

Unequal Turkey Under Construction

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Turkey has undergone major socio-economic transformations that have generated numerous contradictions since the 1980s. One of the most significant has been Turkey's transformation from a predominately rural and agrarian society to a largely urban society as it enters the new millennium. The fast pace of urbanization, coupled with a decrease in agricultural employment and an increase in service sector employment transformed Turkey into a largely working-class society by the mid-2000s. This unprecedented urban and socio-economic development has in turn generated, and in some cases heightened, pressing social and economic problems such as unemployment, stark income inequality and restricted access to adequate housing.

The Justice and Development Party (AKP) came to power in the aftermath of the 2001 economic crisis promising to bring both rapid economic growth and social justice, including improved income distribution, in order to address these pressing social and economic problems.[1] The centerpiece of the AKP's economic program since 2002 has been the promotion of market-led strategies for economic development and growth, especially in the booming housing and construction sectors, as the main provider of employment and social welfare more broadly. The promise of becoming a homeowner society was one of the bedrocks of this program.[2]

If measured solely through the narrow lens of economic growth, the AKP economic program has been fairly successful. By achieving a 5.6 percent average annual growth rate in its Gross Domestic Product (GDP), the AKP improved Turkey's ranking from the twenty-first to the seventeenth largest economy in the world according to GDP between 2000 and 2018.[3]

But the success of market-based initiatives in producing broader social welfare depends significantly upon a more equal income distribution. Reviews of comparative data indicate that the benefits of economic growth have not fallen evenly across Turkish society. Turkey still has one of the most unequal income distributions among Organization for Economic Cooperation and Development (OECD) countries.[4] While Turkey's GINI score—which refers to the degree of income distribution inequality in a country—significantly decreased between 2005 and 2007, it currently exceeds the level of the pre-AKP period.[5] Battered by the recent devaluation of the Turkish Lira and soaring inflation, this inequality will continue increasing unless more significant preventive action is taken.

Thus, while the AKP has unquestionably overseen rapid economic growth during its decades-long rule, it has largely failed to deliver on its promise of social justice. The AKP's overreliance upon state-supported marketization, which is perhaps most glaring in its approach to the housing and construction sectors, illustrates key elements of the economic and social policy mix that various AKP governments have pursued and how these policies have often heightened income inequality, indebtedness, housing insecurity and health risks for workers, rather than producing social justice.

Failures of Market-Based Housing

In the context of the state's longstanding historical failure to develop a social housing policy, despite its fast-paced urbanization experience, buying a house (or building one as in the case of squatter housing or

gecekondu and getting its title deed) has long been one of the key welfare strategies for households in Turkey. Yet while Turkey has a well-developed and rapidly growing housing construction industry, with large numbers of new units coming on the market each year, supply has not been able to meet growing demand, particularly when it comes to more affordable housing for lower income buyers.

Changes in people's living arrangement preferences in Turkey are one factor driving the increasing demand for housing. Average household size, for example, has decreased from 4.5 in 2000 to 3.5 in 2016 despite a roughly 1.5 average annual population growth rate.[6] Parallel to this change, the share of single person households increased from around 5 percent in 2000[7] to more than 15 percent in 2017.[8]

But while the formalization process for formerly built gecekondu still continues—nearly 4 million people have applied to obtain their title deeds—acquiring a house for those without one, however, has become more difficult for two reasons.[9] First, housing prices increased 2.6 times from 2010 to 2017,[10] at a time when Turkey became the country with the highest decline in wage share in GDP among other emerging market economies.[11] Second, gecekondu construction was made a criminal offense with a punishment of five-year imprisonment in 2004.[12]

In response, the AKP government has adopted a market-based strategy to support the housing sector by offering low-interest housing credits to people with the aim of increasing homeownership. As a result, the annual number of housing credit holders has increased from roughly 11,000 in 2002 to approximately 475,000 in 2016.[13] The ratio of housing loans in GDP, which was 1.3 percent in 2003, increased to 7.1 percent by 2014.[14] Despite sales of almost 5 million housing units between 2013 and 2016,[15] the owner-occupancy rate actually decreased 1 percent during the same period.[16] These figures demonstrate clearly that the housing boom did not succeed in responding to changes in people's living arrangement preferences or in transforming Turkey into a homeowner society. While 60 percent of households occupy houses that they own, roughly one-fourth of households are tenants.[17]

