

## AN EVALUATION ON SOCIAL STATE UNDERSTANDING AND TURKEY

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### Abstract

In the past, the most significant aim of the countries has been developing policies that will ensure economic growth. Today, however, this approach has been replaced by the policies increasing the welfare of society. Social state concept emerged within this process and as a result of the paternalist state perspective that increases the welfare of the society. Within the scope of this perspective, governments have to provide a high standard of living for their citizens, to take measures in advance for future problems and to distribute national income fairly between citizens.

The main motivation behind the study is the necessity of the social state. The study discusses the tasks that any state should undertake in order to maximize the welfare of society and the targets to be achieved in this way. The aim is not developing a new method but analyzing the social state practices of Turkey in comparison with the ones applied in the OECD countries. In this context, the development of the social state and the services that should be presented within the framework under this perspective is discussed in the first section. Next section shows deficiencies in social welfare services in Turkey. The last section describes things to do to overcome the respective deficiencies.

**Keywords:** Social State, Social Policies, Taxes, Public Spending

**Jel Classification:** H51, H52, H53, H55

### 1. Introduction

The concept of social state has passed through many stages in the historical process and has taken its present form. Together with industrialization and increase in national income, the two major world wars and the crisis experienced in the 1930s played a significant role in the spread of this perspective.

The consequences of the Great Depression were contrary to the mainstream economic theory. In addition to this, the problems emerged after the Second World War mustered up support for state intervention and the welfare state practices were on the rise. Providing minimum living standards for life with dignity, eliminating the inequality of opportunity in education and health that have high externality, establishing a social security system that will protect the individual and his family from current and future risks have become the basic duties of the state.

Today these tasks, which have followed an unstable course since then, are accepted by all societies. This study is carried out realizing the significance of the social state and aims to evaluate existing social state expenditures of Turkey. In this context, the study compares Turkey and the OECD countries in terms of the funds allocated from the general budget in the framework of the social state.

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## **2. The Concept of The Social State**

The social state is a concept that differs from country to country and period to period and is shaped according to the social policy practices of states. In this respect, it is very difficult to reach a common definition of the social welfare state.

Gümüş (2010: 188) defines social state as an understanding supports active intervention of the state to economic and social life through introducing social and economic rights to individuals. The intervention aims to provide minimum living standards for life with dignity, allocate national income fairly and in this way providing social justice.

It is possible to see different perspectives in efforts to define the social state. While some of the efforts focus on the “social” concept, others refer to concept of “welfare” to embody the term (Gümüş, 2010: 179). The common goal in most of the definitions is eliminating the differences between different welfare levels of the society and protecting the individuals who are living in bad social and economic conditions (Özdemir, 2007: 21). However, independent of the political regime and economic system, there is a theoretical phenomenon of a social state in all developed or developing countries.

## **3. The Targets of the Social State Tries to Reach**

### **3.1. Planned Development and Rise in National Income**

Planned development and rise in national income is an objective that states have set for increasing community welfare and implementing social policies (Şimşek, 2012: 24). This objective is significant especially in less developed countries where national welfare cannot reach a certain level. Since practices to ensure fair distribution of income in a place where there is no decent welfare will be meaningless. Thus, the intervention of the social state is also targeting to increase national income and development (Gümüş, 2010: 208). In order to achieve this goal, primarily the production level must be increased. However, this will not be enough. Because of no matter how much the national income increases, if it is not reflected all people, if there is no change in the living conditions of individuals in the lower income groups, there will be no increase in the welfare in real terms (Aktan & Özkıvrak, 2003).

### **3.2. Providing the Minimum Living Standards for Life with Dignity**

Minimum living standards for life with dignity is an extension of the right to life and a compulsory issue for speaking about the social state. In this context, the social state which takes care of the social conditions of individuals and undertakes to provide the minimum living conditions serves to protect human dignity (Gümüş, 2010: 183). In order to realize this service, the state should use tools such as tax and expenditure and intervene in the market. In this context, the living standard worthy of human dignity is taken as the basic measure of the state intervention. Thus, the social state is obliged to guarantee to all citizens a standard of living worthy of human dignity. The intervention will be carried out until the level of life worthy of human dignity is achieved (Başbuğ, 2010: 85).

### **3.3. Ensuring Fair Income Distribution**

One of the main objectives of the social states is to ensure a fair income distribution. However, it is difficult to believe that this will be achieved spontaneously if it left to the functioning of the market. For this reason, the social state envisages intervention to market in order to eliminate inequities appeared within the natural functioning of the free market economy. Since based on liberal view a fair income distribution is almost impossible for a passive state and this makes an intervention an obligation in order to achieve fairness (Gümüő, 2010: 204).

### **3.4. Regulation of Employee Rights: Minimum Wage and Social Security**

The minimum wage is the wage that will allow the worker and families to live in dignity. In addition to basic needs, the minimum wage must provide the worker and families with the opportunity to share welfare (Bağdadiođlu, 2010: 93). The main purpose of the minimum wage is to increase the welfare of the workers by reflecting the profits which are not reflected in wages normally (Koray, 2000: 252-253). On the other hand, social security services are public services that provide income transfers to individuals whose income has been cut or decreased due to social risks (Tokol & Alper, 2011: 162).

