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THE IMPACT OF HOUSEHOLD LABOR SUPPLY STRUCTURE ON POVERTY

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Abstract

Research mostly in the context of developed economies shows that the transformation of household structure from single male breadwinner families to dual earner families is associated with decreasing rates of poverty as well as lower levels of income inequality. This paper uses micro data from Turkish household income and budget surveys for 2003 and 2010 to examine to what extent household labor supply structure has an impact on family income, poverty and income inequality. We classify married couple households by labor supply of husbands and wives and explore any differentials in household income levels, poverty rates as well as income inequality measures amongst dual earner versus male breadwinner households. We also use counterfactual household labor supply structures to explore the potential changes in poverty risk as families transform from single male breadwinner to dual earner families. Given the phenomenally low female labor force participation rate in Turkey, one of the lowest in the world, a structural characteristic of most countries in the Middle East, we show that increasing female employment has strong potential not only in terms of gender equality but also as a sustainable strategy against poverty.

Key words: poverty, inequality, labor supply, dual earner households, Turkey
JEL Codes: D63, I32, J20, N35

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Impact of Household Labor Supply Structure on Poverty and Income Inequality: The Case of Turkey

I. Introduction

The issue of women's employment is discussed predominantly from the perspective of gender equality but less in terms of its impact on different aspects of household and societal well-being such as reduced risk of poverty, improved family income or impact of income inequality. The studies that explore the impact of women's employment on poverty reduction and income inequalities are for most part on developed economies of the North.

In his well-known categorization of welfare states, Esping-Anderson (1999) argues that the impact of the welfare state on family well-being depends on the degree to which such well-being is made independent of the market and the family, i.e. decommodification (marketization) and defamilialization. Welfare regimes differ in the extent which defamilialization is achieved through dual earner families such as provision of childcare, or accessibility and generosity of parental leave regulations. Hence an important aspect of labor market policies as well as poverty alleviation strategies is whether they are designed to support dual earnership and to alleviate the costs of care of dependent persons at home (e.g. reducing working time or temporary leaving the labor market).

Turkey has one of the lowest female employment rates in the world, ranking as the fourteenth lowest female employment rate amongst 220 countries according to the UN (UN Statistics 2011). The issue of low levels of women's employment is of increasing prominence on the policy agenda, as international pressures through the EU accession process as well as the UN CEDAW Convention build up on the Turkish Government to take up action. Yet the issue is cast more in terms of gender equality and global integration rather than one of household well-being. Despite these international pressures, however, the higher echelons of the government have adopted an increasingly conservative agenda vis-à-vis gender issues, particularly in terms of reproductive rights, calling on women to have at least three children and also an attempted action to ban abortion. Simultaneously, the national policy agenda on poverty is developing increasingly towards one focused on cash transfers, with no linkages being made between poverty and women's employment.

The motivation for this paper is to explore the extent to which household labor supply structure, more specifically transformation of households from single male breadwinner families to wife-and-husband employed dual earner families has an impact on family well-being through improving family income, poverty reduction and also in terms of income inequalities. To the best of our knowledge, this is the first paper that looks at the issue of women's employment from the perspective of its impact on family well-being and poverty reduction. Hence we aim to expand the scope of the discussion on women's employment in Turkey beyond one of gender equality to one of not only women's but also generally societal welfare.

II. Findings on other countries

The existing research work on the impact of women's employment on household poverty and income inequality is primarily based on data from the developed economies of the North, primarily the US and EU countries. O'Connor and Smeeding (1995) find mothers' employment to be substantially influential on poverty reduction in the US, Canada and Sweden, lower in the UK and the Netherlands. Oxley et. al. (2001) in a study of 16 OECD countries finds lower risk of child poverty in dual earner families.[1]

Büchel, Mertens and Orsini (2003) argue that the studies which point to a positive correlation between poverty and mothers' employment neglect the fact that the women who enter the labor market might differ in their performance than those who remain outside. In a study of seven European countries, they show that the strong positive effect of mothers' employment on families' income situation which they identify in all countries and all household types using traditional research design, is caused primarily by the fact that employed mothers are a positively selected group.

