

The Early Retirement Practice in Türkiye in year of 2023: Old-age benefit for young generation

An examination in terms of income distribution and child poverty

Oguz Karadeniz (Pamukkale University)

Since 1965 in Turkey, the age requirement for old-age pension has been reduced three times just before the elections (1965, 1969, 1991). Until the first pension reform came into effect in Türkiye (08th September 1999), women were entitled to an old-age pension at the age of 38 and men at the age of 43. With the first reform pension reform, the age requirement was increased to 58 for women and 60 for men in order to be entitled to an old-age pension. Before the reform (08th September 1999), the age of those who entered employment was gradually increased according to the date of employment. Those who entered the job before the reform were organized first on social media (2008) and then by establishing an association. The community in question, which calls itself "those hindered from retirement due to age" (in Turkish abbreviation EYT), has become a huge vote potential for the elections. The government has ignored the requests of the said group over the last decade and rejected it due to financial sustainability of pension programme. Before the 2023 elections, with the opposition parties making the subject an election material, the government abolished the age requirement for those who were employed before 08th September 1999, with the law enacted. Men who were employed before 08th September 1999 were entitled to an old-age pension at the age of 43 and women at the age of 38. With the abolition of the retirement age requirement, it is expected that 2.2 million people will be entitled to a pension in 2023, and a total of 5 million people will be entitled to a pension until 2036.

Those who are employed on 08th September 1999 and after will be able to retire at the age of 58 for women and 60 for men. This time, the group in question asked for a gradual lowering of the retirement age. Moreover, the reaction to the early retirement practice started to rise, especially among the young working generation. Thus, the solidarity mechanism between generations began to suffer.

The aim of the study is to examine the effect of regulation on income distribution and poverty. In the study, the micro data set of the Turkish Statistical Institute Household Income Living Conditions Survey was used. The income status of the group that will deserve early retirement has been examined, and the effects of the minimum pension transfer on the income distribution have been tried to be estimated according to the income groups. While the poverty rate of the said group is 15.7%, the general poverty rate is 21.3%. Child poverty rate is 32.4%. With the early retirement application,

anyone who has completed the age of 38 for women and 43 for men and started to work insured before 1999 will be entitled to an old-age pension at a young age. It is estimated that the ratio of the annual cost of the early retirement regulation to the GDP will be between 1% and 1.5%. Even if half of the said resource is allocated for child benefits, it would be possible to reduce the child poverty rate by at least 50 per cent .

It is estimated that the income distribution will deteriorate in favor of the high-income group with the implementation of early retirement. While young and working-age persons receive an old-age pension, sufficient resources cannot be allocated from the social security system due to possible lack of resources for children. Having the right to vote and to be elected, the group that wants early retirement, and their organization to defend their rights have brought them a unique right in the world. However, children do not have the right to vote and have no organization. This situation may cause political parties not to allocate sufficient resources to the said group in their election manifestos.