

INTERNATIONAL MONETARY FUND

Labor Market Gender Gaps in Türkiye: A Bird's Eye View

Sílvia Domit and Damla Kesimal

WP/24/171

IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate.

The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

**2024
AUG**



WORKING PAPER

IMF Working Paper
European Department

**Labor Market Gender Gaps in Türkiye:
A Bird's Eye View**
Prepared by **Silvia Domit and Damla Kesimal***

Authorized for distribution by Donal McGettigan and James Walsh
August 2024

IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate. The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

ABSTRACT: Despite recent improvements, Türkiye's low female labor force participation and high share of informal female workers stand out internationally. Closing these gender gaps would boost medium-term growth and make it more inclusive. This paper puts these gaps in an international context, explores their interlinkages with fiscal policies, and identifies policy priorities.

Keywords: Türkiye; gender gaps; female labor force participation; informality; tax policy; expenditure policy; gender budgeting

Author's E-Mail Address: sdomit@imf.org, dkesimal@imf.org

* We would like to thank Jenny Lee for excellent research analysis, as well as Lisa Kolovich, Carolina Osorio Buitron, and Vincent Tang for their expert input and helpful discussions.

WORKING PAPERS

Labor Market Gender Gaps in Türkiye: A Bird's Eye View

Prepared by Sílvia Domit and Damla Kesimal

Contents

Glossary	3
Executive Summary	4
A. Introduction	5
B. Türkiye’s Labor Market Gender Gaps in an International Context	5
C. Labor Force Participation Gender Gap – Stylized Facts	7
D. Fiscal Policy and Labor Market Gender Gaps in Türkiye	9
E. Key Messages and Policy Priorities	14
References	16
FIGURES	
Box 1. Türkiye’s Pay Gender Gap in an International Context	17

Glossary

LFP – labor force participation

GDP – gross domestic product

G20 – Group of 20

PIT – personal income tax

OECD – Organization for Economic Co-operation and Development

GB – gender budgeting

GIA – gender impact assessment

Executive Summary

Labor market gender gaps have historically been large in several countries, and particularly so in Türkiye. Despite recent improvements, Türkiye's low female labor force participation (LFP) and high share of informal female workers stand out internationally. Closing these gaps would significantly boost medium-term growth and make it more inclusive. This paper puts Türkiye's labor market gender disparities in an international context and explores their interlinkages with fiscal policies. The paper concludes by identifying policy and research priorities.

Türkiye's LFP gender gap (defined as the difference between male and female labor LFP rates) is among the largest in the G20, and it is much bigger than in most emerging markets. This gap is wider in urban areas and among less skilled workers, married individuals, and mothers. The gender gap on informality rates (defined as the difference between the share of informal employment in total employment for women and men) is also larger than in many emerging markets, while the unemployment and formal wage gender gaps do not stand out internationally.

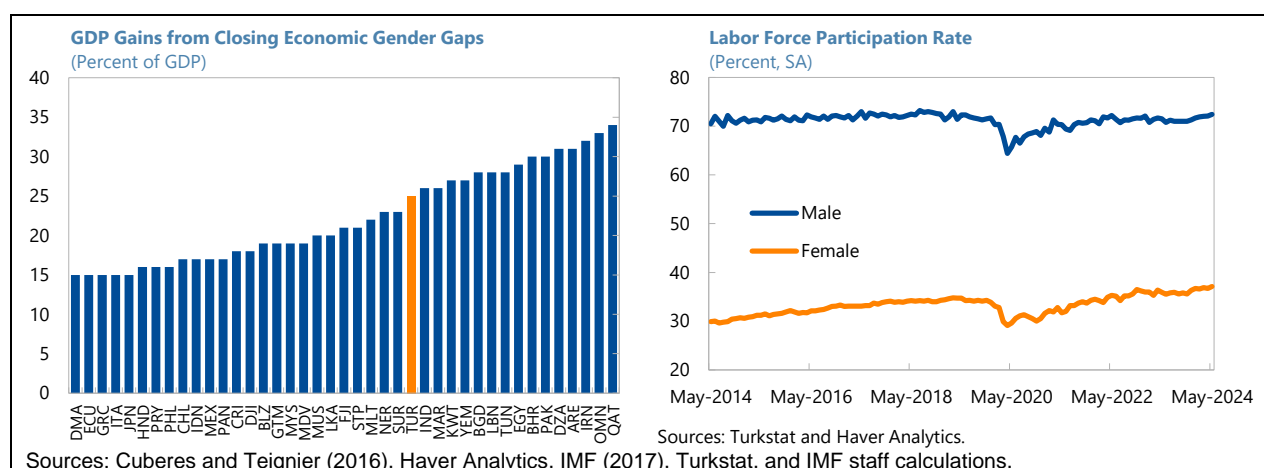
Fiscal policy can help close Türkiye's gender gaps through many channels. A well-targeted increase in public spending on childcare and pre-primary education could support female LFP by improving the supply, targeting, and affordability of these services. Providing tax allowances or credits for care expenses, cash transfers to low-income women participating in the labor market, as well as targeted subsidies would also help. Publicly financed parental leave provisions could also be improved. And while Türkiye has made important steps to develop its gender-budgeting framework, more can be done to ensure gender priorities are an integral part of resource allocation decisions.

Future analytical work could help inform policy design and trade-offs. This paper identifies two priorities. First, assessing the impact of policy options to reduce informality in Türkiye's labor market (e.g.: reducing employment costs and the rigidity of employment rules) on gender gaps. Second, a holistic assessment of the optimal combination of fiscal policy options (i.e.: public spending on childcare, conditional cash transfers, subsidies, and tax credits or allowances) that maximizes the impact on Türkiye's labor market gender gaps.

A. Introduction

Labor market gender gaps are a macro-critical issue for Türkiye. Closing Türkiye's gender gap in labor force participation (LFP) would significantly increase the size of its labor force and support growth. IMF research has shown, for instance, that closing all of Türkiye's economic gender gaps could have large GDP gains (IMF 2017). While important progress has been made in closing gender gaps in Türkiye, more progress is needed.¹

