all countries, the employment prospects for youth depend on two cornerstones – an education system that produces skilled young people and a labor market that generates good jobs.** For many young people, skill deficiencies are a barrier for entering the labor market. Although there have been improvements in educational attainment, Turkey still has considerable room to achieve further gains. For example, secondary education graduation rates are close to 50 percent now, but are still well below the 80 percent rates typical of most OECD countries. Quality of education is also an issue. While the best of Turkey’s young people can compete with youth anywhere in terms of skill levels, proficiency varies significantly by gender, region, family income, and type of school. Overall, in terms of both attainment and quality, Turkey’s education system tends to perform at or somewhat below the level of lower middle-income countries but lags well behind the standard of most countries in the EU and elsewhere in the OECD.

**Better employment prospects will require education reforms that prepare all young people with the skills needed to qualify for good jobs after leaving school.** A key
challenge for Turkey is to transform its education system from one that educates only a relatively small number of students at the standards required in a modern economy to one that educates all students well. To do this requires major improvements in the quality of education as well as careful attention to reducing disparities in educational attainment and quality by gender, region, and income. Breaking down barriers between general and vocational secondary education to ensure a foundation of common skills and competencies for all students is important as well as modernizing and expanding higher education. Stronger links between the education system and employers would help to improve the relevance of education to the needs of the labor market. Although this report does not go into detail on these reforms, they are fully elaborated in the World Bank’s recent studies on education and higher education (http://www.worldbank.org/tr).

A sluggish labor market has also been an obstacle for young people. The availability of jobs, especially good jobs, has been limited in recent years. Between 2002 and 2006, employment grew at an annual average of just 1.1 percent, even as GDP was expanding by 7.5 percent per year, Turkey’s employment rate in 2006 was 46 percent, below all EU countries and far from the Lisbon standard of 70 percent. The other aspect of Turkey’s “jobs deficit” is the low quality of many jobs, with nearly one-half of all employment in the informal sector.

Labor market policy reforms that shift protection from jobs to workers will be important for improving access for young people to good jobs. Turkey could expect improvements in employment performance with selected labor market policy changes. The general thrust of the reforms would be to shift the overall policy stance towards “protecting workers not jobs”. This would improve incentives for employment creation in the formal sector and broaden participation in the workforce, especially for youth as well as women and older workers. This strategy (often called “flexicurity”) could be operationalized by increasing labor market flexibility, primarily through regulatory reforms, while strengthening the tools available to workers to adjust to labor market changes and to upgrade their skills. Details on this approach are set out in the recent World Bank Labor Market Report and Country Economic Memorandum (http://www.worldbank.org/tr). Some potentially helpful measures, especially relating to active labor market programs, were introduced in the May 2008 labor market reforms under Law 5763.

In addition to skills deficiencies and limited job openings, young people also identify a lack of information as a problem in making the transition from school to work. Statistical analysis and feedback from youth indicate that, in addition to problems related to the education system and the labor market, the pathways between the two also contribute to the challenges facing Turkey’s young people. Many young people experience “transitional” difficulties in entering the labor market after they have completed their education. Indeed, a significant proportion of young people participating in fact-finding workshops around the country indicated that a lack of information is an important obstacle they face in moving from school to work. Too often, young people have little sense of what kinds of jobs are available in the labor market and what skills and training are needed to get them.
The school-to-work transition tends to be protracted, with many young people spending significant amounts of time neither in school nor in the labor force. However, there are important differences in the transitions of young men and women and the better- and less-educated. Young people face various obstacles in moving from school to work, especially those seeking employment in the “good job” sector. Education makes a big difference but it is not a guarantee that the transition will be short or smooth. As was noted earlier, one major concern is that substantial numbers of young people spend long periods of time in their late teens and 20s neither in school nor in the labor force. This “inactivity” is much more prevalent in Turkey than in other OECD countries. Young women, in particular, fall into this category -- most report household responsibilities as their major activity. While the numbers of young men classified as “inactive” are much smaller, many go through periods of joblessness upon leaving school, sometimes leaving the labor force for a period of time because they are discouraged. When they do find work, it is often in the informal sector and at relatively low wages. For some, these informal jobs are a step on the way to better jobs in the formal sector, although many with lower levels of education do not make this transition.

The education and labor market reforms discussed above are necessary to provide the foundation for improving youth employment outcomes by enhancing skills and job creation. However, specific reforms focusing on the transition between school and work could also make a difference. This is how this report adds to the earlier World Bank studies on education and the labor market. The new policy suggestions put forward in this report are intended to complement sector reforms in education and the labor market by improving the pathways from school to work. Drawing on the framework underpinning the 2007 World Development Report, Development and the Next Generation, the proposals would increase opportunities for youth during the transition period; improve their capabilities for making good choices by providing better information; and expanding opportunities for second chances. These proposals have been discussed with the Government and various stakeholders, including young people themselves, during a consultative process carried out before the finalization of this report.

Specific labor market reforms would improve the opportunities for Turkey’s youth in their transition from school to work. Many young people find their choices to be limited as they move out of school and into the labor market. Opportunities during this transition period would expand with lower social contributions for low-wage labor and with increased options for flexible work arrangements.
• *Reducing social contributions* for low-wage labor would encourage hiring of young people in the formal sector. The tax burden on low-wage labor is very high in Turkey, which creates disincentives for employers to hire. Since they account for the majority of this segment of the labor market, young people are particularly affected. This issue was covered under the recently passed Law 5763 which includes a temporary social insurance contribution subsidy for new employees between 18 and 29 who are hired in the next year. Although the impact of this measure could not be evaluated for this report, it is likely that it will encourage youth hiring. Simulations undertaken by the World Bank suggest that lower social contributions could have significant impacts on youth employment without major fiscal implications. For example, according to these estimations, reducing employer contributions for employees under the age of 30 by 7 percentage points would create an additional 70,000 new formal jobs, which would represent a 2 percent increase in formal employment for this group.

• *Removing restrictions on flexible work arrangements* would expand opportunities for young people entering the labor market. Temporary, part-time, and fixed-term jobs allow individuals to combine work with other activities, primarily education and family responsibilities. The international experience shows that young people, and especially young women, take up these types of jobs in large numbers. Currently, there is very little employment in flexible work forms in Turkey. One important reason is that the Labor Code imposes significant restrictions on temporary and fixed-term contracting. Reforming the Code to bring Turkey’s rules regarding these work forms into line with current EU and OECD practices would open up opportunities for young people. While a legal framework for part-time employment was introduced in 2003, formulas for calculating social contributions and other taxes need to be reviewed to ensure that they do not create disincentives for part-time work.

**Better access to information on educational options, on skills needed for different careers, and on job opportunities would improve the capabilities of youth to make informed decisions on their education and careers.** Young people in Turkey indicate that a lack of information and guidance limits their ability to make good decisions about their education and employment. Better access to information through career counseling and job search assistance would help to bridge this informational gap and reduce an important barrier.

• *Providing students with career counseling* based on current, high-quality information regarding career prospects, expected earnings, and the education and skills needed for
different occupations would also allow students to make more careful and better informed decisions on schooling and careers. At present, career counseling is not well developed in Turkish schools. In fact, the fact-finding workshops suggest that many students may be misinformed about what they will need to know when they enter the workforce. One key principle of successful counseling is that it is not seen as a “matching” process where individual prospects are determined early and education choices are made accordingly. The emphasis should be on “active career planning” with an emphasis on personal and career development as individuals move through the education system and into the labor market.

- **Offering job search assistance** to students as they prepare to leave school and to out-of-work youth while they are looking for jobs will help to reduce the transition time between schooling and work and to better match people and jobs. Job search assistance includes access to job vacancy information, counseling, job clubs and job fairs, and referral to active labor market programs. Impact evaluations have consistently shown the cost-effectiveness of job search assistance interventions. Turkey’s experience in providing job search assistance to job-seekers is limited and needs to be developed further. The transition of young people into the labor market would be enhanced through greater capacity in ISKUR to provide these services. The new reforms under Law 5763 will expand ISKUR’s scope and resources for programming which, if implemented effectively, could improve job search assistance options. The regulatory framework for private employment agencies also needs to be reviewed to ensure that they can offer cost-effective job assistance services.

**Finally, effective programs to provide second chances are necessary to help disadvantaged young people to get back on the path to build their human capital and find their place in society and the economy.** Promoting a successful transition into the labor market through broader opportunities and enhanced capabilities may not be enough for all young people. Because of bad initial outcomes, some will need additional support to get back on a promising path. Well-designed and cost-effective employment and training programs can provide these second chances. The priority group for these programs should be young people who are less educated or are vulnerable in other ways.