Lancker, (2011) in a study that aims to identify the policies effective in reducing the poverty risk, uses SILC for 24 EU countries in 2008. The study employs logit regression where the dependent variable is a binary variable that takes on the value 1 for those households in poverty and 0 otherwise. The poverty line is 60% of the median equivalent household income in the country of residence. Explanatory variables entail individual, job and household characteristics including number of children, living with a partner, dual versus single earner household. His findings show that encouraging women's employment and dual earner families to be a more effective strategy against poverty than that of cash transfers.

As for effects of women's employment on income inequality, Cancian and Reed (1998) using the Current Population Survey data for the US find that increasing female employment rate is associated with decreasing inequality in income distribution. In a study of 14 EU countries Pasqua (2008) reports that inequality of income distribution is lower amongst dual earners than amongst male breadwinner households, except the effect is less pronounced in the case of Scandinavian countries.

In the only study on Turkey looking at the linkage between women's employment and income distribution, Dayıoğlu and Başlevent (2012) show that female earnings, when excluding unpaid family workers and self-employed, are more equally distributed than male earnings.

III. Data and methodology

We use 2003 and 2010 Household Budget Survey (HBS) data by the Turkish Statistical Institute (TURKSTAT). The surveys are based on a nationally representative sample which entails 107,614 individual observations in 25,764 households for 2003 and 38,206 individuals for 10082 households in 2010. The data set includes information on a whole

[1] Solera (2001) in a study on Italy, UK and Sweden, comparing cash transfers versus women's employment as a strategy against poverty finds the latter to be much more effective.

series of household and individual characteristics including demographic characteristics, labor force participation status, labor and other earnings differentiated by source in great detail as well as household expenditures.

We use the HBS data set to first of all identify the distribution of households by their labor supply structure, whereby we break down all households into categories by gender of the household reference person first, and then for those households with a male reference person, we identify further categories by the labor supply characteristics of the husband and wife and of other household members. We end up identifying the distribution of households in the following categories:

- dual earner households (households with a male reference person who is married and employed and his wife is also employed – there may also be other household members who are employed)
- single male breadwinner households (households with a male reference person who is married and employed but neither his wife nor the other household members are employed)
- male breadwinner households with multiple earners (households with a male reference person who is married and employed but his wife is not employed, while at least one other household member is employed)
- households with a female reference person
- other households (those with a male reference person but who is either not in employment for whatever reason or is not married)

The first two categories dual earner (wife-and-husband working) households versus single male breadwinner (only husband working) households constitute the categories of primary interest for the following analysis. In order to explore the impact of dual versus single male breadwinner labor supply structure on poverty reduction, the analysis proceeds in the following steps:

In the first step, we report mean and median income levels and poverty rates by household type to see if dual earner households have any differential (lower) poverty rates than single male breadwinner households. As we expect dual earner households to be dominated by two types of households which are likely to have a bearing on our results, we also undertake a number of revisions. First of all, we expect this category to entail a substantial share of rural based small scale family farming enterprises where the husband is in the category of self-employed farmer and the wife in the category of unpaid family worker. Hence we also calculate the poverty rates eliminating all self-employed and unpaid family workers in agriculture.

We also expect dual earner households to consist disproportionately of couples where both partners have a higher level of education and hence higher earnings.[2] Hence income levels and poverty rates for dual earner households would reflect not simply the dual earner structure but also the higher wage earnings. To control for this effect, we also report the median income levels and poverty rates for the different types of households by education level of the male reference person.

[2] It is the opposite for the lower educated, where both partners have a lower level of education and hence face a higher risk of being unemployed and having a lower paid partner (Lancker, 2011).

In the next step, we calculate counterfactual poverty rates for the different household types as follows:

- Counterfactual poverty rates for dual earner households based on the hypothetical situation whereby the wives' earnings are eliminated to see the impact that this would have on increasing poverty rates of the families in this category;
- Counterfactual poverty rates for male breadwinner households based on the hypothetical situation whereby the wives in the prime working age group of 20-54 but are not in employment are assigned earnings equivalent to the minimum wage to see the impact that this would have on decreasing poverty rates.

