

TSKB THEME
LOOK



Employment Priority Regions

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TSKB Economic Research

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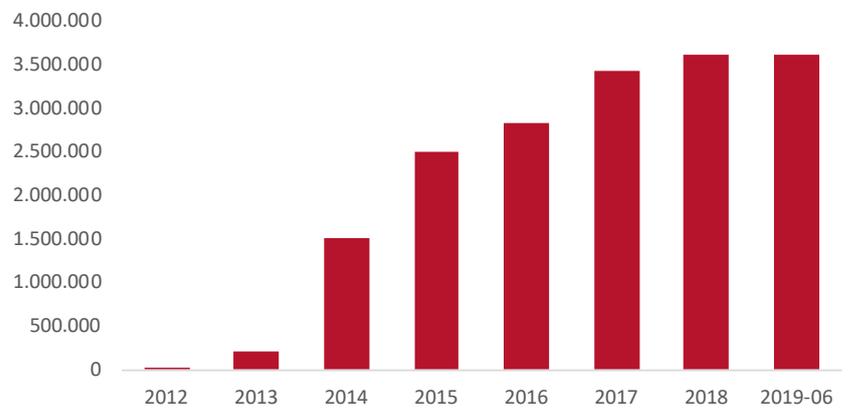
Employment Priority Regions





Located at the axis of various conflict zones, Turkey has experienced some refugee inflows in recent history, such as the arrival of Turks from Bulgaria in 1989 and Muslims from the former Yugoslavia in the early 1990's. However, the escalation of the Syrian Civil War in the 2012-2013 period precipitated unprecedented flows of refugees seeking protection in the country. Since the beginning of the war, the number of Syrian refugees has grown continuously, reaching 5.6 million as of June 2019. So far, Turkey has registered 64% (3.6 million) of the Syrian refugees and today hosts world's largest refugee population, which exceeds 4 million.¹

Figure 1: Number of Syrian Refugees in Turkey



Source: Republic of Turkey Ministry of Interior, TSKB Economic Research

¹ UN Refugee Agency. Retrieved from: <http://data.unhcr.org/syrianrefugees/regional.php>

Half of sub-regions significantly affected by the refugee inflow

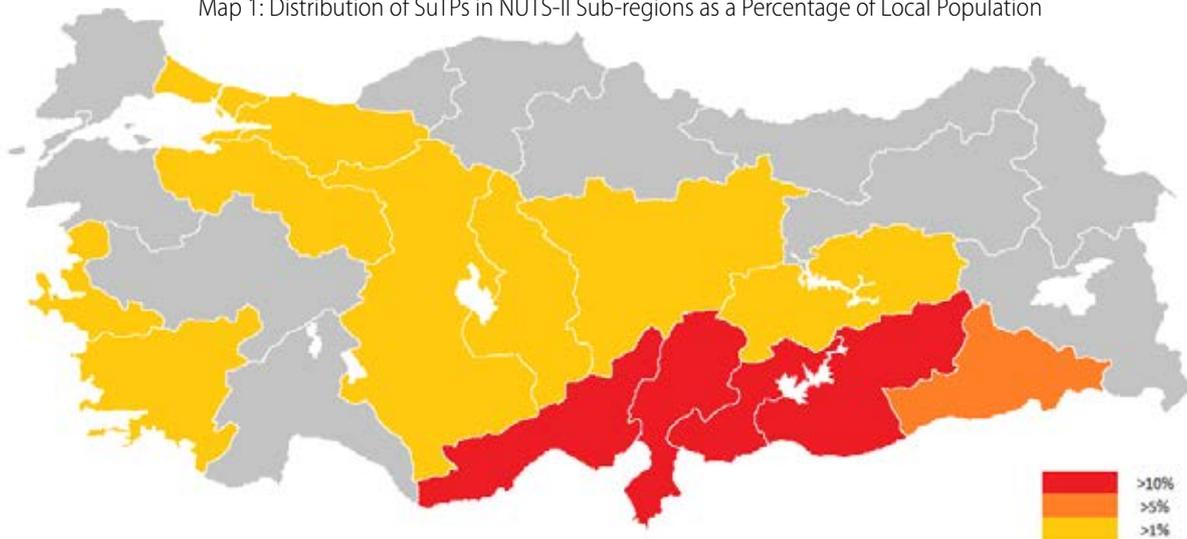
According to official statistics published by the Ministry of the Interior on June 13, 2019, the number of "Syrians under Temporary Protection" (SuTPs) hosted in Turkey amounted to over 1% of the local population in 15 of 26 NUTS-II sub-regions in Turkey.² This figure rises to as much as 21% in

age (between the ages of 15 and 64), and this population places pressure on the labor markets in some regions.