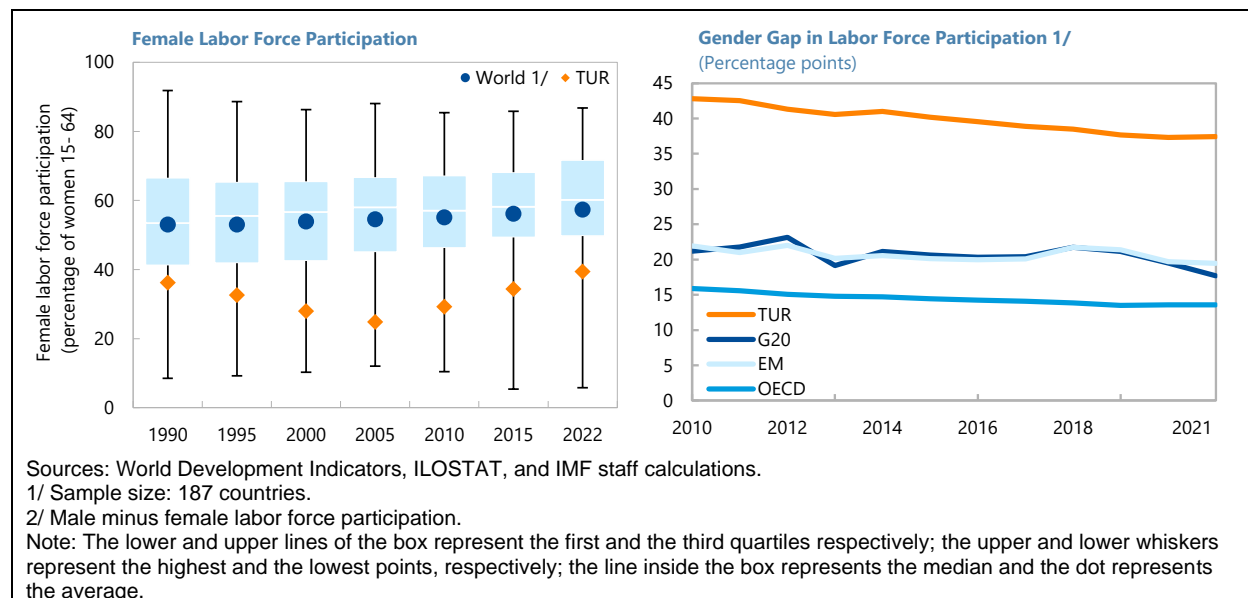
This paper puts Türkiye's labor market gender disparities in an international context and identifies policy and research priorities. The remainder of the paper is structured as follows: Section B puts Türkiye's labor market gender gaps in an international context; Section C sets out stylized facts about Türkiye's LFP gender gap; Section D reviews the interlinkages between fiscal policies and labor market gender gaps in Türkiye; and Section E discusses policy and research priorities.



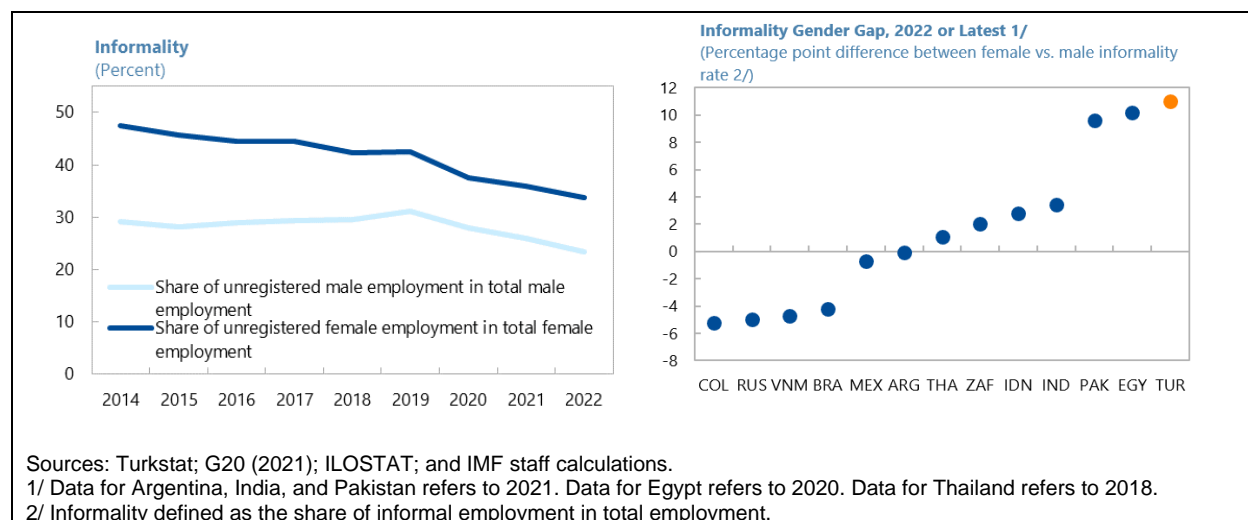
B. Türkiye's Labor Market Gender Gaps in an International Context

Türkiye's low female labor force participation stands out internationally. At around 37 percent, Türkiye's female labor force participation rate is low in absolute terms and relative to male participation. Despite some improvement since the early 2000s, as well as a full recovery from the pandemic, female LFP remains low, including relative to other countries. As a result, Türkiye's LFP gender gap (defined as the difference between male and female labor LFP rates) is among the largest in the G20, and it is much bigger than in many other emerging markets.

¹ Türkiye's legal and regulatory frameworks have been adapted overtime to address gender disparities, including by amending the Constitution and the Labor Law. Government subsidies for employers' social security contributions from hiring women, active labor market policies through the Turkish Employment Agency, and the establishment of the Committee on Equality of Opportunity for Women and Men have also been important policy developments.



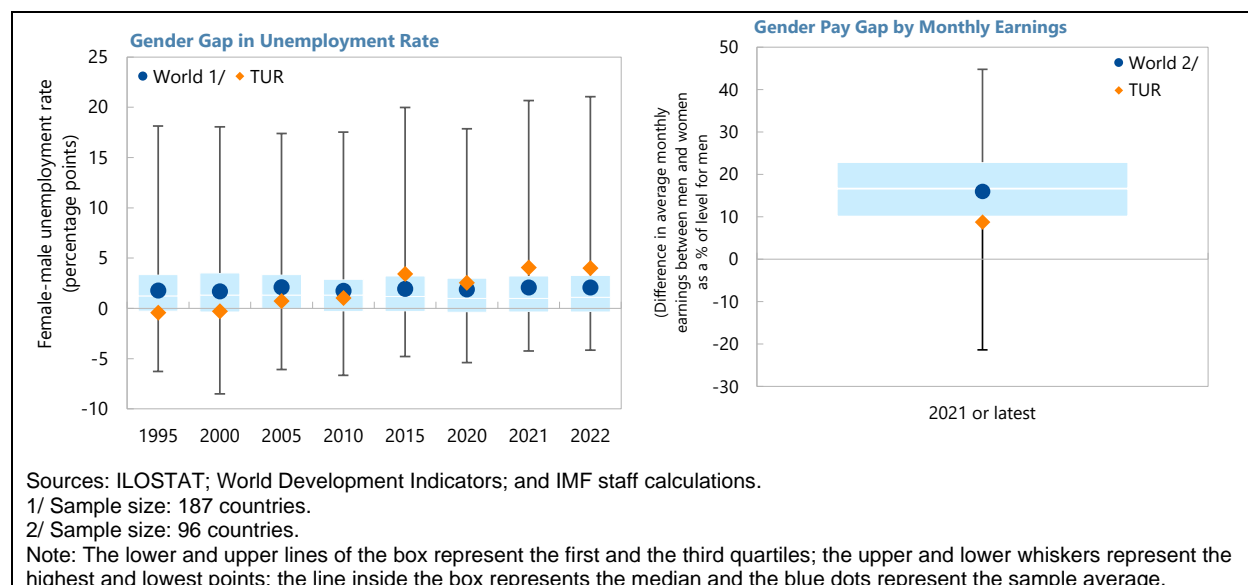
The high share of women in informal, rather than formal, employment in Türkiye also stands out internationally. Though on an improving trend, informality rates are still more prevalent among women than men in Türkiye, unlike in many large emerging markets.²



By contrast, Türkiye’s unemployment and pay gender gaps are similar to other countries’ gaps. Neither the female unemployment rate nor the gap between female and male unemployment rates in Türkiye are large relative to other countries or peer groups. Türkiye’s gender pay gap in the formal sector is large, but not particularly more so than in other countries or peer groups, even after controlling for compositional effects (Box 1), although the same might not be true in the informal sector.³

² See CBRT (2021) for an analysis of the decline in labor market informality rates in Türkiye since the early 2000s.

