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Informality in Cooperatives for Turkey: Are they reducing the level of informal employment?

Introduction

The ILO considers cooperatives as an instrument not only for promoting employment and reducing poverty but also building up infrastructures and services in the regions which are neglected by governments and investors. Additionally, it is a well known fact that cooperatives which are based on solidarity have a considerable potential for improving the working conditions. However, cooperatives are not adequately effective in Turkey even though they have existed for many years. As is known, one of the main purposes of cooperatives is to enable the transformation into formality at work.

The aim of this study is to reveal the major problems of cooperatives on labour market in Turkey by analysing the registration status of employees and statistics on informality in cooperatives between 2004 and 2011 using SPSS.20 (Statistical Package for the Social Science). Additionally, this study will discuss whether cooperatives are able to diminish informality at work and to create protected work for employees in Turkey.

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1. Literature

Even though cooperatives have existed for many years in Turkey, their economic and social contributions has remained limited due to the lack of knowledge and awareness on their importance.

At this point, it is initially needed to discuss the informality, its measures and cooperatives' role in employment in order to explain the relationship between cooperatives and informality in detail. Informal sector consists of partially informal or small independent enterprises which contribute to the production and informal jobs cover both paid and self-employment, including unpaid family workers or piece workers (ILO, 2015: 56-57). In order to measure the informal employment, it is crucial to consider many variable factors. There are 3 ways to measure the informality in terms of demand and supply, as follows (ILO, 2015: 59);

- 1) Household surveys to investigate the structure of labour force and employment
- 2) Enterprise level surveys to determine the features of economic activities in informal sectors
- 3) Household income and consumption surveys to analyse the household expenditures and to measure the informality from the point of demand.

It is a well known fact that in developed countries, cooperatives play a very important key role (positive) on promoting protected employment so that cooperatives have many advantages such as regulating the labour relations in many aspect, as well as their economic contributions. A cooperative can be identified as "*an enterprise characterized by user ownership, user control, and user benefit*" (Kwapong and Hanish, 2013: 116). To clarify this definition, the users of the services are both owners and producers of cooperatives, meaning that all benefits are distributed to the users and decisions are made with them. The other definition from The International Cooperative Alliance (ICA)³ addresses the cooperative as "*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*" These two definitions also underline the socio-economic and cultural dimension of cooperatives.

³ For further information: <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>
The statement was adopted at the 1995 Congress and General Assembly of the International Co-operative Alliance.

In cooperatives, partners are generally participating in the labour force as landlord, thus, a partners in cooperatives obtain a status as both partners and workers (users or beneficiaries). According to the literature, the persons who cannot work, are employed (participate in the labour market) through cooperatives with an effective labour force activity (Kıvanç, 1957:7-8). In this sense, it is highly important to mention the informality in Turkey. According to TurkStat (2015), in January 2015, the rate of employees working without social security protection is 32.4 %, pointing out the huge informal sector in Turkey. Considering this huge informal rate, the creation of formal and protected work by the cooperatives has very crucial impact on Turkish labour market. On the other hand, according to TurkStat (2013) informality is 22.4% in agricultural jobs and is 83.3% in non-agricultural jobs. It clearly shows that informality still remains significantly at high level in particularly agricultural sectors (with seasonal works) at which cooperatives are mostly present.

Cooperatives are commonly considered as an instrument to struggle with informality as they enable persons who work informally due to poverty to get involved in formal economy. For instance, according to the ILO Recommendation on the Promotion of Cooperatives No. 193 (2002) addresses governments to encourage cooperatives for promoting protected work and reducing informality. On the other hand, ILO also observed that "*...where there are major constraints to informal operators or workers joining existing employers' organizations or trade unions or establishing their own organizations, the most effective membership-based organizational structure may be that of a cooperative. ... Organizing in cooperatives could also be seen as one step on the path towards formalization (ILO Report VI, 2002:92).*"

This argument is a common thinking in Turkey as well and cooperatives should be encouraged as an instrument to diminish the informality in many sectors, especially agricultural sector. However, as can be seen in this study there are not qualified studies and statistics to measure the informality and to reinforce the above mentioned arguments, stating that cooperatives as a step to transfer informality into formality in Turkey.