Persistent differences in unemployment rates across regions

The disparity in unemployment between regions is one of the most defining characteristics of the

Map 1: Distribution of SuTPs in NUTS-II Sub-regions as a Percentage of Local Population



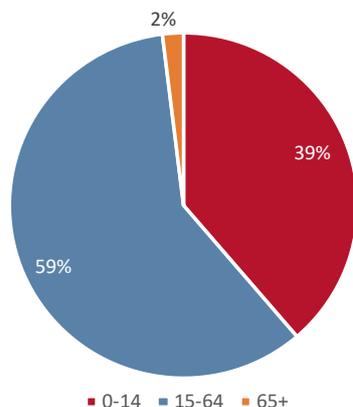
Source: Directorate General of Migration Management, Ministry of Interior (June 13, 2019), TSKB Economic Research

the TRC1 sub-region, which borders northeast Syria and consists of the Southeastern provinces of **Gaziantep, Kilis and Adiyaman**.

The first influx of Syrian refugees was observed in South Eastern Turkey, where refugee camps are constructed and controlled by the Turkish government. Since 2013, refugees started to spread to other provinces in Turkey and today 97% of them live outside the camps. Nearly 2.1 million Syrian people living in Turkey are of working

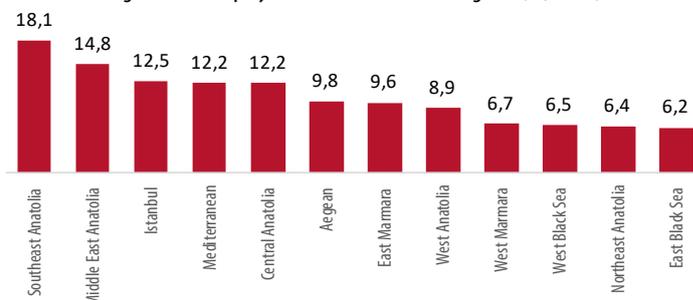
Turkish economy. Contrary to classical economic theory which asserts that unemployment disparity between regions is a phenomenon only likely in the short term, unemployment in Turkey does appear to be persistently higher in the country's east. **Figure 3** shows the unemployment rates in Turkey's NUTS-1 regions. As seen in the figure, unemployment rates vary sharply between regions, from 6.2% in East Black Sea region to 18.1% in Southeast Anatolia.

Figure 2: Syrian Refugees by Age Groups



Source: Republic of Turkey Ministry of Interior, TSKB Economic

Figure 3: Unemployment Rates in NUTS-1 Regions (% , 2018)



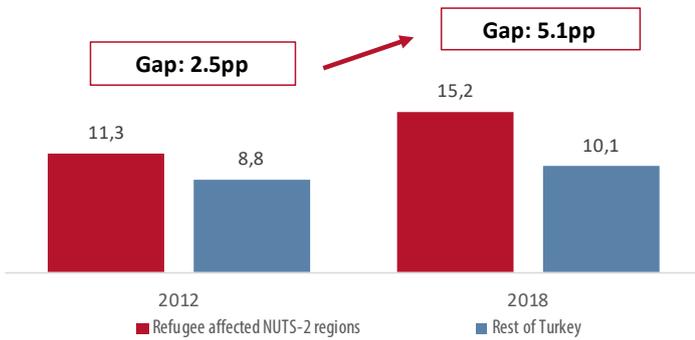
Source: Turkstat, TSKB Economic Research

Examining the unemployment rates in five refugee-affected sub-regions in which the number of SuTPs exceed 5% of the local population, we observe a distinct and consistent difference compared to the

² Please see the appendix for information on NUTS regions.

rest of the country (Figure 4). Since 2012, these regions have undergone a worsening disparity as the gap in unemployment rates between regions has increased by a further 262bps to 5.1%.