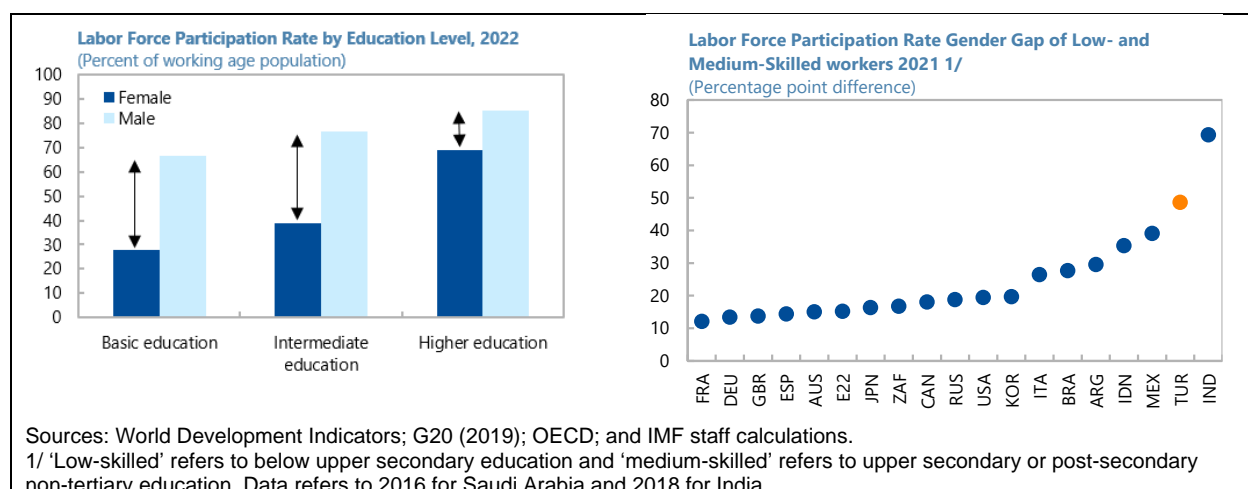
³ Data discrepancies across sources is larger for pay variables than for other labor market indicators, making this conclusion relatively more tentative.



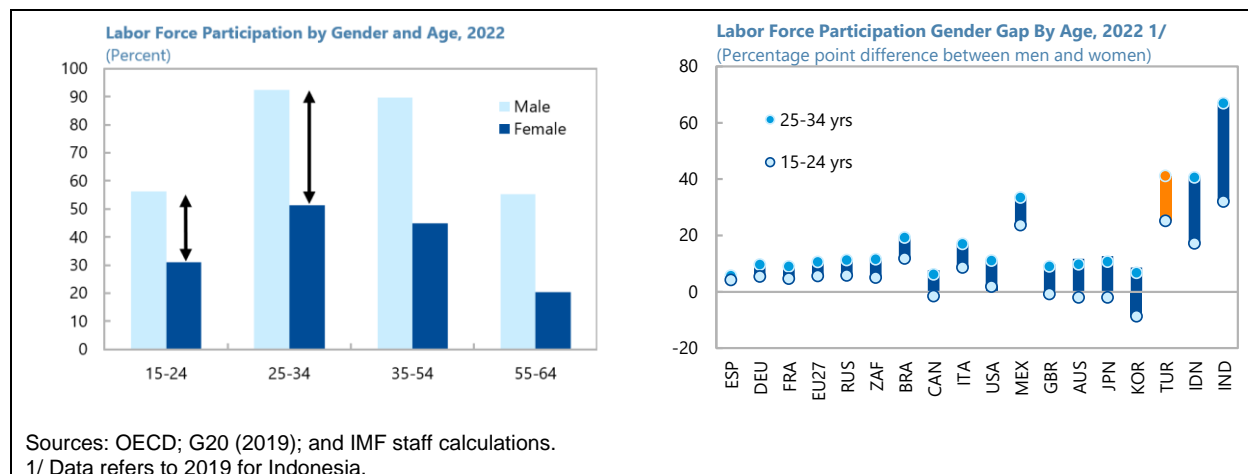
C. Labor Force Participation Gender Gap – Stylized Facts

Some features of Türkiye's LFP gender gap stand out. In particular:

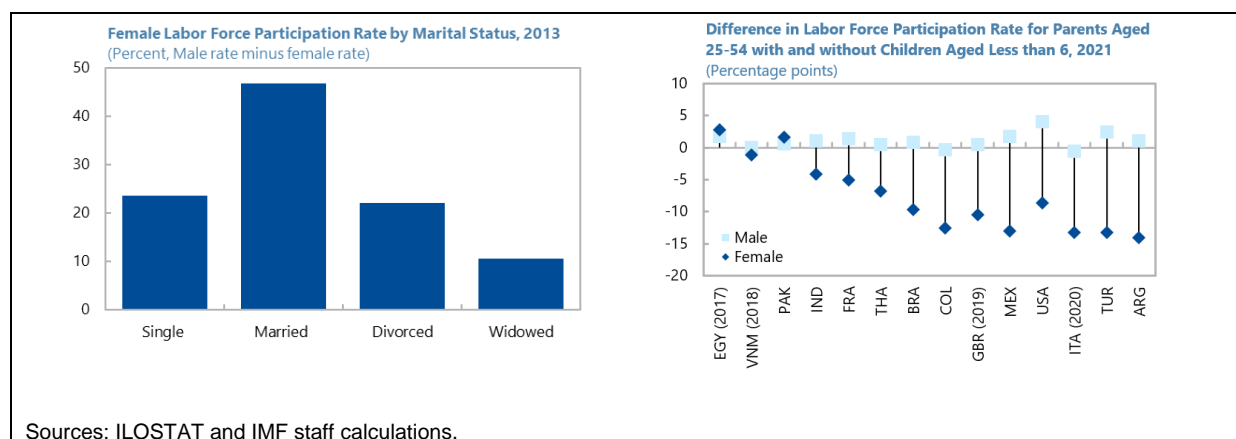
- **Türkiye's LFP gender gap is driven by less skilled workers.** The gap narrows significantly at higher education levels. While the LFP gender gap does not stand out internationally for high-skilled workers, it is among the highest in the G20 for low- and medium-skilled workers.



