

**Equity and Social Policy
(Speech text)**

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Thank you very much and hello to all distinguished guests here. I'm very honored to be on this panel with such distinguished representatives of academic institutions and that's a great honor and a pleasure for me.

The danger with putting me on a panel with two such distinguished professors is that what I'm going to say may appear in comparison very little. I'm not going to question paradigms and I'm going to be somewhat shameless in my self promotion of some work that we have done in the bank here in Turkey. On the other hand having admitted these shortcomings let me try to be empirical, let me try to be pragmatic in our approach and somewhat selective. I'm going to give you certain findings of some work that we've done here in Turkey. Therefore our findings which we hope are applicable to Turkey. There may be some generality here but we are first and foremost analyzing outcomes in Turkey and my final messages will be somewhat focused and selective and deliberately. So don't take what I say as suggesting that the subject should be limited to these few findings.

Let me start with just a note that the World Bank just completed 2009 World Development Report on regional policy. This was just a nice slide that shows the concentration of economic activity in the United States. One of the overriding messages from this report is that actually this far more convergence in social outcomes actually in the developed world across regions than there is actually in production and in GDP. You see that economic production here is actually incredibly concentrated. This is just an example, this is United States, but of course you could do this for pretty much any developed economy. What that leads to is a discussion that I thought was an interesting way to introduce what I have to say here today and in essence to endorse the linkage of two concepts which the structure of today's proceedings explicitly links. That is social policy with regional policy. So the first sort of message that comes out of the World Development Report that I think is relevant for us today is that social policy is an important part of regional policy. In many cases it's actually is the most important element of convergence in regional outcomes. This is just a little example.

The two lines on this chart are measures of variation in France. The pink line is the measure of the variation across regions in production, in GDP and you can see that over time, it increases. So over time production has not become more evenly spread in France since it becomes more unevenly spread. The blue line is a measure of income actually. We could also draw different lines if we tried to measure other outcomes such as quality of life indicators, you can think of

mortality and disease or life expectancy but this in this case is income. And you see that this is also a measure of variation across regions. You see that the variation in income across regions has actually fallen over time. The reason for this is that France has a lot of policies that cause this to happen. And taxation, redistribution allsorts of policies. Point is not to get in all of those here but simply to say that one of the things that influencing regional outcomes in a country like France is actually not regional policy as we might normally think of it as a set of policies aimed at a particular region but actually what the World Development Report calls spatially blind policies.

So the first message then is not to say that social policy and regional policy is not the same thing, but simply to say that social policy is a part of regional policy. I think that's important given the title of today's proceedings.

Having said that I want to move on to certain Turkey specific things and when we think about regional policy, we generally think about inequality across regions. And we can ask people questions about how they perceive inequality, the acceptability of differences in welfare across regions or indeed across families in a country. What's interesting this graph simply shows that the measure of agreement with a normative statement that inequality should be reduced. And what we see is that Turkey actually has a great appetite for reducing inequality. Turkey ranked among these countries; this is a set of countries in this region, the Europe and the Central Asia region, Turkey actually had the highest such appetite. Let me talk about a World Bank study which is forthcoming, which is a study of inequality of opportunity in Turkey and one of the surveys for this study asked people to choose between different possible reasons or explanations or adjectives associated within equality. The overwhelming majority opted for an interpretation of inequality which was that is due to unfairness and injustice as opposed to say things like effort which are the alternative interpretation.

This is important because it gives us a way of thinking about analyzing inequality from the point of view of unfairness and injustice or of difference in opportunity. We use this word circumstances in the report to talk about the determinative role of things which outside a person's span of control or a families' span of control that determine the welfare and you can analyze this quantitatively in many ways and that's one of things that this report does. I don't have to go into all of the findings but one of the things that comes out is that when we try and look at which of these circumstances outside people's or families' control that are the most important in Turkey determining outcomes. Two of the factors that are the most important for explaining inequality and within that regional inequality whether you come from a rural background vs. an urban background and what the educational background of your family is which is measure through the educational attainment levels of parents. These two factors are actually more important than regional indicators saying for example are you from

the east or the west, the north or the south. Dominating those explanations in Turkey, these underlying factors coming from rural areas and coming from less educated family backgrounds. This is important for a number of reasons, we might think about what might be policies to try and undo some of that unfairness, to try and unfix some of the effective circumstances on people's outcomes.