Figure 4: Unemployment in Regional Labor Markets (%)



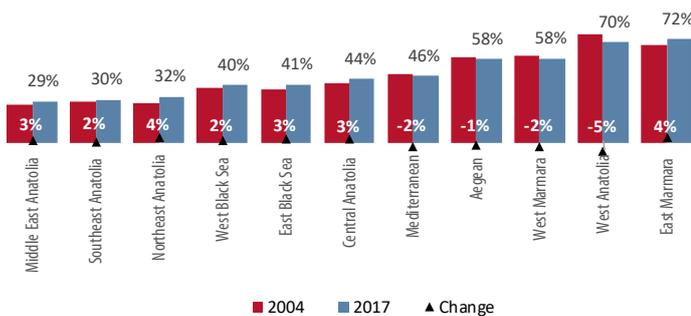
Source: Turkstat, TSKB Economic Research

The rate of unregistered employment in Turkey has demonstrated a remarkable improvement in the last 15 years. The rate has dropped from 52% in 2002 to 33% in 2018.³ However, there is still a sizeable shadow economy. With informal labor activities in Turkey more prevalent in the labor-intensive, low-paid manufacturing sectors and agriculture, the refugee workforce has been employed intensively in the domestic and care services, entertainment, construction, tourism and the leather and textile industries.⁴ In that regard, the negative impact of the refugee influx is mostly felt through informal sector.

Apparent income disparities across regions

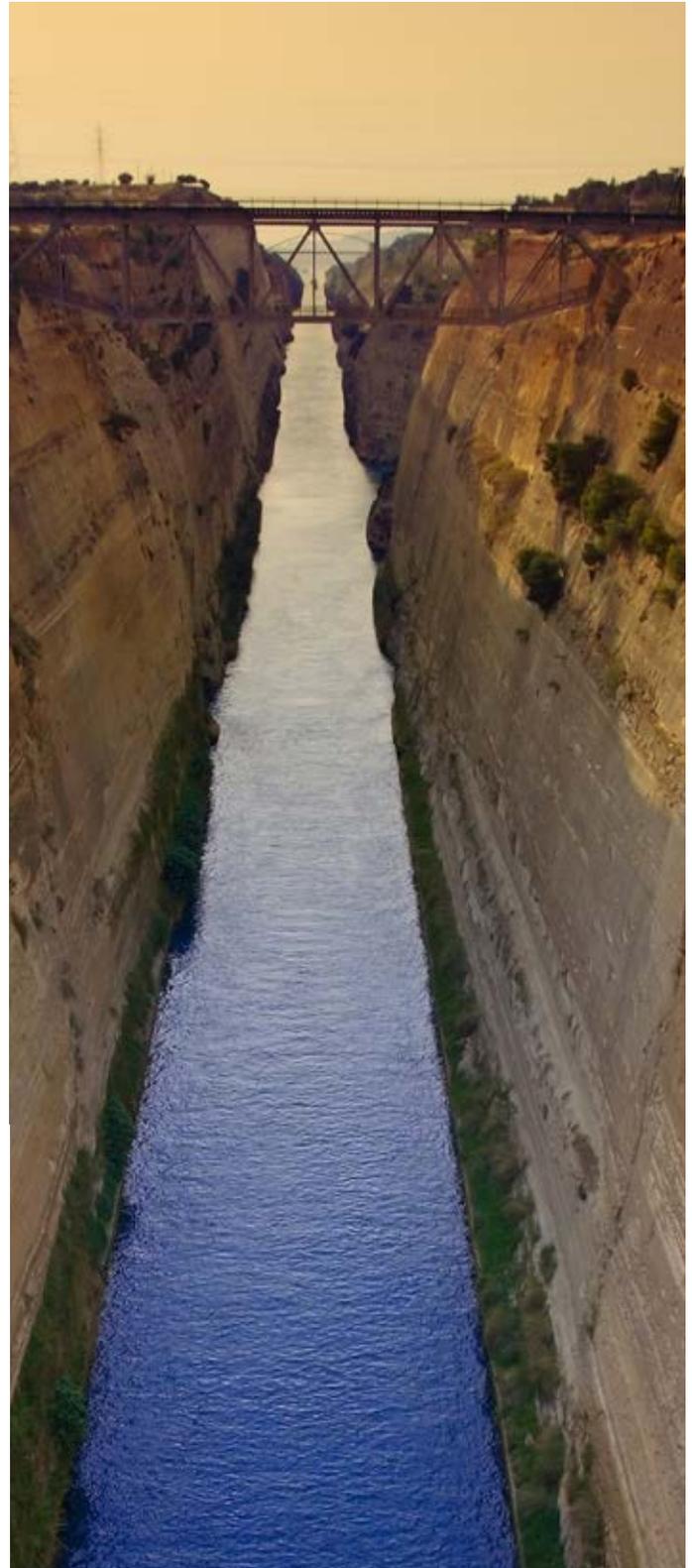
Reducing regional development disparities has always been an integral element of Turkey's development plans. Although Turkey has demonstrated a robust economic performance since early 2000's, the measures to close the gap

