

# The Poor's Wealth: The Case of Istanbul's Suburbs in Turkey

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## ABSTRACT

*What constitutes the wealth of the poor and how is it accumulated? The objective of this paper is to appraise the assets that the poor might have in the specific context of Turkey where the official statistics might underestimate them. This question is of crucial importance because of its contrast with the accumulation of wealth that occurred following the financialization of the economy in this country and market-oriented policies. Based on interviews with minimum wage earners about the wealth of their households we identified major categories of wealth prevalent among low-income groups that might have been invisible to the official statistical radars and how they are accumulated. Our sample of low-income groups and their wealth means having a house, a car and ability to pay for the schooling of older children. Our results indicate that lower-income groups accumulated wealth mainly by debt which makes them vulnerable to any financial crises and negatively influences their living conditions. Furthermore, we argue that accumulating wealth through debt reproduces social inequality and high interest debt of many low-income families leads to wealth (dis)accumulation since they own less of their material wealth.*

**Keywords:** *Wealth, income, Social stratification, Financialization, Financial inclusion, Turkey*

## INTRODUCTION

Social scientists have under-estimated the impact of wealth on economic wellbeing and social stratification in favor of that of income in the last few decades. Basically, the absence of data for empirical analysis and the evolution of theoretical paradigms explain this oversight.

While data on wealth accounting and estimates and on national balance sheets were available prior to World War 1, the focus has progressively shifted to the income statistics to explore social inequality. The focus of national accounts has been mainly flows of output, income and consumption rather than stocks-assets and liabilities (Piketty and Zucman, 2014). Thus, data on wealth accumulation in a specific country has been based on flows of savings and investments. The theoretical apparatus on wealth have also evolved. In the early post World War II years, wealth was theoretically associated to the elite power, as mainly elite groups could proceed to accumulation of wealth (Skopek et al., 2014). Only after the full-blown industrialization, wealth became an issue encompassing the whole population.

The above theoretical under-estimation is however detrimental to studies of social stratification because wealth plays a significant role as generator of income, material comfort, stabilization of consumption, access to political power and social

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status (Wilterdink, 2007), educational attainment and social mobility (Kus, 2016), health and well-being (Bonini, 2008; Hochman and Skopek, 2013). Furthermore, ordinary traits of every society such as age composition, households' structure and earnings, inheritance (Cowell et al., 2017), institutional settings, property rights (De Soto, 2000) and economic conditions also contribute to wealth accumulation and consequently to wealth distribution.

Many researchers assert that financialization which penetrated almost all countries has also intensified wealth accumulation and subsequently social stratification. Policies of easy access to credit such as subprime loans, refinancing, credit cards and automobile titling enabled lower and lower-middle groups to acquire assets, which they would not have been able to afford otherwise.

Asevolution of wealth modifies social stratification, the study of wealth distribution supports the understanding and conceptualizing of social stratification. Individuals and households often consider wealth as the basis of decisions on consumption and investment in any given society (Skopek et al., 2014).

In line with the above, we address this inquiry: do the poor have actually wealth that national statistics overlook? The objective is to appraise the poor's assets that public authorities might have neglected to record because of high cost of registeringsmall and unclassified properties. In this perspective, we endeavor to discover how low-income groups accumulate wealth -in particular- with recourse to indebtedness. In so doing, we aim to provide grounds for further discussions on the usage of credit to improve the low-income groups' position in social stratification.

We conduct this research in the specific context of Turkey which contains the two pillars of our research subject: social stratification by wealth distribution and recourse to loans to build up assets. Turkey scores high in poverty rate (17.3 % in 2014). 50% of the population earn less than 50% of the median disposable income as compared to 11 % in the OECD countries (OECD, 2016). Gini coefficient stands at 0.404 in 2016 (Turkish Statistical Institute). However, credit usage steadily increases in the balance sheet of even modest revenue, households (TCMM, Central Bank of Turkey; TBMM, The Banks Association of Turkey). Financial crises forced banks to change their target the credit segment of the middle and low-income groups (Ku<sup>o</sup>, 2016). Households started to use

credit to improve their living standards. Low income and upper middle classes are the main target of consumer credits, mortgage and automobile titles. Low-income groups face a dilemma. They can use high-cost debt to improve their wealth such as home, car, higher education and even consumption of heavy appliances. However, by doing so, they must meet simultaneously daily expenses and financial charges to honor their debts. Low-income groups risk vulnerability during a crisis because of high-cost financial products, sold disproportionately to people with less education. The percentage of non-performing loans is particularly high in Turkey.

We conducted our field study in suburbs of Istanbul and collected data about the assets and liabilities of several low-income households. However, we did not aim to from a representative sample to generalize findings to a parent-population at a national level. At this stage, we designed our field research for familiarizing with the peculiarities of the poor's wealth and comparing it to the official statistics. Since we consider wealth rather than income to explore social stratification -without disbelieving the role of the latter- we have corollary focused on understanding the peculiarities rather than counting variable of a preconceived model.

