

ATTITUDES OF YOUNG TURKISH WORKERS  
TOWARDS PRIVATE PENSION PLANS

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ATTITUDES OF YOUNG TURKISH WORKERS  
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## DECLARATION OF ORIGINALITY

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## ABSTRACT

### Attitudes of Young Turkish Workers Towards Private Pension Plan

Having established public pension schemes since the 1940s, Turkey introduced the voluntary private pillar in the early 2000s and launched the auto-enrolment in the private pension plan for all employees under 45 in 2016. Nevertheless, around 60 percent opted-out of the private pillar. This thesis explores the attitudes of young workers towards private pension plan in Turkey and the factors that young workers refer to in explaining their decisions to stay in or opt out of the private pension plan. The thesis relies on a qualitative study that includes 29 semi-structured interviews with working young people between the ages of 18 and 30 in two types of workplaces in the public and private sectors, namely municipalities and shopping centers. Using thematic analysis of interview data, the thesis offers an analysis of young workers' attitudes towards the retirement, their motivations for opting out and staying in the private pension plan, their attitudes towards auto-enrolment and their reasons for trust and mistrust towards the private pension plan. The thesis finds that young workers are generally ill informed about pensions and have a myopic attitude towards retirement, which also shape their attitudes towards the private pension plan. While the nudge, in the form of auto-enrollment, helped some young workers to stay in the private plans, the thesis suggests that most of those stayed in does not see private pension plans as a long-term saving plan. The nudge, however, failed to keep most young workers in the private pension plans, who referred to their current financial needs, preferring other saving mechanisms, high retirement age and mistrust towards the state, the state of the economy and private insurance companies as reasons for their decision to opt-out.

## ÖZET

### Türkiye’de Çalışan Gençlerin Bireysel Emeklilik Planına Yönelik Tutumları

1940'lardan bu yana kamu emeklilik planlarının oluşturulduğu Türkiye 2000'li yılların başında gönüllü özel emeklilik ayağını uygulamaya koydu ve 2016'da 45 yaşın altındaki tüm çalışanlar için özel emeklilik planına otomatik katılımı başlattı. Bu tez, çalışan gençlerin Türkiye'deki bireysel emeklilik planına yönelik tutumlarını ve onların bireysel emeklilik planına dahil olma veya bundan vazgeçme kararlarını açıklamadaki faktörleri incelemektedir. Bu tez, kamu ve özel sektördeki iki farklı işyerinde, belediyeler ve alışveriş merkezleri olmak üzere, 18 ve 30 yaşları arasındaki gençlerle çalışan 29 yarı yapılandırılmış görüşmeyi içeren nitel bir çalışmaya dayanmaktadır. Görüşme verilerinin tematik analizini kullanarak bu tez, genç işçilerin emekliliğe karşı tutumlarının, emeklilik planında bulunma ve kalma motivasyonlarının, otomatik katılıma yönelik tutumlarının ve özel emekliliğe karşı güven ve güvensizlik nedenlerinin bir analizini sunmaktadır. Bu tez, çalışan gençlerin genel olarak emekli maaşları hakkında bilgilendirilmemesinin ve emekliliğe karşı miyop bir tavır sergilemesinin aynı zamanda özel emeklilik planına yönelik tutumlarını şekillendirdiğini ortaya koymaktadır. Otomatik katılım şeklinde uygulanan ‘dürtme’, bazı genç işçilerin özel emeklilik planlarında kalmasına yardımcı olurken bu tez, bireysel emeklilik sistemi içinde kalanların çoğunun özel emeklilik planlarını uzun vadeli bir tasarruf planı olarak görmediğini öne sürüyor. Bireysel emeklilik planından cayma sebepleri olarak mevcut mali gereksinimleri, emeklilik yaşının yüksek oluşunu, devlete, ekonominin durumuna ve özel sigorta şirketlerine olan güvensizliklerini ileri süren gençler için, dürtme teorisi başarısızlığa uğramıştır.

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# CHAPTER 1

## INTRODUCTION

This thesis examines the following research questions: What are the attitudes of young workers toward private pension plan in Turkey? What are the factors that young workers refer to in explaining their decisions to stay in or opt out of the private pension plan?

Population aging has posed challenges to the sustainability of public pension systems throughout the world. Many OECD countries have implemented pension privatization or incorporated private pillars to their pension systems as a response to this challenge. Turkey first introduced the voluntary private pension scheme in 2002, and then implemented the auto-enrollment to the private pension plan in 2016. Individuals have voluntarily participated in one of the existing private pension plans. With auto-enrollment, employees who are 45 years old and below automatically participated in the private pension plan gradually since January 2017 while bearing the right to exit. Recently, about 60 percent of the contributors to the private pension system have opted out of the private pension plan (Sputnik Türkiye, 2017).

Attitudes towards the private pension plan are considered key to the sustainability of pension plans and reforms. Nevertheless, the studies on attitudes towards the pension systems or pensions in the literature on Turkey are few. In addition, young people have mostly neglected in the literature on pension systems and pension attitudes. Nevertheless, recent changes in pension systems will particularly affect the lives of young people. Indeed, around 30 percent of the total contributors of the private pension system are young people in Turkey (EGM, 2018). Their attitudes to pensions in

general and private pension in particular, will be among the determining factors of the success of the recent pension reform in the future.

Consequently, the purpose of this research is to explore the attitudes of young workers in Turkey towards the private pension plan in Turkey in detail through a qualitative study. This chapter is divided into three sections. The first one presents the conceptual framework that the international institutions such as the Organisation for Economic Co-operation and Development (OECD), the International Labor Organization (ILO), and the World Bank have used in explaining pension systems and changes in these systems throughout the world. The second section explains the research methods in which the units of analysis, the sample, and the methods of the thesis are introduced. The final section constitutes the outline of the chapters of the thesis.

### 1.1 Conceptual framework

This section of the thesis introduces the concepts that are used in the thesis in explaining the structure of Turkish pension system. According to the OECD's (2005) examination of occupational and personal pension plans, public pension plans are such pension plans that the administration of the pension program is undertaken by social security institutions under a general government. On the contrary, a private pension plan is administered by a private company or private pension fund as a sponsor. Table 1 shows the classification of the occupational pension plans.

Table 1. Occupational Pension Plan Classification

Occupational Pension Plan				
	Occupational		Personal	
Mandatory	DB	DC	P	U-P
Voluntary	DB	DC	P	U-P

Source: [OECD, 2015]

DB: Defined benefit

DC: Defined contribution

P: Protected

U-P: Unprotected

According to the OECD's examination, a private pension plan is divided into two; occupational and personal pension plans. Occupational private plan depends upon the employment relationships in which employee participates in a private pension plan through the employer. Private firms monitor personal private pension plans. In the case of personal pension plans, individuals are free to purchase any pension plan that has no link to their employment status. Personal private pension plans also have two types: Mandatory and voluntary private pension plans. Mandatory private pension plans require individuals to contribute in one of the existing private pension plans administered by private companies. There can be certain eligibility criteria to enroll at a private pension plan, such as age and work condition. In voluntary private pension plans, there is no legal obligations for individuals to contribute to a private pension plan. Rather, individuals are free to choose to contribute or not to one of the existing private pension plans.

Mandatory and voluntary private pension plans can be either defined benefit (DB) or defined contribution (DC) occupational pension plans. In both mandatory and voluntary private pension plans, DC schemes can be either protected or unprotected. In protected occupational pension plans, the provider of pension plan provides a certain rate of pension benefit after retirement. While unprotected plans do not guarantee any certain amount of return benefit. In DC occupational pension plans, there is no obligation to continue contributing to an ongoing private pension plan. In other words, an employee can opt out of the plan in an unfavorable circumstance such as unemployment. Finally, DC plans can also be protected or unprotected. Unprotected personal pension plans do not guarantee a determined benefit to individuals upon their retirement while protected personal pension plan generally offers some kind of return benefits.

According to the OECD (2008), DB pension plans can be classified as "traditional", "hybrid", and "mixed" DB plans. 1) In traditional DB occupational pension plans, return benefits are generally calculated based on a final formula by taking “the members’ wages or salaries, length of employment, or other factors” into consideration (p.7). 2) Hybrid DB occupational pension plans are divided into four which are conditional benefit plans, cash balance plans, nursery plans, and floor or underpin plans.

The OECD defined these four types of hybrid DB occupational pension plans as follows:

**Conditional benefit plans:** benefits are calculated as in a traditional defined benefit plan but there is an element of conditionality tied to the performance of the fund, the member’s longevity expectations or other factors.

**Cash balance plans:** benefits are calculated on the basis of a notional individual account that earns a specified rate of return, which can be a fixed percentage, the return on an index tracker fund, or the return on several funds selected by participants (plan assets do not necessarily have to be invested in those funds). Benefits may be paid as a lump-sum or converted into an annuity.

Nursery plans: benefits are calculated on a DC basis up to a certain age and on a DB basis thereafter.

Floor or underpin plans: benefits are the higher of a DC and a DB formula. (p.8)

According to the OECD typology, the highest risk on the sponsor's shoulder belongs to the floor or underpins plans, the second nursery plans; the third cash balance plans and the least conditional benefit plans accordingly.

## 1.2 Methods

This study relies on a qualitative research that includes 29 semi-structured in-depth interviews with young people below the age of 30 working in two different types of workplaces shopping malls and municipalities.

Since semi-structured in-depth interviews are useful in providing a detailed and contextual interpretation of a social problem (Mason, 2002), the interview questions are designed as semi-structured. Using semi-structured in-depth interviews fit well with the exploratory nature of this study on pension attitudes of young people. The interviews were conducted in Istanbul between September 2018 and February 2019. I recruited my respondents using snowball sampling. I conducted the first interviews with persons I have met before and asked them to refer me to their colleagues working in municipalities or shopping centers.

The rationale behind the selection of the types of workplaces that young people are employed is as follows: Municipalities are selected as one of the workplace types offering relatively secure jobs in the public sector for young people despite the fact that employment statuses (civil servants, contract workers etc.) are increasingly fractured in the last decade. Shopping malls are selected, as they are workplaces where the demand

for young workers is high and –similar to the municipalities- constitutes a source of relatively secure jobs in the private sector for young people. I used a homogenous purposive sample – as defined in Guest et al. (2006). Fifteen respondents work at the municipalities and fourteen respondents work at the shopping centers.

The first group, those working in municipalities, consists of ten contracted employees and five civil servants in three district municipalities: Kadıköy, Küçükçekmece and Pendik. The second one, those working in two shopping malls (Akasya in the Asian side and Metro City in the European side of Istanbul), is comprised of fourteen sale representatives who are contracted employees. Table 2 shows the sample design of the thesis.

Table 2. Sample design

Sectors	Female	Male
Municipalities	9	6
Shopping Centers	10	4

Table 3 shows the demographic features of the participants from municipalities.

Table 3. Demographic features of municipality employees

Codes	Sex	Age	Type of employment
M1	Female	26	Contracted employee
M2	Female	28	Contracted employee
M3	Male	30	Civil servant
M4	Female	26	Civil servant
M5	Male	27	Contracted employee
M6	Female	25	Contracted employee
M7	Female	29	Civil servant
M8	Male	27	Contracted employee
M9	Female	27	Contracted employee
M10	Male	30	Civil servant
M11	Female	23	Contracted employee
M12	Female	30	Civil servant
M13	Female	30	Contracted employee
M14	Female	29	Contracted employee
M15	Male	27	Contracted employee

Hence, among municipality employees, five of them are civil servants while ten of them are contracted employees in municipalities. Their ages are between 23 and 30.

Table 4 reveals the demographic features of respondents working in the shopping centers.

Table 4. Demographic features of sales representatives

Code	Sex	Age
S1	Male	26
S2	Male	29
S3	Female	20
S4	Female	22
S5	Female	24
S6	Female	23
S7	Female	20
S8	Female	25
S9	Female	30
S10	Male	23
S11	Female	26
S12	Male	26
S13	Female	20
S14	Female	23

As shown in Table 4, the ages range from 20 to 30. That is to say, they were relatively younger than municipal employees were. In both groups, the number of female employees was about three times higher than that of male employees because I recruited my respondents through snowball sampling method and my original respondents were female. However, the number of male employees is higher than female employees in selected municipalities; 1.986 male and 914 female in Kadıköy Municipality (Kadıköy

Belediyesi, 2019) and 503 males and 159 females in Pendik Municipality (Pendik Belediyesi, 2019). Likewise, as Özkaplan et al. stated, about 30 % of shopping mall employees are women (Özkaplan et al., 2017).

The semi-structured interview questions included specific questions on the following themes, in addition to the demographic information of the respondents: 1) attitudes towards retirement, 2) the knowledge of the private pension system, 3) reasons for opting out of and staying in the private pension plan, 4) attitudes towards auto-enrolment, 5) reasons for trust and mistrust towards the private pension plan, 6) attitudes towards the new proposal that the minimum period of contribution to be extended to three years from two months, and 7) comparison between public and private pension plans. I used directed thematic content analysis in organizing the interview data. In directed thematic content analysis, analytic codes are derived from the existing literature.

The study was approved by the Committee on Ethical Conduct in Extramural Academic Relations at Boğaziçi University on September 2018. The ethics committee approval form is available in Appendix A. Participant information and consent form is in Appendix B. A comprehensive list of semi-structured interview questions used in the interviews were listed in Appendix C. Turkish version of interview guide was shown in Appendix D.

### 1.3 Outline of the chapters

This introductory chapter is followed by the second chapter that presents an overview of the literature on pensions and attitudes towards pensions. In the first section of the second chapter, I outline an overview of welfare regime typologies and pension regime typologies to place the welfare and mainly pension regime of Turkey within these

typologies. Then, I introduce the literature review on attitudes towards pensions. In the last part of the chapter, I introduce the theory of nudge by Thaler and Sunstein (2008) that underlies the auto-enrollment reforms in pensions.

The third chapter focuses on two parts: the transformation of social security institutions and the changes in the labor market structure in Turkey. In the first part, reforms and changes in the social security system in Turkey throughout the years are outlined with an analysis of contemporary challenges to pension systems. In the second part, I offer an overview of the transformation of the labor market in Turkey while situating youth employment in municipality and shopping centers within this broader transformation.

The fourth chapter presents the qualitative analysis of the interviews with young workers. The chapter is organized alongside with six thematic areas: 1) retirement attitudes, 2) motivations for opting out of or staying in the private pension plan, 3) attitudes towards auto-enrolment, 4) reasons for trust and mistrust, 5) attitudes towards the new proposal that the minimum period of contribution to be extended to three years from two months, and 6) comparison between young workers' attitudes toward private and public pension plans. The fifth and chapter discusses the findings of this study in relation to the literature on pension attitudes of young people.

## CHAPTER 2

### LITERATURE REVIEW

This chapter deals with four main issues. The first part is about the development of welfare states and different welfare regime typologies. The second part focuses on the literature on the pension regime typologies. Third, the theory of nudge, with its relevant criticisms, to this thesis is explained. Lastly, the fourth part is about public attitudes towards the welfare state and social policies. As the main subject matter of this thesis, literature on public attitudes towards pensions / pension regimes is outlined in detail.

#### 2.1 Welfare state and welfare regime typologies

In this section of the thesis, a general definition of welfare state, emergence of welfare states, and welfare regime typologies are explored.

##### 2.1.1 Welfare state

As an early definition, Briggs (1961) defined the welfare state as a provider of minimum income, safety nets against common emergencies such as sickness, and equality in the provision of social services. Esping-Andersen (1990) suggested, for the term ‘welfare state’, that "a common textbook definition is that it involves state responsibility for securing some basic modicum of welfare for its citizens" (pp.18-19).

The term welfare state is closely related to the term ‘new poverty’ that emerged in the sixteenth century. In the sixteenth century, the new poverty emerged due to the enclosures beginning with the commercialization of agriculture, and increased

urbanization and industrialization, together that paved the way for the emergence of social policy. People could no longer survive in their farms in the countryside and they began to migrate to the cities. Geremek (1997) analyzed the challenges of the sixteenth century and suggested that the poverty became a social problem. In line with the increasing number of the poor, the new type of employment emerged in the cities. These types of employment were not stable; people were defenseless, insecure, and full of fear of poverty.

Before the emergence of the new poor, people assumed that they helped the poor to attain salvation. Poverty was considered as a destiny given by God that is not a changeable social order while assisting poor was assumed as a religious obligation by the rich (Leeuwen, 1994). However, poor relief and the old ways of charity did not suffice to tackle the new poverty. In other words, a systematic policy response was needed. Geremek (1997) used the term charity reform to explain this transition from old charity relations to the emergence of social assistance.

At the end of the eighteenth century, the idea of self-regulating markets was put into practice that transformed the structure of the society (Polanyi, 1944). The social policy grew as a response to the expansion of the market economy. Polanyi stated “the commodity description of labor, land, and money is entirely fictitious” (p.72). According to Polanyi, commodifying labor, land and money leads to the destruction of society. Thus, for Polanyi, in this point of view, there is a double movement in the history of the free market economy. That is, Polanyi stated that on the one hand, there is a continuous state intervention to keep the free market alive, and on the other hand a spontaneous reaction of society emerges in the form of self-protection of society to tackle negative effects of the market.

After World War II, the exhaustion of society tried to be eradicated by the British social reforms by the Labor government (Briggs, 1961). As part of these social reforms, the state's social services were necessitated to eradicate the problems of society and to establish equal citizenship status. Briggs argued that comprehensive welfare proposals were put into practice after the World War II.

In the Social Security Convention (ILO, 1952), sickness benefit, medical care, unemployment benefit, employment injury benefit, old-age benefit, family benefit, maternity benefit, invalidity benefit, and survivors' benefit are defined as the branches of the minimum standards for the minimum social security standards for the ILO member countries. However, countries have applied different kinds of welfare provisions. Various scholars have attempted to come up with different welfare regime typologies to explain these differences.

### 2.1.2 Welfare regime typologies

A general outlook of welfare regime typologies is crucial for a better understanding of the place of the pension systems within these broader welfare regimes. Esping-Andersen (1990) classified welfare regimes including eighteen OECD countries into three clusters based on two indicators of de-commodification and stratification. Decommodification here refers to the maintenance of life without reliance on the market. These welfare regime types are; corporatist/conservative (Italy, Japan, France, Germany, Finland, S Switzerland), social democratic (Austria, Belgium, Denmark, Norway, Sweden, and the Netherlands) and liberal (Australia, Canada, Ireland, New Zealand, the UK, and the US).

According to Esping Andersen, corporatist welfare regimes provide earnings-related welfare. The redistributive effect is modest in these states. In liberal welfare

regimes, the provision of welfare by the state is minimal. Instead, the common welfare provider is the market. The minimum welfare provision by the state is means-tested and highly stigmatized. Thus, liberal welfare regimes emphasize, "market efficiency and commodification" and "minimalist social policy of laissez-faire was in keeping with its ideals" (Esping-Andersen, 1990, pp. 27-62). In social democratic welfare regimes, people are less dependent on the market thanks to the comprehensive and universal social policies. High levels of decommodification lessen the individual's dependency on the market for welfare, which is the main characteristic of social democratic welfare regimes.

In Esping-Andersen's typology, Greece, Portugal, and Spain were not included. Even though some scholars agree with Esping-Andersen that these countries can be considered as a sub-group of corporatist regime type (Castles, 1995; Katrougalos, 1996), the fourth ideal type, which was added to the original three, the Southern European/Mediterranean model of welfare regime was introduced. Scholars identified the Southern European model as one that is close to the corporatist model but also has distinctive features, such as stronger ties to the family and low welfare policies and services (Ferrera 1996; Bonoli 1997; Gough 2000; Arts & Gelissen 2002). Petmesidou (1996) also differentiated the Southern European welfare regime from others with its reliance on familialism and clientelism.

Leibfried (1992) also introduced an additional fourth welfare regime type. He divided welfare regimes into four categories, which are the Scandinavian, the Bismarckian, the Anglo-Saxon and the Latin Rim. He described Latin Rim as the rudimentary welfare state. Lack of full employment, social rights, and the important role of the church in providing welfare to the citizens are the characteristic features of this

regime type. Ferrera (1996) also defined welfare regimes as Scandinavian, Anglo-Saxon, Bismarckian and Southern countries. According to him, the Southern model's welfare provision lacks institutional sovereignty, universalism, and transparency. Corruption, clientelism, and misusing of social benefits and services are common features of this regime type. Bonoli (1997) classified four welfare regimes by combining Bismarckian and Beveridgean social policies; British, Continental European, Nordic and Southern European countries. He concentrated on two dimensions: "how much" and "how". How much dimension based on the social expenditure of governments while how dimension relies on the ratio of the contributions in the social expenditure.

Gough (1996) stated that Turkey is in the cluster of the Southern European type by emphasizing that these countries including Turkey fail to guarantee full employment and offer a safety net. To discuss the type of welfare state regime that Turkey has, Seekings' typology of Southern European welfare regimes is quite useful. According to Seekings (2004), since the essential common characteristic of the South European welfare states is informal employment, the response of the states to the informal unemployment is the dimension on which he developed his typology of Southern European countries. Thus, in the South, he identified three clusters of welfare regimes; 1) Agrarian regimes in which family ties provide the main labor force in agriculture and welfare; 2) Inegalitarian corporatist regimes in which formal and informal employment are highly stratified and only formal employers are benefitted from social insurance; 3) Inegalitarian regimes that provide citizens with universal and non-contributory social security.

Buğra and Keyder (2006) emphasized the similarity of Turkish welfare regime type with the Southern European welfare regime type with its characteristics of the

fragmented structure of social security, high numbers of self-employed and unpaid family work such as elderly and childcare, reliance upon kinship at financial risky situations, and informal employment. They placed the welfare regime of Turkey into the group of inegalitarian corporatist regime type of the South due to the division of labor force into informal and formal and the exclusion of the informal employers from the social security system.

Gal (2012) also classified Turkey's welfare regime as one of the Southern European/Mediterranean welfare regimes as he described as an extended family of Mediterranean welfare states in which there are eight countries; Cyprus, Greece, Israel, Italy, Malta, Spain, Portugal, and Turkey. According to him, there are some common characteristics that these countries have such as their shared experience of late industrialization. Late industrialization, in establishing a welfare state, transformed the welfare regimes of these countries in the same way in which clientelism, familialism, and religion shaped the welfare policies. Thus, according to Gal, "as a consequence of these common features, these nations are generally characterized by fewer resources, relatively low levels of social expenditure, weak state support for the poor, a major role for the family and religious organizations in the provision of welfare, relatively low levels of labor force participation (particularly among women), and overall limited success in alleviating poverty and overcoming social and economic gaps" (p.296).

To comprehend the pension regime typologies that are presented in the next section, this general outlook of the welfare regimes in all over the world will help in placing pension systems within the broader welfare regimes.

## 2.2 Pension regime typologies

To begin with Esping-Andersen's pension regime typology, two dimensions upon which he established his pension regime typology are analyzing the division of labor between public and private provisions and the share of privileged occupational group in total pension benefits. Esping-Andersen (1990) divided pension regimes into three types, which are corporatist, residualist and universalistic pension systems. Correspondingly, his typology of pension regimes draws upon his welfare state regimes typology.

Corporatist pension regimes are state-dominant pension regimes and generally, the social security system is based on occupational status. In these pension regimes, civil servants are the privileged occupational group. The countries in this cluster are Austria, Belgium, France, Germany, Italy, Japan, and Finland. Residualist pension regimes are market-dominant systems in which civil service and social security are overshadowed. Australia, Canada, Switzerland, and the US are in this cluster. In universalistic pension regimes, occupational segregation and privileges are tried to be eliminated by state-dominated social security programs in the framework of social rights. New Zealand, Norway, Sweden, Denmark, and the Netherlands have universalistic pension regimes according to Esping-Andersen (1990).

Hinrichs (2000) found Esping-Andersen's pension regime typology very limited in the sense that it fails to take into consideration the relationship between the components of Bismarckian and Beveridgean models of pension provision. There are two dimensions that need to be taken into consideration for Hinrichs: the balance between the income during work life and pension benefit after retirement (Bismarckian model) and averting poverty among retirees (Beveridgean model).

Rhodes and Natali (2003), focused on three dimensions in developing their pension system typology: 'politico-institutional' roots (Bismarckian or Beveridgean), administration (social administration or state administration), pillars (social insurance or multi-pillar). They identified four typologies of pension regimes: pure occupational (Austria and Germany), occupational plus means-tested (France, Italy, Spain, and the other countries in continental Europe), universal plus occupational (Denmark, the Netherlands and the U.K.), and pure occupational systems (Scandinavian countries).

Soede and Vrooman (2008) analyzed pension regimes by focusing on mandatory pension component of the pension systems in the E.U. member states, the US, Australia, Canada, and Norway. The generosity of the pension system and the division between its public and private components are two main aspects on which they developed their pension typology. They found out that Esping-Andersen's welfare state typology is not compatible with the pension regime typology that they developed. They divided the pension regimes into four clusters: corporatist, liberal, modest, and mandatory private. The corporatist regime type (Germany, Finland, France, Austria, Luxembourg, Greece, Portugal, and Spain) they mentioned corresponds to Esping-Andersen's corporatist pension regime type including the Southern European countries. In the liberal pension regime type (the UK, Ireland, Canada, and the US), the state provides basic pension, sometimes a flat-rate pension, to the retirees. Pension age is higher in this pension cluster. In the 'modest pensions' regime (Belgium, the Czech Republic, Slovakia, and Norway), the level of mandatory pension is modest compared to the other clusters. The pension system is PAYG with a lower pension than the corporatist one but with higher retirement age. The last cluster, 'mandatory private,' consists of Australia, Denmark, Hungary, Sweden, the Netherlands, and Poland). Based on the Defined Contribution

pension scheme, there is at least one mandatory private pension plan introduced by the government in these countries of the cluster.

In the last decades, pension reforms have paved the way for several changes in the pension systems all over the world. These changes required a rethinking of pension regime typologies. For example, Marcinkiewicz and Chybalski (2017) found Esping-Andersen's typology non-practical because pension systems have evolved and become more hybrid in the last decades. With this regard, they offer a new typology of pension regimes based on two dimensions: the relation between the administrative character of the pension scheme (public or private) and the share of the type of participation in the pension scheme (optional or compulsory). Thus, they divided pension regimes into four groups: (1) mandatory public (mandatory plan administered by public sector) (Canada, Ireland, Czech Rep., New Zealand, United Kingdom, and United States); (2) mandatory private (mandatory scheme operated by private sector) (Australia, Denmark, Estonia, Iceland, Israel, Netherlands, Poland, Slovak Republic, Sweden); (3) voluntary public (voluntary scheme administered by public sector), instead rarely functioning; (4) voluntary private (voluntary scheme administered by private sector) (Austria, Belgium, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, Portugal, Slovenia, Spain, and Turkey). Omitting the third cluster because it functions rarely, they proposed three regimes to describe the current situation.