- **Targeting second chance programs on the disadvantaged** is needed to support those with the greatest problems entering the labor market. Active labor market programs for young people in Turkey have most frequently targeted secondary and postsecondary graduates. While these groups have difficulties making the transition from school to work, they do eventually tend to establish a more solid foothold in the labor market than those with less schooling. Indeed, by the age of 30, better educated young people have the lowest unemployment rates. The focus of youth employment programs should shift to the less-educated, those from low-income families, and young women since these are the groups experiencing the most difficult transitions. Targeting is important since resources are limited and many second-chance interventions can involve high costs, especially when multiple services are offered.

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To sum up, Turkey is at a critical moment on its development path. Facing a demographic transition and an increasingly competitive environment, investing in its next generation will have important implications on this generation’s development and its contribution to the development of Turkey. Strengthening the education system and improving the functioning of the labor market must lay the foundation for any reform agenda. Furthermore, targeted policies that broaden the opportunities for youth increase their capabilities to make more informed decisions, and give them a second chance in the event of missed opportunities will facilitate their transition from school to work and increase their immediate contribution to Turkey’s growth and poverty reduction.
1. Introduction

Turkey needs to invest in its young people to enable today’s large youth cohort to find its place in tomorrow’s labor market and society. This investment is critical and must be made now for the county to benefit from the “demographic dividend” of a large working-age population. This so-called “productive population” will continue to grow until around 2020 when the demographic window starts to close. Indeed, a similar demographic profile contributed to as much as one-half of East Asia’s “economic miracle” during the 1970s and 1980s. However, while the benefits could be great in Turkey as well, the risks are also large if these large numbers of young men and women do not have the education and employment opportunities to fulfill their promise and the country’s potential.

This report assesses the prospects for Turkey’s youth by examining the “school-to-work transition”. For most, this process takes place between about 15 and 25, which respectively mark the ages when more than half are no longer exclusively in school and when more than half are exclusively working (Figure 1). For some young people, however, the transition can be longer, stretching beyond their mid-20s.

Figure 1: Turkey’s School to Work Transition
Notes: Horizontal axis is age and vertical axis is percentage in school only or employed only. The “school-to-work” transition period is defined by those ages when the majority is no longer at school only and when the majority is employed only. Calculations are based on the Household Labor Force Survey.

For the country, the challenge of managing the school-to-work transition includes not only the very large numbers involved but also a context that is evolving very rapidly as the economy modernizes and as social and cultural values change. In many respects, Turkey’s youth cohort is prepared for this future, but in others, it faces important challenges.

- **Educational achievements have been notable, especially in basic education, but the system faces two emerging challenges.** First, how can Turkey build on its educational successes and achievements to transform its education system from one that educates a small number of students to the highest international levels to one that educates all students well? Second, how can Turkey’s secondary and post-secondary systems respond to the added pressure and demand for further education from a growing youth cohort while increasing coverage and quality to international levels?

- **The labor market is functioning in new ways that affect how new entrants can get established at work.** First, it is asking for more but currently, many firms see a mismatch between the skills graduates bring to the labor market and the skills they need. Second, the economy is becoming more urbanized and oriented towards the service sector, which calls for very different abilities and skills on the part of job-seekers. Third, it is opening up to outside competition. Turkey’s young people cannot compete on the basis of low costs with countries elsewhere in the world so they must compete on the basis of skills and knowledge with their counterparts in fast-growing developing countries as well as new EU members.

- **Finally, young people themselves are also asking for more.** With more education, and more exposure to the outside world, youth in Turkey are expecting more. They are demanding better and better educational opportunities, improved access to the labor market and good jobs, and more flexibility in terms of educational and employment choices and moving from one to the other.

This study empirically considers a number of key questions related to this transition: How well is the education and training system preparing young people for employment? What are their initial experiences in the labor market? What tools are at the disposal of young people and their families for making the best choices about schooling and gaining a strong foothold in the labor market? What types of reforms would improve the effectiveness of the pathways between school and work, thereby enhancing the contribution that today’s youth can make to the Turkish economy and society in the future? In other words, what would it take for Turkey to do what East Asian countries did a quarter-century ago?

These questions are addressed using the findings of a series of studies based on empirical analysis of demographic, education, and labor market data. The study also relies on qualitative evidence collected during the fact-finding stage from young people, employers, educators, and government representatives in five communities in different parts of the country (see Box 1).
Box 1: Participatory Labor Market Assessments

Participatory Labor Market Assessments (PLMAs) are interactive workshops intended to engage young people, employers, educators, and government officials within a local community in a discussion of the transition from school to work and what steps could improve youth employment outcomes. Between May and July, 2007, PLMA meetings took place in five cities in various parts of the country: Antalya, Bursa, Malatya, Trabzon, and Van. Youth participants were recruited through information campaigns targeted at youth groups, universities, and non-governmental organizations. These PLMAs were organized by the General Directorate of Youth and Sport and the World Bank, with funding support from a grant through the Japanese Social Development Fund. In each locality, the organizers worked with local youth centers and organizations, educational institutions, and government representatives.

The meetings began with a panel presentation featuring keynote speakers from the private and public sectors within the community who discussed the conditions in the local labor market, employment opportunities for young people, quality and role of the education and training systems in the youth transition to work, and second chance programs for school dropouts. The second session involved only the youth participants in a workshop discussion on these same issues, asking for their perceptions and for recommendations on how the situation might be improved. At the end of each PLMA, these young people completed a short survey. The questionnaire covered individual background information, current education and employment status, who made decisions on their schooling and work choices, views on the usefulness of their education for the labor market, employment prospects, availability of information on the labor market, participation in post-school education and active labor market programs, the challenges in their transition to work, and the government actions that should be taken to ease this transition. Overall, 149 young people completed this survey.

Finally, in order to discuss and validate the study’s findings, the World Bank team engaged in a consultative process before finalizing the report (see Box 2). The feedback received during this consultation has been reflected in this final version of the report.

Box 2: Stakeholder Consultations

As a last step before finalizing the report, the study team held consultations with stakeholders to incorporate their views in the final document. This consultation was based on the (previous) draft version of the report. The consultations involved (i) State Planning Organization (primary counterpart) and other relevant Government ministries/agencies including Ministry of National Education, Ministry of Labor and Social Security, General Directorate of Youth and Sports, Council of Higher Education (YOK), ISKUR, and KOSGEB; (ii) national trade unions including Turk-Is, Hak-Is and Disk, (iii) Employers associations including TUSIAD, TOBB and TISK; and (iv) youth organizations.

The process started with a technical workshop with State Planning Organization, and was followed by individual meetings and workshops with relevant agencies and interest groups. Field consultations were organized in Antalya and Malatya, two of the five cities where participatory labor market assessments were conducted during the research phase of the study. During the consultations, stakeholders articulated their positions and priorities with respect to the issues analyzed in the draft report and provided their views on policy options, including those proposed in the report. At the end of the consultative process, a final workshop was hosted by SPO, bringing together over 80 representatives from Government and the other stakeholder groups. During this meeting, the World Bank study team shared the conclusions of the consultation and the draft study was presented with new perspectives gained from the consultation.
Ultimately, the employment challenges facing Turkey’s large youth cohort include both transitional problems and more long-lasting skills deficits. In fact, the youth participants in the Participatory Labor Market Assessments highlighted both problems equally (Figure 2). Among respondents, 44 percent identified a lack of jobs or a lack of information about job availability as the most important challenge facing youth in their transition from school to work. Inadequate or irrelevant school preparation was cited by 43 percent as the most serious challenge.

Figure 2: Most important challenges identified by youth in the transition from school to work, Participatory Labor Market Assessments

Broader education and labor market reform will be necessary to lay the foundation for an improved youth transition. The World Bank’s suggestions on reform in these sectors have been presented in earlier reports and are only briefly summarized here (World Bank 2005, 2006b, 2006d, 2007a). However, complementary focused and targeted policy options could immediately alleviate some of the obstacles youth are facing in their transition from school to work. This focus on the transition, and the policy options put forward to improve it, constitute the added value of this report. The policy suggestions are organized according to the conceptual framework guiding the 2007 World Development Report, Development and the Next Generation (World Bank 2006a): policies to broaden opportunities for young people to invest in human capital, to increase their capability to choose among these opportunities, and to ensure that they have second chances in the event of bad initial outcomes.
• Expanding *opportunities* during the school-to-work transition would be aided by selective labor market reforms that would increase the availability of formal-sector jobs for youth. One important step would be to reduce social contributions for young workers. Another would be to remove restrictions on flexible work arrangements which would expand opportunities for young people, especially women entering the labor market.

• Improving the *capability* to make good decisions would result from young people having access to better information. Providing students with career counseling and offering job search assistance as they prepare to leave school and to out-of-work youth would support improved career decision-making and speed up the transition from school to work.