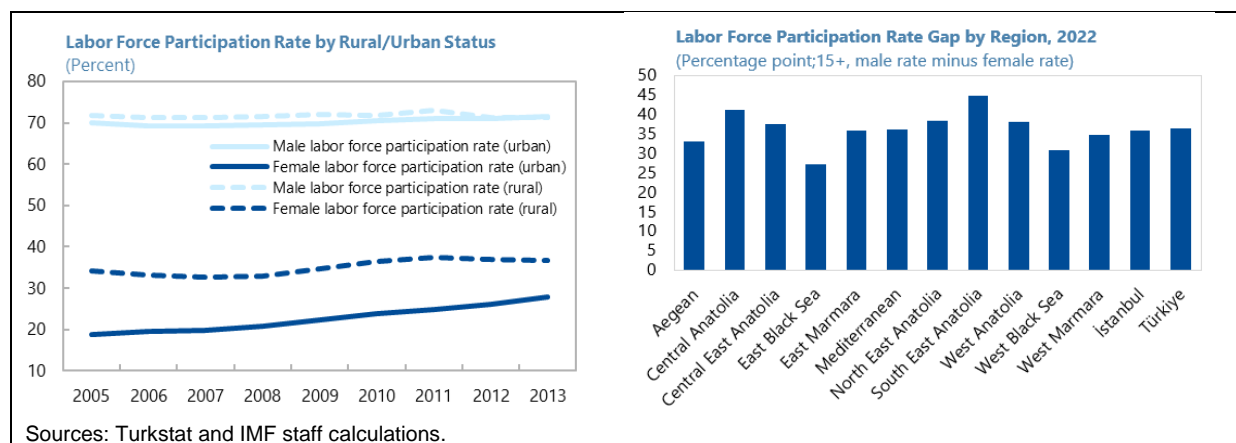
- **The gap widens significantly among 25–34-year-olds.** This sharp rise—of about 20 percentage points compared to the younger cohort—is not the norm among large economies.



- **The gap is larger among married individuals and mothers.** The gap doubles in size for married relative to single individuals. Meanwhile, the LFP of mothers with young children is lower than the LFP of mothers without young children. The same is not true for fathers.



- **The LFP gender gap in Türkiye is higher in urban areas, but it is large across all regions.**



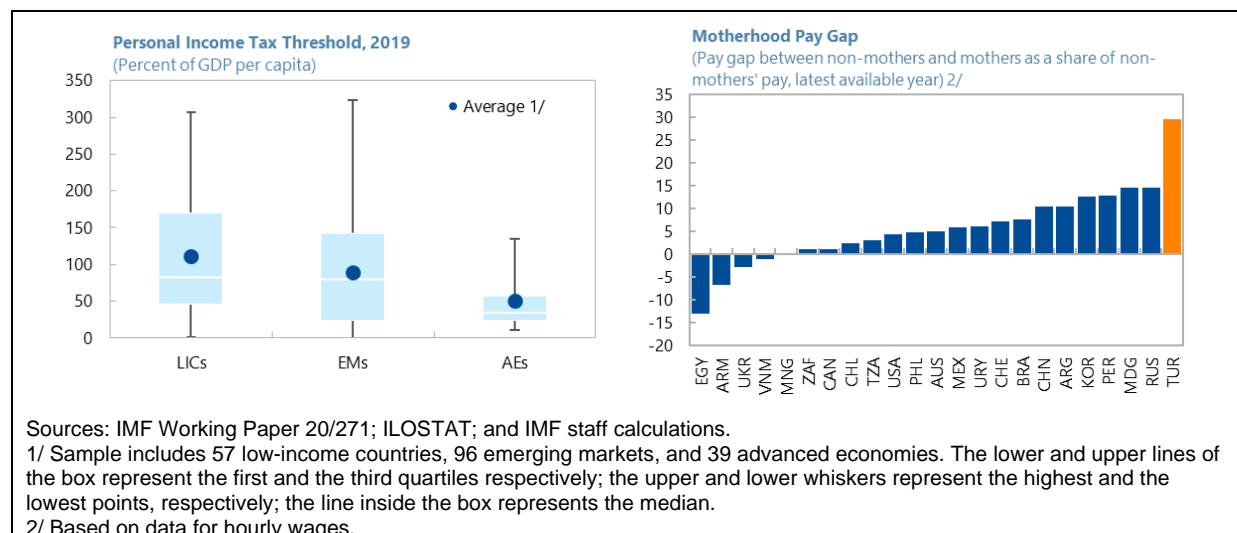
D. Fiscal Policy and Labor Market Gender Gaps in Türkiye⁴

Fiscal policy can affect gender outcomes in many ways. This section focuses on the interlinkages between Türkiye's labor market gender gaps and tax policy, expenditure policy, and gender budgeting.

Tax Policy⁵

The lack of a PIT exemption threshold could have weighed on female LFP in Türkiye until recently.

Since women tend to work in lower-paid jobs after motherhood, the lower the personal income tax rate they face, the more likely that their net earnings would cover childcare costs, incentivizing women to re-enter employment after childbirth. But Türkiye's personal income tax system did not have an exemption threshold until 2022, at odds with international practice. As a result, the marginal tax rate from entering formal employment was high. Taxation, combined with Türkiye's large 'motherhood pay gap', might have exacerbated labor supply disincentives.



Tax credits for care expenses could support female labor supply in Türkiye. The tax treatment of care expenses (for children or the elderly) affects women's labor supply decision because care services provided by stay-at-home individuals are untaxed. The introduction of child- and elderly-care tax credits could therefore support female labor supply in Türkiye by offsetting the loss in tax savings women encounter when entering the workforce and paying for care services.

The unit of income taxation does not discourage female labor supply in Türkiye. Income taxes can apply at the individual or household level. The former is preferable from a gender equality perspective, because household-level taxation raises tax rates for secondary earners, who are typically women, discouraging their labor supply. Türkiye has had individual income taxation since 1998.

⁴ While this initial note focuses on fiscal issues, future analysis could explore the impact of other policies on Türkiye's gender gaps.

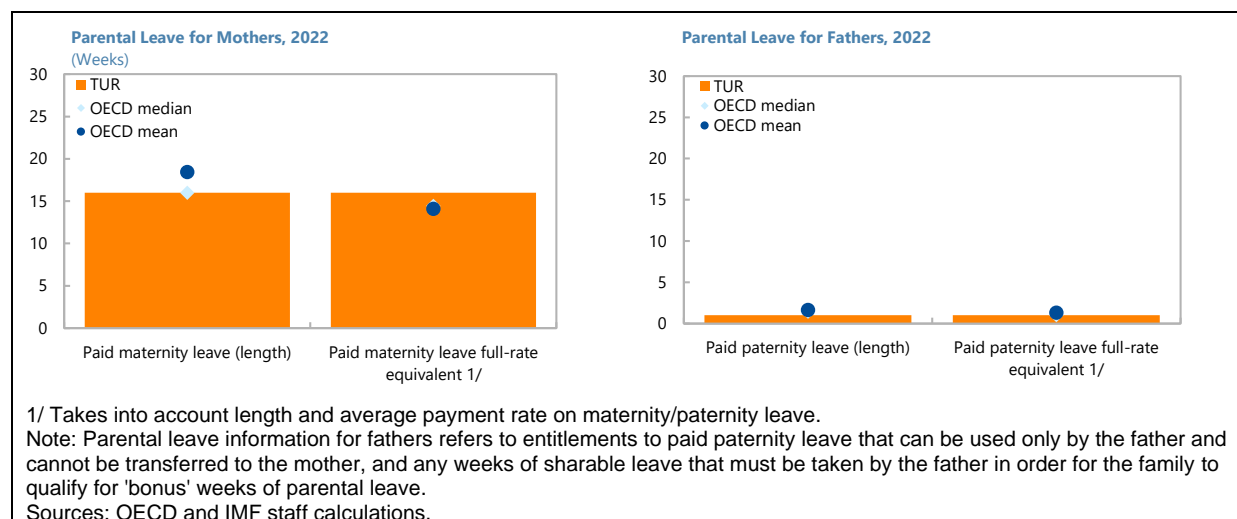
⁵ For a comprehensive analysis of the impact of tax policy on gender gaps, see IMF 2022.