### 2.3 Contemporary challenges to pension systems

Over the last few decades, economic and demographic changes have shaped the welfare states' reforms. Most of the countries have undergone the transformation of welfare regimes generally by retrenchment policies in their social programs. Pension schemes

were the largest part of which retrenchment policies applied since it has the largest ratio of governments' social expenditure (Bonoli, 2000).

As explained in the first chapter, there are two forms of occupational pension schemes; mainly, Defined Benefit (DB) and Defined Contribution (DC). Occupational private plan depends upon the employment relationships in which employee participates in a private pension plan through the employer. Mandatory and voluntary private pension plans can be either defined benefit (DB) or defined contribution (DC) occupational pension plans.

In the last few decades, automatic enrolment of private pension plans has been on the agenda for many countries such as Italy, New Zealand, and the U.K. as well as Turkey. In these countries, employees automatically participate in a private pension plan through the employer. Early examples of auto-enrolment can be seen in the United States. Since 1998, employees under 401(k) plans have provided automatic enrolment in a default pension plan at a certain contribution rate unless employees opt for a different contribution rate or opt out of the system entirely (Iwry, 2006). U.S. encouraged automatic enrolment and a default pension plan for those who are enrolled in 401(k) plan and new entrants in 2006 with the Pension Protection act (Paklina, 2014). Most 401(k) plans require employees to decide the level of their contribution rate and how their contributions are invested. As Paklina stated, automatic enrolment can be used in 401(k), 403(b), and 457(b) plans in the United States.

In Italy, automatic enrolment was introduced in 2005 (Natali, 2018). Since 2007, individuals have had to choose whether they invest to their severance pay provision or not. If they do not choose over a six-month period, their contribution is automatically

paid into an occupational pension plan (typically, the industry-wide occupational plan) (OECD, 2008).

The Kiwi-Saver scheme was introduced in New Zealand in 2007. Individuals who are between the age of 18 and 65 are automatically enrolled in the private pension plan (Gallagher & Ryan, 2017). As Gallagher and Ryan stated, government provides NZ\$1,000 tax-free “kick-start” to discourage opt outs.

With the introduction of the National Employment Savings Trust (NEST) in 2008, the automatic enrolment of private pension plan was introduced in the U.K. (Natali, 2018). According to Prabhakar (2017), auto-enrolment in the U.K. is aimed broadly at low to moderate earners since their net replacement rate was generally lower than higher income-earners. As Gallagher and Ryan (2017) stated, employees have one-month period to opt out after they automatically enrolled in a plan. If they do not opt out in one month, their contributions might stay in the private pension plan until they retire.

With the 2010 National Pensions Framework, the Irish government declared the development of an auto-enrolment pf private pension plan which provides mandatory employer contribution and a matching state contribution which is % 33 tax relief (Galagher & Ryan, 2017). Employees are automatically enrolled into this pension scheme if they do not contribute in any employer’s pension scheme. Total contribution is % 4 of earnings.

Rhodes and Natali (2003) identified six contemporary challenges to pensions: population aging, degree of maturity of pension schemes, decreasing productivity rates and wage levels, and growing integration of financial and product markets.

Aging accompanied by globalization constitutes an increase in social security expenditures due to the increase in the elderly dependency ratio (OECD, 2018). Increase

in the elderly population together with the decrease in the ratio of labor force participation, increase in life expectancy, and the decrease in birth rates has increased the burden on pension expenditures. Besides, the OECD declared that the future projections state that the ratio of the elderly population will be doubled in the next two decades. If no measure would be taken in adjusting the pension systems, as the World Bank (1994) stated there would be detrimental effects on the welfare of younger generations. This is because the elderly population would consume the larger share of the public expenditures, while the contributions of the younger generations to public pension system would have to increase. Even though the increase in the share of the national income allocated to the elderly population will not create a major problem for some scholars (Johnson & Falkingham, 1992), Bonoli (2000) argued that when the baby boomers reached the retirement age, the financial problems of the public pension systems would be apparent in a very short period of time. Bonoli (2010) also stated, as a problem of the English-speaking countries particularly, intergenerational equity, that means justice or fairness between generations, is under threat. Most of the baby boomers have currently reached their retirement age and today almost all OECD countries have transformed their social security systems through privatization and/or incorporation of private pillars to their pension systems.

Regarding the degree of maturity of pension systems, Rhodes and Natali (2003) claimed that if the gap between the ratios of contributors and beneficiaries increases and is expected to increase in the future, then the system is not mature enough in a given country. Immaturity of pension systems is also a crucial factor that threatens the sustainability of pension systems in general.

The third challenge is, causing a reduction in contributions especially in Bismarckian pension regimes (Rhodes and Natali, 2003). Bonoli (2010) stated that since the early 1980s, wages have increased slower than GDP contrary to the previous years. Thus, it has been argued that the growth in productivity might not be a solution to the pension sustainability in the future (Bonoli, 2010) while the decrease in productivity might raise the financial constraints of pension systems (Rhodes & Natali, 2003). Resulting from the transformation of the labor markets all over Europe, insecure, part-time, and temporary jobs together with the interruptions in the period of working life also became major obstacles for people to acquire retirement.

The reasons for new reforms of privatization of the pension system are generally described as demographic changes, pension financing, and pensioner's life standards (Bonoli, 2010). However, as the ECLAC (Economic Commission for Latin America and the Caribbean) (1998) described, there could be other motives for the privatization of old PAYG pension systems:

First, that pension funds will constitute a source of investment capital and support for equity markets, because the growth of pension funds would increase the availability of medium and long-term capital, and secure long-term financing for major infrastructure projects and residential construction. Second, that pension funds contribute to the growth and diversity of financial intermediaries, because, subject to the incentives and competition of a private investment market, they will allocate its substantial capital to the most rewarding investment opportunities, particularly under low transaction and information costs, and invest within a wide range of assets. Third, because the accumulation of funds in a private-funded pension system may also generate economic growth through an increased rate of national saving, provided that additional contributions to pension funds are not totally offset by holdings of other assets. (pp. 1-2)

In this respect, as Naczyk (2014) asserted that, since the 1980s, governments have strategically supported privatized pension schemes as the provider of investment and of employment. Turkey came to this point in the 2000s as the effects of social and

economic neoliberalism became visible as the most dramatic increase in the ratio of the privatization in Turkey was observed after the 2000s (Dorlach, 2016; Yılmaz Akın, 2018).

One of the theoretical discussions on the challenges of private pension reforms is about the change in the subject of responsibility. De Deken (2011) stated that there are four aspects of the privatization of pension systems. Those aspects are the responsibility in providing, exit from statutory plans, transfer of the administration of the pension plan, and financialization of retirement risks. Responsibility in providing refers to a shift in the responsible institutions (governmental institutions to private institutions) providing pensions. This shift may occur because of retrenchment policies or some failures in the ongoing system. Exit from the statutory plan means the elimination of the state's obligation to participate in the pension scheme and making emphasis on the voluntary choice of individuals. Transfer of the administration of the pension plan refers to a shift in administration from the public to private actors. Financialization of retirement risks refers to the shift in retirement risks from the collective to the individual base. Those risks include both labor market risks and financial market risks.

Secondly and lastly, as Myles and Pierson (2001) indicated, another dimension is double payment problem of privatized pension systems. In addition, World Bank's Pension Reform Primer stated that double payment problem is stated as double burden problem and in seventy years double payment will continue to rise in the countries in which the transition from PAYG to DC occurs (World Bank, 2008).

In addition to the pension reforms discussed in this section, ensuring the sustainability of pensions have made crucial to investigate the attitudes of people, especially young people, towards pensions and pension schemes. Investigating

expectations and attitudes towards pensions, in general, might help to understand the viability of practical implications of current pension reforms.

## 2.4 Theory of nudge

The Theory of Nudge has been influential in informing recent pension reforms especially those included the introduction of auto-enrollment. Nudge theory relies highly on behavioral sciences including economics and cognitive psychology. Based on the basic dichotomy between reflective and automatic systems of the brain, new behavioral economics emphasizes human beings are unable to process whole the information to make the right decisions for themselves (Legget, 2014) and nudge plays a key role in providing these people with better choices (Thaler & Sunstein, 2008). Thaler and Sunstein (2008) defined reflective systems as controlled, effortful, deductive, slow, self-aware, and rule-following, while automatic systems as uncontrolled, effortless, associative, fast, unconscious, and skilled accordingly. Therefore, when human beings act in a certain way, they do it either automatically (i.e., running away from danger) or reflectively (i.e., solving mathematics problems or deciding on career options).

Drawing on above-mentioned dichotomy, New Behavioral Economics presupposes that there are two kinds of human beings which are homo sapiens and homo economicus and tries to “make Homo sapiens behave as much as possible as Homo economicus would...” (Davis, 2011, p.62). Homo economicus has the capability of deliberate thinking while homo sapiens are fallible because of their intuitive and automatic thinking.

According to the theory of nudge, in such circumstances that people do not have the knowledge they use the rules of thumb that are mainly anchoring, availability, and

representativeness. For example, when someone is asked the population of a big country, he or she will guess the number by choosing an anchor. Availability bias works when there is some event resembling the current situation. Thaler and Sunstein (2008) gave examples of hurricanes and earthquakes by claiming that people tend to make insurance more if they experienced or remembered a similar situation in the past. For representativeness, Thaler and Sunstein (2008) stated: “The idea is that when asked to judge how likely it is that A belongs to category B, people (and especially their Automatic Systems) answer by asking themselves how similar A is to their image or stereotype of B (that is, how “representative” A is of B)” (p.26). For instance, according to the example of Thaler and Sunstein (2008), a person expects a taller African American man who has a well-built body to be a basketball player rather than a shorter and thinner white man.

Optimism and overconfidence are one of the most common biases that people have while analyzing a situation that might have happened to them. One of the examples in the book explaining optimism and overconfidence is that a survey which was filled by Thaler’s students before the class that he used to give began. The question in the survey was “In which decile do you expect to fall in the distribution of grades in this class?” More than half of the students expected to be in the top two deciles while less than 5 percent believed that they would be in the below than medium, which was impossible logically. Unrealistic optimism and overconfidence lead people most of the time to behave in a way in which bad situations would never happen to them. Most of the time, they tend to run into risky situations more easily because of unrealistic optimism and overconfidence. Therefore, for Thaler and Sunstein (2008), those people can benefit from a nudge to protect themselves from risky situations.

Loss aversion is another factor that influences behavior in the sense that it makes people hold what they have because losing what they have hurts more than that they gain what they do not have. Likewise, those people are often affected by the status quo bias that makes them willing to maintain their current situations. The book claimed that, according to a study conducted in the 1980s, it was observed that there was not any change in the asset allocations of many college professors in their lifetime. In other words, they did not change their amount of contributions to the asset allocations even once in their lifetime. Hence, maintaining their current situation is more overborne behavior than making some changes. Regarding the combination of loss aversion and mindless choosing, Thaler and Sunstein (2008) stated:

The combination of loss aversion with mindless choosing implies that if an option is designated as the “default,” it will attract a large market share. Default options thus act as powerful nudges. In many contexts defaults have some extra nudging power because consumers may feel, rightly or wrongly, that default options come with an implicit endorsement from the default setter, be it the employer, government, or TV scheduler. (p. 35)

Thaler and Sunstein, by this quote, emphasized the impact of setting the default options carefully and professionally because defaults serve as one of the most powerful nudges.

Thaler and Sunstein (2008) mentioned about the mental account that most of the people use, for example, to manage a household budget when allocating a certain amount of money from the budget for separate needs such as vacations and emergent situations. In the past, as Thaler and Sunstein exemplified, mason jars were used to save some certain amount of money for different kinds of needs. However, today it works as mental accounts. According to Thaler and Sunstein, mental accounts are crucial to comprehend while improving social policies such as retirement accounts since people

have already had this kind of mental accounts in their mind. Thus, for instance, retirement accounts are one of the mental accounts that can be turned into reality.

Following the herd is an attitude that Thaler and Sunstein (2008) described. They explained following the herd by the economic term spotlight effect that means when people pay attention to what someone does, he or she most of the time tend to behave in line with what other people do. In other words, people often conform to the norms because they believe that other people are gazing upon what they are doing. This tendency towards social conformity also influences culture and politics. When a social nudge is used, informing people about what the majority of people is doing would be certain effects on what people decide on, such as consumption norms.

Nudge, having one of the most influential impacts on behavior change, creates the science of choice architecture that is necessary to shape human behavior in a positive way for those who are subjected the biases that were explained above. According to the theory of nudge, there is a considerable distinction between the myopic Doer and Planner in the sense that the myopic Doer is subjected to temptations and arousals while the Planner acts deliberately. As most of the people are myopic doers, according to this definition, they tend to focus on daily ideas and projects rather than to maintain a regular activity for close or distant future benefits. This attitude is described as the self-control problem of fallible human beings. Thaler and Sunstein (2008) also asserted that the battle between the doer and the planner might lead to dynamically inconsistent behavior.

In other words:

Initially, people prefer A to B, but they later choose B over A. We can see dynamic inconsistency in many places. On Saturday morning people might say that they prefer exercising to watching television, but once the afternoon comes, they are on the couch at home watching the football game. (Thaler & Sunstein, 2008, p. 41)

Thus, dynamically inconsistent behavior is a behavior that draws upon the contradiction between the theories in people's mind and practices what they do in daily life. In other words, most of the time, acknowledging an idea theoretically does not necessarily bring the action in harmony with the theory itself. Nudge can help human beings behave in a way that makes them better off in these kinds of circumstances. In this sense, Thaler and Sunstein (2008) called human beings as nudgeable creatures. Therefore, it is important to shape the choice architecture of individuals, “the context in which people make decisions”, to reach socially desired outcomes (p.3).

Libertarian paternalism is what Thaler and Sunstein (2008) built their theory of nudge on. Libertarian paternalism is the combination of the ideas of libertarianism and paternalism in which libertarianism defends protecting individual right to choose and paternalism focuses on developing ways to sustain the individual welfare. Standing defined libertarian paternalism as “an oxymoron that stems from the simple preposition that people need to be steered to make the ‘right choice’ (2011, p.27). Thaler and Sunstein (2008) defined the golden rule of libertarian paternalism is that nudges need to be more helpful and least harmful for people. In other words: “...people will need nudges for decisions that are difficult and rare, for which they do not get prompt feedback, and when they have trouble translating aspects of the situation into terms that they can easily understand.” (Thaler and Sunstein, 2008, p.72).

According to the theory of nudge, defaults are significant settings which choice architects design such as a default program of a smartphone. When someone does nothing to set his or her mobile phone's programs, most of the time, the default program which is set is one of the easiest and useful programs. Thus, people do not have to learn

and take any action to set their mobile phones if it is not necessary. Likewise, when an individual pension plan is set as default, many people might not need to take an action to opt out from this plan if they do not have any financial, ideological, cultural and social reasons to do so. In other words, in a condition that any individual pension plan is not a default option, some effort is needed to get information about existing individual pension plans, to choose among them, and to start saving. Thaler and Sunstein (2008) claimed that not all the people have to be Econs to make themselves better off in a particular process of making choices regarding any kind of economic decisions. Rather, choice architects establish choices to make people freely choose if they are willing to.

Notwithstanding, in Legget's analysis of Nudge (2014), by referring to Giddens (1990) assertion that social, cultural and economic capitals are not evenly distributed to the agents in a society, he criticized the understanding of the theory of nudge in the sense that nudge overlooks the uneven distribution of capitals in a social environment. This means that nudge cannot serve all the citizens in society. Whitehead et al. (2011) also criticized the theory of nudge because of its possible usage for fiscal state retrenchments. Likewise, the British journalist Wilby asserted:

Nudge comes to the rescue, proposing ways to make markets work better without directly interfering with them, still less penalizing those who grow rich from them. It discusses not the merits of privatizing social security, but the best way of doing it. It considers why Americans aren't saving more for their retirement, without mentioning that, for the majority, real wages haven't risen in a decade. The premise is that if people act against their own best interests – by using drugs, eating junk, failing to save or taking out loans they can't repay – it is because of their individual behavioral flaws, not because of poverty, inequality or lack of hope. (The Guardian, 2010)

He criticized nudge in the sense that it has the potential to neglect current inequalities between individuals and change the subject of responsibility.

As Jones et al. (2011) claimed that nudge affects human choices with ‘scientific’ and disciplinary interventions, a ‘neuroliberalism’ was born. In other words, it argued that if the choices and behavior of people are changed with respect to the needs of free-market capitalism with the interventions of the state, laissez-faire doctrine continues to work well (Legget, 2014). Thaler and Sunstein (2008) opposed this objection by asserting that it is possible to improve the choices without restringing options.

Nevertheless, Standing (2011) asserted that nudge restricts free choice of individuals in his article criticizing of conditional cash transfer in terms of behavioral conditionality. He claimed that conditionalists always assume that individuals have free choice to sign or not to sign any agreement under the government implementations of nudge - conditional cash transfer in his article – however conditionality shadows the fundamental principle of legal justice, “that neither party should be under duress” (p.34). In other words, being under threat of any kind of deprivation is a critical obstacle to free choice.

## 2.5 Public attitudes towards welfare states, public policies, and pension policies

In a broader sense, public attitudes towards welfare states or public policies have been discussed by scholars using both qualitative and quantitative methods since the 1980s (Sears et al., 1980; Hasenfeld and Rafferty, 1989; Andress and Heien, 2001; van Oorschot, 2013). Most discussions have focused on the characteristics of individuals affecting their attitudes toward welfare states. Thus, they have been limited in the sense that they have analyzed the attitudes towards welfare states at the individual level characteristics meaning that the main arguments explaining the reasons of some policy attitudes evolved around personal characteristics (Dulebohn et al., 2000). The studies

investigating individual motivations that shape the attitudes towards welfare policies mainly focused on the following determinants: the self-interest of the people and political ideologies that they aligned with (Hasenfeld and Rafferty, 1989; Groskind, 1994). Self-interest theory asserts that those who benefit or expect to benefit from welfare policies tend to carry positive attitudes toward these policies, while those who are far from receiving any benefits are likely to have negative thoughts (Blekesaune & Quadagno, 2003).

According to Feldman and Zaller (1992), ideological assumption asserts that the attitudes towards welfare programs are shaped by the relationship between the individual, the state and the other existing institutions together. The relation between the labor market, voluntary organizations, individuals, and the state are the determining factors for an individual's ideological point of view, constructing positive or negative attitudes towards welfare states and/or welfare state policies. For example, when there is high support for the welfare state, it is believed that people have access to fundamental social rights, a certain level of living standards and social security. However, when there is an opposition to the welfare state, most of the time people are responsible for their welfare.

Furthermore, in their study, Blekesaune and Quadagno (2003) discovered that national differences are significant to determine the attitudes of individuals towards welfare policies. One of their findings reflected the fact that in the nations where the unemployment rate is high, people are likely to support public policies regarding unemployment, not from the perspective of self-interest, but in the awareness of the fact that unemployment is not solely their individual situation, but is a nation-wide problem.

Hence, people's thoughts might evolve within the current economic and social situation in the given country.

Drawing on the studies on the national level, scholars have recently investigated public attitudes towards particular policies such as attitudes of the public towards transportation policies in Shanghai, China (Li & Zhao, 2017), opinions of taxpayers towards tax policies in India (Singh & Sharma, 2010), and self-identified feminist-attitudes towards public policies such as abortion, health, and immigration in the US. (Kelly & Gauchat, 2015). As the main concern of this thesis is the attitudes of young employees towards the private pension plan, the literature on public attitudes towards pensions, in general, is discussed in detail in the next section.

Public attitudes towards pension policies have also been studied in the literature since the 1970s (Pichaud, 1974; Furnham & Goletto-Tankel, 2002; Gunsteren & Rein, 1985; Foster, 2016). Some of these studies are country case studies (Pichaud, 1974; Foster, 2017), while others are comparative studies (Pederson & Shekha 2006; Lynch & Myrskylä, 2009). Different social groups' attitudes towards pension were also studied before. For instance, the attitudes of women towards pension schemes were explored (Foster, 2012; Chauand & Foster & W.K. Yu, 2016). Finally, some studies have been conducted to examine the attitudes of young people towards pension policies/reforms (Foster, 2017; Furnham & Goletto-Tankel 2002; Pettigrew et al., 2007).

I categorize the existing literature into four clusters. Some studies focused on the general public attitudes in single country cases, studies focusing on cross-national comparative analysis regarding public attitudes, studies on attitudes of women towards pensions, and studies focusing on attitudes of young people towards pensions.

To begin with, the country case studies on public attitudes towards pensions, Piachaud's article, *Attitudes to Pension*, written in 1974 in the U.K., is one of the first studies of its kind. The research question of this study is whether people are willing to pay more for higher pensions. Piachaud used a pilot survey including 1200 people selected from the electoral registers and conducted small numbers of interviews with workers. Three questions were asked to the interviewees. First was about the adequacy of pensions, the second was how much they think the level of pensions should be, and third was whether they would be prepared to be financially worse off today so that the level of pensions they would get in the future could be increased.

Regarding the first question, more than half of the respondents think that current pensions are inadequate. About desired levels of pensions, nearly half of the respondents believe that the pension should be 10 pounds per week for an individual and 20 percent of the interviewees believe that the amount of the pension should be 20 pounds per week for a couple. At the time the study was conducted, the amount of pension in the U.K. was 6.75 pounds per week that means, according to the study, most of the people desire the amount of pension per week to be nearly twice that of what they had in reality. About the willingness of paying more premiums to receive higher pensions, almost 80 percent of the respondents reported that they are willing to be financially worse off today in return for receiving higher pensions in the future. As a result, the study suggests that further policy regulations should be made regarding pensions to meet the needs of the people who think that pensions are inadequate and should be higher.

Another study conducted in Italy investigated the pension uncertainty of the people especially after the introduction of the private pension scheme in Italy in 1995 (Guiso et al., 2013). The study showed that those who are far from retirement have the

most uncertainty about pensions. In addition, income uncertainty affects pension uncertainty.

Other studies, which investigated people's doubts regarding pensions, were conducted before this study especially in the field of economics (Dominitis & Manski, 2006; Delavande & Rohwedder, 2011). Manski (2004), criticizing the economists who are hostile to the studies of expectations, emphasized the importance of probabilistic expectations of individuals on specific events of their life. Drawing on this importance, Dominitis and Manski (2006) investigated people's decision-making process and their uncertainties about sustainable long-term pension benefit and the pension system in the US. They found out that younger people tend to be more uncertain about the sustainability of pension benefits comparing to the older ones. Middle-aged people tend to be uncertain about the pension levels and eligibility. They advised to specify and emphasize the pension outcomes, to develop the questionnaire to be sure that all the respondents can give their answers regarding pension-benefit expectations.

Delavande & Rohwedder (2011), by using the US Health and Retirement Study Internet Survey, measured people's uncertainty levels and how the level of uncertainties affect their pension portfolio choices. Eligibility criteria and pension benefits are the common concerns of the respondents regarding the pensions. In addition, they found that those who are more uncertain regarding pension benefit tend to hold their smaller portion of their wealth in stock even if there might be other unobservable variables.

In Chlon's report (2000), public attitudes towards old and new pension plans in Poland were investigated. Because of the lack of knowledge of the private pension reform among the general population, the report concluded that Polish people tend to choose the first private insurance company that they come across. Most of them do not

know the distinctive promotions of the private pension schemes. Although they believe that they were informed well, most of them lacked deep understanding but memorized only basic slogans. O'Donnell and Tinios (2003) also investigated public opinion regarding the public pension scheme in Greece. The study claimed that since the uncertainty about the public policy system in general in Greece, people also feel insecure regarding Greek public pension scheme.

Secondly, regarding comparative or cross-national studies, Pederson and Shekha (2016) examined the current attitudes towards public pension spending in Chile, Uruguay, and Venezuela. This research aimed to find whether the opinions of people towards government's responsibility differ in these countries and to determine which theories of welfare state attitudes, either self-interest or political ideology, explain the attitudes toward public pension spending. The authors used The International Social Survey Program (ISSP) to examine the attitudes of governments on public expenditure on pensions. The data 'The Role of Government' in 2006 covers 3179 respondents portioned for each country. Authors used two questions as dependent variables. The first question was whether the government should be responsible for the elderly. The second was whether the government should spend more on pensions. Independent variables, such as age, gender, social class, education, and employment status, affect the factors which are self-interest or political ideology, according to the study. Researchers asserted that the differences in political views of the respondents might influence their self-interest and vice versa. The result of the research was that in three countries people think that government should be responsible for the elderly. The highest percentage of respondents of this position was found in Venezuela, the second was in Uruguay, and the third was in Chile accordingly. On the question regarding the support for government

spending on pension, the percentage of people who stated that the government should spend more was higher in Chile and the least in Uruguay. According to the authors, these results were related to the different pension policies in these three Latin American countries. Chile has had private pension system since 1981 while Uruguay has had a mixed model, both private and the public pension system. Finally, Venezuela never privatized its pension system and kept its public pension system intact. Support for government spending was higher in Chile as workers were left more vulnerable after the privatization of the pension system in 1981. Respondents in Venezuela felt more secure compared to the other two countries thanks to the protection of the public pension scheme from privatization.

Analyzing the Eurobarometer 37.1 (1992) and Eurobarometer 56.1 (2001), Lynch and Myrskylä (2009) compared public attitudes of 11 European countries towards pension policies. They asserted that there is not a universalistic self-interest mechanism explaining the social attitudes towards pensions across the countries. Political mobilization, attitudes towards welfare states, and socioeconomic variables are determining factors explaining public opinion regarding pension. Likewise, Janky and Gál (2017) conducted a survey with 16.000 people from the EU-15 countries regarding their attitudes toward pension reforms. The survey showed that even though Europeans resist pension reforms, they are not unified and their reasons for resistance vary according to their current position in the labor market, their income, and their age.