• Providing *second chances* is important for some young people who enter the labor market without employable skills or are disadvantaged in some other way. Programs should be targeted on those with the greatest problems entering the labor market.
2. Demographic trends and their economic significance\(^2\)

The demographic transition – i.e., in which initially high fertility and mortality rates end up at low levels -- can have important economic implications. This is primarily because the transition affects the balance between the “productive” and “dependent” shares of the population. Since mortality rates typically fall before fertility rates do, the overall effect of a demographic transition will be to, first, lower the ratio of the economically-active or working-age population (15-64 years) to the total population; then to raise it, and, finally, to lower it again. It is this second stage, when the economically-active ratio is rising, that the so-called “demographic window of opportunity” is open. While this can fuel economic growth, its realization depends on many other factors including social, economic, and political features of the society. Bloom and Williamson (1998) find that some countries manage to benefit more than others. East Asia, during the high growth years between 1965 and 1990, represents the most prominent example of realizing the potential of the demographic window. According to estimates by Bloom and Williamson (1998), population dynamics accounted for up to one-third of economic growth during this period and as much as one-half of the East Asian “economic miracle” – i.e., growth above the steady state growth rate.

Figure 3 presents a stylized depiction of the economic impacts of the demographic transition over time. The period between the dotted lines represents the years when the demographic window of opportunity is open – i.e., when ratio of the working-age population to the total population is increasing. In the case of Turkey, 1980 and 2020 mark the period of rising working age-to-total population ratios. In the early year, it was 55.0 percent, and, according to UN projections, it is expected to rise to 69.3 percent by 2020, when it will start falling.\(^3\) With the number of people below the age of 15 already declining, the country will have the population profile of an “aging” society by 2020. As Ercan (2007) has put it, “[t]his will take some getting used to in the collective and political mindset”. So, while the potential for realizing a demographic dividend exists now, Turkey’s opportunity is certainly time-bound. The fact that some of the key policy responses -- for example, in education -- will take many years to show their full effects is a strong argument for acting quickly.

Nonetheless, the effect of Turkey’s demographic trends over at least the next decade will be to continue to drive strong growth in the working-age population. The current annual rate of increase is just under 2 percent, well in excess of the rate of employment growth which has been less than 1 percent over the past 5 years. The working-age population is expected to increase by over 800,000 every year over the next decade which will clearly add to the country’s pressures for job creation. During this period, the demographic structure will continue to exert significant fiscal pressures on the budgetary resources of the country.

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\(^2\) This section is based on Ercan (2007).

\(^3\) In terms of absolute numbers, the 15-64 year age group will actually continue to rise until 2040 when it reaches over 63 million. All population projections are based on the UN World Population Prospects: The 2006 revision (http://esa.un.org/unpp/). The medium variant has been used. It should be noted that Turkstat also prepares population projections and these do differ to some extent from the UN’s projections. The UN projections have been used because these correct for under-enumeration of children in the Censuses, while Turkstat’s projections do not. For more details, see Ercan (2007, footnotes 13 and 14).
the government to meet the demands on the education system. This is not only because
the size of the school-age population will not yet be shrinking but also because Turkey
will need to invest in improving its human capital to meet the demands of the economy.

**Figure 3: Stylized Model of Economic Growth and the Demographic Transition**

Note: In the case of Turkey, the dotted lines defining the demographic window of opportunity are 1980 and 2020.
Source: Adapted from Bloom and Williamson (1998)

The other major factor to keep in mind in considering the country’s potential labor supply
is the ongoing migration from rural to urban areas. Between 1990 and 2000 (the last
intercensal decade), the annual population growth rate was 2.68 percent in urban areas
and just 0.42 percent in rural areas. This difference is largely attributable to migration
from the latter to the former. In fact, rural migrants accounted for one-half of the urban
population increase of 9 million during that decade. These flows are dominated by young
people: between 1990 and 2000, 70 percent of the migrants were between 10 and 29
years of age. The urbanization of the country is projected to continue over the next
quarter-century, with growth in the cities essentially accounting for all of the national
population increase (Figure 4). 4

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4 However, Ercan (2007) argues that the future growth of the urban population is likely to be driven more
by its own momentum than by large waves of rural migration. This argument is based on the observation
that the rural population of child-bearing age has diminished because of the migration that has already
taken place so the future supply of youth in rural areas will not be large to generate the migration numbers
that occurred in the past.
Figure 4: Total, City, and Village Population and Projections, 1927-2050

Notes: The “city” line includes provincial and district centers and the “village” line is the residual. Squares and triangles represent urban (20,000 or more) and rural population, respectively.
Source: Ercan (2007) based on Turkstat and UN data.
3. Diagnosis of the school-to-work transition in Turkey

This section summarizes the transition from the education system and into the labor market. It assesses how well country’s educational institutions are preparing young people for the labor market and raises a set of challenges to be addressed in order to improve the school-to-work transition. The section then turns to the labor market, analyzing the youth experience in their early years after schooling, examining how the experience varies by level of education, and identifying the employment-related obstacles that young adults are facing.

3.1 Education

Turkey has achieved a great deal of progress in education over the past decade, most notably in terms of increased enrollment at all levels. Young people entering the labor market are much better educated than ever before and the labor market is rewarding increases in education with higher earnings. Despite these positive trends, however, education and skill levels in Turkey lag international standards and disparities exist in educational access and quality -- particularly for girls, for young people in rural areas and in the east and southeast, and for the poor. Especially for these groups, then, preparation for the labor market is inadequate.

Education pays off for Turkish youth

According to the analysis using the Household Labor Force Survey data reported in section 3.2 below, the earnings of young people rise with educational attainment, even more steeply than for adults. A recent study on higher education and the labor market in Turkey that estimated returns to postsecondary education also found positive returns for MYO graduates and especially for university students (TEPAV 2007). The finding that returns to education are increasing even as the supply of well-educated labor increases is evidence that labor demand has become more skills-intensive. These increasing returns refute the notion that is sometimes popularly held in Turkey that the labor demand for highly skilled workers is weak.

The returns to education observed in Turkey are consistent with trends around the world, which show significant and increasing returns to higher levels of education. And, similar to Turkey, estimates for other OECD countries also show higher wage premiums for university graduates than for students graduating from other kinds of tertiary education (this group of institutions includes, for example, MYOs in Turkey, community colleges in the U.S. and Canada, and technical institutes in Ireland) (Mikhail 2006). The differences in rates of return between the two sectors of tertiary education vary across the countries -- for example, differences are small in Norway and large in the United States.

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5 Returns to education -- private and social -- are high for all levels of education. For example, recent estimates of private rates of return are 27 percent for primary education, 17 percent for secondary education and 19 percent for higher education. Returns are highest for low- and middle-income countries and are higher for females than for males. See Psacharopoulos and Patrinos (2004).
Are education and skills adequate for youth to get good jobs?

The key question for the school-to-work transition is whether the education and skills of Turkish youth are sufficient to prepare them to get good jobs.

To address this question, the following paragraphs examine data on the quantity and quality of education in Turkey. The analysis first looks at levels of education – i.e., measuring the quantity of education -- and then at students’ skills and learning achievement as measured by international tests – i.e., measuring the quality of education. Data on enrollment and levels of education are easier to get than data on quality and student outcomes but both are necessary to get a full picture of what is happening.

A recent report prepared for the World Bank (2007c), *Education Quality and Economic Growth*, documents with extensive international evidence the powerful effects of educational quality. As shown in Figure 5 below, years of schooling matter for economic growth but the relationship (depicted in the right hand panel) is relatively weak. Years of education alone do not necessarily measure what students know. In contrast, the quality of education -- learning achievements and skills -- as shown in the left hand panel of Figure 5 is very strongly correlated with economic growth. Hence, what Turkish students know and how they can apply their knowledge and skills in the labor market will have a big impact on their ability to get good jobs and on the country’s economic growth.

*Figure 5: Test scores have a greater impact on growth than years of schooling*

<table>
<thead>
<tr>
<th>Impact of test scores on economic growth</th>
<th>Impact of years of schooling on economic growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart1.png" alt="Impact of test scores on economic growth" /></td>
<td><img src="chart2.png" alt="Impact of years of schooling on economic growth" /></td>
</tr>
</tbody>
</table>

Source: World Bank (2007c)
Levels of education are increasing but are still low by international standards and there is wide variation by gender and region. With primary schooling at almost universal coverage, secondary education enrollment has increased significantly, from a 53 percent gross enrollment rate in 1998 to 87 percent in 2007. Although rates have increased for both males and females, girls have not caught up and are still much less likely to enroll in secondary education -- 77 percent in 2007 compared with 96 percent for males.