The contribution of this paper is twofold; first we aim to develop an insight about household wealth of the low-income households which cannot be delivered by national statistics. As an alternative to studies on wealth we use micro level data on households provided by individuals. Although this micro data, to a limited extend is available for some countries, in case of Turkey such data is not available. Forexample, the OECD report "In It Together" (2015) provides a detailed data set about the composition of household wealth which incorporates the distribution of non-financial and financial assets and liabilities, whereas data regarding household wealth is not available for Turkey. Second, this study focuses on low-income groups; forexample, Piketty and Zucman(2014) estimate top wealth shares based on tax returns and estate returns. Alverado et al., (2018) indicate that as a sample for top income groups in the Middle East countries they have used billionaires list published by Forbes. However, this is a difficult task as well, due to under-reporting and usage of offshore bank accounts. In contrast this study focuses on low-incomehouseholds and tries to understand to what extend wealth and income are correlated.

Attempting to address this inquiry, the reminder of the paper is structured as follows: First, we review the extant literature to provide a precise definition of wealth and its components. What we exactly understand by wealth logically precedes any exploration on the wealth of low-income groups. Second, we provide an overview of Turkish economy with an emphasis on poverty and the actions taken by political authorities. Third, we present the research design and in particular, the multidimensional questionnaire we have developed according to the literature review. Fourth, we describe the empirical study and a report of the findings. Paper concludes with the discussion of the findings as they pertain to wealth, financial inclusion and social inequality.

## LITERATURE REVIEW

Drawing on the requirements of our research inquiry, this section proceeds to the review of literature on wealth, accumulation of wealth, distribution of wealth and income inequality in Turkey.

### Wealth and its Functions

A person's purchasing power mainly derives from income and wealth. The former's main source is employment. The latter's is the ownership of assets like property, savings, shares, etc. Wealth and income are different with reference to time; income is what an individual has at a point in time, while wealth generally accrues across periods and generations. In other words, wealth is a stock of assets, which is accrued through time and reflect historical well-being, but income reflects current flow of earnings (Cowell et al., 2017; Skopek et al., 2014).

Income and wealth are however complementary in the sense that wealth is often the result of the accumulation of not affected revenues. Individuals build their patrimony by renouncing affecting income to current expenditure and consumption. Wealth can also yield an income and contribute to an agent's current or future purchasing power. One can also increase his/her assets through credit and debt. However, what s/he still owes on them is not considered yet as his/her wealth. Wealth is thus the total assets belonging to a certain unit such as a person, a family or a country minus any liabilities.

These assets can be financial assets such as savings accounts, stocks, or bonds; material assets like vehicles, refrigerators or other consumer durables; property such as home, farm, or business (Scholz

and Firestone, 2007; Cowel et al., 2017; Spilerman 2000). Generally, a household's wealth contains property wealth, financial wealth, physical wealth, and private pension value. *Property wealth* reflects the value of a household's main residence plus any other property such as second home, holiday homes, buy-to-lets, and land. The net property value equals properties minus values for any mortgages held against the properties. *Financial wealth* comprises monies saved both formally (in currents account, saving accounts, stocks and shares) and informally (saved under the bed and in children's assets). Liabilities such as debts on credit cards, arrears on household bills, student loans are subtracted from the above to provide a net measure of financial wealth. *Physical wealth* reflects the value of household contents, possessions and valuables in the main residence and any other properties owned. Some examples include antiques, artworks, stamp collections, etc. The values of vehicles are included here. The calculations sometimes do not register smaller belongings, such as computers, because they have less retained value. Finally, *private pension value* is the accrued value in all pensions that are not related to state supported retirement. This includes occupational pensions, personal pensions, retained rights in private pensions and pensions in payment.

Carl Menger (1934) does a distinction between property and wealth which is insightful for our research. Property is the sum of goods at a person's command. Wealth is the sum of economic goods at an individual's command. The existence of wealth presupposes, therefore, an individual in a position to employ for the satisfaction of his needs, the economic goods whose supplies are smaller than the demands for them. Hence, if there were a society where all goods were available in amounts exceeding the requirements for them, there would be neither economic goods nor any wealth.

Researchers believe and distinguish wealth accomplishes different functions in society (Wilterdink, 2007; Skopek et al., 2014):

- 1) Replicating itself by profits, interest, rents and dividend,
- 2) generating revenues,
- 3) providing material comfort through durable goods having utility functions,
- 4) safeguarding material security in case of interruptions in income (Spilerman, 2000) and as a result, prevent downward social mobility (Yorke, 2015),

- 5) offering freedom and autonomy in consumption, leisure, postponing or quitting work,
- 6) achieving social status by showing possessions or by obliging others through generosity and material help,
- 7) giving access to political and economic power, and
- 8) enhancing family privileges and links transferring fortune from one generation to the next through inheritance to descendants (Scholz and Firestone, 2007).

### Accumulation of Wealth

Semyonov and Lewin-Epstein (2013) identify three mechanisms as the main sources of wealth creation and accumulation: income from work, intergenerational transfers (inherited wealth) and state created opportunities. Income is mainly used to cover household expenditure and if any is saved creates wealth for investment or else. In this perspective, wealth generated by income is a tradeoff between savings and consumption. People can save more when they earn and de-accumulate when their incomes decline. Schneider et al. (2016) also believe that different saving habits affect inequality of wealth. If the work is the main source of a household's income, then its members generally prefer to save rather than consume (Spilerman, 2000). Low-income groups will suffer in both cases since they will have meager resources for building their future (getting a life insurance or a house) and enjoying present (consuming leisure, arts and household durables). Inheritance can also influence wealth accumulation process positively (Skopek et al., 2014, (Gale and Scholtz, 1993). It has been reported that intergenerational transfers influence educational and human capital attainment (Rumberger, 1983). Finally, the government transfers constitute a third source for wealth accumulation and include welfare policies like housing and land acquisition, pension funds, taxation, inheritance laws (Semyonov and Lewin-Epstein, 2013; Cowell et al., 2017).