Expenditure Policy

Expenditure policy can affect gender outcomes through several channels. This section focuses on the interlinkages between labor market gender gaps, social protection (notably paid parental leave, cash transfers, and the provision of care services), and spending on education.

Social Protection

Parental leave provisions in Türkiye are largely comparable to other countries' policies, but they could also be improved. Publicly financed paid maternity leave can help increase female LFP, particularly among low-skilled women, who tend to have more children, and in countries where informality is low and where parental leave is evenly shared between men and women.⁶ Türkiye's maternity and paternity leave policies are largely comparable to those in other OECD countries in terms of both length and average payment rates. But, as in many OECD countries, there is room for improvement by making parental leave more gender-neutral, as provisions are considerably skewed towards mothers. To the extent that policy improvements could be costly to the budget and potentially ineffective given Türkiye's large informal sector, future work could assess costs and benefits of improving parental leave provisions in Türkiye.



Providing cash transfers to low-income women participating in the labor market typically increases female labor force participation. These transfers could be introduced in Türkiye following a holistic assessment of the optimal combination of public spending options that maximizes the impact on Türkiye's LFP gender gap.

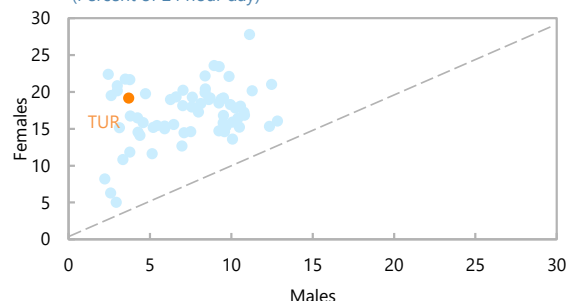
Improving the supply, targeting, and affordability of childcare services in Türkiye is a priority. World Bank analysis shows that the population of children exceeds the existing supply of childcare centers in most Turkish regions, while full-time care services for young children are limited, particularly in dense urban areas.

⁶ In contrast, maternity leave policies that are not publicly financed or that are too lengthy could exacerbate gender biases by discouraging employers to hire women of child-bearing age or by leading to detachment from the labor force. See IMF (2020).

Childcare services are particularly expensive for low-income households, with only around 15 percent of children in the bottom income decile attending pre-school or center-based childcare, compared to 60 percent of children in the top income decile (World Bank, 2015). As a result, childcare services usage is low and unpaid domestic and care work responsibilities fall disproportionately to women in Türkiye, and more so than in many countries.

A well-targeted increase in public spending on childcare and pre-primary education could support female LFP in Türkiye. While childcare services are predominantly public in Türkiye, fiscal spending on these and on pre-primary education is low compared to the OECD and even to emerging markets and some low-income countries. To the extent that childcare expenses represent a fixed cost upon entering employment, an increase in the supply of affordable and well-targeted public childcare services could support female LFP.⁷

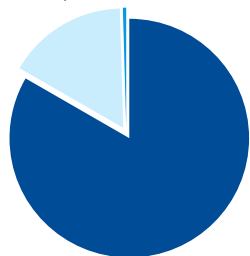
Time Spent on Unpaid Domestic and Care Work
(Percent of 24 hour day)



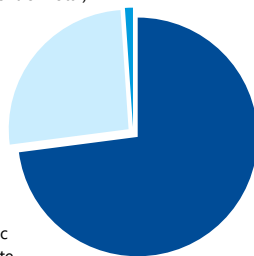
Note: Sample includes 66 advanced economies, emerging markets, and low-income countries. Data cover 2021 or latest available.
Source: World Bank Gender Data Portal.

Supply of Childcare and Pre-school Services in Türkiye

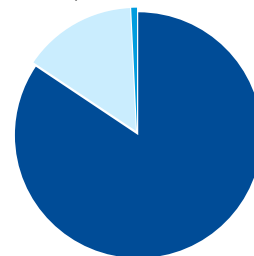
Number of Service Providers
(Percent of Total)



Number of Classrooms
(Percent of Total)



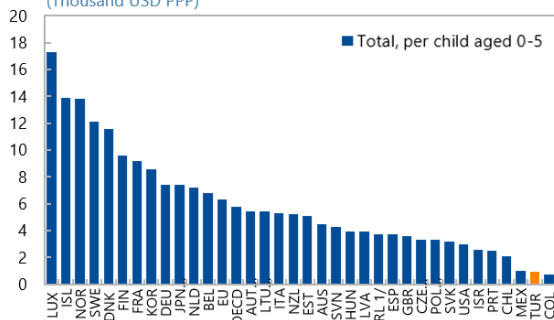
Number of Children Enrolled
(Percent of Total)



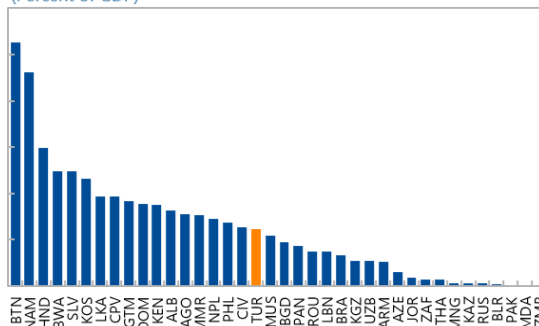
■ Public
■ Private
■ Other

Sources: World Bank (2015) and IMF staff calculations.
Note: Schools in category "Other" are child care centers within public institutions that were opened in accordance with Law no. 657 article 191.

Public Spending on Early Childhood Education and Care Per Child, 2019 or Latest Available 1/
(Thousand USD PPP)



Public Spending on Primary and Pre-Primary Education, 2020 2/
(Percent of GDP)