As shown in Figure 6, graduation rates for upper secondary education have increased substantially in Turkey in the past ten years, from 37 percent in 1995 to 48 percent in 2005. Despite these increases, however, the graduation rate is still well below the OECD average of 82 percent and other middle-income OECD countries, with the exception of Mexico.

Figure 6: Upper secondary graduation rates, Turkey 1995 and 2005, selected OECD countries and OECD average, 2005

Source: OECD (2007b)

The percentage of Turkish youth, 20-24 years old, with upper secondary completion is still low by European standards. According to Eurostat, only 45 percent in this age group in 2006 had completed upper secondary education, compared to 78 percent for the EU-27 countries. The Lisbon target for this indicator is 85 percent. Gender patterns are distinct in Turkey as well. While in the EU-27 as a whole, young women (20-24 years) have a moderately higher completion rate than young men (81 percent versus 75 percent), in Turkey the difference is much larger and in favor of young men, who have a completion rate of 52 percent compared to only 39 percent for young women. Attainment varies significantly in Turkey by region as well, with much lower enrollment and attainment in the eastern provinces, especially for girls. For example, secondary attainment in Ankara is over 50 percent with only a small difference between males and females. In contrast,

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6 Net enrollment rates increased during the same time period from 38 percent to 57 percent overall; from 41 percent to 61 percent for males; and from 34 percent to 52 percent for females.
overall secondary attainment in Diyarbakir is 28 percent with girls much less likely to have a secondary diploma.

These educational attainment patterns and comparisons are similar in the case of higher education as well. Significant gains have been achieved in participation in higher education in recent years, increasing from a 20 percent gross enrollment rate in 1998 to 35 percent in 2007. Increases have occurred for both sexes but enrollment is still lower for females -- 30 percent in 2007 compared with 39 percent for males. Nonetheless, tertiary enrollment and attainment rates remain low in Turkey compared to most countries with similar levels of income and substantially lower compared to countries with higher levels of income. Turkey’s higher education degree attainment rate of 12 percent among 25-34 year-olds is the lowest among all OECD countries -- for example, Mexico’s rate is 18 percent -- and far below the OECD average of 32 percent (OECD 2007b). As is generally the case, access to tertiary education in Turkey is uneven, with higher participation for youth from higher-income families than those from lower-income families.

Education quality remains a problem, with a low averages overall and a large proportion of students registering poor learning outcomes by international standards. New evidence on education quality is available with the recent release of the 2006 PISA test results on learning outcomes for 15-year olds in math, reading, and science. Compared to other OECD countries, Turkey ranks poorly, coming second to last on average achievement (same as 2003 results). When measured against countries of similar income, Turkey’s average performance looks better but is slightly below what would be expected based on its income level (Figure 7). In addition, Turkey has substantial variation in test scores, with a large proportion of students failing to reach basic levels of proficiency. Student performance varies significantly by region, family income, and type of school. However, these latest PISA results indicate that the variation in performance did improve since 2003 in math and sciences.

Enrollment in the more prestigious secondary schools is controlled through the secondary school exam (OKS) administered at the end of eighth grade. This high-stakes exam means that students with better primary school preparation and better access to private tutoring courses are able to enter the more prestigious high schools. Students who do not take the exam or do not score well go on to general public high schools or to lower prestige vocational schools. Once on a particular track, the rigid system makes it almost impossible to change and results in growing disparities in educational access and outcomes.

The level and quality of educational inputs -- including teacher preparation, books, other learning materials, and per-student expenditures -- also contribute to overall low student performance and to disparities between the top students and others. The quality of these educational inputs varies by geographical region, rural or urban location, and the family income of students (World Bank 2005). The distribution tends to mirror performance -- lower in the east and southeast, in rural areas, and for poorer households.

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7 Note that Turkey’s GDP per capita in Figure 7 reflects the adjustment made by Turkstat in early 2008.
Skill mismatches and limited ties between the education system and the private sector make the transition between schools and work more difficult

More than 40 percent of the youth participating in the PLMAs report that inadequate educational preparation or education that was not relevant is the most important challenge facing young people in their transition from school to work. The World Bank (2007a) study of higher education confirms this issue as a problem, as less than 40 percent of Turkish firms indicate that the local or regional university educates people with the skills firms need and in the areas firms need. The study highlights a mismatch between the skills employers are seeking and the skills that many students have when they leave higher education. Like employers in many other countries, Turkish firms experience an unmet demand for foreign language skills, especially English, computer skills, analytical skills, and social, behavioral, and communications skills. They also cite a lack of practical experience among many graduates.

The preparation at vocational high schools and at MYOs -- which are expected to prepare students for specific vocations and occupations -- is often inadequate due to both the preparation of entering students as well as the quality of education offered in many of these schools. Students in vocational education receive a narrower education than other students and are channeled into vocational education early with virtually no opportunity to switch tracks. As a result, these students have weaker general skills and competencies, which translate into limited opportunities for further education as well as more limited
success in the labor market. A recent Turkish report documents many problems in vocational education and training, including poor private sector linkages, poor student preparation, and poorly trained teachers (Turkonofed and ERG 2007).

The university entrance exam (OSS) plays a major role in determining enrollment in universities and MYOs. As with the secondary exam, the content of the university exam, the extent of private tutoring, and how the exam is used to determine enrollment reinforce previous disparities in the education system (World Bank 2007). The OSS exam and need to reform it was mentioned by some participants in the PLMAs. During the consultation process, young people noted that the role of the exam in determining education decisions limits the possibilities for developing and pursuing a career plan as young people are able to do in many other countries.

Vocational school graduates may enter MYOs without any exam. The fact that MYOs are not generally viewed as high quality alternatives means that students will often retake the OSS to try for a place at the university rather than enrolling in a MYO. Moreover, MYOs are generally viewed as having many shortcomings compared to alternative tertiary institutions in other countries, including those countries mentioned earlier in the discussion on returns to education (World Bank 2007a).

A lack of information about job opportunities and limited communication between education and the private sector also exacerbate problems in the transition. Almost 20 percent of youth in the PLMAs indicate that lack of information about job availability was the most important problem in the transition from school to work. In addition, the private sector in Turkey knows little about higher education and likewise higher education institutions know little about firms. As a result, partnerships between the private sector and higher education are rare, internships are limited, and regional needs are often not considered by higher education in designing programs or courses, including at MYOs, which should have the strongest ties to the local economy. Other countries that have successfully tied education to economic development, such as Ireland, have done so with explicit relationships between higher education and the private sector (World Bank 2007a).

**Training opportunities after formal education are limited**

Training programs, including vocational (in-classroom) training and on-the-job training could improve skills in the transition from school to work and could help to address concerns raised by youth in the PLMAs on insufficient skills. This non-formal training could be a particularly important tool for young people who enter the labor market without strong educational preparation. There has been only limited information and analysis of training outside the formal education system. Statistical data are scarce and somewhat dated. The latest Turkstat data is for 2002. In that year, non-formal vocational education accounted for 1.9 percent of the total education expenditure, with 69 percent of the spending in public institutions and 31 percent in private centers.

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8 One recent exception is Turkonofed and ERG (2007).
Training is available through various public agencies, most importantly the Ministry of National Education (MONE) but also ISKUR and other departments, as well as NGOs and universities. MONE provides training through adult education centers, apprenticeship training, and special courses constitute the significant portion of non-formal training. Its adult education centers primarily concentrate on literacy courses and various other courses in traditional occupations. ISKUR’s training courses are limited and are primarily offered for those receiving unemployment benefits. According to Turkstat data, trainees in private training institutions actually outnumber those in public centers. However, private providers are dominated by the dershanes (preparing students for university and college admittance tests) and by driver education. At the same time, the recent Investment Climate Assessment for Turkey found that manufacturing firms in Turkey provide less formal training to their workers than firms in comparator countries (World Bank 2007b). The study of the higher education and the labor market in Turkey confirms this result on limited training (TEPAV 2007).

Turkey has been undertaking reform in vocational training through an EU-supported project, Strengthening the Vocational Education and Training System in Turkey which began in 2002. In addition to building institutional capacity and decentralization, the reform intends to improve quality and relevance, in part through the modularization of training and the development of a national vocational qualification system. The Vocational Qualification Agency has been established and is establishing standards and certification requirements in selected occupations. Although Turkey is in the early stages of developing and implementing a national qualifications framework, this has the potential to support young people (and other workers) and employers in matching qualified workers with available jobs.

3.2 Youth experiences in the labor market

The transition from school to work is often a difficult and protracted one in Turkey. Analysis using the Household Labor Force Survey indicates that many young people go through periods of joblessness upon leaving school and, when they do find work, it is often in the informal sector and at relatively low wages. Education makes a big difference but it is not a guarantee that the transition will be smooth. Many young people with postsecondary schooling experience relatively long transitions, although eventually they do tend to find their place in the labor market. Males and females have quite different experiences, most notably with a large proportion of young women never making the transition into the workforce.