### Distribution of Wealth

As wealth gives access to privileges, one can argue that unequal wealth accumulation can lead to inequality and social stratification. Various studies report a positive relation between wealth and living standards (Spilerman, 2004), education (Nam and Huang, 2009), life performance (Pfeffer and Hallsten, 2012), health (Semyonov et al., 2013), well-being (Hochman and Skopek, 2013).

If wealth is taken as a capacity of maintaining a standard of living, then it can have differing effects on consumption of wealthy and poor groups (Semyonov and Lewin-Epstein, 2013; Torche and Costa-Riberio, 2012). For example, illness or job loss affect more households who cannot benefit from security provided by wealth. Similarly, low-income groups have less chance to participate in the political process and be involved in the power process.

Also, household wealth in the form of a vacation home or piece of art can provide enjoyment to its owner and household assets can be used as a collateral for the provision of credits for starting up a small business. Households with less wealth have less chance of acquiring assets (a house, a car), cultural capital and experiencing entrepreneurial ventures. Thus, wealth and its accumulation will have a significant influence on the development and maintenance of social stratification.

While most economists have paid attention to the distribution of income, a few like Atkinson (1996) have pioneered the research on the distribution of wealth. Piketty (2017) used a plethora of data to confirm that the growing inequality between incomes derived from capital, super-manager salaries and inherited wealth on one side and those derived notably from labor on the other side, has considerably undermined the meritocratic values of democracy. The distribution of wealth continues to be unequal, unless the proportion of capital-income lowers as opposed to that of other forms of income (Piketty, 2017). However, Schneider et al. (2016) demonstrate that inequality in the distribution of incomes accounts for only half of the inequality in the distribution of wealth.

For reducing wealth inequality, Schneider et al. (2016) suggest a variety of methods such as taxation of wealth-holders and transfers, upsurge in communal ownership, development of shares in mutual funds, a progressive inheritance tax, and measures to reduce the marginal benefits to the benefits of low income earners. Corollary, incentives to save among low-income earners and to consume for the rich would reduce inequality of wealth.

Whilst distributive policies might be useful, it is vital to avoid capital flight and decline of a nation's affluence (Schneider et al., 2016). One should not underestimate that economic growth improves the situation of the poor, even though it is often accompanied by inequality. Okun (2015) believes

in a positive correlation between inequality and economic growth. In fact, a degree of inequality might mean that the savings of the rich can meet large set-up costs of providing more funds for investment, and creating more income-generating jobs for the poor. Inequality fell continuously during the first three quarters of the twentieth century, but thereafter remained either relatively constant or increased (Schneider 2004, Schneider et al. 2016).

From an economic perspective, people might accept increasing inequality if economic growth benefits to their income and wealth. However, from a social vantage, they might consider the material equality as a due right in a modern society. Schneider et al. (2016) claims the level of accepted inequality of the wealth distribution depends on views of what a society should be like.

## The Turkish Context

In this section, we provide evidence about macro level variables that influence wealth accumulation of low-income groups in Turkey. Turkey scores 0.398 in income inequality, highest among member OECD countries, and represents a high rate of poverty rate in both older and younger groups. In younger groups poverty rate is even more pronounced. Poverty gap in Turkey is 0.306, which indicates that the mean income of the poor is below the poverty line (OECD 2014). 14.3 percent of the population is below the poverty line (TUIK, 2016).

Distribution of household income shows that low-income groups (first quintile) account 6.2 percent of the total while high income groups' share (last quintile) is about 47.2 percent (TUIK, 2016). Main sources of household income among low-income groups is wages and salaries (39.7 per cent), social transfers (20.5 per cent), ownership of small business (16.9 per cent), casual work (14.5 per cent) and pensions (12.8 per cent) (Table 1).

**Table 1: Distribution of Household Income (Comparison Between Low and High Income Groups)**

| Types of Income                | Years | Total | First Quintile | Last Quintile |
|--------------------------------|-------|-------|----------------|---------------|
| Wages and salaries             | 2016  | 49,7  | 39,7           | 51,4          |
| Casual                         | 2016  | 2,5   | 14,5           | 0,4           |
| Entrepreneurial                | 2016  | 19,8  | 16,9           | 23,7          |
| Agricultural                   | 2016  | 5,0   | 8,9            | 3,7           |
| Non-agricultural               | 2016  | 14,8  | 8,0            | 20,0          |
| Rental income                  | 2016  | 3,1   | 1,2            | 4,3           |
| Property income                | 2016  | 2,5   | 1,4            | 3,4           |
| Social transfers               | 2016  | 19,6  | 20,5           | 14,7          |
| Pensions and survival benefits | 2016  | 18,0  | 12,8           | 13,8          |
| Other social transfers         | 2016  | 1,6   | 7,7            | 0,8           |
| Inter-household transfers      | 2016  | 2,5   | 4,5            | 2,0           |
| Other                          | 2016  | 0,2   | 1,3            | 0,0           |

Source: TUIK, 2016

Largest portion of household expenditure (all quintiles combined) goes to rent (25.2 percent), food (19.5 percent) and commuting (18.2 percent). House is a common asset in most of the Turkish households. 52.9 per cent of the low and middle-income families and 64.9 per cent of the upper middle and high-income families have a house

(TUIK, 2016). Similarly, both groups use consumer credits: 56 per cent and 74.5 per cent respectively. However, 93.3 per cent of low-income groups cannot afford to have a week of holidays in a year and 60.4 per cent of them report that they do not have a capacity to afford unexpected expenses (Table 2).