2. Registration Status of Workers and Partners in Cooperatives in Turkey

2.1 Method

In this study, the informality status of workers and partners who are associated with cooperatives in Turkey has been investigated using the statistics of TurkStat between 2004 and 2011. The statistics were analysed by SPSS.20 (Statistical Package for the Social Science). The main objective of this study is to reveal whether cooperatives reduce the informality or not. In accordance with this aim, it has been investigated whether employees working in cooperatives as partners or paid workers are registered with Social Security Institution (SGK). In addition to statistics obtained, the depth interview with an agricultural cooperative based in Denizli will be conducted to gather more information and to support the statistics with a qualitative research.

2.2 Findings

Cooperatives which enable persons to manage their enterprises, create an effective employment. (Turan cited in Polat, 2010: 27). Therefore, it is needed to address to the economic impacts of cooperatives as well. The positive side of this impact is that the cooperatives provide protected formal employment into the labour market.

At this point, we should explain the status of cooperatives in Turkey. Cooperatives are mostly involved in Ministry of Food, Agriculture and Livestock, Ministry of Environment and Urbanisation and Ministry of Customs and Trade in Turkey. As of 2013, the distribution of cooperatives is respectively 16%, 10%, 74% and the distribution of the number of partners of cooperatives is respectively 50%, 25% and 25% according to the position of above mentioned ministries⁴. The number of partners in cooperatives which indicates the remarkable difference between cooperatives points out that cooperatives in agricultural sectors are more active in Turkey. In addition, the cooperatives which were founded and closed in Turkey are present in the Table 1. However, the statuses of persons/partners who are employed in these cooperatives are not obvious in terms of informality due to the lack of qualified statistical data.

⁴ For further information: Ministry of Customs and Trade in Turkey , Directorate General of Cooperatives, Journal for Statistics of Cooperatives, 2013, pp. 3-4.

In the Household Budget and Consumption Expenditure Research, cooperatives are not classified by their types (affiliated branches). Thus, cooperatives are considered as a whole without classifying in this study. The registration statuses of those who report their business as cooperative to Social Security Institution are present at the Table 2 and 3 between 2004 and 2011 by TurkStat Household Budget Survey. Whereas TurkStat has separately determined the cooperatives as a type of business (category) in the Household Budget and Consumption Expenditure Survey until 2008, as of 2009, this category was replaced with Cooperatives and Joint Stock Company by combining two categories. Accordingly, it is not possible to reach persons (workers) who report their business as cooperative after 2009. In this sense, statistics

Table I- The Number of Cooperatives Founded and Closed⁵												
Between 2004-2009												
Year	The number of cooperatives founded		Those which has status changed		Those which has increased capital		Those which has decreased capital		The number of cooperatives closed		Capital increase	
	A	B	A	B	A	B	A	B	A	B	B	B
2004	1 405	1183327	-	-	7	413 901	-	-	359	458	1 597 228	1 596 770
2005	1 665	21556409	-	-	8	367 507	-	-	398	404	21 923 916	21 923 512
2006	1 746	25753840	-	-	11	3 188 521	-	-	378	378	28 942 361	28 941 983
2007	1 301	9252278	-	-	5	470 407	-	-	318	318	9 722 685	9 722 367
2008	1 004	21610657	1	240 000	7	7 748 302	-	-	232	412	29 358 959	29 358 547
2009	1 031	10965721	-	-	8	1 543 585	-	-	243	243	12 509 306	12 509 063

⁵ TurkStat, Statistics of Enterprises (Company, Cooperative and Commerce), 2009a

are given in two different tables. Whereas the Table 2 indicates the number of paid workers and partners of cooperatives in Turkey between 2004 and 2008, the Table 3 shows the number of partners and paid workers of cooperatives and joint stock companies between 2009 and 2011. According to TurkStat statistics which can be seen in the Table 2, only 2 persons are cooperative partners and one of them is registered with SGK, another one