Youth labor market indicators in Turkey are disappointing

Youth in Turkey have extremely low employment and relatively high unemployment rates. In 2005, the employment rate for young people (aged 15 to 24) was 31.8 percent, well below the rate for adults at 51.8 percent (Table 1).9 The unemployment rate for youth was 19.1 percent, double that of the adult rate of 8.2 percent. An important reason

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9 At the time the statistical analysis was undertaken for this report, the latest micro HLFS data available were for 2005.
for the low youth employment rates is that a large proportion of young women do not join
the workforce. Their labor force participation rate in 2005 was 25.7 percent, half of the
rate for young men. These gender differences are an important factor in explaining why
labor market outcomes for youth in Turkey do not compare well with countries in the EU.
The employment rate for young males in Turkey is very similar to the employment rate
of young men in the EU-27, while the youth female employment rate in Turkey is
roughly 15 percentage points lower than the EU-27 rate. It should be noted that some
other – though not all -- Southern European countries have employment rates for young
women that are similar to Turkey’s (Figure 8). However, in these countries (e.g., Italy
and Greece), young women are much more likely to be in school than is the case in
Turkey.

Table 1: Main labor market indicators, 2005

<table>
<thead>
<tr>
<th>Age</th>
<th>Labor Force Participation</th>
<th>Employment</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>39.3</td>
<td>31.8</td>
<td>19.1</td>
</tr>
<tr>
<td>15-19</td>
<td>27.9</td>
<td>5.3</td>
<td>17.4</td>
</tr>
<tr>
<td>20-24</td>
<td>51.5</td>
<td>41.2</td>
<td>20.1</td>
</tr>
<tr>
<td>25-29</td>
<td>63.1</td>
<td>55.1</td>
<td>12.7</td>
</tr>
<tr>
<td>30-64</td>
<td>54.8</td>
<td>51.0</td>
<td>6.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender (15-24)</th>
<th>Labor Force Participation</th>
<th>Employment</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>53.6</td>
<td>43.4</td>
<td>19.1</td>
</tr>
<tr>
<td>Female</td>
<td>25.7</td>
<td>20.8</td>
<td>19.0</td>
</tr>
</tbody>
</table>

Source: Household Labor Force Survey, 2005

Figure 8: Female employment rates, 15-24 years of age, selected Southern European
countries, 2006

Source: OECD
The transition from school to work differs for males and females\(^{10}\)

At any age, five different activities for individuals can be identified in the HLFS data: in school, combining school and work, inactive, unemployed, and employed.

In Turkey, a person aged 15 in 2005 can expect to continue in education for about 3 of the next 15 years (Figure 9). This average figure refers to all 15-year-olds -- males at this age continue in education for a longer period (about 3.5 years), one year longer than females. A 15-year-old can expect to hold a job for 5.6 of the 15 years to come, to be unemployed for a total of 1.1 years, and to be neither in school nor in the labor force ("inactive") for 5.2 years. This pattern differs substantially by gender. A 15 year-old female is expected to spend, on average, 8.6 years neither in education nor seeking work, compared to about 2 years for males. Relative to other countries in the OECD, Turkey’s youth spend the least time in school and the most neither in school nor seeking work.

**Figure 9: Years in different education and labor market statuses, 15-to-29-year-olds, selected OECD countries, 2005**

![Years in different education and labor market statuses](image)

Source: OECD (2007b)

A detailed description of different activities at different ages reveals interesting patterns between young males and females in Turkey (Figure 10). Both males and females leave school at an accelerating rate between the ages of 15 to 18 years. However, their transition differs significantly. For young men, the labor market is the major destination although the increase in employment does not match the increased outflow from schools leaving a significant share of young males jobless. For young women, most school-

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\(^{10}\) No one indicator can capture the complexity of such a transition. The issue is not only conceptual, in trying to identify an indicator that could fully explain the transition; it is also practical as existing survey instruments limit the ability to develop such an indicator. In the absence of longitudinal data, a simple description of different activities for different age cohorts can still be telling.
leavers stay out of the labor force. The activity data indicate a rise of joblessness among young males to be followed by an eventual increase in employment, while for females, the high “inactivity” (i.e., not in school, not in the labor force) is permanent. It should be noted that the activity patterns of young men as described in Figure 10 do not reflect military service since this is not captured by the HLFS.11

**Figure 10: Distribution of activities, by age and gender, 2005**

![Activity Distribution Chart](chart.png)

_source: Household Labor Force Survey 2005_

**Complex reasons for why young people are not in the labor force**

Most young men out of the labor force are still full-time students, while most young women report themselves as housewives. Among young men between 15 and 19, 77 percent who were not in the labor force in 2005 reported they were not looking for work because they were in school; in the 20-24 age group, this reason was still reported by 49 percent (Table 2). Given the importance of education for future labor market performance, this could be seen as a positive factor. While not easy to capture in the data, an important share of youth classified out of the labor force could be preparing for the university entrance exam, or in the military service, in the case of young men.

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11 Since decisions on when to enter the service are affected by one’s education or labor market situation, it seems probable that the figure misses a group of young men who otherwise would be overrepresented in unemployment or inactivity if they had not entered the military.
Table 2: Reasons cited for not being in the labor force, 2005

<table>
<thead>
<tr>
<th>Reason</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>men</td>
<td>women</td>
<td>all</td>
</tr>
<tr>
<td>Student</td>
<td>60.3</td>
<td>77.0</td>
<td>46.5</td>
</tr>
<tr>
<td>Housewife</td>
<td>19.9</td>
<td>0.0</td>
<td>36.3</td>
</tr>
<tr>
<td>Family or personal reasons</td>
<td>6.4</td>
<td>6.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Believes jobs are not available</td>
<td>3.0</td>
<td>4.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Works seasonally</td>
<td>2.1</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Disabled</td>
<td>1.7</td>
<td>2.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Does not want to work</td>
<td>1.5</td>
<td>1.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Looking after children in the family</td>
<td>0.2</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Others</td>
<td>4.9</td>
<td>6.7</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: Household Labor Force Survey, 2005

Most young women not in the labor force cite being a housewife as the reason (52 percent of those aged 15-24). The prevalence of this reason increases as young women move through their 20s: more than 80 percent in the 25-29 age group not in the labor force report being housewives or looking after children in the family.

The other major reason for low youth participation, particularly among males, is the difficulties that many experience looking for work and the resulting “discouragement” (i.e., labor force withdrawal because of pessimism about finding a job). This seems to increase as young people move through their 20s: for example, over 20 percent of males in the 25-29 year age report a belief that jobs are not available as the major reason for not looking for work. This was observed in the PLMAs, as well; according to the survey of young people in the five cities, about one-quarter identified a lack of jobs as the major challenge in the transition to work.

**Transition patterns differ by educational attainment**

Employment rates are very low for poorly educated youth. Less than 23 percent of those with less than primary education and only 33 percent of youth with primary school were employed in 2005. These employment rates rise significantly with age for all levels of education but they increase most rapidly for the most educated (Figure 11). On the other hand, for the well-educated, early labor market problems are most evident in very high unemployment rates – for MYO and tertiary education graduates between 20 and 24, they are 29 percent and 32 percent, respectively, levels higher than for any other educational groups. However, unemployment among the most educated falls most rapidly with age – by 30, postsecondary graduates have the lowest unemployment rates of all educational groups.
In Turkey, like most other countries, the participation rate among females rises with educational attainment. In 2005, only around 15 percent of women with primary schooling or less were in the workforce in urban areas. This rose to about 40 percent for women with high school education and about 80 percent for those with university education (Figure 12). It is important to note that the participation rate peaks at older ages and is slower to fall among the more educated than for less educated groups. However, for all education groups, female workers exit the labor force at quite early ages in Turkey.

The evidence suggests that education will be increasingly rewarded in the future

The transition patterns illustrated in Figure 10 are based on cross-sectional data and cannot capture the possibility that school leavers in Turkey today are not only different from older cohorts but are likely to face different employment conditions in the future. In the first place, educational attainment has risen dramatically over the last 5 decades making the current youth cohort the most educated ever (Figure 13). Illiteracy rates are very low, and almost half of those now leaving school have achieved secondary education or more.
Although it is frequently observed that well-educated young people cannot find jobs and that there is low demand for high-level skills, the HLFS data support the view that the labor market is demanding higher skills and that it is rewarding the better educated more than ever before. The wage premium for higher levels of education among youth is greater than the similar wage premium among adults. For both young males and females, university education is delivering a particularly large pay-off. The wage gap between these graduates and both MYO and secondary graduates is large and exceeds the wage...
gap among adults with these education levels. These wage premiums indicate that the demand for high skills in Turkey is increasing faster than the growth in the supply of better educated workers in the labor market.