**Table 2: Some Indicators of Living Conditions (2015, 2016)**

| Living conditions indicators   | Below 60% of the Median income |      | Between 60%-120% of the Median income |      | Above 120% of the Median income |      |
|--|--------------------------------|------|---------------------------------------|------|---------------------------------|------|
|  | 2015                           | 2016 | 2015                                  | 2016 | 2015                            | 2016 |
| Owner (%)  | 57,2                           | 52,9 | 58,5                                  | 58,2 | 64,2                            | 64,9 |
| Tenant(%)  | 25,8                           | 29,4 | 23,9                                  | 24,6 | 21,4                            | 21,5 |
| Lodging (%)  | 0,3                            | 0,5  | 1,0                                   | 1,0  | 2,4                             | 2,6  |
| Other(%)   | 16,7                           | 17,2 | 16,6                                  | 16,2 | 11,9                            | 11,0 |
| Installments and loans (Other than mortgage -for the main dwelling-and housing cost) |                                |      |                                       |      |                                 |      |
| A heavy burden (%)   | 27,0                           | 25,3 | 28,1                                  | 22,5 | 22,7                            | 19,5 |
| A slight burden (%)  | 27,5                           | 28,8 | 37,5                                  | 41,8 | 42,4                            | 44,1 |
| Not burden at all (%)No installment/loan (%)   | 1,6                            | 1,8  | 2,6                                   | 3,8  | 9,3                             | 11,0 |
| loan (%)   | 43,9                           | 44,1 | 31,8                                  | 32,0 | 25,6                            | 25,5 |
| Capacity to afford paying for one week holiday/year                                  |                                |      |                                       |      |                                 |      |
| Can afford (%)   | 5,2                            | 6,7  | 17,7                                  | 23,9 | 53,0                            | 59,3 |
| Cannot afford (%)  | 94,8                           | 93,3 | 82,3                                  | 76,1 | 47,0                            | 40,7 |
| Capacity to afford a meal with meat, chicken or fish every second day                |                                |      |                                       |      |                                 |      |
| Can afford (%)   | 29,1                           | 37,1 | 56,2                                  | 56,1 | 92,3                            | 82,3 |
| Cannot afford (%)  | 70,9                           | 62,9 | 43,8                                  | 43,9 | 7,7                             | 17,7 |
| Capacity to afford unexpected financial expenses                                     |                                |      |                                       |      |                                 |      |
| Can afford (%)   | 33,5                           | 39,6 | 61,0                                  | 60,4 | 93,0                            | 85,0 |
| Cannot afford (%)  | 66,5                           | 60,4 | 39,0                                  | 39,6 | 7,0                             | 15,0 |

Source: TUIK, 2016

Given these facts about poverty and wealth in Turkey, a deeper insight can be developed by providing a background about the political, social and economic antecedents of poverty gap with a special focus on the role assumed by the state.

Two dominant actors characterize the Turkish modernization project: family owned conglomerates and a centralized bureaucratic state. The latter had a dominant role in the creation of business elites, big business groups as well as the maintenance of law and order (Heper, 1985). Industrialization was the major of the political authorities during the statist period (Buđra, 2007).

During 1960s, the rural poor started to find temporary and seasonal jobs in the newly developing fringes of cities, called “*gecekond*”. *Gecekond* settlements were built on publicly owned land with often no water and sewage

systems and without legal permissions. People moving from the countryside to the cities continued to keep their fields in their villages and in a way had a double income. *Gecekond*s, which were built on public property (either state owned or belonging to municipalities). By provisioning amnesties and assurance for a legal ownership, political parties aimed to gain the support of the *gecekond* settlers as a voting pool by political parties. *Gecekond*s definitely enjoyed a redistribution effect (Bağlevant and Dayıođlu, 2005).

In 1980, Turkey shifted from state-led and inward oriented industrialization to neoliberal reforms conducting to the development of private entrepreneurship and the strengthening of informal economy. The *gecekond*s settlers moved to cities for a better earning and possibly better living conditions. This migration created a labor force (Elveren and Ozgür, 2016) and the “urban poor” (Pınarcıođlu and İpık, 2008).

Another outcome of the post 1980 neoliberal reforms was the emergence of informal economy (Kus, 2014). Increase in informality led to less tax revenues and social security premiums, and in fine influenced income redistribution. After 1980, with the expansion in labor-intensive sectors like textiles, a decrease in wages in these sectors was observed. Urban poor, which were not educated or only had a primary school education, became part of the informal economy by being involved in entrepreneurial activity. In addition, they find job opportunities as unskilled labor force in the informal economy.