A question of interest here is which definition of poverty to use. The official measure used by TURKSTAT has changed in the recent years from an absolute poverty line based on food and non-food poverty to a relative one in line with the Eurostat measure. The relative poverty measure that is reported by TURKSTAT in recent years entails a poverty line that takes 50%, 60% and 70% of the median equivalent household income of the national sample. In the analysis, we use both the absolute food and non-food poverty line and the 60% of median income relative poverty line.

Finally, we also follow the methodology adopted in the recent study by Pasqua (2008) on the EU countries mentioned in Section II above, to look at how the measures of inequality vary by household labor supply structure. We calculate the Gini as well as the inequality index of squared coefficient of variation (I2) for different household types to see if there are any substantial differences in income distribution by household type in terms of within group inequality as well as between group inequality.

IV. Findings

Table 1 shows the distribution of households disaggregated by gender of the reference person and their labor supply structure in 2003 and 2010. First let us note that as of 2010, ***female headed*** households make up as little as 14.5% of total households and only 10.9% of the total population lives in these households. The rest of the population lives in households with a male reference person. Only 23.4% of the total population lives in dual earner households (which make up as little as only 21.9% of all households). One third (32.6%) of the population live in ***single male breadwinner*** households, while 11.2% live in ***male breadwinner*** households with ***more than one earner*** but not the wife. The "other" category (21.9% of the population) corresponds to households with a male reference person who is not in employment (retired, unemployed or other inactive status), or to a lesser extent those who are not married.[3]

[3] The reference people in the households grouped under the "other" category are all male by construction (total 2358 men). Of these, 92.8% (2188 people) are left out of our operational sample of male breadwinner households because they are not in employment; of which 16% (350 people) are unemployed. The rest are left out because they are mot married, since our focus was on household labor supply structure of married couples. In these households where the male reference person is married but not in employment (2036 men), the employment rate of wives is only 8.2%.

Table 1: Distribution of Households by Labor Supply Structure of Husband and Wife

	2010				2003			
Distribution of Total Sample	**Population**	**%**	**HHs**	**%**	**Population**	**%**	**HHs**	**%**
Dual Earner	8941	23.4	2205	21.87	22086	20.52	4696	18.23
Single Male Breadwinners	12454	32.6	3196	31.7	43410	40.34	10382	40.3
Male Breadwinners with Multiple Earners	4284	11.21	815	8.08	11720	10.89	2000	7.76
Female Headed	4178	10.94	1466	14.54	7009	6.51	2456	9.53
Other*	8349	21.85	2400	23.8	23389	21.73	6230	24.18
Total	38206	100	10082	100	107614	100	25764	100
	2010				**2003**			
Distribution of Sample Excluding Self-Employed and Unpaid Family Workers in Agriculture	**Population**	**%**	**HHs**	**%**	**Population**	**%**	**HHs**	**%**
Dual Earner	4287	13.97	1168	13.92	6026	7.22	1570	7.46
Single Male Breadwinners	11704	38.14	2975	35.45	41391	49.61	9875	46.91
Male Breadwinners with Multiple Earners	3556	11.59	691	8.23	8846	10.60	1591	7.56
Female Headed	3596	11.72	1323	15.77	6081	7.29	2227	10.58
Other	7544	24.58	2235	26.63	21089	25.28	5790	27.50
Total	30687	100	8392	100	83433	100	21053	100

***** The "other" category entails HHs where the reference person is male but he is either not in employment (majority) or not married (see footnote 3 above).

A closer look at dual earner households showed that as per our expectations more than one third of them (35.8%) consisted of those in small scale family farming where husbands are predominantly registered as self-employed in agriculture and wives are registered as employed in the status of agricultural unpaid family workers.[4] The second half of Table 1 shows how the distribution of household type changes once we take out the self-employed and unpaid family workers in agriculture. The population share of dual earner households decreases to 13.97% while that of single male breadwinner households goes up to 38.14%, in 2010 and male breadwinner households with multiple earners remains similar at around 11.6%.