### **3.5. Eliminate Interregional Unbalances**

In order to create a livable urban development, rural areas should not be neglected. Because, the attractive characteristics of the cities together with underdevelopment of economic, social and physical infrastructure of the rural areas increase immigration to cities. This situation leads to unhealthy and unplanned development of cities (Batur, 2011: 89-90).

The disparity between the developed regions, which have become attractive to the factors of production, and underdeveloped regions, in which labor-incentive production and agriculture is the main driving force, is increasing. This is one of the main reasons for the migration from rural to urban. Immigration causes problems like insufficiency in education and health, the need for land and housing, noise, environmental pollution problems and these increases the necessity of public investment. Moreover, this means an extra burden on the public economy (Yıldız, 2013: 19).

### **3.6. Policies for Housing**

Encouraging the right, socially possible and stable residential areas is of great importance in terms of fair distribution of income. There has been an increase in the need for housing due to the rapid rise in population, structural change in agriculture, social and cultural developments and immigration from rural to urban. Accordingly, the housing sector becomes even more important. The relationship between housing supply and housing demand is highly deteriorated due to the deterioration in income distribution. In this context, within the framework of the social market economy, it is obligatory to develop policies and programs for the purpose of providing housing for low and middle-income families and for improvement of low-standard living environments emerged in the process of urbanization (Öztürk & Öztürk, 2010: 177).

## **4. Evaluation of Social State Expenditures of Turkey**

### **4.1. Providing Fair Income Allocation**

According to The Better Life Index data calculated by the OECD for 2017, the net disposable income of households in OECD countries is \$20.563 while it is \$17.067 for Turkey. Turkey has ranked 34 within the 38 member states of OECD. In terms of the data on hours worked, Turkey is in the last place. Again, based on the UNDP Human Development Index 2018, with 0.791 index value, Turkey has placed 64<sup>th</sup> within 188 countries.

As the data shows, despite the increase in economic growth in Turkey after 2001, the necessary improvement in income inequality and poverty has not been achieved. The continuity of these problems shows that the social policies implemented by the state are far from being effective. The tax system implemented in the country increases income inequality.

### **4.2. Education Services**

Education expenditures constitute one of the largest shares in social spending of Turkey. Moreover, these are the most affecting variables for the development of social expenditures. There is a perpetual increase in the share of education expenditures within 12 years period between 2006-2017. On the other hand, by looking increase in the number of universities and students the increase in the relevant period is not a real one but a specious rise in terms of educational expenditures per capita. Besides, considering the performance of our country in international examinations, despite the absolute increase in education expenditures there has been some structural problems in terms of quality.

### **4.3. Health Services**

The share allocated for hospitals is high within the health expenditures provided by central government. Health expenditures increased in absolute terms in the period of 2006- 2017. The share in the budget was 5,2% in 2006 and decreased to 4,3% in 2012 and raised again to 5,2% in 2017.

In developed countries, the share of the budget allocated to health expenditures is 10%. Thus, in Turkey 5,2% allocated from central government budget is low.

### **4.4. Environmental Protection Services**

The main reason for evaluating the environmental issue within the framework of the social state is the necessity of inclusion of negative externalities arising from environmental problems into the price mechanism. The state, which aims to maximize the welfare of the society by preventing the excessive consumption of resources and ensuring the efficiency in the resource distribution, charge the worth harm from the ones who cause this.

Turkish governments have resorted to some taxes and subsidies in order to protect the environment. While some of these include direct regulation such as environmental cleaning tax and plastic bag mortar; taxes on the motor vehicle and excise duty on some products also

regulate environmental problems indirectly. In Turkey, environmental taxes are subject to four divisions within financial management statistics: energy, transportation, resource and pollution taxes.

The environmental expenditures of the central government increased between 2006-2017 both in absolute and relative terms. A significant point in the data is the tendency of a tradeoff between the services allocated to pollution reduction and conservation services of the natural environment and biodiversity over time. Accordingly, while the conservation of natural environment and biodiversity has the largest share within the total expenditures in 2006, this superiority shifted to the reduction of pollution in 2017. This means there is a policy change of central government from protective environmental policies to preventive environmental policies.

However, when environmental taxes and environmental expenditures are compared, it is seen that environmental taxes are collected to provide income to the budget rather than to protect the environment. In fact, income from environmental taxes was TL 88.7 billion in 2016. The amount that the central government and local administrations make for environmental protection expenditures is TL 27.6 billion. Although the principal of “adem-i tahsis” is adopted in Turkish Budget System, this is not an obstacle to increasing environmental protection appropriations.

#### **4.5. Social Security and Social Welfare Services**

Turkey experiences an increase in social protection and social security expenditures between 2000- 2017 both in absolute and relative terms. Accordingly, the share of the relevant expenditures in the budget increased from 28% in 2000 to 35% in 2017. In the same period, there was an almost 29-fold increase in absolute terms.