Figure 5: Income per Capita in NUTS-1 Regions in Proportion to Istanbul Region



Source: Turkstat, TSKB Economic Research

between the regions have proven insufficient and the problem of inequality still remains. Today, the income in the most affluent region is still more than three times those of the poorest (Figure 5). Considering the fact that there are vast regional imbalances, the figures show that underdeveloped regions cannot fulfill their potential for convergence and more effort is needed to accelerate closing the regional gap.



³ Republic of Turkey Social Security Institution. Kayıtdışı İstihdam Oranları. Retrieved from: http://www.sgk.gov.tr/wps/portal/sgk/tr/calisan/kayitdisi_istihdam/kayitdisi_istihdam_oranlari/kayitdisi_istihdam_orani

⁴ European Parliament. (2016). Turkey: Labor Market Integration and Social Integration of Refugees

Focus: Infrastructure improvements can ease the inequality among regions

Marmara Region substantially dominates Turkish economy with its large population accounting for 25% of the country's total population and its high share in industry. In order to change the current situation, which is marked by widening gaps between regions, Turkish government adopted a strategy of enhancing logistic infrastructure across the country. Accordingly, the share of four-lane expressways in the interprovincial road stock rose from 10% to 39% between 2002 and 2018.

an intense inter-regional internal migration in the industrialization process, Turkey's efforts in infrastructure can lead to employment gains in relatively isolated regions.

The Third Bosphorus Bridge and Osman Gazi Bridge increased the integration between the industrial zones of İstanbul-Kocaeli-Adapazarı and Bursa, Bilecik, Eskişehir, Bolu, Düzce, which stimulates the dispersion of industrial production. The new bridge in Çanakkale which is expected to be operational in 2023 will contribute to the diffusion towards north Aegean and positively affect Balıkesir, Çanakkale

Map 2: Turkey's Road Network

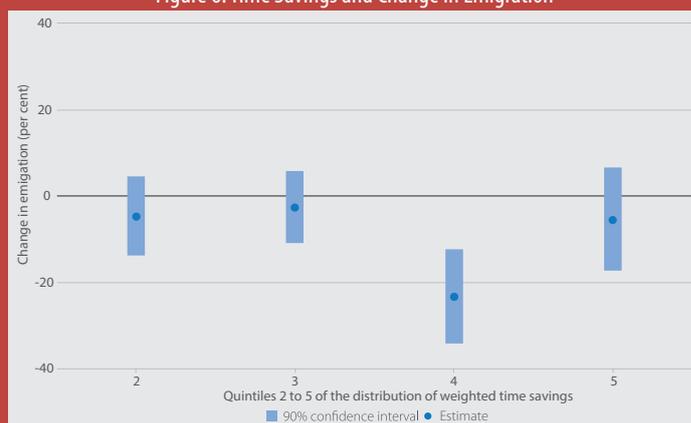


Source: www.dlca.logcluster.org

The relationship between road infrastructure and growth is discussed in EBRD's Transition Report 2017-18. The report links reduced travel times related to road improvements to changes in regional employment and migration patterns. The study reveals that a one-hour reduction in average travel times from the provincial center increases employment by 0.6%. This is mainly attributable to the fact that firms in the previously isolated regions enjoy a greater market access both in terms of ability to sell goods and in terms of ability to buy the required production inputs as a one-hour reduction in travel times between two provincial centers increases bilateral trade between those two provinces by around 6%.

Another crucial finding mentioned in the report is that there is a strong link between transport infrastructure and emigration. The analysis finds that improved connectivity is associated with large reductions in outward migration from previously poorly connected regions. Having experienced

Figure 6: Time Savings and Change in Emigration

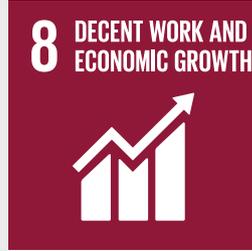


and Manisa provinces. In accordance with the 2023 targets, Turkish government plans to increase the length of dual carriageways a further 38% to 36,500 km from 26,472 km in 2018. These steps taken by the government should be seen as part of a broader plan to increase the access and diffusion of industries among markets, which would lower the inequality among regions and thus ensure inclusive and sustainable growth.

