

# Public Transfers for Elderly and the Effects of Pension Reforms in Turkey: An NTA Approach

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- Social Security:

- ① is one of the most basic human rights
- ② is a type of expenditure that the government cannot neglect
- ③ is one of the most basic indicators of the social state
- ④ can be considered as an assurance that provides a mechanism to protect people against all kinds of risks in life

- Sustainable social security system:

- ① In developed countries → elderly population problem
- ② In developing countries → lack of resources and structural problems in the economy

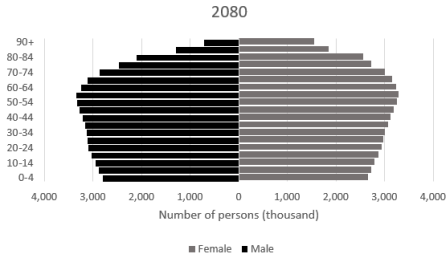
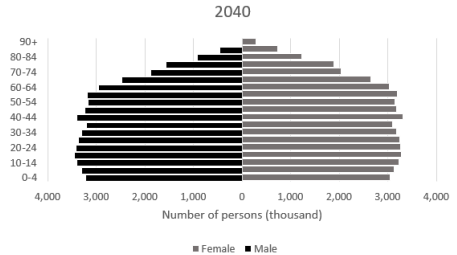
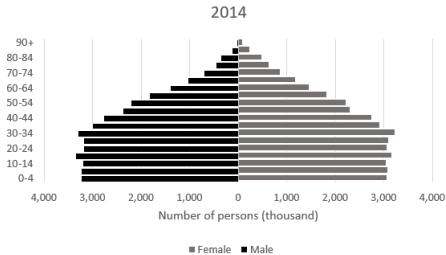
- Pension system is the most important part of the social security system
- Turkey needs long-term projections in the financing of pension system
- Turkey is losing the advantage of being a young population day by day
- In order to ensure the sustainability of the pension system → population indicators must be included into evaluations.
- Increasing average life expectancy and elderly dependency ratio

# Population Projections

Scenario	Age group	Proportion(%)				
		2018	2023	2040	2060	2080
Main scenario	0-14	23,5	22,6	19,3	16,9	15,7
	15-64	67,8	67,2	64,4	60,4	58,7
	65 +	8,7	10,2	16,3	22,6	25,6
High scenario	0-14	23,5	22,9	20,1	18,5	17,5
	15-64	67,7	67,0	63,9	59,9	59,1
	65 +	8,7	10,1	16,0	21,6	23,5
Low scenario	0-14	23,4	22,2	18,4	15,3	13,9
	15-64	67,8	67,5	64,9	60,9	58,1
	65 +	8,8	10,3	16,7	23,8	28,0

Source: Turkstat Population Projections

# Population Projections



Source: Turkstat Population Projections

- Changing economic and social conditions, increasing number of unemployed, upper limits of budget for social programs, changes in the family structure
- One of the biggest problem: old age dependency ratio & active-passive ratio
- Social security problems in Turkey: both structural and financial
- Deficits are financed through taxes or borrowing

# Introduction

- Most important problem of developing countries: active/passive ratio

Year	Active/Passive Ratio
1960	24,3
1965	16,88
1970	9,03
1975	6,29
1980	3,47
1985	2,45
1990	2,39
1995	2,44
2000	1,97
2005	1,78
2010	1,84
2015	1,92
2020	1,87

Source: Social Security Statistics

# Early Retirement Problem

- Reason for social security deficits: early retirement policies
- From 1950 to 2000, 9 legal arrangements were made regarding the retirement age

Year	Retirement Age
1957	F: 60 M:60
1965	F: 55 M:60
1969	F: 43 M:43
1976	F: 38 M:43
1986	F: 55 M:60
1992	F: 38 M:43
1999	F: 58 M:60