Third, regarding another cluster in the literature focusing on attitudes of women towards pension plans, drawing on the reasons behind the gap between the retirement savings between men and women in the UK, Foster and Heneghan (2017) investigated the saving decisions of women earning more than average income. Semi-structured

telephone interviews with 30 women and a focus group including 10 women were conducted for the research. The women who were interviewed were between 25 and 39 years old. The study showed that participants feel less informed and mistrustful about the private pension system. The authors asserted that guidance regarding private pension is limited. Gender-blind conditions, such as limited childcare services both in workplaces and neighborhood and the idea that childcare is womanly work, are some reasons why women do not prefer working. Some respondents also think that their priority is to pay their student loans or to buy a house first when they have money. In the end, they concluded that auto-enrolment is a vital figure to fill the gender gap, but is not enough. Increasing income levels of women and implementing auto-enrolment together would increase women's savings for retirement. As long as the commonsense view that the male is the breadwinner remains intact, scholars argued that it is hard to close the gender gap in retirement savings. Affordable childcare, better and accessible information regarding pension plans, and new techniques for pension campaigns to make sure the women that they receive what they pay are necessary for the future to increase the savings of women.

Another study was conducted with forty-five working women aged between forty and fifty-nine analyzed the reasons behind the pension plan choices of women in the US and investigated whether the expansion in pension choices is advantageous for women (Peggs, 2000). He analyzed the results of the interviews based on Giddens theory that increase in choices in risk society leads to the development of reflexive calculation skills and has positive implications on individuals (1991). According to the results, due to the less information regarding the pension options, women are likely to choose worse pension options. Information regarding pensions most of the time is used as marketing

strategies to sell pension schemes to the customers. According to the author, women have a hard time choosing the best option for themselves due to the marketization of the pension plans. Preparing themselves for the future, in a world where the role for women is to be caregivers, is not the primary task to consider for women. Thus, it seems that women are not reflective decision-makers as the options offered are constrained to a certain number of pension choices. Therefore, unlike what Giddens asserted, the expansion of pension choices is not favorable for many women.

Finally, the last section of this literature review deals with the attitudes of young people towards pension plans. Emphasizing the role of the government on increasing individual responsibility regarding retirement by implementing occupational pension programs, Foster (2012) conducted in-depth interviews with fifteen young women aged 18-30 to analyze their attitudes towards the pension in the UK. The young women were selected from three different occupational groups to measure whether socio-economic status affected the attitudes. Foster stressed that women in the UK are under-saving. Moreover, constraints to savings are not the same for men and women. Most young women stated that they had enough knowledge, but the responses showed that they have less knowledge than they assumed regarding pension planning. Lack of knowledge, financial constraints, and limited awareness about where to gain knowledge influence the capacity to make choices negatively. There is greater mistrust among respondents towards the private pension scheme. They considered public pensions as inevitable for those in need. However, young women with professional occupations tended to trust private pension schemes. The thoughts of the young women regarding responsibility are mostly similar to the government's ideology that states that saving is a moral activity of individuals, and everybody is responsible for his or her future welfare. Regarding

uncertainty and risk, many young women do not contemplate the meaning of saving for years to have a pension when they retire. In addition, they concentrate on their current financial issues and on business plans for the near future rather than making plans for retirement. Therefore, limited pension knowledge, mistrust to private pensions, perceiving saving for the future as individual responsibility and being aware of risk and uncertainty of the private pensions by focusing on their current welfare can be considered as the main reasons why young women are under-saving in the UK.

One study, conducted by Furnham and Goletto-Tankel (2002), examined how knowledge of pensions affect attitudes towards pensions. In this study, two groups of questions were asked to 452 16-21-year-old British youth. First was related to knowledge of pensions; the second was about the attitude towards pensions. The first set of questions covered saving, pensions, and life assurance. Saving can be achieved by transferring money into a private bank account, by investment, or direct debit into any other bank account. Pension is the payment that the retirees receive from the government or from a private company after they complete paying their pension premiums for a specified number of days and/or until a certain age, either to the government to pay the pensions of the current retirees' pensions or to a private company (sometimes to both) which provides pension/lump-sum money after retirement. Life insurance, organized by a private insurance company, on the other hand, covers death benefit, cash value or premium payment. According to the study, the topic that young people know the best is savings, the second is pensions, and the third is life assurance. About 95 percent of respondents stated that they were saving in some way. Most participants found pensions inadequate. They stated that the topics of pensions and life assurance were boring for their ages. The results were related to many factors such as economic issues, political

beliefs, social life, and age. Respondents found the private pension scheme more complex and public pension scheme as legal rights accordingly. On the other hand, gender did not lead to a difference in understanding and attitudes. Political beliefs are other determining factors regarding attitudes towards pensions. According to the study, left-wing participants tended to be more confused about their knowledge on personal pensions while right-wing participants are more comfortable with.

Pettigrew et al. (2007) conducted qualitative research aimed at finding ways to encourage young people to save for the future since they argued that young people hardly understood the significance of saving in an early stage of their lives. Sixteen focus group discussions were conducted with young people aged 16 to 29. Picking 20 youngsters from the group discussions, they conducted in-depth interviews with them. The result of the research is the following: Young people have a high tendency to live for the moment such as spending money on goods that they need and being social with their friends. Second, they lack information about the options for saving for retirement. Finally, auto-enrolment and personal saving accounts are understood well by the participants even though the auto-enrolment was implemented in 2012 in the UK, five years later than this study was conducted. In conclusion, the study suggested that young people needed to be informed well before the auto-enrolment began.

Liam Foster's study (2017), Young people and attitudes towards pension planning, is the most recent study on young people's attitudes towards pension plan in the UK. The study examines the attitudes of young people in the UK towards auto-enrolment of the private pension plan. Qualitative semi-structured interviews were conducted with 30 young people who are 18-30 years old. The young people including 15 males and 15 females were employed full time when the study was conducted. Foster

recruited the participants through snowball sampling. He employed qualitative thematic content analysis. He used four themes in organizing the data: Knowledge and advice, trust, myopia, and attitudes towards auto-enrolment. The key results of the study are the lack of knowledge and advice, lack of trust to the private companies, and myopia, meaning that a high percentage of respondents did not want to pay more to a private company to get extra payment in their retirement because they prioritized their current economic concerns. Besides, the study showed that young people with professional jobs were more likely to think that auto-enrolment is good for saving money while low-income groups believed that there are other priorities than saving money for retirement. Thus, Foster concluded that there are mix answers on auto-enrolment and saving for retirement. Finally, he suggested more flexible pension policies for further pension planning of the country.

As the literature review reveals, it is possible to argue that studies on the attitudes of young people toward pension plans are numerically few. Therefore this case study on Turkey would contribute to the emerging literature on young peoples' attitude towards pensions.

## 2.6 Conclusion

A welfare state has been defined as a provider of minimum income, safety nets, and equality in accessing social services. After the World War II, comprehensive welfare proposals were adopted by the governments such as sickness benefit, medical care, unemployment benefit, old-age benefit, family benefit, maternity benefit as the branches of the minimum social security standards. Countries, due to their different historical and economic backgrounds, have applied different kinds of welfare provisions resulting in

coming up with different welfare regime typologies to examine these differences and similarities by scholars.

An additional welfare regime type which includes Turkey to the original three (corporatist, liberal, and social democratic welfare regimes (Esping-Andersen, 1990)) is the Southern European welfare regime type introduced by Gough (19996). This type of welfare regime fails to guarantee full employment and offer safety nets. The fragmented structure of social security, high numbers of self-employed, unpaid family work and informal employment are the characteristics of Turkish welfare regime as a country that belongs to the Southern European Welfare regime typology (Buğra & Keyder, 2006).

Pension regimes have also been classified to analyze the differences and similarities of pension regimes across countries by scholars. Esping-Andersen (1990) divided pension regimes into three types, which are corporatist, residualist and universalistic pension systems. Correspondingly, his typology of pension regimes draws upon his welfare state regimes typology. Some scholars found Esping-Andersen's typology limited and developed more comprehensive typologies. For example, a recent study by Marcinkiewicz and Chybalski (2017) placed Turkey into the group of voluntary private pension regime type according to the relation between the administrative character of the pension scheme (public or private) and the share of the type of participation in the pension scheme (compulsory or mandatory).

Most of the countries have undergone a transformation of welfare regimes generally by retrenchment policies in their social security programs. Pension schemes were the largest part of which retrenchment policies applied since it has the largest ratio of governments' social expenditure (Bonoli, 2000). Recently, pension regimes have undergone some challenges resulting in implementing privatization of pension systems.

These challenges are mainly aging, the increased gap between the ratios of contributors and beneficiaries, high rates of unemployment, and falling wages against inflation.

Pension privatization also comes up with several challenges which are the change in the subject of responsibility from the government to the individual and double payment problem of privatized pension systems which is expected to last for seventy years (World Bank, 2008).

The Theory of Nudge has been influential in informing recent pension reforms especially those included the introduction of auto-enrolment. The theory on nudge relies upon the fallible nature of human beings that needs a nudge in complex issues in life such as economic situations and technology. Nudge can help human beings behave in a way that makes them better off in these kinds of circumstances. Libertarian paternalism is what Thaler and Sunstein (2008) built their theory of nudge on. Libertarian paternalism is the combination of the ideas of libertarianism and paternalism in which libertarianism defends protecting individual right to choose and paternalism focuses on developing ways to sustain the individual welfare. Auto-enrolment of the private pension plan is one of the most common examples of a nudge. As libertarian paternalism stresses, auto-enrolment does not force people, rather nudges them to participate in a private pension plan while keeping withdrawal option open. Two crucial criticisms of the theory of nudge for this thesis are overlooking the uneven distribution of capitals in a social environment affecting people's choices to benefit from the nudge and its possible usage for fiscal state retrenchments by the governments.

There are four categories of attitudes towards pensions in the existing literature; namely, studies focused on general public attitudes in single country cases, on cross-

national comparative analysis regarding public attitudes, on attitudes of women towards pensions and, on attitudes of young people towards pensions.

In this chapter, in the light of the literature on attitudes towards pensions, I discussed that Turkey, as one of the countries in the Southern European welfare regime type, has undergone a transformation of its pension regime which has the largest part of the social expenditure. In the next chapter, the historical background of social security institution and its transformation and the history of the labor market in Turkey will be examined. These historical developments should be read in line with the welfare state and pension regime typologies together with the theory of nudge in the light of existing literature.

## CHAPTER 3

### LABOUR MARKET STRUCTURE, ECONOMY AND HISTORICAL BACKGROUND OF THE SOCIAL SECURITY SYSTEM IN TURKEY

This chapter is composed of two main parts. The first part concentrates on the historical transformation of the Turkish social security system. The second one explains the transformation of the labor markets in Turkey. In this part, after examining the relationship between pension system and the labor market in Turkey, employment in the municipal sector and shopping centers -as the two research fields of this study- were given special attention. Thus, this chapter presents the history of the transformation of the Turkish social security system and its development parallel to the transformation of the labor market structure to explore its defining characteristics.

After the 1980s, the transition period from import substituting industrialization to export-oriented growth and liberalization of the economy has altered the labor market structure in Turkey. Turkey's welfare regime, which has a corporatist social security system excluding a crucial amount of population and relies on informal relations which provide safety nets to those excluded from the social security system, faced with the threat of unsustainability of the economy and decrease of existing informal social protection mechanisms (Buğra & Adar, 2010).

In the literature on European countries, demographic changes, pension financing, and pensioner's living standards have been considered as the main reasons that led to pension privatization (Bonoli, 2003). Among them, aging has been considered as the major obstacle to the sustainability of DB pension schemes. However, as it is discussed in the following chapter of the thesis, Turkey's condition, having the youngest

population among OECD countries, is rather different from the developed countries. The main problems causing unsustainability of the system and the large size of pension deficit are low retirement age (Buğra & Keyder, 2006), inefficient usage of pension budget (Buğra & Adar, 2008), and structural problems in the labor market, specifically large share of the informal employment (Gökbayrak, 2010).

As in the Southern European countries, the corporatist character of the social security system coexists with the practices of unpaid family labor, informal employment, and self-employment. Many people depend on family ties in risky conditions such as not having any retirement plan for the future and unemployment. This characteristic of Turkish welfare regime resembles that of Southern European welfare regimes (Buğra & Keyder, 2006).

Dependence on family and male breadwinner model in Turkey, as a common feature in Southern European countries, has been transformed throughout the years (Buğra & Keyder, 2006; Dedoğlu, 2009). In other words, family ties which are the main social protection provider for the individual have been weakened with forced migration from eastern and south-eastern regions of the country in the 1990s, resulting that emigrants do not have local family or kinship ties to support their economic activities in the urban areas. Therefore, individuals are more dependent on the market rather than their family in the absence of social protection.

Against this background, the next two sections present an overview of the historical background of the social security system in Turkey and its current developments and the history of the transformation of the labor market with a special focus on the interplay between the social security system and the labor market.

### 3.1 Historical background of the social security system in Turkey and its developments

Turkey had a highly fragmented public pension structure since the establishment of the social security institutions in post Second World War period. The history of social security dates back to the late Ottoman period. In the middle of the nineteenth century and the beginning of the twentieth century, compulsory social security system in the late Ottoman Empire was introduced for military and civil bureaucrats. After Tanzimat (Reorganization, between 1839-1876) and Meşrutiyet (First and second constitutionalism, 1876-1918, and 1908-1922 accordingly), retirement chests for civil service (mülkiye), military (askeriye) and the ulema (considered as a class including lawyers, educators, and clergymen) were established (Talas, 1992). Also, Talas indicated that dependents benefit of soldiers and civil servants were introduced in these years.

According to Makal (1997), the economic and social conditions that are necessary to establish a comprehensive social security system were not available in the late Ottoman Empire, mainly due to limited industrialization in the Ottoman Empire during that time. Because of this reason, poor relief generally was based on charity and voluntary associations (Talas, 1997). Avarız and Müessesatı Hayriyat, for example, were two religious organizations providing poor relief and some public services such as building bridges and libraries during the Ottoman Empire. In the last period of the Ottoman Empire, some relief associations such as Darülaceze, Darüleytam, and Kızılay were also significant relief providers (Talas, 1997).

After the independence war, some social policy steps regarding social security were taken in the newly founded Republic of Turkey (Talas, 1992). As Talas (1992) indicated, the 1921 Labor Law that applied only to the mining sector in Zonguldak –

Ereğli was enacted. The law regulated the housing, working hours, wages, working age, occupational accidents, charity funds, and sanitation in the mining sector. This law is significant in the history of the Turkish social security system as it signified the first implementation of the modern social security approach. The solidarity fund included a minimum one percent of the wage of employees. The employees and their family members benefitted from this fund in the conditions of sickness, accident, and death.

Another important milestone in the history of the social security system in Turkey was the 1936 Labor Law (Labor Law No. 3008). This law indicated that social insurances would be established gradually. Basing on the labor status, the first comprehensive social security scheme was enacted in 1946, a decade after the Labor Law in 1936 (Resmi Gazete, 1936). Thus, Turkey's first social security scheme under the name of the Social Insurance Institution (Sosyal Sigortalar Kurumu, SSK) was established in 1946 for blue-collar workers and all private sector employees. In 1949, the Retirement Fund (Emekli Sandığı) was established for government officials. Retirement pension, job disability pension, disability pension, survivor's pension, a retirement bonus, death grant, marriage bonus, lump-sum payment, and repayment of contribution were provided to the beneficiaries with different requirements of eligibility (Elveren, 2008).

In 1961, an additional social insurance fund called Turkish Armed Forces Assistance and Pension Fund (Ordu Yardımlaşma Kurumu, OYAK) was established for military officials. For a large number of independent workers, the Social Security Institution for Craftsmen, Tradesmen and other Self-employed People (Esnaf, Sanatkarlar ve Diğer Bağımsız Çalışanlar Sosyal Sigortalar Kurumu, Bağ-Kur) was established in 1971. As Elveren stated (2008), Bağ-Kur provided relatively low levels of

benefits, such as disability insurance, old age insurance, death insurance, and health insurance. According to Buğra and Keyder (2006), this structure provided citizens with different levels of benefits regarding health services and pensions. For those who did not benefit from any social security, disabled and 65 years old and over, the means-tested social pension scheme was introduced in 1976 (Yılmaz Akın, 2018).

In the 1990s, there were three separate occupational status based social security institutions whose funds incorporated both pensions and health care insurances in Turkey which are the Social Insurance Institution (SSK), the Social Security Institution for Craftsmen, Tradesmen and other Self-employed People (Bağ-Kur) and the state Retirement Fund (ES). All these three social security institutions were established as PAYG systems. State contribution to social security funds was only made for civil servants (Duyulmuş, 2013). The system was described as corporatist and inegalitarian due to the fact that the number of benefits varied according to occupational status (Yakut-Çakar, 2007) as such civil servants under the ES received relatively higher pensions (Ağartan, 2012; Saydam, 2017) while self-employed workers under Bağ-Kur received lower amount of pensions than those under other two institutions (Sayan, 2006). As illustrated in Table 5, the percentage of pension coverage was less than half of the population until the 1990s.

Table 5. Social Security Coverage (1960-2018, %)

Years	Active insurer	Passive insurer	Dependents	Social security coverage
1960	1.3	0.2	4.3	5.8
1970	6.1	0.9	18.7	25.8
1980	10.5	2.8	33.2	48.3
1990	14.3	5.2	46.8	67.3
2000	18.4	9.2	40.9	70
2005	19.2	11	45.8	77.8
2010	22	12.9	48.1	83.4
2012	24.3	12.7	44.7	83.0
2013	24.6	12.9	43	81.9
2014	25.5	13.2	43.7	83.7
2015	26.4	14.5	44.2	85.5
2016	26.5	14.7	43.8	85.5
2017	27.6	15	44	87.1
2018	27.9	15.4	43.1	86.9

Source: [1960-2014 (Saydam, 2018), 2015-2018 (SGK, 2018)]

The 2001 crisis paved the way for an increase in informal employment ratio, and this affected the active-passive ratio negatively (Alper, 2006; Saydam, 2018). The active/passive ratio in 1990 was 2.77 and decreased to 1.83 in 2002 (Yılmaz Akın, 2018). Until 2017, there is an increase in the numbers of active, passive, and dependent ratios. At the end of the first half of 2018, a 0.9 percent decrease in the number of

dependents and a 0.2 percent decrease in the number of total social security coverage in the total population are observed.

The introduction of the early retirement program by the DYP – SHP coalition government was another historical milestone that aggravated the balance of income and expenditures in the social security system in Turkey in the 1990s. As Yakut-Çakar (2007) mentioned, this early retirement program increased pension deficits and aggravated the imbalance in the ratio of active insured workers and passive pension receivers. However, as Saydam (2017) argued, in the absence of unemployment insurance, early retirement was utilized as a regular income until retirees find a new job. In addition, the increasing volume of employment in the informal sector and the government's inexpedient use of pension funds were the other main problems of the social security system (Buğra & Adar, 2008). As a result of these factors, Turkey's social security system started to face financial deficit since the 1990s (Elveren, 2007).

The ILO report (1995), titled as Supplementary modeling report prepared for the government of Turkey for the Turkish Government Social Security and Health Insurance Project, proposed a guideline for social security reform. After the proposal, the central government implemented two main reforms in 1999 and 2006 in line with IMF and WB recommendations. Güleç called these attempts as new pension orthodoxy by emphasizing the influences of the International Financial Institutions, especially the World Bank, the IMF, and the EMU on pension reforms (2014, p.74). Within different alternatives proposed by the ILO's report, Turkey implemented a two-pillar system in which the first pillar was SSIs that are SSK, ES, Bağ-Kur, and the second was the newly introduced voluntary private pension scheme.

The 1999 pension reform set out the framework for the voluntary pension plan in “The Individual Pension System” (IPS) to complement the public pension scheme. Secondly, it aimed to reduce the fiscal deficit of Turkey’s social security funds. In 1999, the new law regarding retirement stated that in addition to 20 years of contribution, the age of retirement, which was increased to 60 for men and 58 for women, would apply to the new entrants (Law No. 4447). Before the law, the entitlement criterion for retirement was the period of contribution for 5000 days. For those who were already in the system, retirement age became 56 for men and 52 for women. With this reform, the contribution period increased from 5000 to 7000 days. With the 1999 reform that took effect in 2003, the average contribution period was extended from 5000 to 7000 days while the minimum entitlement age was increased from 56 for men and 52 for women to 60 for men and 58 for women for the new entrants. In 2001, the new law regarding individual pension plan was introduced (Law No 4632). Individuals started to contribute to the voluntary private pension system in 2003.

Coşar and Yeğenoğlu (2009) claimed that although Turkey has a young population, it would face aging in a distant future. Table 6 on the ratio of the young population in Turkey and the average of the OECD countries between 1980 and 2012 provides evidence for Coşar and Yeğenoğlu’s prediction.

Table 6. Young Population Ratio (1980-2014, % of the population younger than 15)

Years	Turkey	OECD
1980	39	25.4
1990	34.7	22.6
2000	29.5	20.5
2005	27.2	19.4
2010	25.8	18.6
2012	25.1	18.4
2014	24.3	15.6*

Source: [OECD, 2018] \* EU average

According to Köse and Yeldan (1999) the financial crisis of social security institutions in Turkey is not only and simply because of an aging population as in the case of developed countries, but the crisis is also caused by some structural problems of the economy such as the high ratio of informal employment. In addition, Buğra and Keyder (2006) argued that the problems of the unsustainability of the existing social security system include the imbalance of the current pension providers and the receivers. According to Buğra and Keyder (2006), Turkey's social security deficits are not a result of the changing demographic structure –as in the case of Western European countries- but because of the young retirement age.

The voluntary private plan introduced in 2001 had its first participators in 2003. Nevertheless, as Yılmaz Akın (2018) claimed, the number of individuals who did not join the voluntary individual pension plan was very high. Even though the number of participants to the individual pension plan increased about a million after 25 percent of

government subsidy were implemented (Coşku Özer & Güler, 2014), the popularity of voluntary individual pension plan was not high as expected by the government. The reason is that voluntary individual pension plan mostly appealed to those on higher incomes (Saydam, 2018).

After the AKP won the elections in 2002, it was a good opportunity for the party to take a step towards a new reform on pensions. In 2002, the AKP declared the “White Book” which explained the fundamental reasons for the necessity of a new social security reform (Öztürk & Çelik, 2008). The AKP used three arguments to reform the social security system; the first is the costs that got out of control, the second is the fragmented structure of the system, and the third one is that the existing system prevents flexibilization in the labor market (Coşar & Yeğenoğlu, 2009). After that, the AKP government integrated separate institutions under one institution that is called the Social Security Institution (SSI). In 2008, Social Insurance and Universal Health Insurance Law (Law No. 5510), with its amendments (Law No. 5754) was enacted. The new law took effect in October 2008.

The 2008 reform aimed at launching the general health insurance system, merging three separate social security institutions under a single institution, and establishing a new retirement insurance plan. In addition to these, retirement and health insurances were separated from each other. With the Law (No. 5510, Article 28), the minimum period of contribution for those under ES and Bağ-Kur was increased to 9000 and 7200 for those under SSK. Before 2008, the retirement age for males was 60 and for women 58. With the new law, the retirement age was gradually increased to 65, meaning that in 2048 both men and women will retire at the age of 65. Income replacement rate was also decreased at 10 percent. As Saydam (2015) illustrated, while a person could

receive 60 percent of her/his income as a pension in the retirement before the law, this rate dropped to 50 percent with the reform.

Şahin et al. (2010) investigated if there is a gender gap in the contribution amounts to the individual pension plans. According to the authors, the implementation of the individual pension plan in Turkey has deepened the gender gap in the sense that Turkish social security system mostly based on the breadwinner model such as other Southern European welfare regimes. Individual pension system has generally depended upon the contributions of the employees. As explained in the next section, women labor force participation has still lower than men and this might unable women to contribute to the private pension plan. The authors used the data from Pension Monitoring center at the end of 2007. The demographic values of 1,457,704 participants included sex, age, occupation, region, social security, marital status, education, income, total contribution and the entrance date to the individual pension system. Discrimination of the labor force participation, the productivity role of women, and the unpaid family work are main constraints to contribution to the individual pension plan, and as a result lower retirement income. In the Turkish welfare regime, most women working in agriculture, informal sectors, and unpaid family jobs has not been negligible. Due to the fact that Turkish social security system remains as market oriented, women mostly unable to benefit from the privileges that men benefit such as occupational saving mechanisms as well as PAYG system. According to the statistical analysis of the authors, although there is not a crucial difference of the contributions of women and men since the individual pension plan is voluntary, they found out that most of the participants are from middle of upper class of the society. Last, the dimensions of education, age, and income have positive correlation to the contribution levels of the participants.

In line with the findings of the study of Şahin et al., Aysan (2013) clustered Turkey in the Southern European welfare regime type and develops a new typology for pension regimes. He divided pension regimes into three groups: Southern European, Continental European, and social-liberal pension regimes. The main pension scheme of Turkey is based on the PAYG system with the mandatory contribution of the employees and employers to finance the pensions of the current retirees. In 2006, new reform implemented in line with the other countries in the Southern European welfare regime cluster. The retirement age and premium prerequisites were increased. Separate social security institutions were unified under one umbrella. However, according to him, the problems such as recommodification and cost containment were not overcome by the new reform. Gender inequality due to unpaid work as a characteristic of Southern European countries and fewer work opportunities for young people due to early retirement are other remaining problems. Moreover, according to Aysan (2013), because of the inequality between young pensioners and those who retired after the reform, the intergenerational disparity would continue for decades.

In 2016, the new private pension plan was introduced. With this amendment law (additional to Law No. 4632), employees under the age of 45 would be automatically enrolled in the private pension plan by their employers. Therefore, automatic enrollment (additional to Law No. 4632) was introduced as a new element of the DC private pension system (Law No. 6740) on 25 August 2016. All employees under the age of 45 and new entrants are automatically participated in the default private pension plan which was voluntary before. Employees are free to opt out within 2 months after they are informed that they are participated in the private pension plan if they are not willing to

contribute. Contribution ratio of the default option was determined as 3 % of net salary of an employee with 25 % of government subsidy (OECD, 2017).

25 percent of their contributions as state subsidy will be provided to each of the participants provided that they contribute to the private plan for at least ten years. The upper limit of the state contribution is 25 percent of annual gross minimum income that is equal to 6,088.50 TRY for 2018. As illustrated in Table 7, the entitlement for the state contribution depends upon the years in which individuals stay in the system. The years of the contribution vary from three to 10 years. Table 7 shows that if the individual stays in the system for three years, he/she receives 15 percent of state contribution (that equals to 25 percent of the individual contribution) and for ten years, 60 percent accordingly.