Parallel to the evolution of the incomes, the formation of wealth also witness changes as the regulative capacity of the state has decreased, urban poor located at the outskirts of cities, as “*gecekondu*” habitants were able to benefit and accumulate wealth from the illegal real estate market (Pinarciöđlu and İpýk, 2008). Also, meanwhile the former *gecekondu* owners who were able to benefit from the various populist moves (amnesties) of the ruling parties were able to increase the value of their property; *gecekondu*s that were once modest one room structures turned to be multi-floor structures. Owners of these multi-floor *gecekondu*s turned out to be property owners of the urban property. This phenomenon reminds the argument Do Soto (2000) states about the impact of institutional settings on property rights. The development of this market was not limited to the deliberate actions of the urban poor; high income groups were fascinated to have enclaves (so called *site*) which will provide a high quality of life (facilities which provide opportunity for sports, for socializing, replace cooking at home, a space for quasi-cultural activities), guarded and safe and yet affordable. Big business groups that were engaged in construction industry were also drawn in to exploit this opportunity. Thus, *gecekondu*s built at the fringes of big cities by the rural poor for housing necessity became valuable urban property and an income source for their owners. Furthermore, as a recent phenomenon these areas (former *gecekondu* districts), became the subject of gentrification and are transformed to suburban residence sites or satellite cities. These sites accommodate both middle class professionals and low-income groups whose ancestors once owned a *gecekondu* on that land. Since by various amnesties, *gecekondu* owners had the legal right to ownership gentrification provided an opportunity for them to own a house in these dwellings.

Currently, the low-income groups are better equipped in terms of material wealth since they can accumulate through intergenerational transfer of wealth from their ancestors who were the property owners of *gecekondu*s and benefitting from credit usage opportunities provided by financialization. We also stress that wealth accumulation and redistribution of the poor is influenced by the populist initiatives of the political parties, which evaluate these groups as an important potential source for ballots. As indicated by Kus (2016), Turkey witnessed the rise of a “debtfare system” where as discussed by Carruthers (2007) political rules determined the boundaries for economic rules and people engaged in markets followed the political rules forced the market forward.

## RESEARCH METHODOLOGY

On the field, we aimed to measure household wealth and of low-income families in Turkey. We also tried to find out how wealth is accumulated among low-income groups. Our unit of analysis was household. Following Cowell et al. (2017), we define household as a group of people who live in the same dwelling and share household expenses. TUIK, Turkish database where we collected some of our data also adopts a similar definition and stresses that household members collectively meet their basic needs. If wealth is taken as a potential of consuming and maintaining a living standard, then household as a unit of analysis is pertinent for a better understanding of poverty, wealth accumulation or dis-accumulation and finally social stratification.

Referring to our literature review, we define household wealth as the total sum of assets (financial and non-financial) minus total debt (mortgage, consumer credit, vehicle credit, student loans, etc.). To simplify data collection, we utilized a *household balance sheet* (see figure 1), which was developed in line with extant literature. Such a detailed list is important for both obtaining data and constructing a thorough picture of the low-income household’s wealth.

Fifteen items are surveyed according to our household balance sheet around five basic themes: financial assets, non-financial assets, income sources, current liabilities and investments. Besides questions about wealth, we also questioned about socio-demographic characteristics such as the size of the household (number of members), number of income earning members in the household, and location of the household as well as the demographic characteristics of the sample (Table 3).

**Table 3: Socio-Demographic Characteristics of Households and Respondents**

|            | No. of household members | No. of income earning family members | Location (City, District) | Age of respondent | Gender of respondent | Occupation of respondent |
|------------|--------------------------|--------------------------------------|---------------------------|-------------------|----------------------|--------------------------|
| R1         | 4                        | 3                                    | Alibeykoy/Istanbul        | Female            | 46                   | Cleaning staff           |
| R2         | 5                        | 2                                    | Sangazi/Istanbul          | Female            | 22                   | Office worker            |
| R3         | 3                        | 2                                    | Cekmekoy/Istanbul         | Male              | 23                   | Worker in a Hairdresser  |
| R4         | 4                        | 4                                    | Yenidogan/Istanbul        | Female            | 32                   | Waitress at a Cafe       |
| R5         | 5                        | 3                                    | Kartal/Istanbul           | Female            | 22                   | Office worker            |
| R6         | 4                        | 2                                    | Cekmekoy/Istanbul         | Female            | 39                   | Charlady                 |
| R7         | 2                        | 2                                    | Tasdelen/Istanbul         | Female            | 42                   | Owner of a hairdresser   |
| R8         | 4                        | 2                                    | Sarigazi/Istanbul         | Female            | 37                   | Cleaning staff           |
| R9         | 4                        | 2                                    | Tasdelen/Istanbul         | Male              | 17                   | Waiter in a Cafe         |
| R10        | 3                        | 2                                    | Umraniye/Istanbul         | Female            | 26                   | Manicurist               |
| R11        | 5                        | 2                                    | Sarigazi/Istanbul         | Female            | 26                   | Office secretary         |
| R12        | 4                        | 2                                    | Sancaktepe/Istanbul       | Female            | 50                   | Charlady                 |
| R13        | 3                        | 2                                    | Tasdelen/Istanbul         | Female            | 30                   | Office worker            |
| R14        | 4                        | 3                                    | Sahryicedit/Istanbul      | Female            | 26                   | Office worker            |
| R15        | 4                        | 2                                    | Pendik/Istanbul           | Female            | 26                   | Office worker            |
| R16 worker | 4                        | 3                                    | Esenler/Istanbul          | Female            | 36                   | Photocopy center         |
| R17        | 5                        | 2                                    | Esatpasa/Istanbul         | Female            | 38                   | Charlady                 |
| R18        | 3                        | 1                                    | Sancaktepe/Istanbul       | Female            | 37                   | Cleaning staff           |
| R19        | 2                        | 2                                    | Umraniye/Istanbul         | Female            | 25                   | Office worker            |
| R20        | 3                        | 2                                    | Umraniye/Istanbul         | Female            | 37                   | Charlady                 |
| R21        | 5                        | 2                                    | Umraniye/Istanbul         | Female            | 38                   | Charlady                 |