One of the very very robust findings in development research is how early in people's lives cognitive and developmental outcomes started differ across people from different backgrounds, by backgrounds here we are talking about the socio economic status of the family or of the parents so going from left to right here you have two different measures. I don't want to go into technical details, two different measures of cognitive achievement in three year olds. And you see that if you rank them, if you just separate out between the least fortunate families measured by these variables like the education of the parent, you already at the age of three see enormous divergence between the cognitive abilities of the children from better-off families and from worse-off families.

So one of the findings of this work is to point to the importance of these public services of early childhood development, of preschool services in Turkey turns out the Turkey if you compare it with other countries and control for the level of income, the Turkey actually has a very low level of access to these types of services. So one really very clear policy implication from this is to think of ways of increasing preschool access as a way to address inequality of opportunity and inequality driven by circumstance in Turkey. So my second message is the early school education and particular preschool education is a key social investment to reduce inequality in Turkey and for addressing regional inequality in Turkey.

The last point that I want to mention is the work that the team here in Ankara has done. One which looks at the female labor force participation rates and the determinants and the second which looks informality in the labor force, informal employment and its causes and consequences and tries to draw some policy conclusions. All I want to say here is that now we are focusing on measures of inequality and the role of circumstance. When you focus on education and you saw the graph earlier of the importance of parental education and outcomes for young Turkish children. We immediately get into the business of intergenerational transmission of inequality and this, if you think about it for a minute is extremely important for regional inequality because as outcomes are transmitted from generation to generation in families. There of course also transmitted, differentials are transmitted from generation to generation in regions. Into generational transmission of outcomes is an extremely important thing to tackle if we are going to think about the regional inequality.

The graph simply shows a measure of physical development, height for age of children in the lowest opportunity group of mothers in the work from the first

study I mentioned and the highest opportunity and again you see that as the mother receives a high level of education so the children do better, not only in terms of cognitive ability but also in terms of very simple measure of health outcomes. Now what this points to is a channel of transmission of inequality which is the subject of the second study I mentioned which is the female labor force participation because it turns out when you think about, this graph was for opportunity groups of mothers but if you do the same kind of analysis and you simply look at whether mothers are participating in the labor force you get very similar results. In other words female labor force participation isn't just an engine of if you like simple economic growth but it's also an engine of intergenerational transmission of welfare. We do some analysis of this in the study on female labor force participation, do some simulations. There are two basic channels of transmission. One is that females of course have more income if they are working. The second is they tend to change the types of things that they do and this transmits into how they bring out the children impacts deeply. What we do here is a simulation of the effects of increasing educational levels by increasing the reach of preschool education and what you get is among other things a quite significant effect on the increasing female labor force participation rate and this is a way of breaking this into generation transmission of outcomes. So my third message which is perhaps not surprising given some of the quite wide-ranging treaties that we've heard this morning, is that an important part of social policy, when we think of social policies as a tool for regional policy important part of that is labor policy. Anything in the labor regularity setup which mitigates against female labor force participation is going to increase this method of transmission if you like of welfare from females to the children and in other work that we've done I mentioned the informality report which I'm not going to go into here but we see that there is a key role in the Turkish context of thinking about labor market policies has an important component of our discussion when we are thinking about social policies.

That's really all I had to say to you with my three basic messages when I was thinking about what to say here and thinking about how to join together social policy and regional policy and how to do it empirically based on work that we have been carrying out and that's forthcoming in these studies. The first is social policy really is a tool for regional policy, so anyway the assumptions for today's conference were correct I think in our opinion. The second is that among social policy interventions in Turkey we think that early childhood development is really the key and it's probably the most important or at least one of the most important areas. And the third is when you think about social policy don't forget about labor market regulations. Not necessarily just spending and categories of spending but also the regulations that cover the employment contract.