**Transition paths often include steps between joblessness, informal, and formal work**

There are discernible patterns in how young people leave school and enter work in Turkey. A first point of entry for many after leaving school is a period of joblessness. From joblessness, informal work is often a step on the way to formal employment. However, this path seems to narrow from one transition to another.\(^\text{12}\)

Among school-leavers, more than half is not working one year later. In 2005, for those aged 15-24 years, around 30 percent were in school, 40 percent were not working (either unemployed or inactive), with about 30 percent working. About 72 percent of those not working in 2004 remained out of work one year later. This difficulty in getting out of joblessness remains high across different skill groups, with little variation.

The opportunities for transition to formal-sector employment are very limited. Very few young people who are jobless in one year find formal jobs in the next. The conditional probability of moving from joblessness to formal work does not exceed 10 percent, even among the most educated (Figure 14). The transition to formal-sector employment is relatively easier for youth working in the informal sector, though it is still not common. The access to formal employment rises significantly with educational attainment, reaching almost 20 percent among tertiary graduates. Once in formal employment, educated youth are also more likely (almost 50 percent more likely) to stay in formal employment compared to the less educated who are more vulnerable to leave formal-sector employment from one year to the next.

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\(^{12}\) The availability of longitudinal data allows researchers to examine individual transitions between employment states (and from out of the labor force into work). The longitudinal aspect of the HLFS data is limited to relatively short time periods (i.e., within a single year). However, longer time periods can be observed using “synthetic” panels. See Fares and Sanchez Puerta (2007) for more details on the methodology. The synthetic panel methodology and composition is originally discussed in Papps (2007).
Figure 14: Transition into formal employment by educational attainment

The analysis reported above, together with the results of the PLMAs and other data presented in this paper, suggest that the prolonged and often difficult transition is a combination of two factors:

- A **transitional** factor, reflecting an initial difficulty in entering the labor market which fades away with age and experience. The underlying causes could be either market segmentation driven by policy failures, social norms that protect labor market incumbents (generally adult males), or information failures that delay employment matches and prolong search periods.\(^{13}\) This would suggest reducing barriers to enter the labor market and promoting access to information as effective policies to speed the transition of youth from school to work.

- A **structural** factor, reflecting inadequate or inappropriate skills that leave young people unprepared for the labor market after leaving school.\(^{14}\) Education and training reforms that adapt, modify, and upgrade the skills of school leavers would be the needed response to these problems.

In the absence of longitudinal data that extend for several years, it is difficult to provide the empirical evidence to determine how much each factor contributes to the long transition faced by many youth. Therefore, a well-targeted policy response needs to include reform in both the education sector and the labor market, and improved access to information. These policy issues are discussed in the last section of this paper.

\(^{13}\) About 19 percent of young participants in the PLMAs report the lack of information on job availability as the greatest challenge in the transition to work.

\(^{14}\) About 57 percent of participants in the PLMAs now working consider that only a small amount or hardly anything of what they learned at school is actually useful at work.
Female participation rates have not risen over time

Turkey’s low employment rates compared to EU countries are due largely to extremely low female employment and participation rates. Meeting the Lisbon target of a 70 percent aggregate employment rate will not be achieved unless women join the labor force in much larger numbers than is currently the case.

Female participation rates historically have been higher in rural areas than in urban areas, but this difference has narrowed over time. This is primarily due to a large drop in rural participation rates rather than increases in urban rates. Urban female participation patterns have an inverted U shape, rising quickly among young women to reach a peak between the ages of 20 and 29 years, and then falling steadily with age. In 1989, this participation rate did not exceed 25 percent, even for the younger age groups. In the rural sector, 1989 female participation rates were significantly higher averaging around 55 percent for women less than 50 years old (Figure 15).

Over time, the participation rate among females in the urban sector has increased for almost all cohorts except those less than 20 years old. However, this rise has been modest and the participation rate still did not exceed 30 percent at any age in 2005. In contrast, the participation rate among females in the rural sector decreased systematically between 1989 and 2005, for all age groups, to reach levels more in line with their urban counterparts.

**Figure 15: Female participation rates in urban and rural areas, 1989 and 2005**

Urban

<table>
<thead>
<tr>
<th>Age</th>
<th>Urban women - 1989</th>
<th>Urban women - 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rural

<table>
<thead>
<tr>
<th>Age</th>
<th>Rural women - 1989</th>
<th>Rural women - 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank (2006b) and calculations based on the Household Labor Force Survey 2005

The increases in educational attainment among young women between 1989 and 2005, combined with evidence of a positive correlation between participation rates and educational attainment, explains the overall increase in labor force participation among urban females. However, a closer look at the patterns over time shows that the participation rates by educational attainment level have not improved. While rates for those with less than primary or with middle school have not changed dramatically, the
participation rate among females with more education, both high school and university, has actually fallen between 1989 and 2005 (Figure 16).

Figure 16: Participation rate among urban females by educational attainment, 1989 and 2005

It is not clear why the urban female participation rate has decreased for those with higher educational attainment. But this trend, if it persists, will continue to be a drag on overall female participation, significantly limiting the gains due to the composition effect of improved educational attainment among young women. The limited participation in the labor force among females is usually explained by marriage and fertility decisions on one hand and/or significant barriers in entry to the labor market that women could face on the other hand. A more systematic analysis for labor force participation rate among females in Turkey is needed to better understand the underlying causes in Turkey.\(^{15}\)

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\(^{15}\) A study of female labor force participation is now being carried out by the World Bank and the State Planning Organization.
4. Improving youth employment outcomes through better school-to-work transitions

Managing the transition of today’s large youth cohort into adulthood will be a very important factor in determining how well Turkey achieves the goals of stability, equity, and competitiveness that are at the heart of the Ninth Development Plan (Government of Turkey 2006). While this transition is multi-dimensional (including developing a healthy lifestyle, forming families, exercising citizenship, etc.), the focus in this report is on the path young people take from education into employment. The potential downside is significant but so could be the payoff. If the large numbers of young people are not well prepared for the world of work and if the labor market does not generate more and better jobs for them, then Turkey’s demographic profile will be the source of social and economic pressures. But, if educational preparation is strong and young people have access to good jobs, then today’s large youth cohort can drive future economic growth and a more inclusive society.

With falling dependency rates until 2020, Turkey has an opportunity to benefit for at least the next decade from a “demographic dividend” in the form of higher growth. Moreover, because of recent gains in basic education and health, the young people moving into the working-age population during these years will be more educated and healthier than previous generations. This is a strong base to build on. However, it needs to be recognized that, in the global economy, the environment is increasingly challenging and the standards are getting higher and higher. Turkey cannot base its competitive strategy on low costs if it wants to continue on the path of convergence with higher-income countries in Europe and the OECD. It must compete on the basis of knowledge, skills, and innovation and this requires not only universal basic education but also advanced skills and an open labor market that allows people to deploy their human capital.

Education and labor market reforms are the foundation for better youth employment

Future employment prospects for young people will depend on an education system and a labor market that can meet these standards. The previous section of this report has diagnosed a number of obstacles that youth face in acquiring employable skills and in gaining access to good jobs. Earlier reports by the World Bank (2005, 2006b, 2006d, 2007a) have gone into considerable detail in proposing policy reform options to improve Turkey’s performance in education and the labor market. A full elaboration of these recommendations can be found in these reports. However, it is worthwhile to briefly summarize them here because they provide the foundation for improving youth employment.

Education system reforms. Better employment prospects will require education reforms that prepare all young people with the skills needed to qualify for good jobs after leaving school. A key challenge is to transform the education system from one that educates only a small number of students to internationally-competitive levels to one that educates all students well. First, disparities in educational attainment need to be reduced; despite gains over the past decade, enrollment rates need to increase further for girls, especially in the eastern provinces and in poor families. The quality of education, and especially disparities in quality, also need to be a focus of reform through increasing the readiness
of young people to learn, targeting resources to groups at risk, reducing the rigidity of the system, and curricula reform. Breaking down barriers between general and vocational secondary education to ensure a stronger foundation of common skills and competencies is essential. Refocusing secondary and postsecondary entrance exams would also contribute to a more flexible and efficient education system. Modernizing and expanding higher education would better prepare larger number of young people for the labor market. Better links between the school system and the employer community would increase the relevance of education. Related to this issue of relevance, full implementation of the Vocational Qualification Framework is important for aligning the content of vocational education and training with the requirements of occupations.