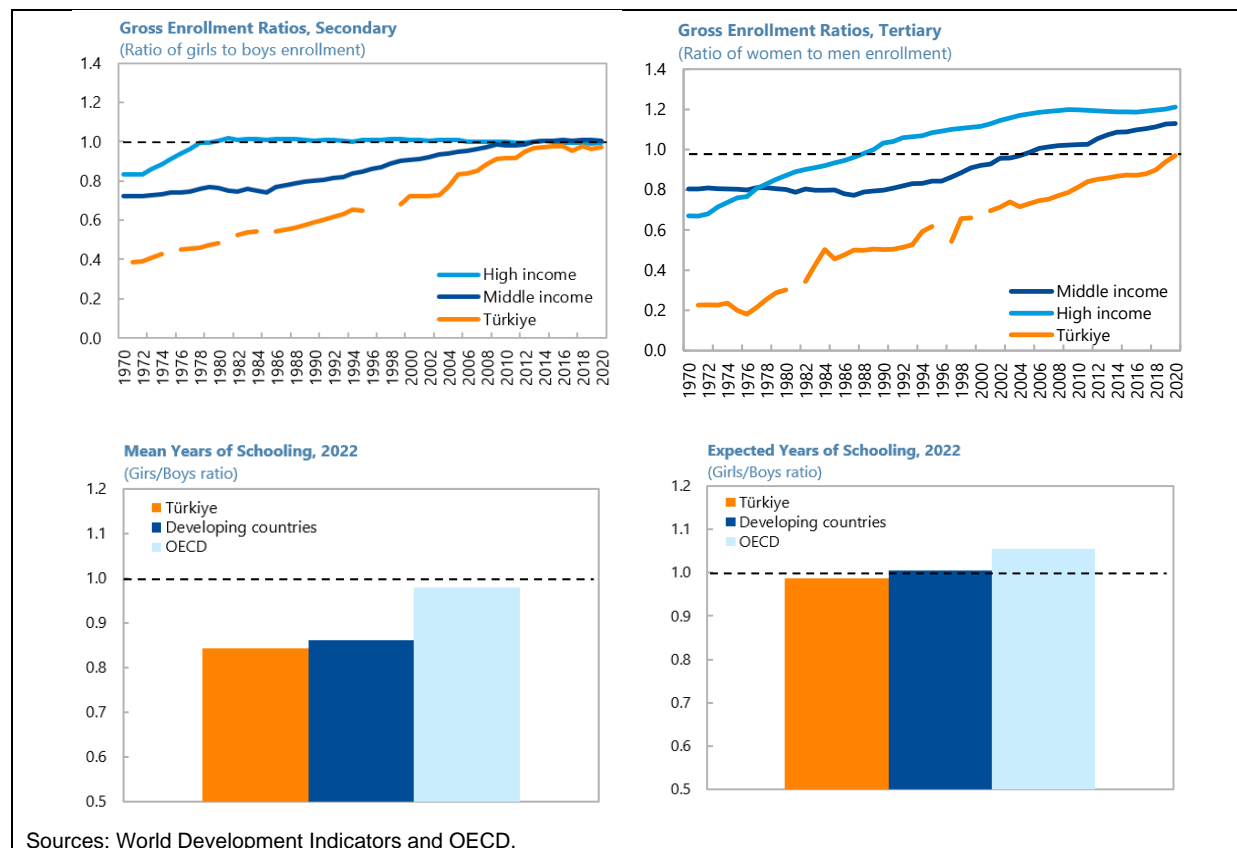


Sources: OECD Social Expenditure Database; IMF Government Finance Statistics; and IMF staff calculations.
1/ In countries where local governments play a key role in providing childcare services, such spending might not be fully captured by the OECD social expenditure data. That is not the case in Türkiye.
2/ Central government spending.

⁷ World Bank (2015) shows that private sector childcare provision is largely unaffordable, particularly in low-income households, with high prices driven by real-estate costs.

Spending on Education

Education challenges—important drivers of low female LFP in some countries—do not appear to be binding in Türkiye. To the extent that expenditure policies can help deliver better educational outcomes, they can also support female labor force participation. In Türkiye, education gender gaps—both in terms of enrollment rates and years of education—are comparable to peers.



Gender Budgeting

Gender budgeting (GB) consists of applying a gender perspective to fiscal policies and the budget process. It entails funding explicit gender-equality initiatives, operationalizing gender-specific goals, as well as informing budgetary and other policy decisions of their impact on gender equality outcomes. Successful GB frameworks integrate GB tools into existing public financial management systems, making gender-equity priorities an integral part of resource allocation decisions. It is a relatively new concept, which is still evolving in many countries.⁸

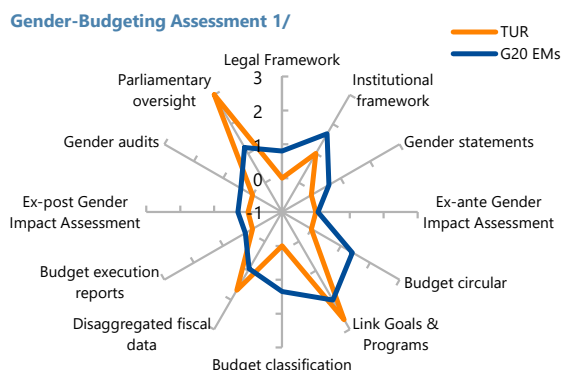
This section assesses Türkiye's GB framework and highlights policy priorities. The analysis is based on an IMF survey of G20 authorities covering several GB dimensions, complimented by staff's assessment of the best sequencing of GB reforms based on return and implementation considerations.⁹

⁸ See IMF (2021).

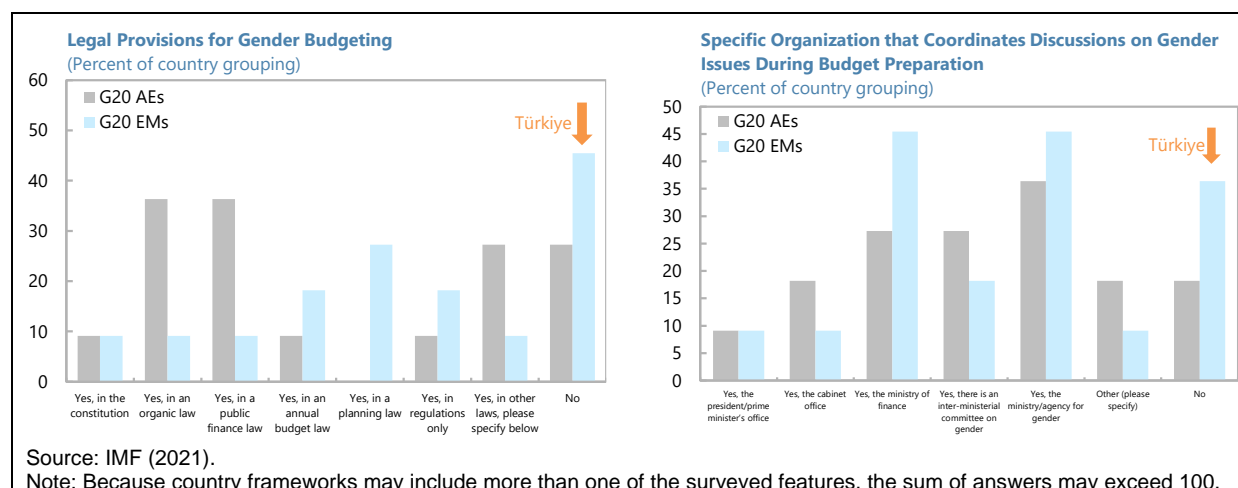
⁹ Survey results were based on country authorities' answers to a multiple-choice questionnaire covering 12 gender-budgeting indicators and 23 questions. To the extent that results are self-reported, they should be interpreted as *de jure*, rather than a *de facto* IMF staff assessment of the effectiveness of existing practices.

Türkiye has taken important steps to develop its GB framework. The IMF survey of G20 country authorities suggests that Türkiye performs relatively well on both parliamentary oversight and the linking of gender goals and programs. In particular, answers suggest that the Turkish Grand National Assembly has championed gender mainstreaming, and has conducted hearings on gender-related issues and the impacts of budget and tax policies on gender equality. Gender-related performance indicators have also been incorporated into some official development plans. The authorities have also worked with UN-Women to enhance their GB policies.

Establishing legal and institutional provisions for gender budgeting are a priority. Türkiye lacks a legislative framework for gender budgeting which, among other benefits, would ensure policy continuity through changing political administrations. Enshrining GB in the Constitution is an option chosen by very few countries, but many do so in lower-ranked laws. Türkiye could also benefit from a comprehensive institutional framework for gender budgeting, as no specific department coordinates gender discussions during the budget process.