Table 7. Entitlement Criteria for State Contribution

Years of Contribution	% of State Contribution
3	15 %
6	35 %
10	60 %

Source: [EGM, 2018]

In the case of retirement, death, and disability, individuals entitle for 100 percent of the state contribution. After withdrawal period of two months, if the participants decide to stay in the new system, according to the law, the state will add 1.000 TRY to each participant's account once (Resmi Gazete, 2016). Besides, there are some liabilities that employers in the public and private sectors should meet. Employers should make a contract with one of the insurance companies authorized by the Undersecretariat of

Treasury. Table 8 shows the gradual participation of employees to the auto-enrolment of private pension plan:

Table 8. Auto-enrolment Date of the Firms

Number of the Employees	Auto-enrolment Date
$N \geq 1.000$	01.01.2017
$1.000 > N \geq 250$	01.04.2017
$250 > N \geq 100$	01.07.2017
$100 > N \geq 50$	01.01.2018
$50 > N \geq 10$	01.07.2018
$10 > N \geq 5$	01.01.2019

Source: [Resmi Gazete, 2017]

As shown in the table, employees gradually started to enroll their employees to the private pension system, according to the numbers of the employees of the companies in which they are employed, since 01.01.2017 by 01.01.2019.

According to the New Economic Program 2018-2021 declared by the Finance Minister of Turkey, the period of opting out of the auto-enrolment system would be extended to a minimum of three years (Hürriyet, 2018). Since about 60 percent of the participants opted out of the system last year, the regulation regarding the minimum period of staying in the system would be extended to three years (CNN TURK, 2018).

OECD's latest report (2018), Pensions at a Glance 2017, stated that Turkey's pension benefits are comparably generous (relative to the salary levels). Turkey has the

highest net replacement (102 %) while the OECD average is 63 %. In addition, the report stated that the low-wage earners have usually higher net replacement rates than middle-income earners, by an average of 10 points across the OECD countries. That is, the net replacement rate does not mean high incomes and high pension in retirement.

The OECD report (2017) stated, regarding the net replacement rate:

Most OECD countries aim to protect low-income workers (here defined as workers earning half of the average worker earnings) from old-age poverty, which results in higher replacement rates for them than for average worker earners. Low-income workers would receive gross replacement rates averaging around 65%, compared with 53% for average-wage workers. (p.100)

Nevertheless, without bringing new solutions to Turkey's structural economic problems, automatic enrolment was implemented in 2017 by the AKP government. As Elveren (2010) stated, this pension reform was also a sign for the transformation of Turkey's welfare regime into the income-based and market based social protection model.

According to the OECD's report (2017), Pensions at a Glance 2017, in the first half of 2016, the minimum pension in Turkey was 1.242.5 TRY (0.95 percent of the minimum income in 2016)<sup>1</sup> for workers, 875.7 TRY for self-employed (0.67 percent of the minimum income in 2016) and 1.555.9 TRY for civil servants (1.2 percent of the minimum income in 2016 while in the second half, it was 1.287.6 TRY (0.99 percent of the minimum income), 907.6 TRY (0.7 percent of the minimum income), and 1.633.7 TRY (1.26 percent of the minimum income) accordingly. The 2017 OECD report indicated that in 2016, means-tested pensions were 217.28 TRY, which was paid in every three months. In 2018, the amount of pensions are 1.545 TRY, 939 TRY and 1.910 TRY accordingly (Haber Turk, 2018).

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<sup>1</sup> Minimum income in 2016 was 1.300 TRY (SSK, 2018)

Currently, 6.875.886 participants have contributed voluntarily to an individual pension plan, and the total fund is worth 76.6 billion TRY (15.9 billion Dollars)<sup>2</sup> while the number of the employees in automatic enrollment system is 5.007.609 and the total fund is worth 4.7 billion TRY (9.8 thousand Dollars)<sup>3</sup> at the end of December in 2018 (Emeklilik Gözetim Merkezi, 2018). Since January 2017 when the auto-enrolment was implemented in Turkey, the number of the participants into automatic enrolment has slightly fluctuated while it has revealed a decreasing rate.

As shown in Table 9, although at the end of January 2018 the number of participants was 6.922.217, it declined to 6.908.020 at the end of October 2018. As illustrated in Table 9, the number of young people who are below 25 and between 25 and 35 constitute the largest part of the contributors.

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<sup>2</sup> 0.12 percent of the GDP of Turkey, in December 2018 (Country Economy, 2019)

<sup>3</sup> 0.07 percent of the GDP of Turkey, in December 2018 (Country Economy, 2019)

Table 9. Age Distribution in Auto-enrolment since 2018 January

Months	Below 25	25 – 34	35 – 44	45 - 55	Above 56	Total
Jan	391,455	1.917,174	2.347,661	1.632,057	633,870	6.922,217
Feb	392,095	1.910,770	2.350,161	1.640,651	645,934	6.939,611
Mar	388,801	1.903,497	2.351,612	1.652,536	656,964	6.953,410
Apr	385,879	1.895,594	2.354,122	1.661,972	664,452	6.962,019
May	382,749	1.891,146	2.356,878	1.672,135	670,415	6.973,323
Jun	378,604	1.883,704	2.360,369	1.682,918	677,399	6.982,994
Jul	373,399	1.872,195	2.359,996	1.686,777	681,535	6.973,902
Aug	366,300	1.862,121	2.363,309	1.694,827	688,368	6.974,925
Sep	360,701	1.843,939	2.352,230	1.695,500	691,724	6.944,094
Oct	355,280	1.823,268	2.338,636	1.691,745	692,191	6.901,120
Nov	353,520	1.807,647	2.331,081	1.694,490	697,000	6.883,738
Dec*	354,225	1.805,258	2.330,083	1.694,597	697,734	6.881,897

Source: [EGM, 2018]

\*07.12.2018

Table 10 illustrates the percentage of age distribution among contributors in 2018

December.

Table 10. Age Distribution in Auto-enrolment in 2018 December

Month	Below 25	25 – 34	35 – 44	45 - 55	Above 56
Dec*	5%	26%	34%	25%	10%

Source: [EGM, 2018]

\*07.12.2018

Table 10 shows that the percentage of the contributors in the auto-enrollment is 5 percent while those who are between 25 and 34 constituted 26 percent of the total contributors. In total, 31 percent of the contributors are below the age of 34.

A couple of studies investigated the reasons and motivations to contribute in an individual pension plan. Although these studies were conducted before the auto-enrolment began, they are still worthwhile to consider. Regarding the reasons for contributing to the private pension plan, Şener and Akın (2010) found out that earning higher income positively influences the decision to contribute to the private pension plan in Turkey. Çetin and Sevüktekin (2015) also examined the factors influencing people's decisions to contribute to the private pension plan. They defined these factors as marital status, tendency to take risks, financial knowledge, and investment and spending ratio. The study concludes that if a person is married, risk taker, knowledgeable on finance, and can allocate certain amount of his or her money to investment, then he or she has a higher tendency to contribute to the private pension plan.

Çeliktöpus and Kayam (2013) examined the reasons for early exit (exit before retirement) from the individual pension plan. The duration to stay in the private pension plan, total amount of the contributions, education level, payment channel choices, occupation, geographical regions, and payment instruments are determining factors for exits before retirement. The study revealed that the more participants contributed, the higher tendency they have to continue saving. Furthermore, if the participants accumulate low amount of money, they tend to terminate their contract earlier. Low level of education has a negative impact on persistence in the private pension plan. Concerning this, people with low education tend to earn lower income that prevents them to take risks on investment. People who contribute to a private pension plan

manually have higher tendency to exit from the plan than those who automatically contribute. Lastly, participants who started to contribute to the private pension plan via agents exit from their pension plans tend to exit from the plan more than those who enter the plans via other channels such as employers.

Yildiz et al. (2017) found out that men and younger individuals are more likely to exit from their retirement plan than men and older individuals accordingly. In addition, low financial literacy leads to early withdrawal from the individual pension plans due to choosing the default options that provide fewer returns. Liquidity constraints which are regions in which individuals reside, education level and contribution levels are other reasons for early withdrawals from the individual pension plans. Individuals living in the eastern part of Turkey are more likely to exit from the individual private pension plans. The lower education level the individuals have, the higher ratios of withdrawals from the individual pension plans they have. The contribution level has also positive correlation with the tendency to withdraw as such individuals who contribute more to the individual pension plan have less tendency to exit from the individual retirement plans.

Ozer and Guler (2014) conducted a survey including 126 students from Marmara University, in Istanbul, Turkey. 97 percent of the participants were between 18 and 25 years old. The majority of the participants were from three big cities: Istanbul, Ankara, and Izmir. Regarding the knowledge of private pension plan, it was observed that university students had limited knowledge on the private pension plan. Among the participants, only 3 percent of them stated that they contributed to the individual pension plan. 45 percent stated that they could not afford participation to an individual pension plan, while 45 percent stated that their reasons for not contributing are not financial. As a

result, financial constraints and having limited knowledge are the most fundamental outcomes of the study.

### 3.2 History of the transformation of the economy and the labor market in Turkey

The labor market in Turkey has gone under transformation, along with its inner economic dynamics, by the global economic, social and political changes in the post-1980s period. Turkey, as one of the late industrialized countries, adopted the Keynesian model in 1960s (Öniş & Şenses, 2007). Although Toprak (2009) argued that Turkey never fully adopted Keynesian model because the division of labor was not adequately established resulting from the late industrialization, it is plausible to state that the 1960s was the period in which Turkish economy was transformed partially into the Keynesian model.

Boratav (2005) stated that, after the 1940s, Turkey's closed and protectionist economic system was integrated to the global economy and the new Turkish economy started to depend upon the international financial mechanisms that resulted in growing foreign debts. After the Republican People's Party's tenure (Cumhuriyetçi Halk Partisi, CHP), the Democrat Party (Demokrat Parti, DP) ruled the country in the 1950s and DP's economic program was, as a continuation of the CHP's path, the liberalization of imports (Ersel, 2013). The only economic policy of the DP that differed from the CHP government was to support agricultural development (Owen & Pamuk, 1999, p.106) as the agricultural economy had high importance in Turkey's economy at the time.

However, the DP failed to liberalize the imports and instead, invested more in agricultural development (Ersel, 2013). After the failure of the DP's program to liberalize the economy that resulted in high inflation and economic deficit (Ersel, 2013),

the military coup in 1960 paved the way for the import-substitution model and the protectionist approach towards the domestic market (Aydın, 2015). The State Planning Organization (Devlet Planlama Teşkilatı, DPT) was established (Ünay, 2006) to prepare development plans for the country under the economic shifts thanks to the nationalist developmentalist strategy. The 1961 Constitution, which was arranged under the military power (Ersel, 2013), emphasized the constitutional social rights of the citizens such as access to health care, education, and employment as well as social rights of establishing trade unions, collective bargaining, and strike (Boratav and Özüğurlu, 2006). Justice Party (Adalet Partisi, AP) was on the power, even if sometimes as part of a coalition government, in the years between 1961 and 1979 and concentrated on the economic growth and industrialization “through small and medium enterprises (SMEs)” (Ersel, 2013, pp. 11-13).

Continuing urbanization also increased the economic growth in the country. About 3 percent increase in the GDP was observed after the Great Depression as well as GDP per capita also grew at the rate above 3 percent in the years between 1950 and 1980 (Pamuk, 2018). Therefore, higher productivity in urban sector affects both GDP and GDP per capita in the country positively. However, as Pamuk indicated, the total productivity was lower than other developing countries due to “the low levels of education and skills of the labor force” (p.227-228).

Due to the emerging economic problems, such as instability of economy, high inflation rates and the imbalance of payments, because of the 1974 Cyprus conflict and the embargo of US arms, the coalition government of the National Salvation Party (Milli Selamet Partisi, MSP) and Republican People’s Party (Cumhuriyetçi Halk Partisi, CHP) implemented the program to promote liberalization of trade and the export-oriented

economic structure (Ersel, 2013). Nevertheless, as Ersel (2013) stated, the government failed to fulfill its economic program due to the political environment of Turkey and the September 12th, 1980 coup d'état with the deputy prime minister of Turgut Özal implemented the "January 24 Program".

During the 1970s, while the oil crisis in the 1970s undermined the Keynesian model internationally, threatening full employment, economic stability, the balance of payments and economic growth (Jessop, 2003). As Güler (2005) indicated, Turkey's 'national development' strategy was introduced, and neoliberal economic policies based on the liberalization of the market was the first goal of the strategy. Relatively protected economic system in Turkey was replaced with the export-oriented economic structure, and these adjustment strategies paved the way to the liberalization of trade, especially in the 1980s (Onaran, 2004).

Specifically, in 1982, outward-oriented growth was adopted as a strategy to overcome the financial crisis with the 24<sup>th</sup> January 1980 decisions (Buğra, 2011). After the elections in 1983, the Motherland Party (Anavatan Partisi, ANAP) ruled the country until 1991. A set of reforms were implemented during this period. Export-oriented structure of the economy was finally achieved however; the ruling government was not successful in overcoming the high public deficit causing instability of the economy (Ersel, 2013).

As Boratav (2005) asserted, anti-labor character of Turkey's post-1980s economic program was evident as it relied on cheap labor. Real wages were decreased, and workers' rights were undermined (Onaran, 2002). The privatization of state enterprises, since the late 1990s, has been on the agenda (Boratav, 2005) and contributed to the worsening of conditions in the Turkish labor market.

Thus, in the 1990s, both public and private employees faced serious insecurities due to the increased flexibility of working conditions. As Güler (2005) indicated, in this period, public employees have been considered as a financial burden on the government's shoulder. With the Civil Servant Law (Law no. 657), different contracts for civil servants, temporary workers, and contracted employees were introduced and their benefits were separated from each other. To hire contract employees instead of civil servants and temporary workers in the place of permanent workers paved the way to the fragmented structure of employment relations in the public sector (Güler, 2005).

Nevertheless, after the serious economic crisis in the 1990s, due to the failure of the implementation of the economic program properly, Justice and Development Party (Adalet ve Kalkınma Partisi, AKP) won the elections in 2002 and with the lessons it learned from the past, it prioritized the economic liberalism and stability (Buğra & Savaşkan, 2012). Also, according to Ersel (2013), the AKP government had two main goals: (1) strengthening Turkey – EU relations; and (2) continuation of the coalition government's implementation of the IMF program that aimed at stabilization of the economy. The IMF program for Turkey was based on two dimensions: (1) aiming at 6.5 percent surplus in GDP as a retrenchment policy for the public sector and (2) a monetary policy targeting price stability (Yeldan & Ünüver, 2015). This paved the way for the increased credibility of Turkey and high rates of economic growth based on foreign investment. However, as Yeldan and Ünüvar (2015) defined, this period of the rapid economic growth was a jobless-growth in which the unemployment rate increased to around 10 percent while it was 6.5 percent before 2000 (p.3). Hence, an insecure working environment, again, matched with the risk of unemployment in both the public and the private sector.

The 2008 global financial crisis also negatively affected the Turkish economy because the AKP government did not take any action when in 2006 the economy gave the signals towards entering a devastating crisis (Ersel, 2013). Thus, the global economic crisis caused a 7.9 percent loss of GDP, and the number of people who lost their job was about 1 million (Ersel, 2013).

Contrary to previous governments' failures to implement a mature privatization program, according to Esen and Gümüştü (2017), the AKP government took three steps to implement privatization smoothly between 2002 and 2015: (1) making bureaucratic procedures easier, (2) supporting responsible officials undertaking privatization, and (3) weakening the judicial control over privatization. In this period, privatizations in the mining sector, energy sector, and hydroelectricity power plants were undertaken.

Gezi Protests in 2013 and the failed coup attempt in 2015 paved the way for the AKP government's taking full control of both politics and economy (Savaşkan, 2018). Turkey Wealth Fund (Türkiye Varlık Fonu) including public banks, Turkish Airlines, and Petroleum Pipeline Company (Boru Hatları ile Petrol Taşıma A.Ş., BOTAŞ) was established. He (Savaşkan, 2018) asserted that this fact represented that government intervention has transformed into government capitalism.

Regarding the gender inequalities in labor force participation, Pamuk (2018) argued that there was a large gap between the number of men and women in employment until the 1950s because women mostly worked in agriculture and family farms. According to Pamuk, urbanization also increased the inequalities in the labor force participation of men and women as most of the women who migrated to the cities had to stay at home while they had been working in the farms in the villages. This gap slightly decreased in the following decades, but gender inequality in female labor force

participation is still high comparing to the other developing countries (Buğra & Yakut-Çakar, 2010). Table 11 shows a comparison of the ratios between women's and men's labor force participation.

Table 11. Labor Force Participation of Women and Men (% , 1988-2013)

Years	Women	Men
1988	29	71
1992	30	70
1996	29	71
2000	27	73
2004	26	74
2008	26	74
2012	29	71
2013	30	70
2014	34	77
2015	35	77
2016	36	78
2017	38	78

Source: [TUIK Labor Force Statistics, 2018]

As it is shown in the table, there is a significant difference between the ratio of labor force participation between men and women. In 1988, 29 percent of the labor force participation constituted women while in 2012 it was 29 percent again. It is shown that

even though the number of women in the labor force increased between 2014 and 2018, it is dramatically low compared to men.

In addition, the share of informal work, mostly in agriculture, is still high compared to the OECD countries (OECD, 2018, p.13). As illustrated in Table 9, the informal employment rate decreased from 1990 until 2017 but increased between 2017 and 2018. Table 12 shows the informal employment rate since 1990.

Table 12. Informal Employment Ratio (1990-2018, %)

	1990	2000	2005	2010	2012	2014	2015	2016	2017	2018
Turkey	55.6	51.2	48.1	43.2	39.0	35.0	33.6	33.5	34.8	34.0

Source: [TUIK, Labor Force Statistics, 2018]

The informal employment ratio decreased from 1990 until the end of 2016. In 2016, the informal employment ratio was 33.5 percent, but it slightly increased in 2017.

Although between 2010 and 2017, the economic growth rate was 7 percent on average, despite 3 percent of the increase in employment, the unemployment rate is still one of the highest among the OECD countries (OECD, 2018). According to the OECD data on unemployment rates in 2018, Turkey’s unemployment ratio (9.7 percent) is still pretty much above the OECD average (5.4 percent). In addition, Turkey has the fourth highest unemployment rate among the OECD countries at the end of the second quarter of 2018 as revealed in Figure 1.

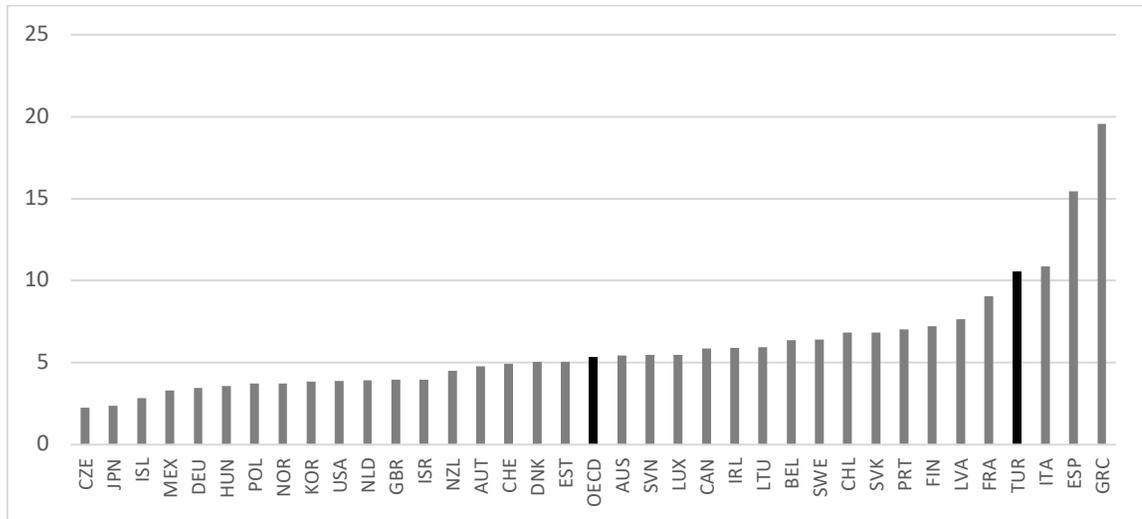


Fig. 1 Unemployment rate in the OECD countries (% , Second Quarter of 2018)  
 Source: (OECD Data Unemployment Rate, 2018)

As shown in the figure, Turkey has the fourth highest unemployment ratio among the OECD countries. In 2018, the unemployment ratio of Turkey was 10.6 percent while the OECD average was 5.3 percent.

Table 13 shows the unemployment ratio in total labor force. As illustrated in Table 13, the percentage of unemployed in the total labor force has fluctuated and peaked in 2015, which is high comparing the OECD countries. Even though the percentage of unemployed people in the total labor force declined after 2015, there is still considerable difference with the OECD average in 2018.

Table 13. Unemployment Ratio in the Total Labor Force (4th Quarter of the years,%)

Year	Turkey	OECD Average
2005	8.4	6.4
2006	9.1	5.8
2007	11.2	5.5
2008	11.7	6.5
2009	9.7	8.4
2010	8	8.2
2011	8.3	7.9
2012	8.8	8
2013	10.5	7.7
2014	10.3	7.1
2015	11.8	6.6
2016	10.1	6.2
2017	10.6	5.5
2018*	8.4	5.3

Source: [OECD Data, Unemployment Rate, 2018]

\*Second Quarter

Figure 2 shows the youth unemployment rate of Turkey among other OECD countries.

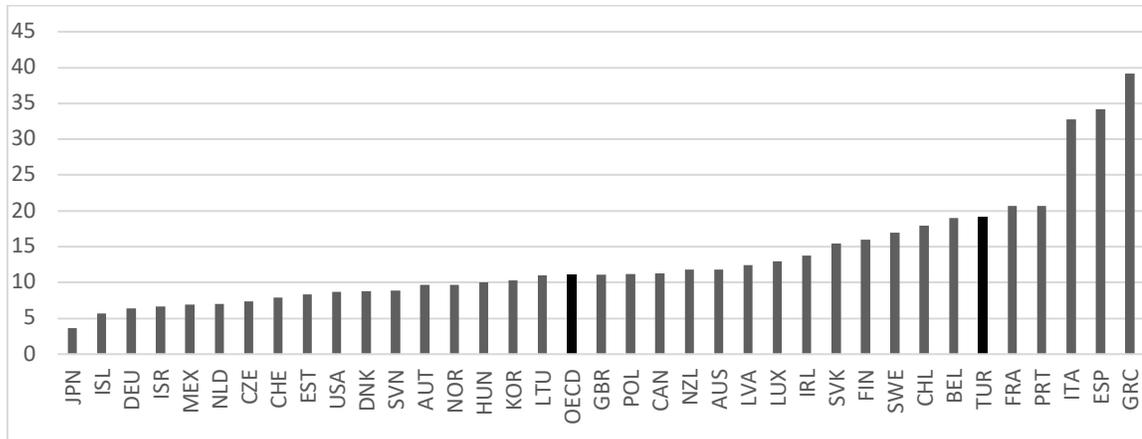


Fig. 2 Youth unemployment rate in the OECD countries  
 Source: [OECD Data Youth Unemployment, 2018]

Youth unemployment rate was 19.19 percent at the end of the second quarter of 2018, while the OECD average was 11.03 percent. Youth unemployment data shows that young people in Turkey mostly work in casual and insecure jobs and most of them return to their family home after becoming unemployed or never leave their family house in the first place (Saydam, 2018). Furthermore, as Yılmaz (2016b) stated, there has not been good job opportunities with plausible wages and the social security system does not cover all of the working young people because especially low-skilled young people enter into the labor market through informal jobs. Therefore, according to Yılmaz, taking up paid employment does not automatically lead to economic independence for most young people in Turkey.

Scholars placed social and economic policies for young people in Turkey within a comparative regime typology. For example, Çelik (2008) identified Turkey as a sub-protective welfare regime type drawing on Gallie and Paugam’s welfare regime typology (Gallie & Paugam, 2000). Çelik stated that Turkey's sub-protective welfare regime makes young people financially, morally, and socially more dependent upon the family. This conforms to what Yılmaz (2016b) identified after almost a decade as the first

dimension of the characteristics of Turkish social and economic policies for the youth; familization in the sense the families are one of the crucial income providers for youth in Turkey. Yılmaz asserted that the second dimension is economic citizenship in which marketable skills have been unequally distributed among young people in Turkey. As Yılmaz indicated, 40 percent of young people continue the higher education in Turkey resulting two outcomes for those outside of the higher education: (1) for men, entering in the labor market at the bottom end and (2) for women, staying outside of the labor market.

### 3.3 Labor market and pensions

Retirement and work are considered as “complementary institutions” because people are entitled to retirement through their work in their lifetime (Deeg, 2007). Informal employment, youth unemployment, and the low ratio of labor force participation are still the main problems in the labor market structure of Turkey. Saydam (2015) argued that Turkey’s labor market structure and pension system are not compatible with each other.

High unemployment ratio and informal employment have been the main structural problems in Turkey’s labor market since the 1950s. These structural problems have affected active/passive ratio regressively and increased the ratio of dependents and the number of the outsiders (Saydam, 2018). Saydam discussed the two negative effects of the high ratio of informal employment regarding retirement; (1) although informal employment has been considered as a movement in productivity, it is a revenue loss for SSIs, (2) it increases dependent ratio that affects active/passive ratio adversely.

Young people, because of labor market conditions for youth in Turkey, feel insecure towards the future due to the years of contribution and the retirement age to be

entitled to retirement (Saydam, 2018). Furthermore, Saydam (2018) asserts that some employers pay minimum wage to the accounts of the employees even though the employees receive higher than minimum wage in cash, which again causes losses for the social security system. This practice, according to Saydam (2018), also makes employees uncomfortable and insecure about their retirement. Very high level of NEETs (Youth in neither education, employment, nor training) is one of the main problems in the labor market to make youth perceive achieving retirement as impossible (Saydam, 2018).

The pension reforms since 1999 did not alter the earnings-related character of the pension system that favors public sector employees and high-income earners. The increase in the period of contribution and retirement age made harder to retire for the new entrants. Saydam (2018) argued that the government should have made reforms targeting to make the labor market conditions better. Thus, as Saydam discussed, the labor market structure and the retirement system in Turkey are still not compatible after recent pension reforms. Consequently, Saydam (2018) stated that in the future, negative implications of this incompatibility will be more visible.

Consequently, as Yılmaz Akın (2018) mentioned the individual pension system in Turkey appeals to high-income earners. Low-income earners are most likely either to opt out of the system or paying only minimum premium rate that equals to 3 percent of monthly net income. Therefore, it seems that inequality between high, middle, and low-income earners will continue during their retirement as well. In the next section, the characteristics of employment in the municipal sector and the shopping malls which are two main research fields of this thesis will be analyzed.