**Labor market policy reforms.** Improvements in employment performance could be expected with labor market policy changes that shifted protection “from jobs to workers”. This would be especially important for expanding access for young people to good jobs. Shifting protection from jobs to workers would improve incentives for employment creation in the formal sector and broaden participation in the workforce. This strategy (often called “flexicurity”) could be operationalized by increasing labor market flexibility while strengthening the tools available to workers to adjust to labor market changes and to upgrade their skills. Flexibility would be enhanced by regulatory reforms that reduced severance obligations and loosened the rules for fixed-term and temporary employment contracts. These changes would remove some degree of job protection but they would also improve incentives for employers to hire new workers. At the same time, greater access to unemployment benefits, and to active labor market programs and training, would allow workers to better protect themselves during periods of joblessness and to enhance their employability for the future.

The recent package of labor market reforms (Law 5763) does include provisions that have the potential to improve active labor market programs. Specifically, financial resources available to ISKUR will increase dramatically, the clientele for ALMPs has been broadened, and the links between local economies and ISKUR have been strengthened. Whether these measures translate into better opportunities for workers to improve their employability will depend on various factors including how well ISKUR’s capacity can be expanded and on the development of an effective supply of service deliverers, including private sector agencies. Some of the other key elements in a policy reform that shifts protection “from jobs to workers” were not included in Law 5763. These include rebalancing income support from severance payments to unemployment insurance benefits and loosening restrictions on flexible contracting.

**Specific reforms to improve the school-to-work transition**

The education and labor market reforms discussed above would provide the foundation for improving youth employment outcomes by enhancing the skills of young people and increasing their access to good jobs. However, particular reforms pertaining to the transition between school and work could also make a difference. These suggestions, and the underlying analysis of the transition, represent the specific contribution of this report. The evidence reported in section 3 indicates that the transition itself can be an obstacle
for many young people. In addition to skills deficiencies and limited job openings, young people also identify a lack of information as a problem in moving from school to work. Many young people have little sense of what kinds of jobs are available in the labor market and what skills and training are needed to get them. Education and being in an economically dynamic part of the country both can make a big difference but neither is a guarantee that the transition will be short or smooth.

The new policy suggestions put forward in this report are intended to complement the sector reforms in education and the labor market discussed above by improving the pathways from school to work. The proposals draw on the framework underpinning the 2007 World Development Report which puts forward a “youth lens” framework to evaluate the effectiveness of policies for helping young people make the transition into adulthood, including from the world of education to the world of work. It includes three lenses:

- *opportunities* to acquire, improve, and deploy skills;
- *capabilities* to choose among these opportunities in school and work; and
- *second chances* to get back on the path, if needed, so that no one is left behind.

The following discussion of reform options for improving youth employment outcomes through better school-to-work transitions is organized according to this framework. These options are summarized in Table 3. The table also includes the expected impact of each recommendation. It also assesses the relevance of each for three categories of youth that our analysis indicates face specific challenges in moving from school into the labor market. These groups are:

- The “*poorly educated*”. This includes youth who have less than four-year secondary school completion. Without further interventions, this group can expect to have low employment rates, and to be overrepresented in the “bad” job sector, with high informality and low earnings.

- *Post-secondary graduates*. These young people eventually have the best labor market outcomes; however, their transition tends to be protracted and often difficult.

- “*Inactive*” young women. A very high proportion of young women are neither in school nor in the labor force from mid-teens on. This plays a major role in determining the very low female participation and employment rates in Turkey.
Table 3: Policy Options to Improve the School-to-Work Transition

<table>
<thead>
<tr>
<th>Proposed reform</th>
<th>Expected impact</th>
<th>Relevance for specific groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Increasing opportunities during the transition</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce labor taxes for low-wage labor</td>
<td>Increase employment of youth in formal sector</td>
<td>Yes</td>
</tr>
<tr>
<td>Increase options for flexible work</td>
<td>Expand possibilities for youth to combine work with other activities</td>
<td>Yes Yes Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Improving capabilities through better information</em></td>
<td>Students make earlier and better informed education and career decisions</td>
<td>Yes Yes Yes</td>
</tr>
<tr>
<td>Provide career counseling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide job search assistance</td>
<td>Reduce transition time between school and work and improve matches</td>
<td>Yes Yes Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Providing second chance options</em></td>
<td>Improve employability of youth with greatest deficit in the labor market</td>
<td>Yes</td>
</tr>
<tr>
<td>Focus targeting of programs on less educated</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.1 Broadening opportunities in the transition from school to work

Many young people find job prospects are limited when they leave school and enter the labor market. Opportunities during this transition period would expand if social contributions for low-wage labor were reduced and if options for flexible work arrangements were increased.

*Reducing social contributions for low-wage labor* would encourage hiring of young people in the formal sector. Turkey’s tax wedge on labor – the difference between total labor costs and take-home pay because of income taxes and social insurance contributions – is among the highest in the OECD for low-wage workers and those with families. As the World Bank (2006b) and others have emphasized, this tax burden creates disincentives for employers to hire labor in these categories and for these workers to seek employment, especially in the formal sector. Because young people are overrepresented in the low-wage sector, they are particularly affected by the tax wedge. At the same time, their employment is very sensitive to changes in labor costs (Papps 2007). Given

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16 According to HLFS data, over 50 percent of workers earning less than 1.25 times the minimum wage in 2005 were under 30.
these two factors, reducing the tax wedge for youth could have significant impacts on their employment. A recent World Bank study concludes that even modest cuts in social insurance contributions targeted on workers under 30 could increase their employment by about 70,000, with relatively small fiscal effects on the social insurance funds (World Bank 2008). Although this study did not estimate employment impacts for young men and women separately, the effect may be particularly strong for young women because Papps (2007) finds that female employment (in addition to youth employment) is very responsive to labor cost changes. International evaluations tend to find that tax reductions (subsidies) can increase employment for youth and can be most effective when combined with some form of training (Kluve 2006; Betcherman et al. 2007). Effective design of wage subsidies and careful targeting are needed to ensure that young hires do not gain employment at the expense of other employees.

The recently passed Law 5763 did include two measures that will affect the tax wedge for young workers. The first is an across-the-board 5 percentage point reduction in the employer contribution. This does mark a first step in addressing the high labor tax wedge that discourages formal-sector job creation. However, the analysis by the World Bank (2008) concluded across-the-board reductions of the social security tax would be less cost effective than reductions targeted at the lower end of the wage distribution. This kind of targeted approach does define the second measure which involves subsidies to firms hiring young people and women who have been out of the formal sector for at least 6 months. The window for taking advantage of this subsidy will be one year. The subsidy itself will represent 100% of employers’ social security contributions (at the minimum wage) in the first year and then will decline by 20 percentage points in each of the next 5 years. In addition to its social attributes, this measure has two attractive features from a cost-efficiency point-of-view: first, it is targeted to groups that tend to have lower wages and whose employment is sensitive to labor costs; and, second, public spending would be directed at new employment rather than all employment (existing and new). Two important effects to assess are the potential windfall gains (i.e., that employers do not hire beyond their original plans but obtain a social security tax reduction subsidy) and substitution (i.e., employing a young person or woman instead of somebody else).

Removing restrictions on flexible work arrangements would expand opportunities for young people entering the labor market. The international experience shows that young people, and especially young women, take up temporary, part-time, and fixed-term jobs in large numbers. The attraction of these flexible work forms for encouraging youth employment is two-fold. First, they allow individuals to combine work with other activities, including education and starting a family. Second, these employment arrangements are often the entry point for young people into the formal labor market; many then use this initial foothold as a means to find a full-time, permanent position. Currently, there is very little employment in flexible work forms in Turkey and, accordingly, young people often have little alternative but to work in the informal sector and try to access the formal sector from there. As our analysis has shown, this is a very difficult transition, especially for less-educated youth. Evidence from OECD countries

17 This simulation includes a reduction in employer pension contributions by 5 percentage points and the elimination of their UI contributions. For more details, see World Bank (2008).
shows that youth are disproportionally harmed by regulations that restrict flexible work forms (e.g., OECD 2004). In Turkey, the Labor Code imposes significant restrictions on temporary and fixed-term contracting. Reforming the Code to bring Turkey’s rules regarding these work forms into line with current EU and OECD practices would open up opportunities for young people. While a legal framework for part-time employment was introduced in 2003, formulas for calculating social contributions and other taxes need to be reviewed to ensure that they do not create disincentives for part-time work. Eliminating limitations on flexible employment is complicated politically because it can be seen as a weakening of job security rather than an expansion of employment opportunities.