Source: Authors

The interview guide (Appendix 1) was first prepared in English and then translated into Turkish. In line with the rationale of a household balance sheet, the interview guide stressed on twelve categories of question: socio-demographic features, general attitudes about wealth, financial liquid assets, real estate, personal property, investment, current liabilities, noncurrent liabilities.

We have decided to accomplish the field survey around Istanbul because gentrification policies that the Turkish government provided for the

construction industry created a boom in the number of available houses in general, and particularly in İstanbul.

### **Data Collection: Method and Sampling**

For the primary data collection purpose, we used semi-structured interviews. This method, whose rationale resides in gaining insights on informants' opinions and behaviors through conversation and interaction, corresponds to our research objective of discovering the poor's definition and report of



their wealth. As previously mentioned, our research rationale was not surveying a representative sample and to generalize the findings to a whole parent-population.

In this vein, we conducted a series of semi-structured face-to-face interviews with 21 respondents between August 2016 and October 2016 to obtain micro level data on household wealth of low-income groups in Turkey. We focused throughout the interviews on household because we have assumed that wealth such as a house is usually made at the household level. We defined a household as a unit of individuals whose center of life is at a shared address and who share daily finances. Individuals who temporarily do not live at that address but regularly return there are also considered as members of the household. We have not considered as household, individuals who share a home without having a couple (family) life or parenthood, or domestic staff residing at that address.

Interviews were conducted with a single person representing the household. For this purpose, we identified a referent in each household who is expected to have full information about the members of the household and has assumed responsibility to for household consumption.

The sample members were heterogeneous in terms of age (17-65, mean age 35.9) and gender (male and female). In terms of income, they represented the lowest income group, either minimum wage earners or slightly higher. In 2016 minimum wage was set as net 1.300 TL (approximately 371 US dollars) and gross 1.647 TL (approximately 470 US dollars).

Interviewees were mainly occupied by small and medium sized companies or work as charladies. Only one respondent (R7) is self-employed. Two of the respondents are retired and one of them is jobless. Table 3 provides a detailed information about the demographics of our sample.

We gave respondents time to think for responding in their own words in a relaxed environment. We conducted all interviews in Turkish. Flow of conversation determined statements and order of questions. Interviews ranged in length from approximately 15 minutes to 20 minutes. Each interview was digitally recorded and fully transcribed. We have also enriched the interviews with observation notes taken during the conversations and some secondary data.

The values reported are assessments the respondents made in particular, about the values of real estates and businesses owned by households. Although they may be flawed, self-assessments are crucial for two reasons: the poor's attitude about their wealth and the difficulty of assessing the actual value of properties that are often not registered.

## DATA ANALYSIS AND DISCUSSION

The first part of the interviews aimed at understanding the *financial assets* of the household.

In this vein, we collected data about the bank deposits both with and without an interest in Turkish lira (one TL equals 0.22 € and \$ 0.26 in the date of our survey), gold accounts, gold kept at home, foreign currency accounts (mainly US dollar and euro), stocks and bonds.

All respondents complained that they are unable to spare some money as savings as they have to meet their liabilities and cover household expenses. R17's comments reflect the comments of other respondents;

*My husband works with minimum wage and I work two days a week, so we just manage expenses, we can just balance [if we can save some amount] I would open a bank account [and keep it in interest].*

R1's comments strengthen this point as well, "*when calculated all we earn goes for debts, if any is left we either pay for bills or for kitchen expenses*". However, even if the possibility to save is weak in case they can, the financial asset is preferred. The majority of the respondents preferred demand deposits (19 out of 21) then time deposits (8/21) and gold kept at home (8/21). US dollar is also preferred (5/21) as compared to euro (3/21) as an investment tool.

As Respondent 5, a retired primary school teacher indicated, "*dollar and euro are short term, occasional investments, we prefer TL*" most of the respondents asserted that TL and gold at home are the preferred investment tools. As indicated by Respondent 11, a female office worker, "*gold is a popular investment tool at the moment*" and "*...prefer to keep at home*" (R 19).

Second theme of questions are related to the *non-financial assets* (real estate, personal wealth and a second real estate like farm, office, summer house) owned by the household. Having a house

seems to be a priority for most of the Turkish citizens and our respondents shared this attitude as well. Most of the respondents (17/21) owned a house and furthermore. The same number used mortgage for buying their house. Half of those who owned a house has also invested into a second real estate. Respondents who do not own a house are a newly married couple (R 19), a household owning only a summerhouse (R 14) and a bread earner of a large household where the other members are dependents (children and mother-in-law) rather than wage earners (R17).