### 3.3.1 Municipal sector in Turkey

Neoliberalization paved the way for the public administration including local administrations to adopt an enterprise-like logic (Wise & Szücs, 1996, p.43). In this regard, the reduction of public personnel and public expenditure, privatization, and localization of services were the main steps of the reform in local administrations (Emini, 2011, p.38). Ayman Güler (2003) explained this new model as effective local administration, which aimed at (1) working with pricing and not taxation, (2) decreasing the number of civil servants with job security and increasing the number of contracted personnel who need to represent their work performance to their employers, and (3) a bureaucracy that is demand-oriented. Today, this type of administration and employment structure are actualized in Turkish municipalities.

Even though the public sector in Turkey has gone through various structural changes, civil servants can be still considered as in the group of protected employment. For example, according to Çelik's (2008) study on youth unemployment practices, young people prefer to work for the public sector mainly due to job security and social security benefits such as retirement and health care.

In municipalities, employees are composed of civil servants, contracted personnel, permanent employee and causal employee. As Saydam (2017) argued, the number of municipality workers with permanent job contracts has been declining over the years due to the increasing number of subcontracting practices. After the 2005 Municipal Law, in 2006 "Norm Staffing Application" which allows to increase the number of subcontracted workers and to decrease the number of permanent contracts was put into practice (Saydam, 2017). With this change, subcontracted workers have been hired to fill up the places of permanent workers. This pattern has led to a

fragmented employment structure in municipalities since wages and workload differed significantly according to the type of employment contracts.

Saydam (2017) argued that since the permanent workers in municipalities witness the work and retirement conditions of subcontracted workers, they tend to lose their trust in the social security system. Saydam indicated that this environment of competition and fragmentation in employment in municipalities as weakened the spirit of solidarity among municipality workers.

Table 14 illustrates the percentage of different types of employment practices between 2007 and 2018, after the Norm Staffing Application in 2006. Although the number of permanent employees especially after 2010 decreased until 2018, it is crucial to note that permanent employees and civil servants have still constituted the largest part of the employment in municipalities. As illustrated in the table, even if the percentage of contracted personnel increased, in 2018 the largest share of the employment type has been of civil servants and permanent employees. Consequently, in the municipalities and the administrations belonging to the municipalities, there are 105.933 civil servants, 16.242 contracted personnel, 57.673 permanent employee, and 9.546 casual employees in the second half of 2018. Their percentages are 51 percent, 8 percent, 36 percent, and 5 percent accordingly. In total, civil servants and permanent employees have constituted 87 percent of the employees in municipalities, municipal administrations and local administrative unions, which is a large share of the types of employment comparing to the others. Therefore, it could be assumed that working for a municipality as a civil servant or a permanent worker is still a viable option of getting into the protected employment for young people.

Table 14. The percentage of Employees in Municipalities, Municipal Administrations and Local Administrative Unions (% , 2007-2018)<sup>4</sup>

Years	Civil Servants	Contracted Personnel	Permanent Employee	Casual Employee
2007	31%	2%	29%	37%
2008	31%	3%	46%	20%
2010	33%	5%	57%	4%
2012	38%	9%	47%	3%
2014	50%	2%	45%	3%
2015	52%	5%	41%	3%
2016	53%	6%	38%	3%
2017	53%	7%	38%	3%
2018	51%	8%	36%	5%

Source: [BÜMKO, 2018]

### 3.3.2 Shopping malls in Turkey

Twentieth-century faced a central change from the concentric structure of cities towards a polycentric structure. According to Gottdiener (1995), shopping malls, which are socially and physically safe, traffic-free and air-conditioned places that people need, were designed to convert capital into money. After the Second World War, due to the newly built suburban settlements remote from the urban centers, there was a general

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<sup>4</sup> The data of the numbers of employees in municipalities, municipal administrations and local administrative unions between 2007 and 2018 received from BÜMKO were calculated as the percentage of four different types of employment.

need to have large shopping malls that cater to a large variety of needs including consumer goods, entertainment, and food courts (Köksal & Aydın, 2015). In Turkey, the number of shopping malls have increased expeditiously especially in İstanbul since the 1990s due to the large size of the young population, increase in per capita income, increase in education level, increased mobility in the city, new desires and changing lifestyles (Erkip & Özduru, 2015).

According to the International Council of Shopping Centers (ICSC), traditional shopping centers are classified into three categories based on their sizes: very large, large, medium and small shopping centers. According to the ICSC, shopping centers whose surface area is larger than 8.000-meter square are defined as very large shopping centers. The number of shopping centers in Turkey was 443 in 2017, and it was expected that this number would increase to 448 in 2018 (EVA Gayrimenkul Değerleme, 2018). In the last decade, the retail sector and shopping centers have become Turkey's second largest sector after construction industry in terms of the share of the contribution to the macroeconomic growth especially in 2010-2011 (Ceylan et al., 2017). According to Özkaplan et al. (2017), the number of employees in shopping centers is about 400.000 in 2014. In 2018, this number raised to 480.000 (Hürriyet, 2018).

The survey conducted by Özkaplan et al. in 2014 (2017) investigated the experiences of 404 shopping center workers in the retailing departments regarding their working conditions. In the shopping centers, there are different types of employment such as retailing, refreshments sector, and subcontracted employment including cleaners and security staff. Özkaplan et al. (2017), among these different types of employment, sales representatives were selected as the sample for their fieldwork. In the study, 38.10 percent of the participants were students, and 23.56 percent worked in the past when

they were students. Furthermore, more than half of the participants were under the age of 25. Thus, when the ratio of students working in shopping malls and the workers under the age of 25 is considered, it is obvious that shopping centers are the places that have attract the young labor force most. Overwhelming majority of the sales representatives participated in this study, 99.3 percent, were formal workers.

The findings of this study are in accordance with the classification of flexibility conducted by Atkinson (1985). That is, employers determine their working hours; give them extra tasks other than their job definitions. According to Özkaplan et al. (2017), young participants stated that on average, they work less than six months for the company that they are currently employed, and this shows that labor turnover is high in shopping centers. 46 percent of the participants stated that they work overtime and they receive their overtime payment, while 32.3 percent do not receive overtime wage when they work overtime. The study also found gender gap in wages. Besides, 80 percent of the young and unmarried participants live with their parents due to the wages with which they cannot afford living independently.

Furthermore, shopping malls are considered as a provider of youth employment especially for women and as a way of decreasing youth unemployment rate (Özkaplan et al., 2017). Eligibility criteria to be employed as a salesperson at the shopping malls is not very demanding except for having social skills encompassing performances such as being good-humored, patient, client-oriented and presentable. Given the not-so-good available job prospects for especially high school graduate young people in the Turkish labor market, formal employment with social security coverage at shopping malls, which offer relatively safe places to work, attracts young population (Yılmaz, 2016b).

Above all, shopping centers can be considered as one of the workplaces offering safe jobs for both educated and uneducated young people in Turkey, which has a flexible type of employment, gender-blind work conditions, and high ratios of labor turnovers.

### 3.4 Conclusion

Demographic changes, pension financing, and pensioner's living standards have been considered as the main reasons that led to pension privatization (Bonoli, 2003). Among them, aging has been considered as the major obstacle to the sustainability of DB pension schemes. However, Turkey's condition, having the youngest population among OECD countries, is rather different from the developed countries. Since the establishment of social security institutions in Turkey, the main problems causing unsustainability of the system and the large size of pension deficit are low retirement age (Buğra & Keyder, 2006), inefficient usage of pension budget (Buğra & Adar, 2008), and structural problems in the labor market, specifically large share of the informal employment (Gökbayrak, 2010). Although these structural problems were partly overcome by the governments throughout the years, many of them have still been on the agenda and been considered as the continuing problems comparing to the OECD countries.

After the failure of the previous government to liberalize the economy resulting in high inflation and economic deficit, specifically, in 1982, outward-oriented growth was adopted as a strategy to overcome the financial crisis with the 24<sup>th</sup> January 1980 decisions (Buğra, 2011). As Boratav (2005) asserted, the anti-labor character of Turkey's post-1980s economic program was evident as it relied on cheap labor. Real wages were decreased, and workers' rights were undermined (Onaran, 2002). The privatization of

state enterprises, since the late 1990s, has been on the agenda (Boratav, 2005) and contributed to the worsening of conditions in the Turkish labor market. Thus, in the 1990s, both public and private employees faced serious insecurities due to the increased flexibility of working conditions. As Güler (2005) indicated, in this period, public employees have been considered as a financial burden on the government's shoulder. With the Civil Servant Law (Law no. 657), different contracts for civil servants, temporary workers, and contracted employees were introduced and their benefits were separated from each other. To hire contract employees instead of civil servants and temporary workers in the place of permanent workers paved the way to the fragmented structure of employment relations in the public sector (Güler, 2005).

In the above mentioned labor market structure in the 1990s, there were three separate occupational status based social security institutions whose funds incorporated both pensions and health care insurances in Turkey which are the Social Insurance Institution (SSK), the Social Security Institution for Craftsmen, Tradesmen and other Self-employed People (Bağ-Kur) and the state Retirement Fund (ES). The benefits of this corporatist and inegalitarian system varied according to occupational status as such civil servants under the ES received relatively higher pensions while self-employed workers under Bağ-Kur received a lower amount of pension than those under other two institutions. With the recommendations of the international organizations, in 1999, Turkey implemented a two-pillar pension system in which the first pillar was SSIs that are SSK, ES, Bağ-Kur, and the second was the newly introduced voluntary private pension scheme aiming at reducing the fiscal deficit of Turkey's social security funds. Retirement age and minimum days of contribution increased. Nevertheless, the

popularity of voluntary individual pension plan was not high as expected by the government.

After AKP won the elections in 2002, it prioritized the economic liberalism and stability. Despite the economic growth, as Yeldan and Ünüvar (2015) defined, this period of the rapid economic growth was a jobless growth. Hence, an insecure working environment, again, matched with the risk of unemployment in both the public and the private sector. To eliminate the fiscal deficits of the social security funds, fragmented structure of the system, and obstacles to flexibilization in the labor market, the AKP government reformed the social security system and integrated three separate institutions under Social Security Institution in 2008. In addition to these, retirement and health insurances were separated from each other. The minimum period of contribution and the retirement age were increased. Income replacement rate was also decreased. The implementation of the individual pension plan in Turkey has deepened the gender gap in the sense that the Turkish social security system mostly based on the breadwinner model. Discrimination of the labor force participation, the productivity role of women, and the unpaid family work are main constraints to contribute to the individual pension plan resulting in lower retirement income of women.

After the Gezi Protests in 2013 and the failed coup attempt in 2015, the AKP government took full control of both politics and economy (Savaşkan, 2018). As Savaşkan asserted, government intervention has transformed into government capitalism. Although between 2010 and 2017, the economic growth rate was 7 percent on average, despite 3 percent of the increase in employment, the unemployment rate is still one of the highest among the OECD countries (OECD, 2018). Turkey's unemployment ratio (9.7 percent) is still pretty much above the OECD average (5.4

percent). In addition, Turkey has the fourth highest unemployment rate among the OECD countries.

Yılmaz (2016b) stated that there have not been good job opportunities with plausible wages and the social security system does not cover all of the working young people because especially low-skilled young people enter into the labor market through informal jobs. Therefore, according to Yılmaz, taking up paid employment does not automatically lead to economic independence for most young people in Turkey. Çelik stated that Turkey's sub-protective welfare regime makes young people financially, morally, and socially more dependent upon the family. This conforms to what Yılmaz (2016b) identified after almost a decade as the first dimension of the characteristics of Turkish social and economic policies for the youth; familialization in the sense the families are one of the crucial income providers for youth in Turkey.

Nevertheless, without bringing new solutions to Turkey's structural economic problems, in such an environment in which above-mentioned developments occurred, in 2016 the auto-enrolment of the private pension plan was introduced by the AKP government. The percentage of unemployed in the total labor force has fluctuated and peaked in 2015, which is high comparing the OECD countries. Since about 60 percent of the participants opted out of the system last year, the regulation regarding the minimum period of staying in the system would be extended to three years. As Elveren (2010) stated, this pension reform was also a sign for the transformation of Turkey's welfare regime into the income-based and market based social protection model.

Some studies revealed that earning higher income (Şener & Akın, 2010) and the factors as marital status, tendency to take risks, financial knowledge, and investment and spending ratio influence positively people's decision the decision to contribute to the

private pension plan in Turkey (Çetin & Sevüktekin, 2015) which are signs to the fact that high-income earners benefit from the auto-enrolment more.

As explained in the chapter, despite the emerged fragmented employment types in municipalities, working for a municipality as a civil servant or a permanent worker is still a viable option of getting into the protected employment for young people in Turkey. Furthermore, shopping malls are considered as a provider of youth employment especially for women and as a way of decreasing youth unemployment rate (Özkaplan et al., 2017). Above all, shopping centers can be considered as one of the workplaces offering safe jobs for both educated and uneducated young people in Turkey, which has a flexible type of employment, gender-blind work conditions, and high ratios of labor turnovers.

Since the retirement and work are considered as complementary institutions, high ratio of informal employment, youth unemployment, and the low ratio of labor force participation should be taken into consideration while examining the social security reforms in Turkey. When the above-mentioned structural problems of the social security system and the labor market in Turkey are considered together, as Saydam (2015) argued, Turkey's labor market structure and pension system are not compatible with each other. The pension reforms since 1999 did not alter the earnings-related character of the pension system that favors public sector employees and high-income earners. The increase in the period of contribution and retirement age made harder to retire for the new entrants. Consequently, as Yılmaz Akın (2018) mentioned the private pension system in Turkey appeals to high-income earners. Low-income earners are most likely either to opt out of the system or stayed paying only minimum premium rate that equals

3 percent of monthly net income. Therefore, it seems that inequality between high, middle, and low-income earners will continue during their retirement as well.

## CHAPTER 4

### FINDINGS AND ANALYSIS

The objective of the thesis is to understand the attitudes of young workers in Turkey towards the private pension plan. In doing so, the thesis explores the factors that young workers refer to in explaining their decisions to stay in or opt out of the private pension plan, how young workers see auto-enrolment in private pension plan and if young workers' view on public and private pensions differs.

The analysis in this chapter relies on the fieldwork that was conducted to examine the attitudes of two different occupational groups of 18-30-year-old young employees towards the private pension plan. 29 semi-structured in-depth interviews were conducted: 15 young people were selected from municipalities and 14 from shopping centers. There are two reasons for selecting two occupational groups, namely employment in municipalities and in shopping malls, in this study. First, despite the changing patterns of municipal employment in the last two decades, as explained in the previous chapter, working in the public sector, especially as a civil servant and a permanent employee, can be considered as decent work with job security in Turkey. Among 15 employees from municipalities, only 5 of them were civil servants while the rest are contracted employees as young (less than 30-year-old) civil servants and permanent employees were rare in municipalities. Second, in the context of unequal skill distribution among youngsters in Turkey, shopping malls have been one of the top sectors that welcome the young labor force. Lastly, employment in this sector is more precarious, compared to employment in municipalities, due to high turnover in shopping malls and limited opportunities to stay in the sector. However, despite these negative

characteristics of employment in shopping malls, they are still significant sources of formal jobs for young people without higher educational attainments. No significantly different patterns were observed between the attitudes of young employees from two different workplaces except that municipality employees have more knowledge of pensions than sales representatives.

In the following section, the analysis of the interview data is presented under six headings: Retirement attitudes, knowledge of private pension plan, reasons for opting out and staying in, attitudes towards auto-enrolment, reasons for trust and mistrust, and comparison between young workers' attitudes toward private and public pension plans.

#### 4.1 Retirement attitudes

Most respondents have a myopic attitude towards retirement. In other words, they focus on today's financial problems rather than considering their future needs in their old ages. To understand their attitudes towards retirement, whether they think that they would be retired in the future was asked to the interviewees. Almost all of the respondents claimed that they could not imagine the years when they would retire. Even though some of them have a plan to save in the future for their old age, they generally tend to prefer not saving right now. Retirement age being 65 is the major reason behind this attitude.

As explained in the Chapter 2 in detail, Thaler and Sunstein's theory of nudge (2008) suggests that individuals who are myopic doers rather than planners should be supported to behave in a way that makes them better off. Providing evidence for Thaler and Sunstein's observations, I found that some young participants seem to be dynamically inconsistent when their plans and attitudes are concerned. For example, a young architect argued:

I mean, I have to think (about retirement) but I don't. Maybe, in the future...<sup>5</sup>  
(M11, Female, 23, Municipality)

In other words, she was aware of the fact that it is better to plan her retirement but she does not take a step towards making a plan and realizing it.

Today, most young people, even if they work in the public sector, have precarious work conditions and feeling of insecurity towards their near future. Therefore, saving for retirement cannot be a priority for them. For instance, an administrative staff who works in the municipality stated as follows:

I can say in this way; it is a very long time after. I mean there is no guarantee for us even in one or two years. Retirement years are very far. I did not strategically think about that though. I might change my workplace. There might be something else. We might have to do different jobs. Retirement is hard to achieve...<sup>6</sup>  
(M5, Male, 27, Municipality)

As the quote above demonstrates, he asserted that it was hard for him to imagine his retirement at this point due to two reasons: First, because it belongs to a very distant future. Second, he was unsure about his prospect of staying on the same job. As explained in the previous chapter, there are four types of employment in municipalities: Civil servants, contracted personals, permanent employees, and casual employees. He was not a civil servant or permanent employee whose contracts have the guarantee that he can hold his job position in the same workplace until retirement. Since he works as a contracted employee in the municipality, he is unsure about the maintenance of his current job career.

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<sup>5</sup> "Yani düşünmem gerekiyor ama yapmıyorum. Belki, gelecekte..."

<sup>6</sup> "Yani şöyle söyleyeyim, uzun yıllar sora çünkü. Hani en az, bir iki yıl sonrasının bile, çok şey olacak ama, garantisi yok hiçbirimiz adına. Emeklilik yılları çok uzak bir seviye. O kadar stratejik düşünemem yani. Belki iş yeri değişikliği olabilir. Başka birşey olabilir. Farklı işler yapmak durumunda olabiliriz. Emeklilik zor..."

Another respondent who works as an architect in the municipality claimed that having kids might change her point of view regarding retirement. She does not think about retirement right now because she thinks that she is unable to complete the minimum days of premium to achieve retirement when she becomes a mother:

No (she does not think that she can be retired in the future). I have a very long time until then. That's why I'm saying, 'no I can't complete'. I'll give up at some point. I don't have children now but when I have... For instance, I see mothers with children. They are in a constant run... I can't find that energy in me. That's why I didn't think about my retirement so far.<sup>7</sup>  
(M2, Female, 28, Municipality)

As the quote above implies, the reason behind her attitude towards retirement is that she had a long time to retire and she thought that she was unable to maintain a life in which she would be able to combine her caretaking responsibilities and her job at the same time. In addition, she does not think that she could work until retirement. Her response demonstrates the gendered nature of pension attitudes among young workers.

The gap between the retirement age and the minimum period of contribution to the public pension plan is confusing for some young people. The other young architect stated that she knew that she had to save but she did not do it. She added that she was planning to leave her job when she would complete the minimum days of contribution to her retirement without waiting for her retirement age.

When I first started to work, I looked for when I would retire. I looked. But I hope I would be (retired). The retirement age is increased. But I am considering a lot about the fact that the difference between reaching the retirement age and fulfilling the minimum days of premium. I think that I could exit (from the labor force) without receiving the pension. I mean, even though I do not receive any money at that point, I can wait for the age indeed. They say you can wait without working until the age of retirement after you complete your minimum days of

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<sup>7</sup> "Yok..çok uzun zaman var önümde. O yüzden diyorum ki hayır ben tamamlayamam. Pes ederim bir yerde. Şu an çocuğum yok ama olunca... mesela çocuklu anneleri görüyorum. Onların o koşturmacası, o telaşesi. Bende o enerjiyi göremiyorum. Meçhul... O yüzden hesaplamadım da açıkçası."

premium. Let's say after ten years... Then you start to get paid and you are retired. But you need to take the risk of not being paid during that time.<sup>8</sup>  
(M11, Female, 23, Municipality)

She thought that the retirement age is high to achieve. Consequently, she was planning to exit from the labor force when she completed the minimum days of contribution.

Then, she planned to wait until retirement age without receiving pensions. This implies that retirement age is considered very high according to the respondent. Moreover, it can be asserted that the gap between the retirement age and the minimum period of contribution to the public plan makes young people's attitudes more blur towards retirement.

The attitudes of sales representatives are quite similar to municipality employees.

A twenty-six-year-old sales representative answered the question 'Do you think that you can be retired in the future?' in the same way that the young female architect did:

I mean, I don't know. I am twenty-five years old now. I have forty years (to retire). So, I am thinking about only a year from now. I do not think about forty years from now, so I hope I could retire if God gives me a long life.<sup>9</sup>  
(S12, Male, 26, Shopping Center)

The surprising point is that some respondents, such as the respondent above, thought that either they would not live that long enough to reach the retirement age or they were pessimistic about being healthy at those ages. A student female sales representative who works at the shopping center responded in a similar way:

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<sup>8</sup> "İşe ilk girdiğimde ne zaman zaman emekli olurum diye baktım. Baktım yani. Ama yani umarım oluruz. Yaş da bu arada şey. İleriye atıldı, erkene çekilme durumu vardı. Ama şeyi de çok düşündüm. Yaşı doldurma ve günü doldurma olayı var ya. Günü doldurmadan çıkarım diye düşünüyorum yani para almasam da, yaşı doldurmayı beklerim diye düşündüğüm oldu açıkçası (burada günü doldurup işten çıkmaktan ve yaşını para almadan beklemekten bahsediyor). Şey diyolar, para almadan, yaşın gelene kadar, atıyorum 10 yıl mı ne, bi şekilde geçiriyosun o süreyi. Sonrasında maaş almaya başlıyosun, emeklilik olmuş oluyosun. Onu göze alman gerekiyo hani maaşsız bi şekilde arayı doldurmanın."

<sup>9</sup> "Yani bilmiyorum. Ben şu an daha 25 yaşındayım. Önümde var 40 sene. Yani ben bir sene sonrasını düşünüyorum. 40 sene sonrasını düşünmüyorum yani. Ya olurum inşallah. Allah uzun ömür verirse."

So, forty-five years later ... Let me imagine working life first I imagine retirement!<sup>10</sup>

(S7, Female, 20, Shopping Center)

Therefore, the retirement years are hard to imagine for young workers. Municipality employees seem to be giving more detailed explanations and at least some of them have specific plans for their retirement.

The other question regarding young people's attitudes towards retirement is related to whether they save for their old age or not. A thirty-year-old married young woman who works at the office of the private secretary in the municipality asserted that she needed to think first about maintaining her financial stability today rather than considering saving for the future.

No, for now. I have just married. So, the thing is... We are dealing with getting organized at this point in our life. I did not think anything new (she refers to saving) indeed. I don't have a chance to invest for the future under these circumstances that I have been now.<sup>11</sup>

(M13, Female, 30, Municipality)

Younger employees in both municipalities and shopping centers usually talk about the near future and how many years they have until retirement. For instance:

Not for retirement. Rather for the years ahead. I invest some money just in case I am in trouble. In that way, I am hanging out on my own.<sup>12</sup>

(M11, Female, 20, Shopping Center)

The twenty-year-old female sales representative claimed that she has already saved some money, though not for her retirement, but for a near future in case of an emergency.

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<sup>10</sup> "Yani, 45 yıl sonra... Önce çalışma hayatını düşünüyüm de, emekliliği sonra!"

<sup>11</sup> "Şu an için yok. Ben daha yeni evlendim. Dolayısıyla, böyle şey.. kendi düzenimizi oturtma derdindeyiz şu aşamada. Yani bişey düşünmedim açıkçası. Geleceğe, yatırım yapma şansım yok şu an bulunduğum koşullarda."

<sup>12</sup> "Emekliliğe dair değil de. Daha önümün yani önümdeki yıllarda, kenara para atıyorum bi miktar. Zor durumda kalırsam diye. O şekilde, kendi halimde takılıyorum."

Therefore, according to nudge theory, these young employees' attitude towards saving for the old age can be considered as myopic. However, as the interviews demonstrate, their inability to imagine their retirement and save for their old age may not be due to their innate myopia or cognitive limitations towards future but due to the limited income they receive today and job insecurity they face. They find their current financial problems and maintaining their living standards today more crucial than saving money for the distant future. According to the respondents' responses, it was clear that some of them could not afford to save for the future. For example, a woman working in the municipality mentioned that she was financially supporting her retired mother because she could not make her ends meet as a retired woman.

Notwithstanding, both myopic attitude and saving can be observed together among young people; they are not mutually exclusive. A sales representative stated that she could not imagine her future but was saving into a private pension plan via her company:

I guess because I did not think of the future that much. It seems very far. In fact, I think the main reason for withdrawing my money is that I do not think it would be very useful to me in the future. That is why. Because I am saving money in a different way via my company. I continue to save in that way.<sup>13</sup>  
(S5, Female, 24, Shopping Center)

This case is an example of the fact that myopia and saving could happen at the same time. In other words, although some people do not plan their future, they can still save for their future. Thus, myopia is not necessarily accompanied by not saving for the future.

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<sup>13</sup> "O kadar çok geleceği düşünmediğim için sanırım. Çok uzak tarih geldi. Bir de paramı geri çekmekteki temel sebep aslında bana ilerde çok yararlı olmayacağını düşünüyorum sanırım. O yüzden. Çünkü farklı bi şekilde daha para biriktiriyorum şirket üzerinden. Direkt olarak o şekilde devam ediyorum."

Nevertheless, not all respondents reported that they could not save money for their old age as they do not have the necessary means to save money. Most respondents who save some money via private pension system or other saving mechanisms reported that they were saving not for their retirement but for a near future in case of emergency. Even though they now choose to stay in the private pension system, they plan to opt out when they need money. For some young employees who can afford a private pension plan, it can be asserted that nudge plays a key role in staying in the private pension system and continue saving.

#### 4.2 Knowledge of private pension plan

Most participants reported that they gained the information regarding private pension plan via the internet. In other words, the internet was the most common platform to reach information about the private pension system. The other mechanisms that they gained the information were the meetings with bank and insurance firm representatives, call-centers, family members, friends, and trade unions.

Misinformation was observed among some respondents. For example, a twenty-seven-year-old civil servant stated that he knew that the private pension plan was mandatory.

As I said, I did not want to opt out because the state obliged to do it. I have only this information.<sup>14</sup>

(M8, Male, 27, Municipality)

The misinformation that the private pension plan is mandatory leads him to stay in the private pension plan. However, this is misinformation about the private pension system,

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<sup>14</sup> “Dediğim gibi, devlet zorunlu tuttuğu için çıkmak istemedim. Sadece bu bilgim var benim.”

as enrollment is automatic yet it is not compulsory but optional. The mandatory part of the private pension plan is to contribute a minimum of two months. Although whether the civil servant would opt out or not was unknown if he had the right information, it is apparent that misinformation influences young people's decisions on private pension plans.