The salaries of pensioners and elderly are the highest share within the social protection expenditures. The pensions that were paid to young people in the past due to early retirement law have a great role in this increase. In the last 18 years that covers the period 2000-2017, there have been significant increases in the expenditures on the disadvantaged sections of the society. In this period, disability expenditure increased approximately 37 times, expenditures allocated for widows/ orphans increased by 42 times, expenditures on family/child increased 42 times and unemployment payments increased by 619 times.

#### **4.6. Housing and Welfare Ownership Expenditures**

The market alone remains insufficient to meet low- income individuals’ housing demands. In other words, if the state does not intervene in the housing sector, the construction sector makes production in accordance with the demands of individuals with high-level income. In this case, the state puts some rules and standards on the market in order to ensure that low-income families own a home. These measures include low-interest and long-term financing, or state-owned enterprises entering the market and producing housing.

2017 data show that with 1,34% the share of housing and community welfare services in the central government budget was very low. The share of local administrations was 2,4%.

#### **4.7. Recreation, Culture and Religious Services**

Central government allocates 2,04% of the budget to recreation, culture and religious services. Over the years, the religious services performed by the central government got more share than the other services. This shows that the central government gives more importance to people's beliefs and has a conservative structure. However, despite the contribution of the mental and physical development of human capital to the economic growth and development of the country, it is seen the budget for these services is not enough.

### **5. The Expenditures of OECD Countries on Social State**

The country with the highest rate of social expenditures to GDP is France with 32%. Austria, Belgium, Denmark, Finland, Germany, Italy, and Sweden allocate more than a quarter of GDP to social state expenditures. Unlike these countries, in Chile, Ireland, Korea, Mexico, and Turkey public social spending constitute less than 15% of GDP. OECD countries' average social state expenditures reached up to 21% with the crisis experienced in 2008. The social state expenditures started to decrease from this date on. It reached to 20% just in 2016.

The countries with the highest decline in social state spending since 2009 were Ireland and Hungary. In Finland, Norway and South Korea, social government expenditures increased by 2% compared to GDP. This increase was mainly related to the increase in pensions in Finland and Norway, while it is due to spending on health expenditures and primary education in South Korea (OECD, 2019: 1).

In OECD countries, pension payments and health expenditures constitute the highest share of social state expenditures. According to this, while 8% of social state expenditures are allocated to pension payments, while this share is 5.7% for health services. In addition, for working-age individuals, the ratio of income support to GDP is 4% in OECD countries. 0.7% of this is spent on unemployment benefits, 1.7% on incapacity benefit, 1.2% on family money payments and 0.4% on other social support. The ratio of family benefits to GDP is 2.1%. 0.8% of this includes family benefits, 0.7% childhood education and care, 0.4% maternity, income support during fatherhood and parental leave, and 0.2% home help and other benefits. Child benefit is generally paid to all children (OECD, 2019: 2).

### **6. Conclusion**

Governments must provide the minimum living standards for life with dignity within for all citizens within the framework of social state. In this context, the state aims a fair income distribution and ensure various social policies for everyone to benefit from education, health, and social security services.

In terms of Turkey, a significant amount of social welfare spending is allocated from the government budget. However, when compared to the resources of the developed countries, the country is faced with some budget constraints. Among others, the most important constraint is that the resources should be used for both economic growth and social state at the same time.

“Policies to provide fair income distribution” is one of the services Turkey provide within the framework of social state perspective and it is possible to say that Turkey succeeds in this issue.



Gini Coefficient data used in the evaluation of policies for the improvement recorded in the 2006-2017 period shows that income distribution recovered in Turkey.

However, the per capita income in terms of purchasing power parity is quite low in the country. Increase in per capita income depends on prioritizing economic activity and compromising justice. Therefore, the policies for fair income distribution is overshadowed by the economic growth policies in Turkey. Because the accumulation of capital necessary for growth requires protection of some high-income groups in the country in terms of economy. Unfortunately, this protection results in an increase in income distribution inequality.

The funds allocated to environmental protection expenditures appears to be extremely low in Turkey. Thus, the total income from environmental taxes is TL 88.7 billion for 2016, while the total environmental expenditure is TL 27.6 billion. The difference between income and expenditure is approximately TL 61 billion. It gives the impression that environmental taxes are collected for the purpose of providing income to the budget rather than the purpose of protecting the environment. However, it can be said that, although it is aimed to generate income, such taxes reduce the demand for pollutant products through increasing prices and thus provide efficient use of resources.

Evaluating all of these data, it is difficult to say that the social state understanding is exactly realized in Turkey. The most significant reason is the dilemma the country experienced between efficiency and justice. Which should be prioritized is an important policy choice that should be decided within the framework of the country's long-term goals. Therefore, the inability to full establishment of fair income distribution is the outcome of the necessity of encouraging the accumulation of capital required for economic growth.

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