Nearly half of the respondents (10/21) owned a car. 10 households in our sample owned a house and a car and five of them had a house, a car and a second real estate. In most cases, respondents buy car by bank loans (at interest rates ranging from 1.09 % to 1.29 %) and for buying a house (at interest rates ranging from 0.80 % to 1.19 %) they use mortgage, as indicated by R1, using financial instruments is done simultaneously, "We have mortgage, car loan just finished".

In the third section of the questionnaire, we asked for the *revenue* sources of a household. Except 3 respondents (R2 jobless, R6 retired and R20 charlady) 18 respondents reported that at least one member of the household is on the payroll of a company and receive monthly salary.

For three respondents (R5, R1 and R21), monthly retirement pay provides an additional household revenue. Except for R20, work as a charlady is an additional revenue to the total budget of the household.

Four households (R2, R5, R7, and R9) collected rent from their second real estate investments. Four households (R1, R2, R9, R16) generated revenues by harvesting their fields in their villages located in places other than İstanbul. However, this is an irregular income depending on climate, market price of the agricultural products and distribution of the revenues among the members of the extended family is not even.

*"We came from Ordu [a city in Black sea coast], we have hazelnut fields in our village, and we might have some extra income from hazelnut. But my husband's family is a large one and we share the money raised" (R1).*

*"In Sivas [mid Anatolia] we have a field which we inherited from my father, but my cousins take care of it and do the harvest. So, we get nothing" (R7).*

In the fourth section of the interviews, we aimed to understand the type of *current liabilities* (mortgage, consumer credits, car loans, loans for education, credit card debts) that dominate the balance sheet of a low-income household.

Nearly all non-financial assets (car, house, and second real estate) are purchased by using bank loans in our sample. Consumer loans are mainly used as advance payments for buying a house. Most of the respondents claimed that they used mortgage or car loans in the past but currently they are over with the payments. As is stated by R13 *"we have consumer loan for one year that we used for the advance payment of our house"*. Also, in most cases loans for house and car are used consecutively. R1 indicated *"we have mortgage, car loan just finished"*.

18 respondents use credit cards, 7 of them have mortgage payments, 6 of them use consumer credits and 5 of them used bank loans for paying university fees for their children. There are two types of universities in Turkey. While public universities are free of charge, private foundation-charge fees for students.

R12, a charlady commented, *"we don't have any debts except debts for my daughters' school fees 28.000 TL (approximately 8.000 \$ US) for both for a year"*.

Finally, we asked questions about the *investments* (stocks, bonds, social security, and private pension) of the respondents. None of the respondents invested in stocks and bonds. One of the reasons for eliminating stocks and bonds as an investment tool can be explained in line with the thinly traded financial markets in Turkey. Furthermore, volatility in financial markets, lack of knowledge to invest to these instruments strengthens this negative attitude towards bonds and stocks.

In each household of our sample at least one member benefited from SGK (Turkish social security system). In some cases, more than one member of the household had SGK. In this system, premiums paid by one employed family member (male or female) will provide benefits for the other members of the family (spouse and children). The Turkish social security system is modeled as a hybrid of Continental and Mediterranean insurance systems. Accordingly, employees pay premiums in line with their insurance status and then collected in a joint pool. Provision of benefits is based on the premiums paid. SGK incorporates short term (work accidents, occupational disease, sickness, and

maternity leave) and long-term (invalidity, old age, survivor's) insurances.

Fifteen respondents have SGK and premiums are paid by their employers. One respondent (R7) is self-employed and is registered to Baðkur (alternative to SGK for owners of small and medium sized companies) whereas her husband has SGK.

Three respondents (R12, R17 and R20) pay SGK premiums themselves. One respondent (R21) benefits from her husband's SGK package. Seven respondents have subscribed to private pension system. In contrast to SGK, in the private pension system, they pay their fees but recently with a new regulation, 25 per cent of the monthly payments is subsidized by the state.

Nine respondents have private health insurance. SGK insurance coverage is applicable in public hospitals whereas private insurance benefits cover private hospitals and freelance doctors, thus private health insurance is a complementary to SGK. Private health insurance is given as a fringe benefit payment in most of the privately owned medium and big sized companies. Only one respondent (R13) receive private health insurance benefit from her employer and 8 of them pay for themselves.

## CONCLUSION

We aimed in this paper to identify the forms and the origins of the poor's wealth beyond the official statistics. The results of our field study provide significant insights for our research inquiry and purpose.

The wealth of the typical low-income Turkish household is mainly a house and a car, which are owned by bank loans in the form of mortgage, vehicle credits and consumer credits. Acquiring real estate has become affordable in Turkey even for modest income earners mainly as a consequence of utilizing financial instruments and political parties' supportive policies for legalizing "illegal" properties. Also, gentrification policies adopted by the AKP government has been instrumental in increasing housing supply.

Gentrification policies that the Turkish government provided for the construction industry created a boom in the number of available houses in the market, especially in Ýstanbul. Furthermore, the market-oriented state strategies in the late 1980s have also enabled many low-income individuals to reap the benefits of informal economy as labor force and else to accumulate revenues and acquire

(illegal) real estate market. By exploiting the populist strategies of the ruling parties of all political wings, the poor was able to traverse between formal and informal economy and accumulate material wealth which provided an opportunity for upward mobility.