Some respondents claimed that they did not have adequate knowledge as they found understanding the private pension system complicated. According to a twenty-three-year-old sales representative, making research on her own did not provide adequate information to her:

It would be better if somebody explained to me. I searched for it on my own, but I did not find the information satisfactory.<sup>15</sup>  
(S14, Female, 23, Shopping Center)

She prefers someone to explain her in a more simplistic way than the information that the internet provides.

Municipal workers, for example, alleged that they attended the meetings that banks organized in the municipal cultural centers. As they work in the municipalities, they gain the first-hand knowledge on the meetings that the banks organized in municipal cultural centers. On the contrary, most of the sales representatives claimed that they did not have adequate knowledge regarding private pension plan.

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<sup>15</sup> “Ya birisi bana açıklasa daha yeterli olurdu. Kendim araştırdım çok yeterli bulmadım.”

### 4.3 Motivations for opting out of or staying in the private pension plan

Respondents' reasons for opting out of and staying in the private pension plan are analyzed in this section of the thesis.

#### 4.3.1 Reasons for opting-out

10 out of 15 municipality employees and 10 out of 14 shopping center employees stated that they opted out of the private pension plan. The main reasons for opting out of the private pension plans for the respondents are the following: 1) unable to save due to current financial needs, 2) preferring other saving mechanisms over the private pension plan, 3) the fact that private pensions do not provide a life-long income, 4) the fact that most young people will retire at the age of 65, and 5) following the herd as Thaler & Sunstein described (2008).

##### 4.3.1.1 Current financial needs

Four out of 14 shopping center employees stated that their current financial needs are the reason for opting out of the private pension system. One employee among 15 respondents from municipality employees pointed the financial need as a reason for opting out. Thus, interviews evidence that current financial needs are the first common reason why young employees prefer opting out. Some examples from shopping center employees are as follows:

The reason why I opted out later, I need some amount of money. I got lump-sum money. That is why I opted out. Otherwise, I would continue (to save).<sup>16</sup>  
(S1, Male, 26, Shopping Center)

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<sup>16</sup> "Sonradan çıkmamın sebebi bir miktar paraya ihtiyacım vardı. Birikmiş para aldım. O yüzden ayrıldım. Yoksa devam ederdim yani."

I wanted to spend the money that I contribute in there (The private pension system) as I am a student. That is why I opted out.<sup>17</sup>  
(S7, Female, 20, Shopping Center)

Well, in fact, now that I need it financially, that is why I canceled it.<sup>18</sup>  
(S9, Female, 30, Shopping Center)

Similarly, a municipality employee stated that she needs the money:

I prefer using the money that will go there because I have other needs.<sup>19</sup>  
(M4, Female, 29, Municipality)

Five respondents out of 29 in total pointed out their financial needs as the reason for their choosing opting out. Nudge, according to these people who have financial obstacles, might not work as the proponents of nudge describe. The conceptual criticism of nudge's understanding of the 'social' environment is in line with this outcome that the financial needs are a considerable obstacle for saving. When Turkey's current economic conditions are considered, at the time the interviews were conducted, the rate of inflation reached around 25 percent in October 2018 and over 20 percent in January 2019 (Trading Economics, 2019). The salary increases were not in line with the inflation rates. According to Euronews (2019), the minimum wage rises 36 percent in ten years despite the rise in Euro (190 percent comparing to 2009) in Turkey. Thus, it can be considered that some young workers might not have the financial means to save for the future under these financial circumstances in general.

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<sup>17</sup> "Öğrenci olduğum için oraya yatıracağım parayı kendim harcamak istedim. O yüzden de çıktım"

<sup>18</sup> "Yani, aslında ekonomik olarak ihtiyacım olduğundan. Bu yüzden iptal ettim."

<sup>19</sup> "...ben daha çok başka ihtiyaçlarım olduğundan dolayı oraya gidicek olan parayı kullanmayı tercih ediyorum."

#### 4.3.1.2 Preferring other saving mechanisms

Some respondents who opted out of the private pension plan because they prefer other saving mechanisms such as saving in gold accounts, dollar accounts, and personal investment accounts, investing in real estate. In other words, some has already invested in the other saving mechanisms, while some of them plan to do so. For example, even though one respondent did not save money for the future, she reported that she was planning to save in the future through other saving mechanisms.

I mean, you know. I think that I do my own savings. Or, I can invest the money, not in that way, but to gold. I think I would invest in different things. ... So, you can invest it to dollars, not in Turkish liras, but in different ways. In that way, you can have your own assessment. My mind works in that way.<sup>20</sup>  
(M9, Female, 27, Municipality)

Another municipality employee stated that she and her husband have a gold account and plan to invest the money that they save in the gold account for real estate, rather than staying in the private pension plan.

We are trying to save in our own way. We have a gold account. We can turn it into a real estate investment. We think that way.<sup>21</sup>  
(M2, Female, 28, Municipality)

The architect young woman working in the municipality claimed that she stayed in the private pension plan when the auto-enrolment started but then opted out because she bought a house:

...I did not opt out when it started last year. My friends here opted out. I did not have that kind of financial trouble at that time. But then we bought a house last week. So, I opted out. ... at the beginning, my intention was: 'Let the money

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<sup>20</sup> "Yani hani. Bu şekilde. Kendi birikimimi kendim yaparım tarzında. Ya da yani parayı o şekilde değil de, hani, altına, farklı şeye yatırırım diye düşüncesiyle yani. ...yani TL olarak yatırmaya değil de, farklı mesela, altına yatırabilirsin, dolara yatırabilirsin. O şekilde değerlendirme olabilir yani. Benim aklım o şekilde, yatıyo daha çok yani."

<sup>21</sup> "İşte kendi çapımızda böyle bi birikim yapmaya çalışıyoruz. Altın hesabımız var. O şekilde bi gayrimenkul yatırımına dönüştürebiliriz bunu. Düşüncemiz o."

accumulate. When I buy the house or when the child starts school, I will cancel it. At least then I'll have some money saved up.<sup>22</sup>

(M1, Female, 26, Municipality)

Since at that moment she did not have any financial problems, she decided to stay in.

Nevertheless, after marriage, she was in need of money as she bought a house and had to pay back bank credits. Thus, she preferred to invest in real estate rather than contributing to the private pension system. A sales representative stated that she started to save before the auto-enrolment began:

The reason why I opted out... I opened up an account for myself, like a retirement plan. I kept investing to that account. Two accounts were too much for me. That is why I canceled it.<sup>23</sup>

(S4, Female, 22, Shopping Center)

Thus, she claimed that she could not afford to save twice. She preferred the saving account that she opened before the auto-enrolment began. Likewise, another business expert claimed that she was saving money via a voluntary private pension plan that the company she works in has an agreement.

In fact, I think the main reason for withdrawing my money is that I do not think it would be very useful to me in the future. That is why. Because I am saving money in a different way via my company. I continue to save in that way.<sup>24</sup>

(S5, Female, 24, Shopping Center)

Therefore, she started to save before the auto-enrolment was introduced, and she preferred to stay in her previous private pension scheme instead of enrolling at the newly implemented system.

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<sup>22</sup> "...hani geçen yıl başladığı zaman çıkmamıştım. Burdaki arkadaşlar çıkmıştı bizle birlikte başlayanlar. Fakat ben öyle bişey yapmak istememişim. Şey hani öyle maddi sıkıntım da yoktu. Fakat sonra geçen hafta ev aldık. Öyle olunca ben de çıktım. ...Başlangıçta da niyetim oydu hani. Bu bi şekilde biriksin. Ev alırken veya çocuk okula başladığında ben bunu iptal ederim. En azından o zaman toplu bi param olur."

<sup>23</sup> "Çıkış yapma sebebim... Yani kendime farklı bi emeklilik tarzında bişey açmıştım. Onda devam ettim. Hani o fazla geldi bana. O yüzden iptal ettirdim."

<sup>24</sup> "O kadar çok geleceği düşünmediğim için sanırım. Çok uzak tarih geldi. Bi de paramı geri çekmekteki temel sebep aslında bana ilerde çok yararlı olmayacağını düşünüyorum sanırım. O yüzden. Çünkü farklı bi şekilde daha para biriktiriyorum şirket üzerinden. Direkt olarak o şekilde devam ediyorum."

To save by oneself was one of the most common answers to the question of why they decided to opt out. Young employees mostly emphasized that they were capable of making their investment on their own. They claimed that they did not prefer someone else to save their money for themselves:

I am saving money on my own. I think instead of the government saving money for me and then giving it back to me. I can save it on my own. I think I can save it for myself instead of somebody's saving it up for me and then giving back to me. I do not want my salary to be cut.<sup>25</sup>  
(M11, Female, 23, Municipality)

#### 4.3.1.3 The fact that private pensions do not guarantee regular retirement income

Another example showing that some young employees were averse to the idea of auto-enrollment in private pension plans is the fact that the private pensions do not guarantee regular income during retirement as public pensions are:

I thought of private pension as a normal pension so; some money will be accumulated during the same period. After all, the retirement service we received from the SSI continues until we die. But private pension isn't like this. So, it is just a monthly salary until the accumulated amount is over. I thought I could make the same savings myself.<sup>26</sup>  
(M13, Female, 30, Municipality)

Public pensions provide a life-long regular income while private pensions depend on how much a person accumulated throughout the years. This fact is mentioned as crucial factor to opt out of the private pension plan.

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<sup>25</sup> “Daha çok kendim biriktiriyorum hani. Benim yerime para biriktirip sonra onu bana vermesindense, hani kendim biriktirebileceğimi düşünüyorum. Aylık kesilmesini istemiyorum.”

<sup>26</sup> “Ya şöyle, ben normal emeklilik gibi düşünmüştüm bireysel emekliliği. Yani aynı süre zarfında bi meblağ birikecek, sonrasında, sonuçta bizim SGK’den aldığımız emekli hizmeti ölene kadar devam eden bi süreç. Ama bireysel emeklilik öyle değilmiş. Yani meblağ bitene kadar verilen bi uygulamaymış. Aynı tasarrufu kendim sağlayabileceğimi düşündüm.”

In addition, the fact that private pension plan does not provide a life-long income like public pension does constitute the other reason why young employees choose to opt out of the private pension system.

So, what I expected was still not very big sums. You know, if the time was long, even if the pension was small, I would have thought of staying in. It is like this, at least I understand; savings fund. We accumulate a little, then, we get it (as pensions) for a certain period of time.<sup>27</sup>  
(M13, Female, 30, Municipality)

As the quote above suggests, if the duration she would receive her accumulated money in the form of pension was until death, she claimed that she would have considered staying in the private pension system. In other words, she considered the private pension plan “not as a pension as she knew it” but as a mechanism for short-term money saving. That is why she did not find it plausible.

#### 4.3.1.4 High retirement age

The retirement age in the private pension system is another reason to opt-out of the system. Some young employees reported a sharp difference between the minimum days of premium and retirement age in the private pension system. They claimed that they could wait for ten years to complete the minimum days of premium, but they did not want to wait for their retirement age to get the money back. For instance:

I think there was something there. I just can't remember. There was an age thing. There would be accumulation until 10 years. Then, we had to wait for the age. I mean, it didn't make sense.<sup>28</sup>  
(M9, Female, 27, Municipality)

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<sup>27</sup> “...Yani yine çok büyük bi meblağlar değildi beklediğim. Hani süreç uzun olup küçük de olsaydı alcağım rakamlar, kalma şeyini düşünebilirdim. Ya bu şey gibi oluyo benim anladığım en azından; tasaruf fonu gibi. Ufak ufak birikiyo, sonrasında onu belli bi zaman diliminde alıyoruz.”

<sup>28</sup> “Orda şey vardı galiba. Tam da hatırlayamıyorum yani ama. Yaş şeyi vardı. Bi 10 yıla kadar heralde birikim olucaktı. Sonra yaşı beklememiz gerekiyordu. Mantıklı gelmemiştii yani, öyle.”

In other words, for a twenty-year-old young person who starts to save in the private pension plan has to pay the premiums for a minimum of ten years and wait until the age of 56 to be retired. This means that he or she has to wait 26 more years to be retired from the private pension system and to be entitled to receive 25 percent of government subsidy.

#### 4.3.1.5 Following the herd

For some respondents, other people's attitudes were important in influencing their decision to opt out:

Actually, I did what my colleagues did. When all of them opted out of the system, I canceled as well. I did not want my money to be cut.<sup>29</sup>  
(M7, Female, 29, Municipality)

This attitude can be defined as what Thaler and Sunstein (2008) called: "Following the herd", as explained in the second chapter of this thesis. In other words, people tend to replicate other people's actions because their deeds and statements are influential on others as the opting out of the private pension plan together with his friends in the municipality in this case evidences.

Following the herd is not necessarily disadvantageous for those making such decisions in all situations. Thaler and Sunstein (2008) stated that social influences make an impact in two ways: Information and peer pressure. People can gain knowledge from what people do that allows them to choose what is best for themselves. In addition, they can act as others due to peer pressure. Therefore, they tend to act without having the knowledge or unwillingly. The municipality employee who decided to opt out stated that

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<sup>29</sup> "Aslında biraz arkadaşlara uymak diyelim. Hepsi çıkınca çıktım param kesilmesin diye."

she opted out because her colleagues did the same. An example of peer pressure can be observed here as well as misinformation that was learned from others. She assumed that her money would be cut, and this is not good for herself. However, she can receive her money back when she decides to opt out later.

A thirty-year-old civil servant working in the municipality claimed that he was misinformed about the private pension plan by the trade union:

No, let me say that we were informed but in a wrong way. They presented the private pension plan in a different light. They told us that the private pension system is harmful to us. I guess it's a problem of the labor union. Because of it, all of us opted out here. It's all about its (the labor union's) perception.<sup>30</sup>  
(M10, Male, 30, Municipality)

This person thought that the labor union provided them with false guidance that led them to opt out. However, at the time of the interview, he was questioning his decision to opt out. The reason why he thought that he was misinformed by the union is:

As I said here, the labor union told us that this system is very harmful to us. They deduct 100 Liras (1\$ = 5.27 TRY, on 16 February 2019) from our salary and the state will use it in different ways. And the union will not take a share of it, that is, it's something like receiving back the amount of the salary increase which was given to the civil servants by the state. That's why we opted out.<sup>31</sup>  
(M10, Male, 30, Municipality)

Peer pressure can be one reason behind his attitude while the other one can be the spotlight effect that means people tend to act in a different way than they thought in the first place in front of the gaze of others (Thaler & Sunstein, 2008). Both spotlight effect and peer pressure can be considered as the main effects of the above-mentioned

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<sup>30</sup> “Hayır şöyle söyleyim. Bizi bilgilendiren oldu ama yanlış yönlendirme sonucu oldu. Bize BES’i farklı şekilde anlattılar. Zararlı olarak gösterdiler en çok. Bu da zaten şey sendikayla alakalı bir sıkıntı olduğundan dolayı, ondan dolayı, biz de ona göre çıktık zaten. Aldığı tamamen algıyla alakalı.”

<sup>31</sup> “İşte dediğim gibi sendikanın bizi, hani bu sistemin bize çok zararlı olduğunu, işte 100 lira maaşımızdan kesip devletin farklı şekilde farklı yerlerde kullanacağını ve sendikanın bundan da pay almıyacağından dolayı, uııhmm, yani bizim maaşımızdan sadece asgari ücretin, daha doğrusu memurlara verilen zammın geri alması gibi bişey oluyo dedi. Ondan dolayı biz de toplucana çıktık.”

employees' attitude. In other words, people act in certain ways in line with social norms when others pay attention to what they are doing. Regardless of what the reason behind is, either with good or bad consequences, people have a tendency to replicate others' behavior when deciding whether to stay in or opt out of the private pension plan.

Therefore, the reasons behind their attitudes of opting-out can be outlined as current financial needs, preferring other saving mechanisms, the fact that private pensions do not provide lifelong income, high retirement age of private pension plan, and following the herd.

#### 4.3.2 Reasons for staying in

Out of 29 respondents, five from municipality employees and four from shopping center employees reported that they stayed in the private pension plan. According to the respondents who stayed in the private pension plan, saving money and the fact that they cannot save without a forcing mechanism, mainly a nudge, are the reasons for staying in the private pension system. An employee working in the municipality claimed that double pensions would be useful for her in the future:

I think this is a way of saving for the future. It will be a double pension for retirement. That is why I prefer to stay. It's like I'm saving money right now for myself.<sup>32</sup>

(M14, Female, 29, Municipality)

A sales representative working in the shopping center reported that auto-enrollment helped her to save money:

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<sup>32</sup> “Gelecek için bi yol olduğunu düşünüyorum. Emeklilik çift maaş sistemi gelecek. O yüzden kalmayı tercih ediyorum. Şu anda para biriktiriyomuş gibi bişey oluyo benim için.”

I mean, it is going to be a very outspoken comment, but since I am not going to save that amount of money every month, I think when they enforce me to save, I will save more money. Because of this reason, I do not cancel it, so it goes on.<sup>33</sup>  
(S8, Female, 25, Shopping Center)

This quote evidences the description of the new behavioral economics of human nature as having bounded rationality and fallible (Thaler, 2008). The inertia that human beings have is frequently referred by Thaler and Sunstein to substantiate their claim that people show a powerful tendency to go along with the status quo. As explained in the first chapter, Thaler and Sunstein called it the status quo bias that most humans have. Humans have a tendency to maintain their current conditions. To actively choose, to participate in a private pension plan, for example, they need to show some effort to gain knowledge on how and what to do. Most of the time, this effort is too much for human beings and they prefer not doing anything. Another interview evidences this:

I had some research on this on the internet, but I did not get a lot of what I read. Then, I went to the banks to get information before the auto-enrolment began. I wanted to benefit from it. But I am saving money on my own. I preferred to accumulate my own money in my bank account rather than the state doing it for me. ... But after auto-enrolment began, I did not want to cancel. I'm not really looking at that account right now.<sup>34</sup>  
(M8, Male, 27, Municipality)

This attitude refers to mindless choosing –as Thaler and Sunstein called (2008)- that enable humans to benefit from the nudge in situations like saving for the future. Another interviewee explained it bluntly as follows:

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<sup>33</sup> “Yani, çok üstün körü bi açıklama olacak ama, ben kendim her ay o parayı bi köşeye atmayacağım için, benden zorla alınınca daha çok birikim olacağını düşünüyorum ve iptal etmiyorum o yüzden devam ediyö.”

<sup>34</sup> “Ufak internet üzerinden araştırmalarım oldu ama okuduklarımı çok şey yapamamıştım. Daha sonra devlet üzerinde bu işlemler olmadan önce de bankalara gittiğimde bireysel emeklilik başlat dediğimde, yani ondan da faydalanmak istedim. Çünkü ben paramı kendim biriktiriyorum. Bir bankada devletin kendi vericeği para üzerine biriktirmektense kendi paramı biriktirmeyi tercih ederim. Ne diyodum? Ama tabi zorunlu olduktan sonra da çıkmak istemedim. Şu an pek oraya da bakmıyorum açıkçası.”

That is to say, there is no reason. I am just staying there without a reason.<sup>35</sup>  
(M3, Male, 30, Municipality)

The young civil servant was automatically enrolled in the private pension plan and he stayed in without thinking about his staying in and whether he wants to pursue a retirement plan or not. This attitude is in line with how nudge works. Without taking any action, he participated in the private pension plan. However, after being part, he now has to take action to opt out.

The reasons for staying in the private pension system, for the respondents, are saving money and the idea that they will not save unless auto-enrolment implemented that is a common outcome of nudge.

#### 4.4 Attitudes towards auto-enrolment

As the second chapter explained the rules and regulations of auto-enrolment in detail, those under the age of 45 and those who start working under the age of 45 were automatically enrolled in a private pension plan by their employers without their consent. In the first two months, employees have the right to decide whether they will continue to save or opt out. If they decide to opt out, they receive their money back after the minimum two-month contribution period. In other words, staying in the system for a period of two months is compulsory.

Most young employees whom I interviewed emphasized the idea that they are capable of saving money for their retirement if they are willing to do. For example, one informant reported:

So, it is not just about it (he refers to the private pension plan). After all, we are people who can do something for ourselves. If it is saving, we can make savings.

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<sup>35</sup> “Yani sebebi de yok aslında. Öylesine duruyorum. Sebepsiz...”

Why would it (he refers to the government) make it for me? I think I do it myself.<sup>36</sup>

(M11, Female, 23, Municipality)

Another example showing that some young employees were aversive to the idea of auto-enrollment is as follows:

I do not agree with that. A person can determine whether or not he or she will be thrifty. I do not think he or she is going to save money like that if a person is not thrifty.<sup>37</sup>

(S4, Female, 22, Shopping Center)

The business expert who saves money through voluntary private pension scheme claimed that she hardly affords her basic needs with the salary she gains:

So, I think it is a difficult situation to make it compulsory. In other words, I do not think that it is good and useful because we are barely affording our basic needs. Anything that is mandatory is bad I think.<sup>38</sup>

(S5, Female, 24, Shopping Center)

Above all, some young people think that auto-enrolment cannot change people's characteristics in a way that they will tighten their belt. Moreover, they think that they are capable of saving money on their own. In closing, the logic of auto-enrolment that to enroll people at private pension system without their consent is contestable for some young employees because they think that they are competent on saving for their future if they firmly believe that they need to do. Nudge theory can be considered as overlooking the fact that people might not want to be nudged.

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<sup>36</sup> "Yani sadece onunla ilgili değil. Sonuçta biz kendimiz için bir şeyler yapabilen insanlarız. Eğer birikimse, birikim. Neden o benim için yapsın ki? Ben kendim yaparım."

<sup>37</sup> "Ben ona katılmıyorum. Bi insan tutumlu olup olmayacağına kendi karar verir. Bi insan tutumlu değilse, bu şekilde onun yatırım yapabileceğini sanmıyorum."

<sup>38</sup> "Yani zorla yaptırılması bunun bence sıkıntılı bi durum. Yani şu anda temel masraflarımızı yani zar zor geçindiriyoken, bi de bunun zorunluluk kapsamında kesiliyo olması ve zorunda bırakılmak bence kötü, yararlı olduğunu da düşünmüyorum. Zorunluluk kısmında yasak kısmında olan her şey bence kötü."

Regarding the government's recent policy proposal to extend the minimum period of opting-out to three years, most respondents, even those who stayed in the private pension scheme, opposed the government's recent statement that the minimum period of opting out of the private pension plan can be extended to three years. For example, one interviewee replied as follows:

I don't think it is a good thing. Maybe I have debts. Maybe, I am scratching along. You know, I do not know... I do not know; it is not true if they cut off my money without asking me. Not true. So, I can make my own savings, (laughs). I mean, I know how to do it. I think it is not necessary.<sup>39</sup>  
(M9, Female, 27, Municipality)

This finding reflects young people's desire to be in charge of their own salary and nudge are contradictory to each other. For they do not feel confident about their future, they cannot foresee what the future will bring for them a few years later:

I mean, how can I tell? It's up to my needs at that moment. For example, a year ago, I didn't need that amount of money (the amount, which was deducted for private pension plan, 3 percent of the net salary). I could keep maintaining my life without this amount. But for example, I'm going to buy a house right now, do you understand this? But if I don't have any debt after 3 years, if I don't need it, why would I opt out? But I don't want to be forced to stay in the system for three years. Because I don't like anything that binds people in this way. People may face different situations. So, I do not think it is a good thing that a person stays in the same thing for three years.<sup>40</sup>  
(M1, Female, 26, Municipality)

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<sup>39</sup> "Bence iyi bi şey değil. Belki benim ona göre bi borcum var. Belki kılı kılına yetişiyorum yani. Hani bunun kesmeleri bana sormadan, benim düşüncemi fikrimi sormadan kesmeleri bence, bilmiyorum yani. Doğru değil. Yani ben kendi tasarrufumu kendim yaparım yani. Yani ne şekilde yapacağımı hani. Bence gereksiz bi zorunluluk diye düşünüyorum."

<sup>40</sup> "Yani şöyle aslında, Nasıl diyim... O anki ihtiyacıma göre. Mesela benim 1 yıl önce, böyle bi paraya ihtiyacım yoktu. Bu olmadan hayatımı devam ettirebiliyodum. Ama mesela şu an hani, ev alcağım için, bu şey olur anladınız mı? Ama 3 yıl sonra borcum bittiyse, ona gereğim yoksa niye çıkayım ki? Ama sistemde kalmamın 3 yıl zorunlu olmasını istemezdim yani. Çünkü bu insanları.. ben bağlayıcı hiçbir şeyden hoşlanmam. İnsanların durumları farklı farklı olabilir. O yüzden bence iyi bi şey değil yani 3 yıl boyunca şey olması, bi insanın aynı şeyde durması."

The young woman asserted that even though she could go without the three percent of her net salary last year, but she needed this amount of money at the time of the interview to pay bank credit to buy a house. A sales representative made a similar statement against this new proposal citing the uncertainty of the future. He asserted that, even though he can receive his money whenever he opts out, the bureaucratic procedure takes about a month that is a long period to receive the money back when he immediately needs that amount of money:

Three years, hard. Because it happened to me as well (a situation in which he immediately needed cash). ... We don't know what's gonna happen today and what is going to happen tomorrow. We need money. We may unexpectedly need to withdraw some cash. Even if you receive back your money, you have to submit a petition. Then you can have it back after a month. It is a difficult situation.<sup>41</sup>

(S10, Male, 23, Shopping Center)

To be unsure about whether he will face a situation in which he immediately needs cash is another crucial point because this imply an uncertainty about both near and distant future. Another employee told that her opposition was not only to the proposal to extend the minimum period of opting-out to three years but to auto-enrolment in general:

As I said, as soon as I started, I just opted out (of private pension plan) in my previous workplace. I have never wanted to do it. I have been here for 2 months. I did not realize I was there. So even after three years, I'll wait for the end of three years and opt out again. So, the issue is not only about this particular thing, but we are people who can do something for ourselves. If this is saving, this is also saving. Why will it (her money) stay there (private pension account) on my behalf? I think I can do it for myself.<sup>42</sup>

(M11, Female, 23, Municipality)

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<sup>41</sup> “Ya 3 yıl zor. Çünkü benim de başıma gelmişti hani. Sonuçta insanlık hali. Bu gün ne olacağımızı, yarın ne olacağımızı bilemiyoruz. Paraya ihtiyacımız oluyor. Aniden çekmemiz gerekiyor. Hani o konuda direkt çok cüzi bi miktarı geri alabiliyoruz. Onu da rapor dolduruyolar 1 ay sonra geri alabiliyorsun. Öyle zor bi durum var.”