	2004		2005		2006		2007		2008	
	Registered	Not registered	Registered	Not registered	Registered	Not registered	Registered	Not registered	Registered	Not registered
Partner	%50 (1)	%50 (1)	-	-	%25 (1)	%75 (3)	%100 (1)		-	-
Paid worker	%57.5 (23)	%42.5 (17)		%100 (2)	%17.9 (13)	%82.2 (60)	%48.1 (13)	%51.9 (14)	-	-

is not registered in 2004. In the table, it is seen that 40 persons are working in cooperatives and 57.5% (23 persons) of them is registered, 42.5% is not registered (17 persons). In 2005, whereas there are not cooperative partners, 2 persons are working informally in cooperatives. In 2006, one of 4 cooperative partners is registered (25%) and 3 of them are not registered (75%). In addition, 13 workers are registered and 60 workers (82.2 %) from 73 paid workers are not registered. In 2007, only one registered partner, 13 registered paid workers (48.1 %) and 14 unregistered workers (51.9 %) are present. In 2008, there are no workers or partners in cooperatives according to the statistics by TurkStat. Table 3 indicates those who are working in cooperatives or joint stock companies and it is obvious that combining of cooperative and joint stock company within the one category has significantly boomed the number of workers. Therefore, in 2009 the number of partner and paid worker totally reached to 1000. While 17 of 23 partners (73.9 %) are registered, 6 of them (26.1 %) are unregistered; and 1107 of paid workers (88%) are registered, 145 of them (11.5%) are unregistered. In 2010, whereas 1328 of partners (89.4%) are registered and 154 of them (10.4%) are unregistered, there are no paid workers. In 2011, 1379 of partners are registered and 152 of them are unregistered.

⁶ TurkStat, Household Budget and Consumption Expenditures Survey, Micro Data Set (2004-2008)

Table 3⁷						
The registration statuses of those who report their business as cooperative to Social Security Institution (2009-2011)						
	2009		2010		2011	
	Registered	Not registered	Registered	Not registered	Registered	Not registered
Partner	%73.9 (17)	%26.1 (6)	%89.4 (1328)	%10.4 (154)	%89.9 (1379)	%9.9 (152)
Paid worker	%88 (1107)	%11.5 (145)	-	-	-	-

In 2012, the question of "legislative status of business" has been removed from the Household Budget Survey by TurkStat and accordingly, the statistics on partners and paid workers of cooperatives cannot be accessed for 2012.

As seen in the Table 2 and 3, micro data of TurkStat Household Budget Survey between 2004 and 2011 has failed to satisfy in order to indicate the registration status of partners and paid workers in cooperatives. Considering the numbers of cooperatives between 2004 and 2012 analyzed in Table 1, the numbers of partners and paid workers in Table 2 and 3 are not possible to be accurate.

However, the necessity of database on statistics of cooperatives has been underlined at the workshop held by Turkish National Cooperatives Association on 13 May 2015⁸. Undoubtedly, the abovementioned database has to cover the registration status both of partners and paid workers in cooperatives.

⁷ TurkStat, Household Budget and Consumption Expenditures Survey, Micro Data Set (2009-2011)

⁸ For further information: <http://www.turkey.coop/haberdetay/Kooperatif-Istatistikleri-Calisma-Grubu-olusturuldu--13-Mayis-2015-/90>

3. Conclusion and Recommendations

In line with the limited statistics, it is difficult to determine the informality status of cooperatives. Nevertheless, it is possible to mention that there are paid workers and partners working informally in cooperatives according to statistics between the period of 2004 and 2011. Even if one worker is working informally in a country, it is possible to mention the violation of worker's rights. Therefore, it is considerably crucial to promote improving the rights of employees working in cooperatives in accordance with the foundation framework of cooperatives.

As can be seen from the findings, the statistics on employment status of cooperatives (in order to measure informality) cannot be found after 2009 with many reasons such as changes in questions and combining the categories which indicate the status of business. To promote the cooperatives, economic and social policies should be developed, taking into account the needs of cooperatives. However, this might be possible to access the reliable statistics on cooperatives in terms of size, number of paid workers and partners and informality. Considering recent statistics on cooperatives, TurkStat is far from obtaining reliable statistics and maintaining their continuity in order to measure the informality, for academics and policy-makers. In this sense, it is very crucial to restructure the statistical methods for cooperatives. Apparently, the necessity to improve the statistics for cooperatives has been recently emphasized in the official meetings and workshops by authorized officials.

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