Finally, financialization provided instruments for the provision of assets that otherwise would have been too costly to afford for the low-income families. After 2006 financial crises and the fall of demand for investing, banks turned to consumer markets and consumption. Credit usage became an important instrument for middle and low-income households for accumulating material wealth.

It is true that finance-led instruments turned to be one of the dominant cause of wealth accumulation in particular for home or car ownership. The members of our sample acquired nearly all their non-financial assets (car, house, and second real estate) by using bank loans. Most of the respondents claimed that they used mortgage or car loans in the past but currently they are over with the payments.

However, wealth accumulation with debt might be the main source of insecurity. Especially, if the evolution of the labor market leads to outsourcing and incoming migrant workers; factors that weakens the low-income groups' ability to meet their obligations. As their dependence on financial markets deepened, low-income households share in fact their wealth with the actors of financial markets. We think that the financial inclusion which contributed the wealth accumulation of the poor has also opened a venue for social precarity. Flaherty (2015) believes these policies have socialized *in fine* private debts and damaged the strata of many low-income households. Montgomery and Young (2010) provided evidence about how increasing debts and servicing costs for marginalized households have led to wealth (dis) accumulation. It is now clear that financialization has significantly influenced wealth redistribution and enhanced the shares of top income groups.

Besides house and car, gold is also kept "under the mattress" according to a Turkish saying by some low-income householders mainly for giving away as a present for weddings, child birth or acquisition of a new house. If a child attending university lives in a household, then most likely education loans are used as well.

In addition to the wealth creation and accumulation, our study also provided insights on the low-income households' revenue sources. Salary and retirement pay showed to be the predominant form of regular income for a big majority of our sample members. Some of them also gain some other types of income such as revenues of harvesting their fields in their villages.

The findings of the research on hands open avenues for further research. As the poor have formed and accumulated wealth mainly through the conventional financial institutions, a major axe of research would be that of the alternative finance's impact on the poor's access to financial facilities and the more accommodating conditions of debt access and reimbursement. By alternative finance, we mean channels and instruments that have emerged outside of the conventional system such as regulated banks and capital markets. This is an important issue because conventional market imperfections might particularly affect the poor and reduce their ability to contribute to economic growth.

The findings of this research also provide insights for public policies. If the poor are not that poor that official statistics show, then the institutions are more defective than what they seem to be in the fight against poverty. In this perspective, the rule of law is not a luxury in the poverty eradication, but a Sine Qua Non condition.

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- ## APPENDIX
- ### Appendix 1: The Interview Guide
- #### 1. Information Profile and Socio-Demographic Features
- First part of the interview collects data about socio-demographics features of the respondents. Since unit of analysis is the household, we will address total household wealtyh but not the wealth of a single individual. Respondent(s) is (are) the most financially knowledgeable member of the household, although other household members may also provide information about wealth. The following will be addressed:
- Size of the family (family members)
  - Age, education, and gender of the members
  - Number of income earning family members
  - Number of non-income earning family members
  - Location of the home (region, city, district)
- #### 2. General Attitudes About Wealth
- Objective: Discovering the poor's understanding of wealtyh
- Unpaid bills
  - Where does wealtyh come from?
  - What are the different types of wealth?
  - Which type of wealth is important for making more money and having regular revenue?

### 3. Financial Liquid Assets

Objective: In this part, also we will ask questions to understand the composition of most used liquid financial assets in by a household such as cash, bank accounts, gold accounts, and credit cards.

- Cash
- Banking accounts
- Credit cards and loans
- Gold (kept at home)
- Foreign currency (kept in hand)
- Other

### 4. Real Estate

Objective: Finding out respondents' assessments of their own real estate property mainly comprised of residential (land, flat, house, condominiums and townhomes), commercial (office buildings, warehouses, livestock in rural areas, retail store buildings) and industrial categories (factories, farm, mines).

- Residential real estate
- Commercial real estate
- Industrial real estate
- Other

### 5. Personal Property and Wealth

Objective: Assessing the poor's wealth

- Automobile
- Jewellery
- Tools and machinery
- Furniture and appliances
- Collectibles
- Other

### 6. Investment

Objective: Finding out respondents' assessments of their own investments, i.e. financial assets

purchased with the idea of generating income in the future or selling at a higher price. We also try to collect data about types of social security benefits (if ever), retirement pensions (if ver) and life insurance (if ever). The reason we decided to include such data is that pensions, social security and insurance can be complementary indicators of wealth.

- Stocks
- Bonds
- Social security benefits
- Life insurance Retirement pension
- Tools and machinery
- Furniture and appliances
- Other

### 7. Current Liabilities

Objective; Assessing the respondents' debts or obligations that are due within one year.

- Unpaid bills
- Installment loans
- Mortgage due
- Vehicle loans
- Student loans
- Other

### 8. Noncurrent Liabilities

Objective: Assessing the respondents' debts or obligations that are due within one year.

- Installment loan due after one year
- Mortgage due
- Other

### 9. Final Remarks on Wealth and Income Generation

Is there anything you would like to add on how your family wealth can be used for generating income?