Comparing 2003 to 2010, we observe that the share of the population living in single male breadwinner households declined from being almost half the total population in 2003 (49.61%) to 38.14% in 2010. This is paralleled by a non-negligible increase in dual earner households from from 7.22% to 13.97%. This marks a time period where female employment rate increased from 20.8% in 2004 to 24.0% in 2010 (Turkstat, HHLFS 2003-2010). This increase in female employment has been reflected in transformation of family structure from single male breadwinner into dual earner family structure only to a limited extent, since the employment increase was primarily experienced by younger single females.[5] Part of the

[4] Of the total of 2205 dual earner households, 790 (35.8%) were households where the husband and/or wife were involved in agricultural work as self-employed or unpaid family worker.
[5] This is typical of female labor force participation profile of women in Turkey where they participate at much higher rates in young ages, prior to marriage and drop out upon marriage and childbearing (Ilkkaracan, 2012).

transformation entails an increase the share of the population living in female-headed households from 10.58% to 15.77%.

The top two household categories wife-and-husband working dual earner households versus single male breadwinner households constitute our primary interest for the following analysis. Also given that dual earnership in small scale family farming has an entirely different meaning, we focus the rest of the analysis on the sample excluding small-scale family farming and use primarily 2010 HBS data. Table 2 shows the characteristics of single male breadwinner versus dual earner households by the education level of the male reference person and his wife and job characteristics of the male reference person.

Table 2: Characteristics of Dual Earner Households versus Single Male Breadwinner Households, 2010

	All Sample		High School or less	
	Dual Earner	**Single Male Breadwinners**	**Dual Earner**	**Single Male Breadwinners**
Husbands' Education				
Primary and less	38.96	45.68		
Secondary	11.22	13.92		
High School	22.69	25.45		
University	27.14	14.96		
Wives' Education				
Primary and less	46.83	64.57		
Secondary	8.90	11.66		
High School	17.29	19.30		
University	26.97	4.46		
Husbands' Work Status				
Wage or Salary Worker	69.18	66.99	61.93	64.19
Casual Worker	8.39	10.82	11.52	12.61
Employer	6.25	7.43	6.23	7.27
Self-Employed	15.58	14.52	19.62	15.69
Unpaid Family Worker	0.60	0.24	0.71	0.24
Husbands' Social Security Coverage	70.46	70.15	61.93	66.40
Average Household Size	4.02	4.44	4.15	4.49

As per our expectations, the dual earner households have a substantially larger share of couples where both partners have a higher level of education (27.4% of husbands and 26.97% of wives have tertiary education and above) in dual earner households than the single male breadwinner families (14.96% of husbands and 4.46% of wives). Yet also note that the dual earner category exhibits a bi-polar nature in that it also has a substantial share of primary and less educated husbands (38.96%) and wives (46.83%). The single male breadwinner families on the other hand seem to have a higher share of middle levels of education (almost 40% of single male breadwinner husbands and 31% of wives have secondary or high school

education) than for dual earners (34% of dual earner husbands and 25% of wives have secondary or high school education). This observation regarding differences in education levels of two types of households can be understood in terms of the different dynamics that facilitate dual earner structure. For the university educated, dual earnership arises out of a labor market pull factor of high wages and better working conditions in the formal sector for university graduate women, enabling access to better opportunities for work-family reconciliation. On the opposite end of the socioeconomic spectrum, for primary and less educated, dual earner structure might be said to emerge from a push factor of household needs whereby primary or lower educated women are 'pushed' into the labor market despite low wages, likelihood of informal sector jobs with poor working conditions and lack of support for work-family reconciliation.

As for job characteristics of husbands, also shown in Table 2, there does not seem to be much of a difference between the two types of households, with relatively similar distributions by work status and similar shares of social security coverage amongst the single male breadwinner husbands and dual earner husbands (around 70%). This is surprising given that husbands in dual earner husbands have higher levels of education. When we compare the dual earner and single male breadwinner husbands' job characteristics only for those with high school or lower education (right-hand side of Table 2), there is somewhat more of a divergence. Slightly higher share of single male breadwinner husbands work as wage and salary earners with social security coverage. Hence this comparison provides more evidence for dual earner structure for lower education groups emerging from family needs where the husbands' work conditions are relatively poorer with respect to single male breadwinners. In terms of household size, the dual earner families have a slightly smaller household size than single male breadwinners (4.02 people versus 4.44); even more so for lower education levels (54.15 versus 4.49).