<sup>42</sup> “Yani şimdi hemen anında çıkış yapan birisi olarak, hani öncekilerden de, dediğim gibi önceki iş yerimde hemen çıkmıştım. Direkt mesela işte hiç istemedim. Burda da 2 ay dalgınlığıma geldi yani. Bi anda orda olduğumun farkında değildim. Yani sonuç olarak 3 yıl olsa bile 3 yılın sonunu bekleyip yine çıkarım. ... Yani sadece bunun özelinde değil sonuçta kendi kendimize bi şeyleri yapabilen insanlarız. Birikimse birikim. Benim yerime neden orda durcak. Ben kendim yaparım bence.”

An architect who works in the municipality claimed that it would be more plausible to make the mandatory period seven or eight months rather than three years:

In my opinion, it (three years) is too long. For example, 150 Turkish Liras are deducted from your salary. However, you may need even that 150 TL. In such circumstance, I may need to withdraw my money. I do not know... Seven or eight-months seem plausible, but three years is too long.<sup>43</sup>  
(M14, Female, 29, Municipality)

Even the twenty-five-year-old sales representative, who previously claimed that she was unable to start saving if the auto-enrolment was not implemented and thus stayed in, was hesitant toward the proposal of extending the time limit to three years. She referred to health problems and changes in marital status as possible circumstances at which she would need money immediately:

I do not think it is positive, because I have got my savings now. But for example, my family might face health problems, or I might have a situation like marriage. For example, I should be able to withdraw when I want to. You know the world... I don't know what happens. That's why I think so.<sup>44</sup>  
(S8, Female, 25, Shopping Center)

A sales representative also opposed to a possible extension of the minimum period for contributing in the private pension plan as follows:

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<sup>43</sup> “Bence çok uzun olduğunu düşünüyorum. Çünkü o süreçte, yani, az parada.. yani şimdi diyelim ki, 150 falan kesiliyo. Ama belki bişey olabilir, o 150 TL ye bile ihtiyacım olabilir. O anda ayrılmak isteyebilirim. Bilmiyorum, hani böyle 7-8 ay falan olsa mantıklı. 3 yıl çok uzun.”

<sup>44</sup> “Olumlu düşünmüyorum çünkü benim şu an birikimim var. Ama mesela ailemin sağlık sorunları olur veya evlilik gibi bi durumum olabilir. Mesela ben bunu istediğimde çekebilirdim. Hani sonuçta dünya hali. Ne olacağı belli olmaz. O yüzden böyle düşünüyorum.”

That is ridiculous. Very ridiculous. The company I work also made automatic-enrolment. Then it returned it when I opted out. It is ridiculous, because, I have to decide if I will save money or not. It is up to me. The state has not given me a good salary. And it will be compulsory for three years? I am very opposed to this. That is what my mother said. So, either it (the government) has to raise the salary and deduct money from it or I think people should make their own choices.<sup>45</sup>

(S11, Female, 26, Shopping Center)

The employee cited above emphasized that extending time period for staying in the private pension plan could only be acceptable if salaries would be increased. Otherwise, she thinks, the government should respect individual freedom over the spending and saving decisions.

A sales representative argued that if the government would increase the compulsory period of saving in the private pension plan, the information about how the accumulated money would be used in this period should be transparent. Although she objects to a possible decision of increasing this period, she insisted on the need for greater transparency:

I need to think about what is going to happen to this money for three years. The state has to clearly explain this. We need to know transparently how and where the state invests this money. But I do not think that anyone would want his or her money to be cut off for 3 years when he or she does not want it. So, I do not think that ... makes sense. Making it mandatory is also the same. Every person should decide with free will. I think it should not be mandatory at all.<sup>46</sup>

(S6, Female, 23, Shopping Center)

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<sup>45</sup> “Çok saçma. Çok saçma bizim butik de otomatik katılım yaptı. Sonra geri iade etti ben çıkış yaptığımda. Çok saçma çünkü ben istediğim zaman ben birikim yaparım ya da yapmam. Devletin zaten bana verdiği artı büyük bi maaş yok. Bi de benim maaşımdan kendisi 3 yıl zorunlu tutuyo. Ben buna çok aykırıydım bi ara. Annem de bunu söylüyodu çünkü. Yani ya maaşı arttırması lazım bunu düşünüyosa eğer, o birikimden kesmesi lazım, ya da insanların tercihine bırakması lazım diye düşünüyorum ben.”

<sup>46</sup> “Bu paraya 3 yıl boyunca nolcak, bunu düşünmek lazım. Devletin bunu açık bi şekilde açıklıyo, şeffaf bi şekilde hani bu parayı napıyo, nasıl yatırıyo, nasıl yatırımlarda bulunuyo, onu bence bilmek lazım ama sanmıyorum hani kimsenin maaşından 3 yıl boyunca istemediği halde para çekilmesinin, böyle bi prosedürün mantıklı olduğunu düünmüyorum yani.”

On the other hand, another sales representative claimed that such possible decision of extending the time has its both advantages and disadvantages. It will be advantageous because people can prefer continuing to save after staying in three years, while it will be disadvantageous for the people who have financial burdens.

This is a bad thing. Because there are people like me in this circumstance (financial difficulty). That is what I am saying. Now I am waiting for two months (to opt-out). But I have not even wanted my money to be cut at all. So, I have canceled. Three years is a long time. For example, a person is going to pay for three years. In fact, it is obligatory. After three years of payment, then the man may say: "I have already paid for three years, so I can continue to pay a little more." Because you are getting used to it after a while. This is good on the one hand but bad on the other. I can say it like that.<sup>47</sup>  
(S12, Male, 26, Shopping Center)

The quote above stating that a person's getting used to his or her default situation of contributing to the private pension plan is an example of what Thaler and Sunstein (2008) called as status quo bias.

One of the sales representatives stated that it might be a plausible policy decision to extend the minimum period of saving to three years because it would help people to save money:

I think it makes sense. Even if you will take it back after three years, you are going to have a lot of money. If it cuts some money up to three years, maybe he or she will continue to save. I think it is a good decision.<sup>48</sup>  
(S9, Female, 30, Shopping Center)

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<sup>47</sup> "Kötü bi şey. Yani benim gibi insanlar da var aynı şekilde. Bu durum içinde öyle söyliyim. Şimdi ben 2 ayı bekliyorum. 2 ay sonra iptal edim ki, düşük bi para kesiliyo yani onun kesilmesini bile istemiyorum yani. Bu durumda olan başka birileri de şimdi... benden sonra... yani ben iptal ettiğim için, 3 yıl uzun bi süre. Adam 3 yıl sürekli ödeme yapacak. İster istemez mecburiyete sokuluyor aslında. 3 yıl ödeyen O zaman adam der ki, 3 yıl ödemişim zaten biraz daha devam edeyim. Alışiyosun çünkü bi süre sonra ödemelere. Bi yandan iyi bi yandan kötü. Öyle söyleyelim."

<sup>48</sup> "Bence çok mantıklı olmuş. En azından 3 yıl sonra çıksa bile eline toplu bi para geçicek. 3 yıla kadar kesilirse belki devam edicek. Bence çok iyi bir karar."

Lastly, only one of the respondents from municipalities, an architect working in the municipality, stated that she would not object even if the private pension system becomes compulsory.

If it is compulsory, I will not bother. You know, I do not have any other choice, because no one has the responsibility. In the previous one, I have the right to choose. ... But if it becomes compulsory, we will not show an extreme reaction.<sup>49</sup>

(M2, 28, Municipality)

To conclude, most participants opposed the policy proposal to extend the compulsory participation period to three years in the private pension system, even if some of them decided to stay in the private pension plan. However, a few respondents suggested that such a decision might also have a positive impact, as it would lead to higher savings.

#### 4.5 Reasons for trust and mistrust

In this part of the thesis, the reasons for trust and mistrust towards private pension plan that respondents indicated are analyzed.

##### 4.5.1 Mistrust

Participants provided eight different reasons why they did not trust private pension system: 1) Mistrust towards banks and private insurance companies, 2) lack of information, 3) the unstable financial circumstances of the country, 4) the concern that the government may not protect their private savings, 5) high rate of inflation, 6) the fact that private pension system is new, 7) the fear of the elimination of public pensions, and 8) personal belief systems.

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<sup>49</sup> “Zorunlu olursa, ben sıkıntı etmem. Hani başka bi seçeneğim olmadığı için, onda bi mesuliyet de olmamış olur birisinde. ... Ama zorunlu olursa da aşırı bi tepkimiz olmaz.”

As an example of the mistrust towards private companies, a civil servant claimed that she did not trust banks and private insurance companies because she thought they always find a way to cut money.

Of course, I do not know what the outcome will be. For example, I cannot believe it (private pension) as much as I believe I will receive a public pension when I am retired from the public pension system. I also do not know how to get that money, for example, if I need (that money) right now. In addition, banks always know how to cut money from out of blue. I am afraid that it (the money I saved for years) will come back to me with deductions. So, I do not trust a little, yes.<sup>50</sup>  
(M12, Female, 30, Municipality)

Likewise, a sales representative claimed that he does not trust private companies. First, he stated that if they go bankrupt, he was not sure whether he could receive his money back. Second, he also referred to uncertainty and chaos in the financial environment of the country:

There are some issues in the private pension system that makes me curious. ... I'm not a risk-taker. Obviously, I think these private companies will go bankrupt. ... I do not know if the people who invest in are going to be victims, but these are my concerns. It seems like there is chaos and uncertainty. You know, after a long time, after you put your money in four or five years, how will you follow? Who is going to take care of your money?<sup>51</sup>  
(S2, Male, 29, Shopping Center)

The last point he mentioned is the fact that there is not a qualified feedback mechanism regarding private pension systems. As OECD (2018) also reported, good financial

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<sup>50</sup> “Tabi, sonucunun ne olacağını bilmiyorum. Mesela, o kamusal emeklilikte normal emekli olduğumda işte bana emekli parasının geleceğine inandığım kadar, ona inanamıyorum. Bir de mesela şu an lazım olsa o paraya nasıl ulaşabilirim onu da bilmiyorum. O yüzden. Bir de hani bankalar her zaman bir yerden para kesmesini bilir ya, bunun da öyle kesintilere uğrayarak benim elime gelmesinden korkuyoru. Ya da yani biraz güvenmiyorum evet.”

<sup>51</sup> “Bireysel emeklilik sisteminde beni çekindiren konular var. ...ben garantici bi çocukmuşum. Risk almayı sevmeyen biriymişim. Açıkçası bu özel şirketlerin batacağını düşünüyorum. ...Bu kadar insan mağdur olur mu olmaz mı bilmiyorum ama. Çekincelerim bu. Zaman, yani bi belirsizlik bir kaos ortamı var sanki. Hani uzun süre şey olduktan sonra, para yatırdıktan sonra, 4-5 sene sonra, nasıl takip edeceksiniz? Kim sizinle ilgilenecek?...”

information is crucial. Limited knowledge on private pension systems can affect trust towards it.

The unstable economic circumstance of the country affected the attitude of a young employee toward the private pension in a negative way.

I mean, it's about retirement years. Just because I do not know how much I am going to accumulate; it is about whether that money will be enough for us or not. Because the country's economic situation is also relevant. I do not know how it is going to be in the future. I do not know if that money will be sufficient at that time. To what extent will it be beneficial for me?<sup>52</sup>  
(M8, Male, 27, Municipality)

Similarly, another respondent referred to the unstable financial condition of the country is the rate of inflation last year in explaining her mistrust. Informants were generally aware of the high inflation rate of 2018, reaching about 20 percent ratio (Trading Economics, 2018).

...I do not find it (private pension plan) very efficient in terms of inflation. I mean, I do not know much, but I do not want to use it there (in a private pension account) for so long. And price changes in the last period... the shortage of salary... these are all the effects.<sup>53</sup>  
(S2, Male, 29, Shopping Center)

Mistrust towards the government is also among the reasons for mistrust towards the private pension system. The young business expert worried about the fact that the government might not protect her savings in case of the state of emergency or financial crisis.

I guess, I think there is a claim that the money is accumulated for us, but it may be confiscated by the state. Maybe, I am worried about this. In any extraordinary

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<sup>52</sup> Örnek veriyorum yani emeklilik yıllarıyla alakalı yani. Tam ne kadar birikeceği için o paranın ilerde bize yetip yetmeyeceği ile alakalı. Çünkü ülkenin ekonomik durumu ile de alaklı. İlerde nasıl olacağını da bilmiyorum. Yani o günkü paralar o zamana yeter mi bilmiyorum. Ne kadar faydası olabilir benim için.”

<sup>53</sup> “...Enflasyon açısından da çok verimli bulmuyorum açıklası. Yani çok da fazla şeyim yok, çok da fazla bilgim yok ama çok uzun süreler burda değerlendirmek istemiyorum o parayı. Bi de son yaşadığımız dönemdeki fiyat farklılıkları falan. Maaşın azlıkları falan hep buna etki.”

situation, the money accumulated can be confiscated. There are examples of this situation. It can also happen now, I can say.<sup>54</sup>  
(S6, Female, 23, Shopping Center)

Another reason for young employees' mistrust towards the private pension plan is its novelty. A municipality employee stated the reason behind her mistrust towards the private pension plan:

Maybe, the private pension is a new system and that is the reason. You know, I cannot see the results. That is why I do not trust. But maybe some years later, the private pension might be considered as normal. I mean the reason may be that it is new.<sup>55</sup>  
(M2, Female, 28, Municipality)

People cannot yet observe the results of the private pension system. On the contrary, they have more concrete views on the public pension system. Even though the participants are young, they knew more about the public pension system because they experienced the outcomes of this system through their family members or the people they knew such as colleagues and friends.

Another reason why some respondents do not trust private pension plan is their religious belief that earning interest from money is forbidden. One respondent continued as follows:

I also look at the bank's interest-free transactions. It is important which bank you choose. So, my preference would be the Z Bank. Because Y Bank and X Bank charge interest. So, I would not prefer my money being charged interest and being used in that way. So maybe if we worked with Y Bank, I would save... In other words, maybe they will not use my money in that way but then? My money

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<sup>54</sup> “Bi şekilde şey sanırım, o paranın bizim için biriktirildiği konusunda, bizim için birikim yapıldığı konusunda bir iddia var evet ama bu biraz da devletin tek elinde olabilir. Belki hani bu endişelendiriyor beni. Herhangi bir olağanüstü durumda hani o paralar hiç bizim değilmiş gibi el konulabilir. Bunun örnekleri oldu belki şimdi de olabilir. Bu diyebilirim.”

<sup>55</sup> “...Belki bireysel emeklilik daha yeni bi sistem. Hani sonucunu henüz görmediğim için bi güvensizlik olabilir ama belki yıllar sonra bireysel emeklilik de aynı şeyi uyandırabilir insanlarda. Ondan kaynaklanıyo olabilir yeni bi sistem olduğu için.”

is also in this flow. It will be used in that way at the end of the day. So, I and my husband think that our money can be used in interest.<sup>56</sup>

(M2, Female, 28, Municipality)

As it is revealed in the quote above, she has the personal belief that earning money from interest is not just. Even if she is not totally against the private pension system, her belief system undermines her trust towards the system. Thus, she opted out and started to invest in another saving mechanism mainly gold accounts, dollars, and real estate.

The anxiety about the possible elimination of the public pension system is another factor threatening the trust towards the private pension system. For example:

I mean, I was confident before the implementation of the private pension. But the private pension is specifically encouraged ... Is there something else behind this? Especially in some countries, they say that there is no normal pension system (She refers to the public pension system) and instead of the public one, everyone is in the private pension system. You know, it makes you to worry a little bit. I wonder if it would be something like that, in the future. It can be totally mandatory... I wonder if certain things change in the future like it become mandatory. But I trust that, of course. Everyone receives their money as a pensioner so far.<sup>57</sup>

(M1, Female, 26, Municipality)

The architect in the municipality expressed both trust and anxiety. She claimed that she trusted the public pension system more before private pension system started to be encouraged too much lately.

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<sup>56</sup> “Bankanın hani faiz ve faizsiz işlem yapmasına da bakıyorum. Hangi banka olduğu önemli. Yani tercihim Z Bankası olur. Y, X Bank gibi bankalarda ister istemez faiz için içinde olduğu için, o bankalarda paramın durmasını, o yollarda kullanılmasını... benim kişisel bi düşüncem ama eşimle biz bu yönde düşündüğümüz için de biraz geri çektik. Yani belki Z Bankası olsaydı, olsun yine biriksin yani bişekilde... Yani bizim paramızın üzerine belki işlemez ama nolur? Bizim paramız sonuçta dönen bi para. O parada kullanılacak. Başkasının faiz işlerinde kullanılabilir diye düşündük.”

<sup>57</sup> “Yani şöyle. Bu bireysel emeklilik olmadan önce güveniyodum. Ama özellikle bu teşvik edilmesi filan... Acaba başka bişey mi var bunun altında? Özellikle, bazı ülkelerde şey olduğunu söylüyorlar işte. Normal emekliliğin çok olmadığını, bu kamusal emeklilik sisteminden çok herkesin bu özel emeklilik sisteminde olduğunu. Hani bu biraz insanı şey yapıyo, işkillendiriyö. Acaba bunun ilerde, hani böyle özellikle zorunlu hale gelmesi... Acaba ilerde belli başlı bazı şeyleri değiştirecek mi filan diye bişey yapıyo tabi ama güveniyorum tabi ama. Şu ana kadar kimse de emekli olarak parasını almamış değil.”

Lack of trust towards banks and private companies, the ongoing economic crisis in the country at the time of this study, the concern that the private savings might not be protected by the state and overall mistrust towards the government, the fact that the system is new, the anxiety of elimination of the public pension system, and religious values are the causes of mistrust.

#### 4.5.2 Trust

The reasons for trust that respondents stated can be divided into two: 1) trusting the state and 2) flexibility of payments and withdrawals.

The informants who trusted the private pension plan told that they trust, as the state is the guarantor, despite the fact that they simultaneously expressed some worries about it. Two examples from the interviews conducted in the municipalities are as follows:

Yes, I trust because it's a state-sponsored system. It's a system that relies on certain laws. So, I trust, yes.<sup>58</sup>  
(M5, Male, 27, Municipality)

I have to trust but I don't know because I didn't search it well. However, for there is state guarantee, I trust it as well.<sup>59</sup>  
(M7, Female, 29, Municipality)

The sale representative also trusted the private pension plan for a similar reason:

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<sup>58</sup> "Evet güveniyorum çünkü devlet destekli. Belirli kanunları olan bir sistem. Güveniyorum evet."

<sup>59</sup> "Güvenmem gerekiyo ama bilmiyorum. Çünkü iyi araştırmadım. Ama devlet garantisi olduğu için, ona da güveniyorum."

The reason why I trust is this: I am aware of the money flow but after twenty years, I don't think that they will expropriate that money. I mean, for example, after twenty years, when I deserve to be retired, I don't think that the state will take away my right. Maybe, I don't want to think like that.<sup>60</sup>  
(S1, Male, 26, Shopping Center)

He trusted the private pension plan because he trusted the state in the sense that the state will not take away his legal right as a pensioner.

Observing that people could get their money when they opted out made them confident about the private pension system. Moreover, to be able to control their payments in the private pension system makes young people comfortable and trustful towards it. For instance:

I trust private pensions because it is under my control. I mean I can withdraw it whenever I want meaning that since I can withdraw it after a certain year, I can trust it. Because I can receive my money back.<sup>61</sup>  
(S12, Female, Shopping Center)

She claimed that she trusted the private pension system because she knew that everyone could get his or her money back in the end.

Furthermore, some participants stated that they trusted the system but financial problems they faced prevent them to participate in the private pension plan. In other words, trust is a necessary but not sufficient factor that explains people's participation in private pension plans. Although it is necessary for increasing the rates of participation in the private pension system, as Foster (2017) claimed.

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<sup>60</sup> "Ya sebebinin olmaması şü; Özel sektörde çalıştığımız için hep bu aynı işyerinde kalamayacağımızı düşünüyorum. Bu da e tazminatımızı alcaz ya da almıcaz... Bi devlet dairesinde çalışmıyoruz. Emekliliğe kadar tek bi iş hayatında yaşamımızı sürdüremeyeceğimiz için, yani tazminat konusunda bi faydasının olmayacağını düşünüyorum. Yani tabiki de, yaşlandığımızda, hastanelerimizde, işte emekli maaşımıza etkisi olacak tabi."

<sup>61</sup> "Bireysel emekliliğe güveniyorum çünkü kendim, kendi kontrolüm altında yani. İstedğim zaman çekebilirim derken, belli bi sene sonra çekebileceğim için, güvенеbildiğim bi yer. Çünkü verdiğim parayı geri alabiliyorum."

#### 4.6 Comparison of young workers' attitudes toward private and public pension plans

Lack of knowledge about the difference between two types of pensions, the flexibility of private pension plans, and private pensions are not life-long incomes were three issues that appeared in the interviews regarding the comparison between public and private pension plans.

Most young employees reported that they do not know the difference between public and private pensions. As a result, most informants felt incompetent in responding to this question. Within these limits, their comparisons revolved around the fact that private pensions do not provide lifelong incomes, while public pensions are regularly paid until they die:

Now, the government is taking my money for ten years. I am curious about this. I mean that is just a question mark in my head: Will it pay me the money until I die? No, no! I guess it gives me back for the number of years I invest. ... But retirement is not like that. I mean, the normal retirement. Public pension is a very nice thing. Until death! Even if you die, your heirs can receive it.<sup>62</sup>  
(M1, Female, 26, Municipality)

I do not know much. I do not know about public pension either. I do not know the difference between them. I guess you receive a lump-sum payment when you retire. Is not it like that? I mean, I guess so. When you retire, you benefit from the insurance (she refers to public pensions). Then, the private pension system is like refunding. It was clear that it was necessary for me to investigate more.<sup>63</sup>  
(M7, Female, 29, Municipality)

Some informants found that the flexibility of the private pension plan is its advantageous feature. One of the sales representatives, for example, compared the

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<sup>62</sup> “Şimdi benden 10 yıl alıyo ya mesela parayı, bana... ben onu merak ediyorum. Bi tek kafamda soru işareti o mesela. Ondan sonra ölene kadar mı veriyo o parayı? Yoo... Yooook yani çektiğim süre kadar veriyo heralde. O sistemle veriyo yani. Öyle çok da bi şey yok. Ama emeklilik öyle değil, yani normal emeklilik. Kamusal emeklilik. Çok güzel bişey... Ölene kadar. Hatta ölüyosun, varislerine filan kaşıyo. Öyle güzel bi şey yani.”

<sup>63</sup> “Çok bilmiyorum. Kamusal emeklilikle ilgili de pek bilmiyorum. Arasındaki farkı aslında biliyorum. Şey bireysel emeklilikte sanırım çıktığında toplu para alıyosun. Böyle değil mi? Bi para biriktirme yöntemi gibi bi şey mi acaba? Yani ben öyle sanıyorum. Emekli olduğunda zaten sigortadan yararlanıyosun. O zaman o bireysel emeklilikte para iadesi herhalde. Araştırmak lazımmiş belli oldu.”

politically determined levels of public pensions with flexible saving arrangements in private pensions:

For example, I have my own individual pension plan. The more I pay, the higher I can get back. But I guess when you're retired from the SSI, the state gives you a certain amount of money. And if the state wants, it sometimes raises the pensions.<sup>64</sup>

(S11, Female, 26, Shopping Center)

To conclude, respondents claimed that they have limited knowledge about the difference between public and private pension systems. Respondents who have some knowledge pointed at the fact that public pensions provide life-long income, but the private pensions depend on how much they contribute and flexibility of the private pension system as a positive feature of the system compared to public pensions.

#### 4.7 Conclusion

This chapter presents the thematic analysis of twenty-nine in-depth interviews with young workers regarding their attitudes towards the private pension plan in Turkey. Interviews covered the following issues: retirement and pension attitudes in general, the knowledge of private pension system, their motivations for opting-out and staying in the private pension system, their attitudes towards auto-enrolment in the private pensions, their responses to the recommendation that the minimum period of opting out of the system will be extended to three years, reasons for trusting and mistrusting the private pension system, and the comparison between public and private pension systems in the eyes of young workers.

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<sup>64</sup> “... Mesela benim kendi bireyselim var ya, ne kadar çok yüksek ödersem o kadar çok toplu geri alabiliyorum. Ama sanırım devlette belli bi bütçe içinde sana veriyolar SGK’dan emekli olduğunda. Arada sırada canları isterlese de işte, şey, emekli maaşına zam yaparlarsa diyebilirim.”

Myopic attitudes towards retirement due to current financial needs, changing in the living standards due to some specific life events such as marriage and having kids, finding pensions limited and low, high retirement age, the gap between the retirement age and the minimum period of contribution were observed among the participants. Dynamic inconsistency, as explained in the second chapter, which means thought and action do not fit each other was also another behavior among the respondents regarding planning to save for retirement. Both myopic attitude and saving can be observed among the respondents. Last, for some respondents who save stated that they save for the near future in case of emergency.

Twenty out of 29 respondents decided to opt out of the private pension plan. The reasons for opting out are current financial needs, preferring other saving mechanisms over the private pension plan, the fact that the private pension plan does not provide a life-long income, high retirement age, and following the herd, mainly peer pressure and the spotlight effect. On the other hand, young people who preferred staying claimed that they consider the private pension plan as a saving mechanism for the near future. In other words, since they know that they can opt out whenever they need money, they prefer staying in for now in order to save for possible cases of immediate need for cash such as health issues, buying a house, having children in the future. Therefore, nudge can be considered as main reason for most respondents who stayed in the private pension plan while saving money for the near or the distant future is the second reason for staying in.

Regarding the auto-enrolment, most respondents stated that they are competent on saving for their future if they believe that it is necessary for them. In other words, they seem to be opposed to the nudge because they thought that they are capable of

making their own savings. In this sense, nudge seem to overlook the idea that people are willing to regulate their own conditions in savings. All respondents, except two, opposed the idea that the minimum period for opting out could compulsorily be extended to three years. They explained their opposition based on their aversion towards involuntary deductions from their salaries and their feeling of insecurity towards the future.