Source: İpek, 2007

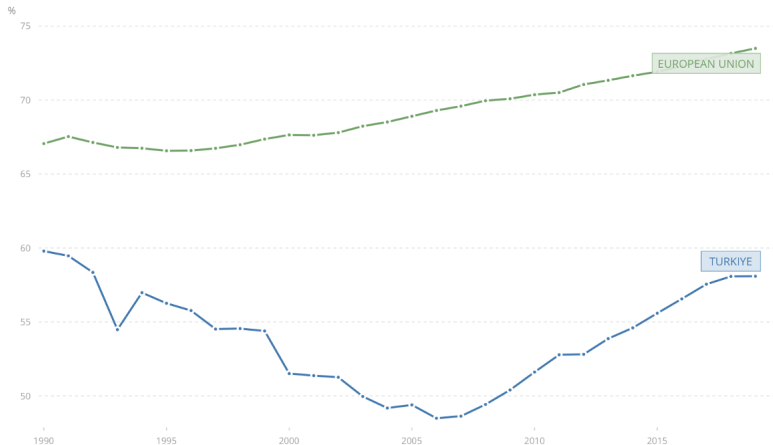
- Before 1999, employees who completed their insurance period and premium days could retire and there was no age requirement
- In 2008, the retirement age was increased to 65 for those who will start working as insured for the first time



# Hindered from retirement due to age (EYT)

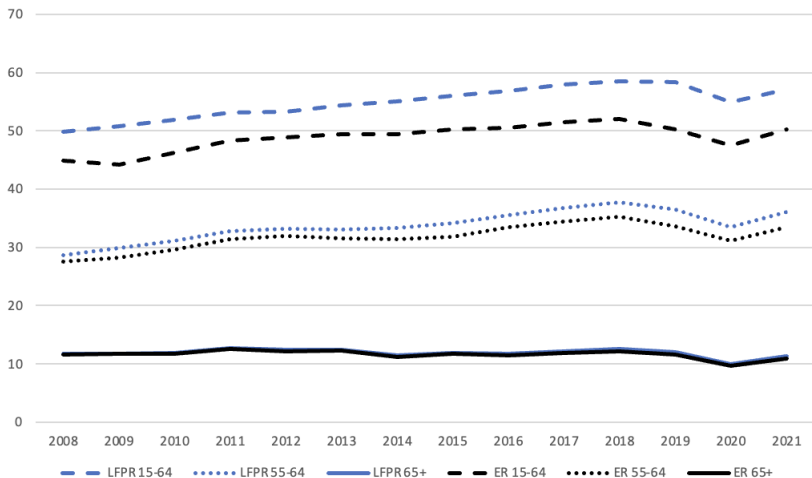
- **EYT** covers those whose insurance start date is before 1999, and those who cannot retire due to their age even if they meet the premium day and insurance period required for retirement.
- Citizens who call themselves "*EYT victims*" cannot retire due to the age requirement. According to the data of the Social Security Institution, approximately 6 million people in Turkey are victims of EYT.
- EYT application requirements are as follows: ● Having an insurance record before 1999, ● Completion of 5000 daily premium payment, ● 20 years for women and 25 years for men must expire.
- President Erdoğan: "*Türkiye, which adds 1 million people to its workforce each year, successfully manages its social security system*"