In Table 3, we report the median household income levels and poverty rates by household type and using different measures of poverty. Dual earner households have an annual median income (11,672TL) 47% higher than that of single male breadwinner households (7,938TL), and a substantially lower absolute poverty rate (8.3%) than single male breadwinner households (20.8%). The poverty rate for female headed households is the highest as expected (23.6%) and second lowest for male breadwinners with multiple earners (10.7%). The poverty gap for dual earners and single male breadwinners are similar for the dual earner and male breadwinner households while female headed households fair the worst again by the measure of the poverty gap at 30%.

The poverty rates are higher when calculated by the relative poverty measure which we take as two thirds of the median income.[6] Poverty differentials between the two types of households remains by the relative measure; 13.9% of the people living in dual-earner households versus 28.4% of those living in single male breadwinner households are under the relative poverty line.

[6] This relative measure based on 50%, 60% or 70% of the median income is the one that is used by Eurostat and that TURKSTAT also started reporting for Turkey in line with the harmonization process of national statistics with Eurostat.

Table 3: Poverty Rates and Median Income by Household Labor Supply Structure, 2010

			absolute poverty		
	Population	**Median Income (TL)**	**No. of Poor**	**Ratio of Poor (%)**	**Poverty Gap***
Dual Earner	4287	11,672	358	*8.3*	*0.21*
Single Male Breadwinners	11704	7,938	2433	*20.8*	*0.22*
Male Breadwinners with Multiple Earners	3556	8,708	380	*10.7*	*0.20*
Female Headed	3596	7,971	849	*23.6*	*0.30*
Other	7544	7,730	1687	*22.4*	*0.26*
Total	30687	8,369	5707	*18.6*	*0.25*
			relative poverty rate (2/3 of median income)		
	Population	**Median Income**	**No. of Poor**	**Ratio of Poor (%)**	**Poverty Gap**
Dual Earner	4287	11,672	596	*13.9*	*0.24*
Single Male Breadwinners	11704	7,938	3,323	*28.4*	*0.28*
Male Breadwinners with Multiple Earners	3556	8,708	835	*23.5*	*0.26*
Female Headed	3596	7,971	1,172	*32.6*	*0.37*
Other	7544	7,730	2,362	*31.3*	*0.38*
Total	30687	8,369	8,288	*27.0*	*0.31*

* Poverty gap = (Poverty line – Median income of the poor)/Poverty line. Hence the poverty gap shows by how much the median income of the poor need to be raised for the poor to go above the poverty line.

The differentials we observe between poverty rates between dual versus male breadwinner households above are likely to be influenced by the education differentials of the members living in these different types of households. In order to control for the effects of education and hence related wage differentials, Table 4 reports median income and poverty rates disaggregated by level of education of the husband. We observe that even when we control for education level of the husband, there continue to be striking differentials in the median income and poverty rates of dual earner versus male breadwinner households. Dual earner households where the husband has primary or less education have a median income of 7,973TL and a relative poverty rate of 25.6% versus 6,213 TL median income and a much higher poverty rate of 42.5% for single male breadwinner households.

At secondary and high school levels of education, dual earners again enjoy much higher levels of median income (by about 35%) than single male breadwinner households and their relative poverty rates are less than half the poverty rates of single male breadwinner households. For university graduates, single male breadwinner households constitute the only category where we observe some level of relative poverty at 3.3%.

Table 4: Poverty Rates (Relative Poverty) and Median Income by Household Labor Supply Structure and by Level of Education of Husband, 2010

Primary Education and Less	**Population**	**Median Income (TL)**	**No. of Poor**	**Ratio of Poor (%)**
Dual Earner	1813	7973	465	*25.6*
Single Male Breadwinners	5614	6213	2386	*42.5*
Male Breadwinners with Multiple Earners	2432	7620	724	*29.8*
Secondary Education				
Dual Earner	502	10500	65	*12.9*
Single Male Breadwinners	1653	7924	432	*26.1*
Male Breadwinners with Multiple Earners	502	9341	103	*20.5*
High School				
Dual Earner	925	12880	66	*7.1*
Single Male Breadwinners	2845	9552	452	*15.9*
Male Breadwinners with Multiple Earners	418	12735	8	*1.9*
University				
Dual Earner	1047	24821	0	*0*
Single Male Breadwinners	1592	14037	53	*3.3*
Male Breadwinners with Multiple Earners	204	16091	0	*0*

The above comparisons of single male breadwinner versus dual earner households shows that the latter enjoy substantially higher income levels and are subject to less than half the poverty rates of the former. What is most striking is that these substantial differences between poverty rates of single male breadwinner versus dual earner households are observed even when we control for the level of education.