Investments needed in regions for sustainable and inclusive growth

The problem of stubbornly persistent inequalities between Turkey's regions can be improved by external financing along with policies aimed at favoring employment priority regions and with the support of infrastructure projects (mentioned above in "Infrastructure Improvements Can Ease the Inequality among Regions" segment).

In conclusion, job-creating investments in areas with relatively higher populations of refugees could help drive Turkey's economic growth and social inclusion in the regions by reducing the dependency of native and refugee populations on welfare benefits and limiting the risks caused by unhealthy working conditions in the informal sector. The positive effects we envisage are also compatible with three Sustainable Development Goals set by United Nations.



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APPENDIX A

Turkey Nuts-1 Regions

Region Code	Region Name	Provinces Included
TR1	Istanbul	Istanbul
TR2	West Marmara	Tekirdağ, Edirne, Kırklareli, Balıkesir, Çanakkale
TR3	Aegean	İzmir, Aydın, Denizli, Muğla, Manisa, Afyonkarahisar, Kütahya, Uşak
TR4	East Marmara	Bursa, Eskişehir, Bilecik, Kocaeli, Sakarya, Düzce, Bolu, Yalova
TR5	West Anatolia	Ankara, Konya, Karaman
TR6	Mediterranean	Antalya, Isparta, Burdur, Adana, Mersin, Hatay, Kahramanmaraş, Osmaniye
TR7	Central Anatolia	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir, Kayseri, Sivas, Yozgat
TR8	West Black Sea	Zonguldak, Karabük, Bartın, Kastamonu, Çankırı, Sinop, Samsun, Tokat, Çorum, Amasya
TR9	East Black Sea	Zonguldak, Karabük, Bartın, Kastamonu, Çankırı, Sinop, Samsun, Tokat, Çorum, Amasya
TRA	Northeast Anatolia	Erzurum, Erzincan, Bayburt, Ağrı, Kars, Iğdır, Ardahan
TRB	Central East Anatolia	Malatya, Elazığ, Bingöl, Tunceli, Van, Muş, Bitlis, Hakkari
TRC	Southeast Anatolia	Gaziantep, Adıyaman, Kilis, Şanlıurfa, Diyarbakır, Mardin, Batman, Şırnak, Siirt

APPENDIX B

Turkey Nuts-2 Regions

Sub-region Code	Sub-region Name	Provinces Included
TR10	Istanbul	Istanbul
TR21	Tekirdağ	Tekirdağ, Edirne, Kırklareli
TR22	Balıkesir	Balıkesir, Çanakkale
TR31	İzmir	İzmir
TR32	Aydın	Aydın, Denizli, Muğla
TR33	Manisa	Manisa, Afyonkarahisar, Kütahya, Uşak
TR41	Bursa	Bursa, Eskişehir, Bilecik
TR42	Kocaeli	Kocaeli, Sakarya, Düzce, Bolu, Yalova
TR51	Ankara	Ankara
TR52	Konya	Konya, Karaman
TR61	Antalya	Antalya, Isparta, Burdur
TR62	Adana	Adana, Mersin
TR63	Hatay	Hatay, Kahramanmaraş, Osmaniye
TR71	Kırıkkale	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir
TR72	Kayseri	Kayseri, Sivas, Yozgat
TR81	Zonguldak	Zonguldak, Karabük, Bartın
TR82	Kastamonu	Kastamonu, Çankırı, Sinop
TR83	Samsun	Samsun, Tokat, Çorum, Amasya
TR90	Trabzon	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane
TRA1	Erzurum	Erzurum, Erzincan, Bayburt
TRA2	Ağrı	Ağrı, Kars, Iğdır, Ardahan
TRB1	Malatya	Malatya, Elazığ, Bingöl, Tunceli
TRB2	Van	Van, Muş, Bitlis, Hakkari
TRC1	Gaziantep	Gaziantep, Adıyaman, Kilis
TRC2	Şanlıurfa	Şanlıurfa, Diyarbakır
TRC3	Mardin	Mardin, Batman, Şırnak, Siirt



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