# LFPR, as a % of total pop. ages 15-64



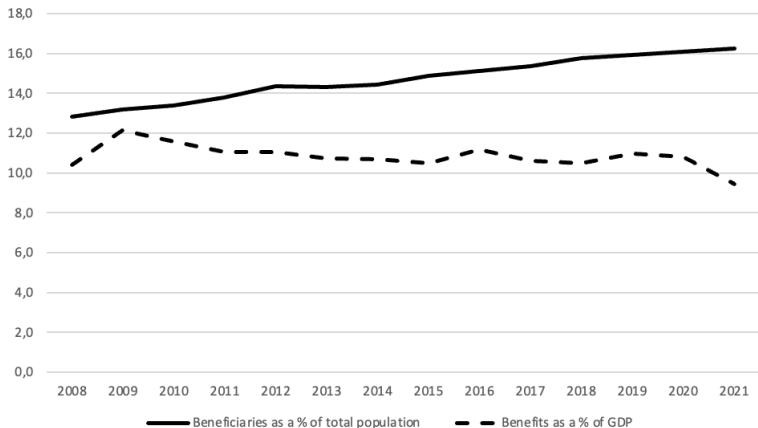
Source: The World Bank

# Labor Force Participation Rates & Employment Rates



Source: ILO

# Total old-age and survivors pension beneficiaries

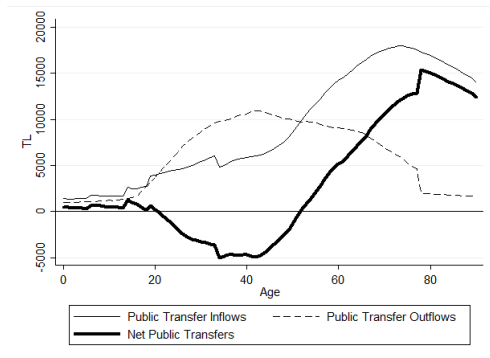


Source: Turkstat

- Public transfer inflows show how flows are distributed to the beneficiaries from public programs of the government and consist of in-cash and in-kind transfers.
- Public transfer outflows indicate the payments of individuals to the government.
- Public transfers are heavily targeted for the elderly.

# Public Transfers

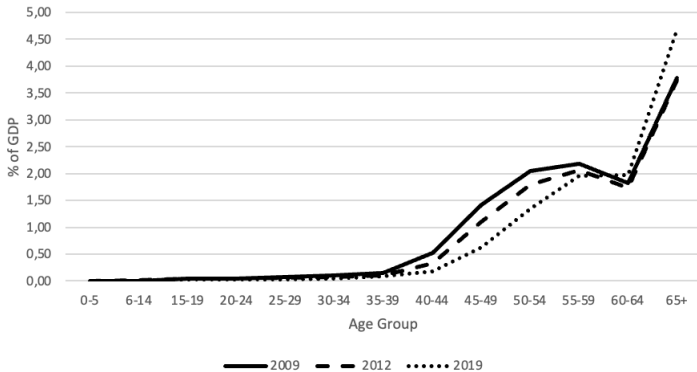
- Public transfers are financed by the population between ages 21 and 51. Individuals in this age range are tax and social security payers.



# Aggregate LCD and Net Public Transfers

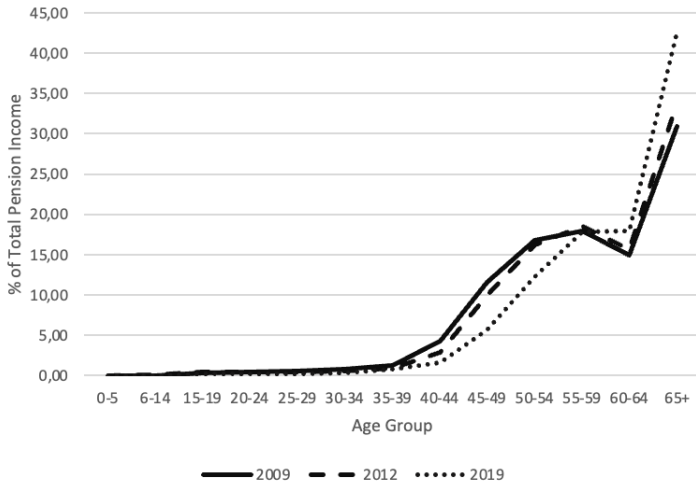


# Aggregate Pension Income





# Aggregate Pension Income



# Discussion and Future Work

- Data problems for the ages 65+
- Social security indicators
- EYT data by age
- Projections of public transfers

# THANK YOU!

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