4.2 Enhancing young people’s capabilities to choose among opportunities

Opportunities for learning and working are not enough by themselves. Young people also need to have the capabilities to make sound choices among these opportunities, or to create their own. This requires access to information on education, employment, and the pathways between the two. The Vocational Qualification Framework is an example of the kind of informational instrument that can strengthen the link between school and work. In addition to better information, access to financial resources may also be required for youth to make the investments needed to take advantage of opportunities – for example, to acquire advanced skills or start a business.

Youth participants in the PLMAs report that they have been the primary decision-makers in terms of their educational and work choices. About 80 percent identified themselves as having the most influence in these areas. Interestingly, there was no significant difference between young men and young women. These same questions were asked in an international survey carried out for the 2007 WDR and, although the findings are not perfectly comparable, they suggest that Turkey’s youth take responsibility for education and work decisions to a greater degree than in many other countries. Although young people may be the primary-decision makers, the PLMAs indicate that they do not have access to all of the information that they need to make the best choices. For example, 64 percent responded that they knew either nothing or not enough about employment opportunities available to them when they left school.

Information to make good career-related choices would be enhanced by better access to high-quality career counseling and job search assistance.

**Providing students with career counseling** based on current, high-quality information regarding career prospects, expected earnings, and the education and skills needed for different occupations would also allow students to make more careful and better informed decisions on schooling and careers. Early access to counseling and labor market information has been identified by the OECD (2000) in a study of 14 countries as one of

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18 It is possible that participants in Turkey’s PLMAs are not representative of all young people, at least in terms of decision-making. Those who attended were informed about the workshops through various youth and community networks and it may be that young people in these networks are relatively proactive about their own futures.
the features of an effective transition. This is increasingly important as educational and work choices become more complicated. At present, career counseling is not well developed in Turkish schools. Indeed, the PLMA survey results suggest that students may be misinformed about what they will need to know when they enter the workforce. Although almost 75 percent of PLMA participants still in school feel that what they are learning will be useful when they start working, only 43 percent of those who are now working feel that what they learned in school is useful in their jobs. There are various models for providing young people with relevant information and counseling for their future employment. Classroom and counselor-based models have been used effectively in various countries, although counselor-based models tend to be more expensive. One key principle, in any event, is that counseling is not seen as a “matching” process whereby individual job prospects are determined early and relevant education choices are made accordingly. Rather, the OECD (2000) review emphasizes that “active career planning” be the basis for counseling, with an emphasis on personal and career development. This means that individual choices may evolve as they move through the education system and into the labor market, which implies that pathways should not be “dead ends”.

**Job search assistance** can be an important tool for helping young people to find appropriate employment once they are ready to leave school or are already in the labor market. Job search assistance includes access to labor market information, counseling, job placement services such as job clubs and job fairs, and the set-up of individual action plans, including referral to active labor market programs. Impact evaluations have consistently shown that these services can be a cost-effective instrument for people, including youth, to find employment (e.g., OECD 2007; Betcherman et al. 2007). These services can be provided either through a public employment office or through private employment agencies. In many countries, private agencies are being increasingly used, especially for higher-skilled and professional workers. Turkey’s experience and capacity in providing job search assistance to workers is very limited compared to other OECD countries and many middle-income countries (World Bank 2006b). An important institutional development did occur in 2000 with the establishment of ISKUR, the national employment agency, and, in recent years, ISKUR’s capacity has been enhanced by the European Commission support. However, while it is difficult to get precise financial estimates, it appears that Turkey invests relatively little in public employment services and young people represent a small proportion of the limited number of participants in these programs.\(^\text{19}\) Law 5763 does provide for substantial resources from the UI Fund to be transferred to ISKUR for ALMPs and, as noted above, this has the potential to significantly enhance job search assistance services, if the funds are efficiently used. Finally, although private employment agencies have been legally authorized since 2003, they are limited in terms of the services they can provide and do not yet have an important function in the labor market.

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\(^{19}\) An important reason is that ISKUR services are provided for workers who are registered as unemployed and relatively few young people register with the agency.
4.3 Providing second chances to help youth reintegrate into the mainstream

Promoting a successful transition into the labor market through broader opportunities and enhanced capabilities may not be enough for all young people. Some will not be able to take advantage of these opportunities because of lack of access or poor choices. Providing second chances gives young people the possibility to get back on a path to build their human capital and to find their place in the economy and society. Although most young people will not need to take up second chance programs, for a small minority (especially in disadvantaged categories), this is critical. Indeed, 7 percent of the respondents in the PLMA survey identified a lack of second chances as the greatest challenge facing young people in the transition into the labor market.

A review of second chance programs for this study highlights a number of policy-relevant conclusions (Puerto 2007). First, although there appears to be increasing interest in providing second chances to young people, the capacity and experience is still quite limited in Turkey. The stocktaking exercise found only a small number of these programs, with most focused on vocational training, a few of which also offered complementary services such as financial incentives, job placement help, and mentoring. Other types of interventions for youth that have been used extensively in other countries – such as public works, wage subsidies, and literacy and graduate equivalency programs – appear not to have been used much in Turkey. Second, programs could be targeted more on the groups of young people who are particularly disadvantaged in the education system and the labor market. Some interventions are oriented towards women and low-income youth but there is very little targeting on the poorly educated who face great problems in the labor markets. In fact, more programs appear to target secondary and postsecondary graduates. Third, there is very little monitoring and evaluation to understand the performance of the programs.

Targeting second chance programs on the disadvantaged is needed to support those with the greatest problems entering the labor market. Employment problems can be experienced by all types of young people, even the well-educated who can have long transitions before eventually gaining a foothold in the labor market. However, careful analysis demonstrates that disadvantaged groups have the greatest problems in terms of finding jobs, especially good jobs. There are strong arguments, then, for focusing on the most disadvantaged including the less educated, those from low-income families, and young women. However, as was noted above, second-chance programs in Turkey appear to more frequently target secondary and postsecondary graduates than early school leavers. Yet interventions that target poorly educated or economically disadvantaged young people can be successful in terms of improving their employment outcomes. In fact, an econometric analysis of programs world-wide found that programs targeting these groups had better performance than untargeted programs (Betcherman et al. 2007). As a result, improving the focus on the poorest and less educated youth is a policy option that could pay off and lessen the exclusion of disadvantaged youth in the labor market. Targeting is important from a fiscal perspective because resources are limited and many

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20 Annex Table A.1 presents the range of active labor market interventions and identifies which ones are appropriate for addressing the various problems young people face in the labor market.
second chance interventions can involve high costs, especially when comprehensive approaches are used.
References


World Bank. 2006c. Turkey Public Expenditure Review.


Annex Table A.1: What program for which problem?

<table>
<thead>
<tr>
<th>Program categories</th>
<th>Nature of problem: Making the labor market work better for young people</th>
<th>Improving chances for young entrepreneurs</th>
<th>Skills training for young people</th>
<th>Making training systems work better for young people</th>
<th>Improving labor market regulations to the benefit of young people</th>
<th>Comprehensive programs</th>
<th>Other programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>High unemployment rates among less-educated youth, &amp; large numbers of out-of-school youth outside the labor force</td>
<td>Counseling, based on accurate labor market information</td>
<td>- Microfinance programs</td>
<td>- Literacy &amp; 2nd chance programs</td>
<td>- Reform of employment protection regulations</td>
<td>- Training, job search assistance, support services etc.</td>
<td>- Voluntary national service programs</td>
<td></td>
</tr>
<tr>
<td>High unemployment rates among more-educated youth</td>
<td>Counseling, based on accurate labor market information</td>
<td>- Microfinance programs</td>
<td>- Information about high-return training opportunities</td>
<td>- Reform of employment protection regulations</td>
<td>- Voluntary national service programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over-representation of young people in low-paid &amp; unpaid family work</td>
<td>Wage subsidies</td>
<td>- Microfinance programs</td>
<td>- Literacy &amp; 2nd chance programs</td>
<td>- Reform of employment protection regulations</td>
<td>- Voluntary national service programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparent skills mismatch</td>
<td>- High-return vocational training programs</td>
<td>- Information about high-return training opportunities</td>
<td>- Reform of employment protection regulations</td>
<td>- Voluntary national service programs</td>
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<td></td>
</tr>
<tr>
<td>Low take-up of training</td>
<td>- Credit, subsidies, vouchers for training</td>
<td>- Voluntary national service programs</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Severe disadvantage for some categories of young people</td>
<td>Anti-discrimination legislation</td>
<td>- Targeted microfinance programs</td>
<td>- Literacy &amp; 2nd chance programs</td>
<td>- Targeted high-return vocational training programs</td>
<td>- Targeted training, job search assistance, support services etc.</td>
<td>- ‘Social business’ programs targeted at disadvantaged</td>
<td></td>
</tr>
</tbody>
</table>

Source: Betcherman et al. (2007)