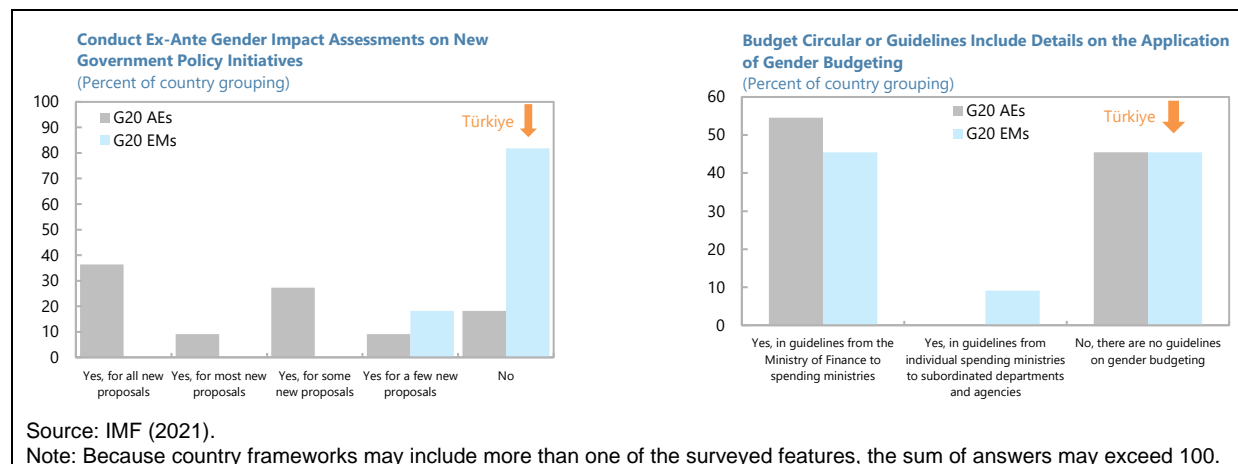


Source: IMF Working Paper 21/269. 1/ Based on authorities' responses.



Gender impact assessments, including of existing policies, could help reduce Türkiye's gender gaps. Gender impact assessments can help identify the effect of policies on gender gap outcomes. Ex-ante assessments can help inform policies before decisions are made, while ex-post assessments can help reassess potentially biased existing policies. Türkiye could benefit from implementing both on a systematic basis, with ex-ante GIAs for all new policy initiatives and major budget programs, as well as in-depth ex-post GIAs of a few existing policies, notably:

- Women qualify for severance pay within a year of getting married;
- Women who have children can retire earlier;
- Women whose deceased husband or fathers were entitled to retirement benefits can claim a share of these benefits if they are single and not working.



The budget preparation process should be used to achieve gender objectives in Türkiye. Further integrating specific gender objectives and instructions into Türkiye's budget circulars would ensure that gender priorities are included in the inputs by line Ministries and their subordinated departments and agencies into the budget preparation process.

E. Key Messages and Policy Priorities

Closing Türkiye's labor market gender gaps would boost medium-term growth and make it more inclusive. Despite improving in recent years, Türkiye's gender gaps in LFP and informality stand out internationally, lowering Türkiye's potential GDP by about 25 percent. Reforms that unlocked that potential could boost growth for decades.

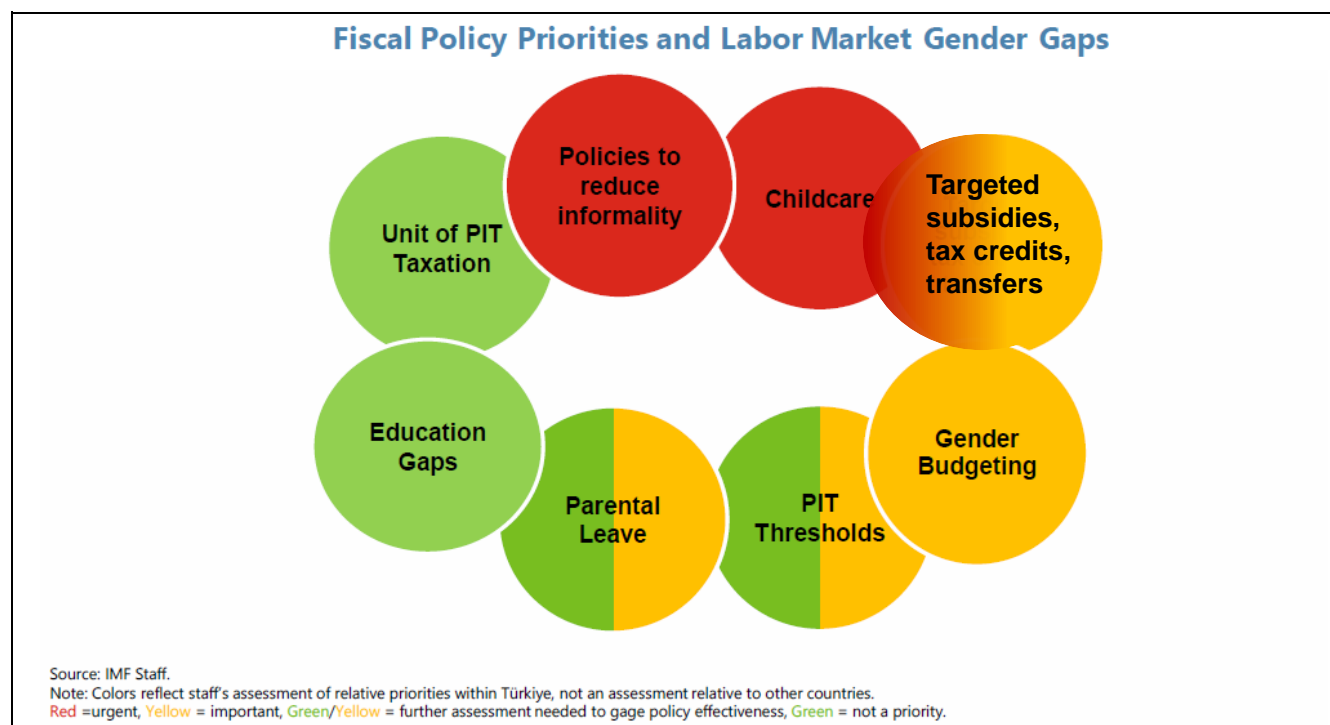
Fiscal policy can help reduce Türkiye's labor market gender gaps. The right set of policies could help reduce these disparities and prevent new biases. Priorities include:

- 1) Increasing the supply of affordable and well-targeted public childcare services through a targeted increase in public spending on childcare and pre-primary education following a cost-benefit assessment;
- 2) Supporting childcare services usage by low-income workers through targeted subsidies, tax allowances (or tax credits), and/or conditional cash transfers;
- 3) Policies to reduce informality;
- 4) Further enhancing Türkiye's gender-budgeting framework, starting with an institutional framework where one department (or a committee) coordinates gender discussions during the budget process;
- 5) Gender impact assessments of certain existing policies.