Most respondents trust the public pensions more than private pensions in securing a regular income source in their old age. Some of them also trust the private pension system because they think that the state guarantees that they will receive their money back. In other words, their trust in private pensions is a derivative of their trust in the state. Respondents who do not trust private pension plan mentioned that lack of knowledge about the private pension system, the current financial crisis of the country, the fact that the private pension plan was newly established, religious beliefs, and the fear of the total elimination of public pension system are particular reasons that underlie their mistrust.

Most respondents fail to identify the differences between public and private pensions. Regarding the comparison between public and private pension plan, the fact that public pension plan provides lifelong income after retirement is the first topic that the respondents discuss. Second, flexibility in saving arrangements of the private pension plan is perceived advantageous, as they will receive how much they contribute in the future.

The results of this study not only exemplify how nudge works for some but also points to the limits of nudge applications in private pensions. Nudge works well for some because some respondents claimed that they could not start to save without auto-enrolment. Nevertheless, some respondents underlined the fact that they could not afford

saving three percent of their salaries for private pension plan, which shows how nudge misses the contextual factors that might limit the choices available for individuals. Finally, the study also demonstrates that trust in the government and the broader economic context shapes how nudges are perceived by individuals.

## CHAPTER 5

### CONCLUSION

This thesis offers a qualitative analysis of the attitudes of young workers in Turkey towards private pension plan. In doing so, the thesis specifically focuses on the following components of pension attitudes: the factors that young workers refer to in explaining their decisions to stay in or opt out of the private pension plan, how young workers see auto-enrolment in private pension plan, and how and to what extent young workers' view on public and private pensions differ.

To understand the attitudes of young workers towards the private pension system in Turkey, this thesis relied on the qualitative research that includes 29 semi-structured face-to-face interviews conducted with formal young workers in two types of workplaces in the public and private sectors. The interviewees were recruited by snowball sampling method from two types of workplaces in the public and private sectors: municipalities and shopping centers.

The global aging crisis has resulted in debates about the sustainability of pension systems all over the world. With the advice of international organizations, many countries have undergone diverse forms of privatization of pension systems. These changes in pension systems put young people in a vulnerable position in securing income maintenance in their old ages. Young people, on the one hand, face a double burden in contributing to both public and private pension schemes in countries with multi-pillar pension systems. On the other hand, Foster (2017) finds that young people today are under-savers. In addition, young people's vulnerable position with respect to their chances of securing income maintenance in their old ages also derives from their

employment trajectories. Following the footsteps of Deeg (2007), the thesis treats pension systems and labor markets as complementary institutions. Therefore, employment trajectories of young people are considered as one of the factors that shape their expectations and views about retirement and the pension system.

Despite sharing the trend of demographic aging, Turkey still has a higher ratio of young people compared to most OECD countries. Nevertheless, Turkish pension system has been undergoing significant transformation since late 1990s. Since the establishment of the Republic of Turkey, Turkish social security system has been institutionalized gradually. Before the comprehensive reforms in late 2000s, social security system was characterized with its fragmented structure. Before 2008, there were three different social security institutions in Turkey. In 1946, the Social Security Institution (SSK) which covered workers was established. Three years later, in 1949, the Retirement Fund (ES) was established. ES covered only civil servants. The Social Security Institution of Craftsmen, Tradesmen and Other Self-Employed People (Bağ-Kur) was established in 1971. Bağ-Kur covered self-employed people and farmers. Besides, ES provided the highest levels of benefits of health care, pensions, and disability. The benefits of SSK and Bağ-Kur, compared to ES, were relatively lower. In addition, the mismatch between the employment-based social security system and the labor market structure that failed to increase female employment and abolish informal employment resulted in the exclusion of a significant part of the population from retirement benefits. Since the 1990s, Turkish social security funds started to face the problem of sustainability. Having one of the youngest populations, the fiscal problems of social security system in Turkey resulted from the inefficient usage of pension budget, low retirement age, and the structural problems of the labor market rather than the aging crisis.

To eliminate the fragmented structure of the social security institutions, three main reforms were introduced in Turkey since 1999. In 1999, the retirement age was increased to 52 for women and 56 for men. Before the reform, full contributions of 20 years for women and 25 years for men were sufficient to be entitled to receive pensions. Turkey also took steps towards introducing privately administered defined contribution pension schemes. In 2001, the voluntary pension system was introduced. With the social security reform in 2008, three fragmented social security institutions were unified. In addition, retirement and health insurances were separated from each other. With the new law, the retirement age was gradually increased to 65, meaning that in 2048 both men and women will retire at the age of 65. After introducing the voluntary pension schemes in 2001, the auto-enrolment of the private pension plan was introduced in 2016. Since the beginning of 2017, those who are under 45 years old gradually participated in the private pension plan by January 2019.

High ratio of economic growth after the 2001 economic crisis, however, was a jobless growth. Insecure work conditions were accompanied by high rates of unemployment around 10 percent for the general population and around 20 percent for young people.

The 2008 social security reform, as Saydam (2017) asserted, did not pave the way to an improved compatibility of the social security system and the labor market. On the contrary, the gradual increase in the retirement age and the extension of minimum period of contribution have aggravated workers' chances of reaching retirement. Decreased replacement rate in public pensions, coupled with the negative implications of the ongoing 2018 financial crisis such as the depreciation of Turkish lira against foreign

currencies and about 25 percent of inflation rates undermined the income security that public pensions would have provided.

This transformation in the Turkish pension system also led to the incorporation of a private pension pillar into the Turkish pension system. While the private pensions were first introduced as optional in 1999, with the recent changes in 2017, automatic enrollment was introduced for workers under the age of 45. Against this background, this thesis investigates the opinions and expectations of young workers about the private pension scheme. Understanding the attitudes of young workers towards the private pension plan helps us to draw a better picture of the challenges that young people face today.

This thesis offers an analysis of young workers' attitudes towards the retirement, their knowledge of private pension plan, their motivations for opting out and staying in the private pension plan, their attitudes towards auto-enrolment, their reasons for trust and mistrust towards the private pension plan and finally their views on the differences between public and private pensions.

Concerning the attitudes towards retirement, the fieldwork of this thesis showed that young people mostly have a myopic attitude towards retirement. The previous literature demonstrated that the origins of young people's myopic attitude towards retirement may include a wide array of factors: their shortsightedness, their "tendency to live for the moment" their current financial needs, precarious work conditions and feelings of insecurity and uncertainty towards future.

In Foster's article (2017), it can be observed that young people in the UK also have a myopic attitude towards savings in the sense that their current financial needs precede saving for the future. Petigrew (2007) found that young people have a high

tendency to live for the moment such as spending money on goods that they need and being social with their friends. Moreover, in the study that Foster (2012) conducted with 30 young women in the UK, he concluded that young women concentrated on today's financial needs and business plans rather than planning to save for their future. In addition, Guiso et al (1995) found out that those who are far from retirement have the most uncertainty about pensions in Italy. Dominits and Manski (2006) found that younger people tend to be more uncertain about the sustainability of pension benefits comparing to the older ones. Saydam's study (2017) also identified the institutional incompatibility of the labor market and social security system after the reform. This thesis also supports Saydam's findings by showing that young workers' insecurity towards future might have led them to adopt myopic attitudes towards retirement. According to Delavande & Rohwedder (2011), eligibility criteria for retirement and pension benefits are the common concerns resulting in uncertainty towards the pensions in the US. O'Donnell and Tinios (2003) also investigated public opinion regarding the public pension scheme in Greece. They asserted that since the uncertainty about the public policy system in general in Greek, people feel insecure regarding Greek public pension scheme as well. In line with above-mentioned studies, this thesis also showed that young workers in Turkey have myopic attitude and face uncertainties towards retirement. Consequently, the uncertainties that people have towards the future also might boost the myopic attitude towards retirement in general.

Most respondents claimed that they do not have adequate knowledge about private pensions. Regarding the knowledge of private pension scheme, internet, meetings, call-centers, acquaintances were found as the primary sources to gain knowledge. Yıldız et al. (2017) found out that financial literacy and withdrawal

probability have a positive correlation with each other in Turkey. Chlon (2000) found out that people tended to select the first private pension plan that they came across due to lack of knowledge in Poland. Likewise, Foster (2017) claimed that only three young people out of thirty stated that they have sufficient knowledge about pensions. Finally, the knowledge acquired from family and accountancies may not have technical knowledge and expertise (Berry, 2011), which results that they found the knowledge of private pensions inadequate (Foster & Heneghan, 2017). Moreover, Peggs (2000) found out that information regarding pensions most of the time is used as marketing strategies to sell pension schemes to the customers. This fact might be a common threat needs to be taken into consideration while guiding people to invest in private pension plans. Furthermore, establishing new channels of knowledge needs to be considered for young people to acquire more expertise knowledge regarding the private pension system in the future because limited knowledge might lead opting out and mistrust towards private pension plan resulting in unsustainability of private pension systems as it will be discussed in this chapter.

Secondly, the fieldwork of this thesis showed that most respondents opted out of the private pension system due to the following four reasons: 1) they find the retirement age of the private pension plan -which is 56- high, 2) their current financial needs hamper their saving prospects, 3) they opted out because other people they trusted opted out, and 4) they preferred other saving mechanisms over private pension plans. Some of the respondents who opted out of the system argued that they are aware of the importance of saving for the future, but they had to opt out due to the reasons above. To illustrate all these assumptions of the theory of Nudge to the private pension plans, specifically auto-enrolment, it can be asserted that, as Thaler and Sunstein argued,

people are aware of the fact that they should save more. According to Thaler and Sunstein, this makes people open to being nudged.

Young people who preferred staying in the private pensions claimed that they considered a private pension plan as a saving mechanism for the near future rather than a saving for their old age. In other words, they preferred staying with the expectation that they can opt out when they need money in case of an emergency such as health issues, buying a house, having children in the future. Although utilizing auto-enrolment as status quo bias increased the participation rate of the private pension plan according to Thaler and Sunstein (2008), the ratio of the participators has not been even above 50 percent in Turkey. This evidences that the social and economic factors beyond the individuals' control such as economic crisis and job insecurity can alter the way people perceive nudge and how nudge works.

Young worker attitudes towards auto-enrolment can be divided into two; 1) the claim that they are competent to save on their own and opposition to the recent proposal to extend the minimum period of compulsory saving to three years. The first one is the opposition claiming that they are capable of saving their own money on their own. In other words, most respondents disagree with the state's claim that auto-enrolment is required to direct people to save for the future. Second, regarding the recent government proposal to extend the minimum period of compulsory saving to three years, most respondents –except two- expressed their disagreement. Opposition to anything that binds people and insecurity towards the future were the main reasons behind this attitude. According to the research that Anadolu Hayat Emeklilik conducted, one of eighteen individual pension companies in Turkey, since young people are uncertain and anxious towards future, those who are aware of the significance of saving for the future

tend to save more (Cumhuriyet, 2018; Haber Turk, 2018). On the contrary, this thesis showed that those who are displeased with the possibility of extension of the minimum period for opting-out stated that they were not willing to pay contributions because they are uncertain about the future. In other words, since the respondents are uncertain and anxious towards future, they do not want to contribute to the private pension plan. It is true that the respondents are not indifferent and certain about the future as it was stated in the research that Anadolu Hayat Emeklilik conducted. However, being uncertain and anxious towards future does not necessarily increase the number of those who participated in the private pension plan accordingly.

Lastly, the thesis also provides evidence that auto-enrolment in fact works for some in increasing their savings. Two respondents alleged that they would not be able save unless auto-enrolment began. Likewise, Foster (2017) stated that some respondents alleged that they participated in the private pension plan just because it was automatic, and they were not willing to opt out due to the bureaucratic procedures to cancel it. Thus, when auto-enrolment becomes the status quo bias, it increases the rate of participation (Thaler & Sunstein, 2008; Foster, 2017). However, young workers' current financial needs hampering their saving prospects and they preferred other saving mechanisms over private pension plans due to their personal belief mechanisms prevent them to stay in the private pension plan even if they are willing to do. In this sense, it can be said that nudge does not work for those young workers.

About the question regarding trust and mistrust, most of the sales representatives working in shopping centers stated that they do not know the difference between public and private pension plan. Respondents provided eight different reasons why they did not trust private pension system: 1) Mistrust towards banks and private insurance

companies, 2) lack of information, 3) the unstable financial circumstances of the country, 4) the concern that the government may not protect their private savings, 5) high rate of inflation, 6) the fact that private pension system is new, 7) the fear of the elimination of public pensions, and 8) personal belief systems. Regardless of the reasons, most of the respondents stated they do not trust private pension system. Likewise, the study in which Foster interviewed with only women revealed that young people and women feel mistrust towards private pensions. Therefore, both Foster's study (2012; 2017) in the U.K. and the findings of this thesis showed that there is a considerable amount of mistrust towards the private pension system. The reasons for trust that respondents stated can be divided into two: 1) trusting the state and 2) flexibility of payments and withdrawals. Trust towards public pensions and government might result from the fact that they considered public pensions as their legal right as in the study of Furnham and Goletto-Tankel (2002). The trust to the government pensions is in line with Foster's study (2017) in the sense that some respondents trust both public and private pension system because they trusted the state in the sense that the government would pay their money back when they are retired.

Last, when respondents were asked to compare public and private pension plans, their responses pointed at three patterns: 1) Lack of knowledge about the difference between two types of pension plans, 2) the flexibility of private pension plans that they exit from the plan whenever they need to and contribute how much amount of money they can afford, and 3) that private pensions do not provide lifelong incomes, while public pensions are regularly paid after retirement until they die.

This thesis found that the attitudes of municipality and shopping mall workers towards auto-enrolment to private pension plans did not differ from each other. There

might be two reasons. First, the study was conducted in an economic crisis. This fact might have increased overall uncertainty and insecurity among all wage earners irrespective of their job security. Second, Municipality workers may not be considered as people with professional jobs in the Turkish context and may not be among those workers with relatively high incomes. This finding diverges from that of Foster (2017) who found a difference between professionals and workers in low-paying jobs. Foster (2017) suggested that young people with professional jobs tend to think that auto-enrolment is good for saving money while low-income groups believed that there are other priorities than saving money for retirement. Further research may be conducted with young workers employed in professional jobs both in public (e.g. medical doctors in public hospitals) and private sectors (e.g. engineers in multinational companies).

Furthermore, it can be further investigated if income differences alter perceptions of young people towards private pension plan. Being a union member or not may also be determinative factor over young workers' attitudes. Finally, a gender perspective can be added to the analysis as part of a further research.

Four main criticisms of the theory of nudge have emerged from this study. The first one is about the limited understanding of individuals as socially situated beings. In other words, it disregards the structural factors that limit individual choices such as unequal income distribution, low wage levels, economic crisis and job insecurities. New behavioral economics took the concept of the human being in a social environment as fallible humans and the theory of nudge is established on this ground (Leggett, 2014). As Bourdieu (1990) asserted, social, cultural and financial capitals are not evenly distributed to the subjects in a specific social environment. Based on Bourdieu's understanding of uneven access to social capital, Leggett (2014) agreed that nudge's understanding of

'social' underestimate its complexity. An example validated this criticism is that the respondents who stated that they opted out of the system due to the mismatch between their incomes and expenditures. This outcome exemplified that those from different economic backgrounds might not benefit from the nudge. In addition, some of them claimed that they do not trust the private pension plan due to the financial crisis that Turkey has been through lately. Thus, this study provides evidence for the impact of broader economic environment on the functioning of the nudge and its perception by the targeted individuals.

The second conceptual criticism is that since nudge accepts the fact that human beings exist in a social environment, the meaning of 'social' includes preferences and identities prior to the act of choosing (Shove, 2010; Legget, 2014). In other words, the traditional and ideological values play a crucial role in choosing process. For example, a municipality worker claimed that she opted out of the private pension plan because her personal belief is that earning money from interest is not fair. Hence, personal beliefs can affect how nudge is perceived.

Third, despite its emphasis on the importance of individual choices, nudges can be perceived as undesirable interventions to individuals' decisions about their own lives. The analysis here shows that some young workers are willing to make their own savings without any forcing mechanism of the government. Although the theory of nudge is also against mandates and bans, two months of compulsory participation period to the private pension plan has been considered as mandates for most respondents. The government proposal to extend the minimum period of compulsory participation to three years has also been opposed by most respondents as the theory of nudge is against as well.

Last criticism is of Standing's (2011) claim that nudging restricts the free choice in terms of conditionality. As unemployment is a threat in the case of conditional cash transfer, receiving less pension than who contribute to private pension plans can be considered as crucial threat individuals have been undergone while making their decisions of staying in or opting out of the private pension plan. Even though there is no penalty if one opts out of the plan, opting out will lead one receive a lower amount of pension. When financialization of risks and change in the subject of responsibility are considered together with the threat of receiving lower pension, the implementation of auto-enrolment makes individuals responsible in the sense that only they are whom to blame in case they face financial problems in their retirement years. In other words, it contributes to the individualization of the risk of income loss in old age. Last, since individuals without any kind of income cannot contribute to private pension plans, employment can be considered as a precondition to participate in private pension plan. Thus, long-term unemployment before retirement and receiving lower pension in retirement years can be two main threats people face while deciding to stay in or to opt out of the system.

Although this thesis shows that young workers have certain kinds of attitudes such as myopia, uncertainty, and mistrust towards retirement and/or private pension plan, a universal attitude cannot be drawn even if most of the respondents have these attitudes. In the Turkish case, recent economic crisis and the problematic labor market structure are crucial to shape people's attitudes and self-interest in a polarized way. One line of the literature asserts that pension attitudes vary across countries due to the differences of pension systems and argues against the validity of universally applicable pension attitudes. Lynch and Myrskylä (2009), for example, asserted that there is not a

universalistic self-interest mechanism explaining the social attitudes towards pension across the countries. Political mobilization, attitudes towards welfare states, and socioeconomic variables shape public opinion regarding pension. Likewise, Janky and Gál (2017) showed that even though Europeans resisted the pension reforms, they were not unified under certain dynamics but their reasons for resistance vary according to their current position in the labor market, their income, and age. Thus, these comparisons provide only a picture of how attitudes of people with different occupations, ages, education levels, incomes, and gender, in general, are shaped within different economic, social, and cultural environments in different welfare and pension regimes.

In conclusion, even though universal attitudes of young workers in Turkey cannot be drawn from the outcomes of this thesis, in an economic environment in which Turkey have experienced an economic crisis, it can be asserted that young workers' insecurities due to the current economic conditions makes them live for today and prevents them to secure income for old age. The young people in Turkey are aware of the significance of saving and they are willing to save for their old age. However, solving today's economic problems prioritizes their future projections.

APPENDIX A

BOĞAZIÇI UNIVERSITY HUMAN RESEARCH INSTITUTIONAL EVALUATION

COMMITTEE APPROVAL

T.C.  
BOĞAZIÇI ÜNİVERSİTESİ  
İnsan Araştırmaları Kurumsal Değerlendirme Alt Kurulu

2018-87

19 Eylül 2018

Müge Gülmez  
Sosyal Politika

Sayın Araştırmacı,

"Türkiye'deki gençlerin zorunlu bireysel emeklilik planına olan tutumları" başlıklı projeniz ile ilgili olarak yaptığınız SBB-EAK 2018/36 sayılı başvuru İNAREK/SBB Etik Alt Kurulu tarafından 19 Eylül 2018 tarihli toplantıda incelenmiş ve uygun bulunmuştur.

  
.....  
Doc. Dr. Meltem Yiğit Gürdal

  
.....  
Doç. Dr. Gül Sosay

  
.....  
Doç. Dr. Ebru Kaya

  
.....  
Dr. Öğr. Üyesi İnci Ayhan

  
.....  
Dr. Öğr. Üyesi Nur Yeniçeri

## APPENDIX B

### PARTICIPANT INFORMATION AND CONSENT FORM (TURKISH)

#### KATILIMCI BİLGİ ve ONAM FORMU

Araştırmayı destekleyen kurum: Boğaziçi Üniversitesi

Araştırmacının adı: Türkiye'de gençlerin Bireysel Emeklilik Sistemine yönelik tutumları

Proje Yürütücüsü: Volkan Yılmaz

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**Proje konusu:** Otomatik katılıma dayalı Bireysel Emeklilik Sistemi, 2017 Ocak ayı itibariyle Türkiye'de uygulanmaya başlamıştır. Gençlik çalışmaları Türkiye'de yeni yeni çalışılmaya başlayan bir alan olmakla birlikte, özellikle neoliberalizmle beraber çocukluktan yetişkinliğe geçiş evresi giderek önem kazanmıştır. Bu çalışmada, tam da bu evredeki, yani okuldan iş hayatına yeni geçmiş gençlerle mülakat yapılarak, Türkiye'deki gençlerin zorunlu bireysel emeklilik sistemine olan tutumları, bakış açıları ve karar motivasyonları analiz edilmeye çalışılacak ve dünya genelinde bu konuda yapılan bir takım benzer çalışmalarla karşılaştırılacaktır. Bu çalışmaya katılacak gençlerde aranan istihdam statüleri şu şekildedir; (1) kayıtlı olarak çalışıyor olmak (2) İstanbul Kadıköy Belediyesi'nde memur olmak ve İstanbul Akasya Alışveriş Merkezinde satış elemanı olmak. Kadıköy Belediyesi'nde çalışan 15 genç memur ve Akasya Alışveriş Merkezinde satış elemanı olan 15 genç ile yarı yapılandırılmış mülakat yapılacaktır. Mülakatlar, Boğaziçi Üniversitesi etik kurulu onayı ile gerçekleştirilecektir.

**Onam:** Türkiye'deki gençlerin, otomatik katılıma dayalı bireysel emeklilik sistemine yönelik tutumlarını ve karar mekanizmalarını analiz etmek için, sizi bu araştırmaya katılmaya davet ediyoruz. Bu çalışma kapsamında İstanbul'da ikamet eden AVM'lerde ve belediyelerde memur olarak çalışan gençlerin bireysel emeklilik sistemine olan tutumlarını değerlendirmeyi hedefliyoruz.

Araştırmaya katılmayı kabul ettiğiniz takdirde sizlerden, bir ile iki saat arası sürebilecek birebir görüşmeler yapmayı planlıyoruz. Ayrıca, ekteki formda istenen bilgileri de sağlamanızı rica ediyoruz. İsmi ve bu bilgiler tamamen gizli tutulacaktır.

Çalışmaya katılmanız tamamen isteğe bağlıdır. Sizden ücret talep etmiyoruz ve size herhangi bir ödeme yapmayacağız.

Sizden alınan örnek ilerde başka çalışmalar için de kullanılabilir. İstedığınız zaman çalışmaya katılmaktan vazgeçebilirsiniz. Bu durumda sizden almış olduğumuz örnek imha edilecektir.

Yapmak istediğimiz araştırmanın size risk getirmesi beklenmemektedir. Araştırmanın ileride başka çalışmalara da yarar sağlaması muhtemeldir. Türkiye'deki gençlerin tutumlarına ilişkin veri elde ederek, Türkiye'de sosyal güvenlik kurumlarının dönüşümü ve emeklilik sistemi literatürüne katkı sağlamayı beklemekteyiz.

Bu formu imzalamadan önce, çalışmayla ilgili sorularınız varsa lütfen sorun. Daha sonra sorunuz olursa, proje yürütücüsüne (0212 359 75 63) sorabilirsiniz. Araştırmayla ilgili haklarınız konusunda yerel etik kurullarına da danışabilirsiniz.

Adres ve telefon numaranız değişirse, bize haber vermenizi rica ederiz.

Bana anlatılanları ve yukarıda yazılanları anladım. Bu formun bir örneğini aldım / almak istemiyorum (bu durumda araştırmacı bu kopyayı saklar).

Çalışmaya katılmayı kabul ediyorum.

Katılımcı Adı-Soyadı:.....

İmzası:.....

Tarih (gün/ay/yıl):...../...../.....

Varsa Katılımcının Vasisinin Adı-Soyadı:.....

İmzası:.....

Tarih (gün/ay/yıl):...../...../.....

## APPENDIX C

### SEMI-STRUCTURED INTERVIEW QUESTIONS

- 1) Demographic information: Age, education, occupation
- 2) Did you participate in the auto-enrolment of the private pension plan implemented in January 2017?
- 3) Do you think that you have adequate knowledge of the private pension plan?
- 4) Where did you access the information regarding the private pension plan from?
- 5) Do you find that the information that you get enough?
- 6) If you decided to stay in the private pension plan, what are the reasons?
- 7) If you opted out of the private pension plan, what are the reasons?
- 8) If you opted out of the system, did you do it in two-month withdrawal period or later?
- 9) What is the relationship between the private and public pension plan?
- 10) Do you trust the public pension system?
- 11) Do you trust the private pension system?
- 12) Do you know how much pension from the public pension plan you will receive in retirement?
- 13) Do you know how much pension from the private pension plan you will receive in retirement?
- 14) Do you have any concerns regarding the public pension system?
- 15) Do you have any concerns regarding the private pension system?
- 16) What do you think about current public pensions?
- 17) Do you imagine that you will retire?

18) Do you have any alternative plan beside the private pension plan?

## APPENDIX D

### SEMI-STRUCTURED INTERVIEW QUESTIONS (TURKISH)

- 1) Demografik bilgiler: Yaş, eğitim seviyesi ve meslek nedir?
- 2) Ocak 2017’de kademeli olarak yürürlüğe giren otomatik katılımlı bireysel emeklilik sisteminden faydalanıyor musunuz?
- 3) BES hakkında yeterli bilgiye sahip misiniz?
- 4) BES hakkındaki bilgilere genelde nereden ulaştınız?
- 5) BES hakkında edindiğiniz bilgileri yeterli buluyor musunuz?
- 6) Sistemde kalmayı tercih ettiyseniz sebepleri nelerdir?
- 7) Sistemden çıkış yaptıysanız sebepleri nelerdir?
- 8) Çıkış yaptıysanız, ilk iki aylık cayma sürenizde mi çıkış yaptınız?
- 9) Size göre özel emeklilik ve kamusal emeklilik arasındaki ilişki nedir?
- 10) Kamusal emeklilik sistemine güveniyor musunuz?
- 11) BES’e güveniyor musunuz?
- 12) Emekli olduğunuzda kamusal emeklilik sisteminden ne kadar maaş alacağınızı biliyor musunuz?
- 13) Emekliliğinizde BES’ten ne kadar maaş alacağınızı biliyor musunuz?
- 14) BES’te sizi çekindiren konular var mı?
- 15) Kamusal emeklilikte sizi çekindiren konular var mı?
- 16) Şu anki kamusal emeklilik maaşları konusunda ne düşünüyorsunuz?
- 17) Emekli olabileceğinizi hayal ediyor musunuz?
- 18) Emekliliğe dair, bireysel emeklilik planı dışında alternatif bir planınız var mı?

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