Beyond comparison of actual observed poverty rates for the two types of households, one can also look at how the actual observed poverty rates would change alongside a change in the wife's employment status. In other words, what would be the counterfactual poverty rates. Table 5 shows our calculations of counterfactual poverty rates for the different household types. Using the relative poverty measure, we find the counterfactual relative poverty rate for dual earner households by eliminating wives' labor earnings. Under the hypothetical structure whereby wives withdraw from the labor market in these dual earner households, the relative poverty rates almost double from 13.9% to 24.0%. It can be argued that withdrawal of currently employed wives from the labor market could lead to increased labor supply of husbands to compensate for the fall in household income. We should note, however, that the overwhelming majority of husbands in our sample work full time[7] and that the underemployment rate in Turkey is generally very limited given the very low rates of male part-time employment and the very long working hours prevalent in the labor market (the longest amongst OECD countries). Hence there is generally little room for any compensation by the husband through increased labor supply.

[7] The husbands in our single male breadwinners category (total 2975 men) have an average weekly working hours of 55.02 hours.

Table 5: Changes in Relative Poverty Rates due to Changes in Wives Employment Status

	Observed actual poverty			Counterfactual poverty*		
	Mean Income (TL)	No of Poor	Ratio of Poor (%)	Mean Income (TL)	No of Poor	Ratio of Poor (%)
Dual Earner	15965	596	*13.9*	11330	1027	*24.0*
Single Male Breadwinners	10007	3,323	*28.4*	12308	1971	*16.8*
Male Breadwinners with Multiple Earners	10339	835	*23.5*	12085	660	*18.6*

* Counterfactual poverty rate for dual earners is based on the scenario where currently employed wife is assumed to withdraw from the labor market. Counterfactual poverty rates for single male breadwinners or male breadwinners with multiple earners are based on the scenario where currently non-employed wife of prime working age (20-54 years old) enters the labor market full-time at minimum wage.

We find the counterfactual poverty rates for male breadwinner households based on the hypothetical situation where currently non-employed wives in the prime working age group of 20-54 are assigned a job and labor earnings equivalent to the minimum wage. In such a scenario, the relative poverty rate for single male breadwinner households decreases from the actual observed rate of 28.4% to 16.8%, almost by half. The counterfactual relative poverty rate for male breadwinner households with multiple earners is 18.6% (down from 23.5%).[8] Obviously how these estimations of counterfactual poverty rates under hypothetical scenarios of the changes in wives' work status are subject to a series of caveats; such as for instance, the dynamic impact that labor supply of additional millions of women would have on the market wage rate. Or if such provisioning of jobs were to be exercised partially through public subsidies, the macroeconomic effects that would be channeled through increased public spending. The exercise here does not claim to provide a precise account of the impact of women's employment on poverty, but rather provide some sense of how policies supporting a transformation of family structure from single male breadwinner to dual earner structure could propose an alternative sustainable strategy against poverty.

V. Conclusions

Transformation of family structure in Turkey from single male breadwinner households to dual earner households carries a strong potential to improve family well-being through increased incomes and reduced risk of poverty. The preceding analysis shows that dual earner households have higher household incomes and lower poverty risk than single male breadwinner households generally and also for each education group. Hence promoting women's employment is not only a matter of gender equality but also a matter of improved well-being of families and children. Social protection policies such as cash transfers need to be reevaluated from such a perspective. Creating employment opportunities for women in lower income households is likely to be a more effective and sustainable strategy against poverty than cash transfers. Fighting poverty through promotion of dual earnership also carries additional advantages such as decreased dependence on social protection, increased empowerment of women, democratization and hence strengthening of family structure. Yet we also need to emphasize the need for women's employment be complemented by social

[8] Using the absolute measure, the hypothetical situation whereby wives are employed full-time at the minimum wage decrease the poverty rates for male breadwinner households to as little as 4%.

policies such as public subsidies to or public provisioning of childcare as well as elderly and disabled care services to free up women's potential for labor market engagement.

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