Future analytical work could help inform policy design and trade-offs. Priorities include microdata and modelling analysis on:

- A holistic assessment of the optimal combination of fiscal policy options (i.e.: public spending on childcare, conditional cash transfers, subsidies, and tax credits or allowances) that maximizes the impact on Türkiye's LFP gender gap.
- Assessing the impact of policy options to reduce informality in Türkiye's labor market (e.g.: reducing employment costs and the rigidity of employment rules) on gender gaps.

- Assessing the implications of existing PIT brackets and exemption threshold on female labor force participation, taking into account Türkiye's large informal sector, women's income distribution, and the current high inflation environment.
- A cost-benefit analysis of making parental leave policies more gender-neutral.



References

Central Bank of the Republic of Türkiye (CBRT), 2021, “Declining Labor Market Informality in Turkey: Unregistered Employment and Wage Underreporting”.

Cuberes, D. and Teignier, M., 2016, “Aggregate Effects of Gender Gaps in the Labor Market: A Quantitative Estimate.” *Journal of Human Capital* 10 (1): 1–32.

International Monetary Fund (IMF), 2017, “Women, Work, and Economic Growth – leveling the Playing Field” (Washington, International Monetary Fund).

_____, 2020, “Women in the Labor Force: The Role of Fiscal Policies” (Washington, International Monetary Fund).

_____, 2021, “Gender Budgeting in G20 Countries” (Washington, International Monetary Fund).

_____, 2022, “Gendered Taxes: The Interaction of Tax Policy with Gender Equality” (Washington, International Monetary Fund).

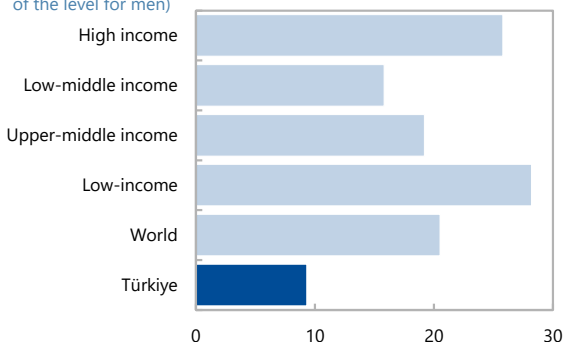
World Bank, 2015, “Supply and Demand for Child Care Services in Turkey” (Washington, World Bank Group).

Box 1. Türkiye's Pay Gender Gap in an International Context

Türkiye's gender pay gap by monthly earnings is large, but it does not stand out internationally.

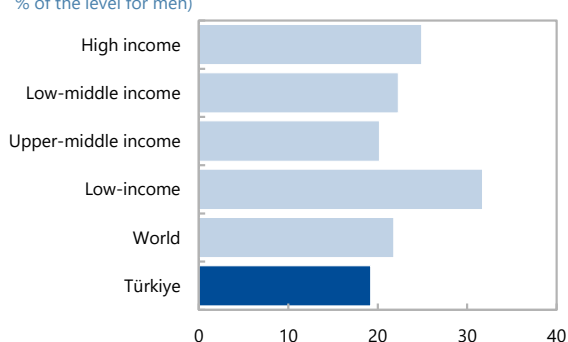
Mean Gender Pay Gap by Monthly Earnings

(Difference in mean monthly earnings between men and women as a % of the level for men)



Median Gender Pay Gap by Monthly Earnings

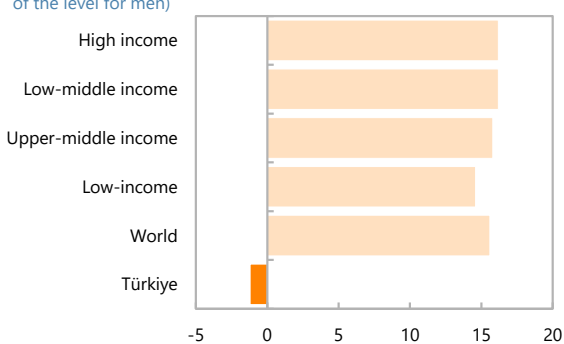
(Difference in median monthly earnings between men and women as a % of the level for men)



In fact, the gender gap for hourly pay is small 1/

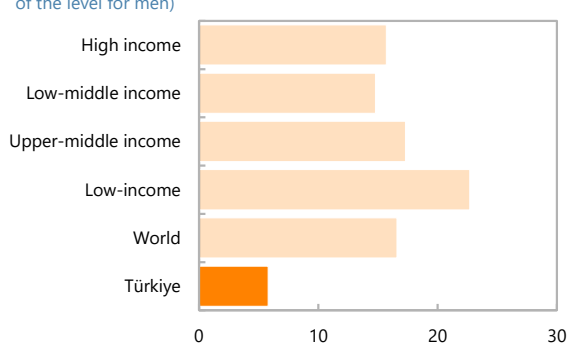
Mean Gender Pay Gap by Hourly Earnings

(Difference in average hourly earnings between men and women as a % of the level for men)



Median Gender Pay Gap by Hourly Earnings

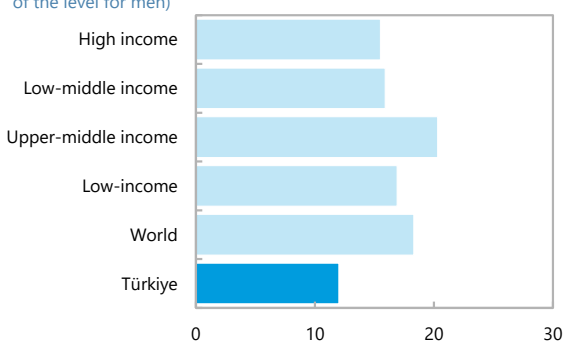
(Difference in median hourly earnings between men and women as a % of the level for men)



After controlling for compositional factors, the gender gap for hourly pay increases, but it remains smaller than elsewhere.

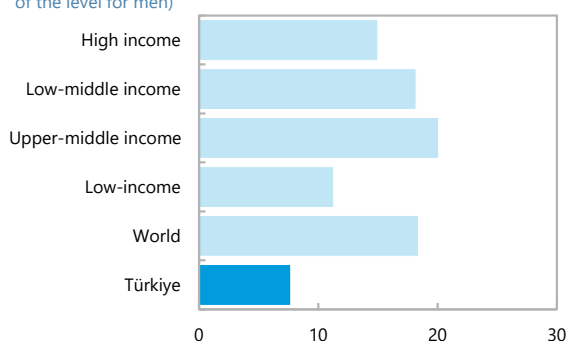
Factor Weighted Mean Gender Pay Gap by Hourly Earnings 2/

(Difference in average hourly earnings between men and women as a % of the level for men)



Factor Weighted Median Gender Pay Gap by Hourly Earnings 2/

(Difference in median hourly earnings between men and women as a % of the level for men)



Sources: ILOSTAT (Global Wage Report 2018/19) and IMF staff calculations.

1/ Presumably, these data suggest that Türkiye's monthly earnings gender gap is driven by women working disproportionately fewer hours, but data issues complicate the cross-country comparison of hours worked.

2/ A factor-weighted gender pay gap is computed by clustering women and men in comparable subgroups (based on "education", "age", "full-time versus part-time" and "private-sector versus public-sector employment"), estimating subgroup-specific gender pay gaps, and weighing these subgroups by their share in the population of wage employees.



PUBLICATIONS

Labor Market Gender Gaps in Türkiye: A Bird's Eye View
Working Paper No. WP/24/171