The government has also employed a residualist strategy—directly providing services and support only to the very poor without challenging the centrality of a market-based strategy for the society at large—through building low-cost housing units for the economically deprived. The Public Housing Administration (TOKİ) has become the main actor in this strategy. Controlling a significant portion of public land stock and using it for private sector housing construction, TOKİ finances social housing from the revenues of its for-profit projects. Among its different housing project types, “low-income housing” comes closest to the idea of social housing. Households without any real estate and with a maximum monthly net household income that falls two times below the minimum wage are eligible to apply to these projects. TOKİ allocated only 19 percent of its annual average of 50,000 housing units to this group.[18] While these projects continue to attract interest from non-owners and help a considerable, yet limited, number of people become homeowners, they do not sufficiently increase the overall owner-occupancy rate or reach low and irregular-income households.

Due to the inadequacy of this model in reaching lower income households, the Ministry of Family and Social Policy, in collaboration with TOKİ, launched a new ad hoc social housing program that targets people living in poverty and without social insurance or formal employment. Between 2012 and 2016, roughly 30,000 ministry-financed housing units were built by TOKİ as part of the new initiative.[19] This program has been, on the one hand, a clear break from market-based strategies but its tight targeting and one-off project strategy does not sufficiently establish a reliable alternative to enable low-income

people access to housing. Even this limited provision of social housing, a novelty in the Turkish context, might have created satisfaction among the beneficiaries, fostering the aspiration of homeownership for others, had it been expanded.

In sum, the AKP government's reliance on a market-based housing strategy with a residualist social policy has largely failed to deliver its promise. Today, the largest expenditure item for households (one-fourth of the total income) in Turkey is housing costs, including rent, which has increased its share since 1990.[20] Nevertheless, the government's housing strategy transformed home ownership into a financial investment vehicle, which has likely contributed to the stark increase in wealth concentration and inequality in the 2010s.[21]

Perils of Unregulated Construction Growth

Another area where primarily market-based growth strategies have not improved overall social welfare can be found in the employment conditions in the booming housing and infrastructure construction sector. Recent worker protests at the construction of Istanbul's new airport reveal widespread dissatisfaction with working conditions in this sector.[22]

To be sure, the number of workers employed in this sector has doubled and the share of construction workers in total employment has sharply increased in the last decade.[23] The construction sector currently constitutes 9 percent of the Turkish economy, employing nearly 8 percent of the working population (more than 2 million people).[24]

High rates of growth in this sector, however, have not brought about better working conditions, nor have they provided improved social security provisions. More than one-third of construction workers are still unregistered, which excludes them from the formal social security system and leaves them unprotected when injuries occur on duty.[25] In addition, average daily earnings in this sector are considerably lower than other sector's averages.[26] Trade union membership in this sector is less than 3 percent and thus collective bargaining covers less than 4,000 workers.[27]

Moreover, economic growth in construction has come with significant increases in preventable human suffering. Despite the ratification of the Occupational Health and Safety regulation in 2012, state regulation capacity remains limited. Occupational health and safety inspections in 2016, for example, could only reach around 175,000 workers, which indicates an insufficient capacity to impose health and safety regulations in a dynamic sector with a high worker turnover.[28] As a result, Turkey ranks the highest among the upper-middle income countries in fatal occupational injuries per 100,000 workers in the construction sector.[29]

Unfulfilled Promises

The AKP's market-based policy orientation in the housing and construction sectors is illustrative of its broader economic and social policy approach. While the economic success of this strategy in terms of rapid growth has generated new employment, the failure to regulate the construction sector to protect workers has not only undermined its potential benefits but has also cost human lives. The market-based approach to housing has mainly served the interests of investor classes and speculators, leading to a

growing concentration of wealth and social inequality rather than producing social justice. The luminous promise of homeownership has largely turned into a dark reality for households facing high levels of indebtedness and increasing expenditures on rent. Residualist and ad hoc social housing initiatives of the AKP, although breaking with market dogma and directly aiding the poor, offer little hope for reversing this negative trend.

Endnotes

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