



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION
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TUSIAD, comprised of Turkey's leading CEOs and executives, is an independent, non-governmental organization dedicated to promoting public welfare through private enterprise.

TUSIAD'S NEW REPORT ON INCOME DISTRIBUTION IN TURKEY

December 18, 2000, Washington, DC: TUSIAD released a new report on "Individual Income Distribution and Poverty in Turkey (1987-1994): A Comparison with the European Union". The report was prepared by Dr. Haluk Levent, Galatasaray University, Dr. Raziye Selim, Istanbul Technical University and Ozlem Sarica, State Institute of Statistics (DIE). Ass. Prof. Seyfettin Gursel coordinated the studies.

The research concludes that there is a relatively high level of inequality of income distribution in Turkey. Nevertheless, contrary to the common public perception, it is a remote possibility that the existing inequality of income distribution will further deteriorate, claim the authors of the report.

The main findings of the report could be summarized as the following:

- While the inequality of "entrepreneurial incomes" determined 75% of income inequalities in 1987, adding the high interest income in 1994, it widened to constitute 90% of the income inequalities this year.
- The social transfers made by the state in Turkey have not been effective in improving income inequalities when compared to the European Union countries.
- The total inequality is largely determined by the intra-regional disparities rather than inter-regional inequalities. In this manner, Southeast Anatolian region, which has the lowest income figures, enjoys the least unequal distribution of income, while Marmara region, the richest region in Turkey, holds highest income inequality.
- Paradoxically, increasing level of education results in higher level of income inequality. This fact largely stems from the disparity between income levels of civil servants and private sector employees. Assuming the possession of similar qualifications, the wages of employees do not yield in such disparities between public and private sectors in the EU countries.
- Although relative poverty in Turkey is at undeniable levels, it would be fair to assert that it is not far behind the European countries. Nevertheless, Turkey has poorer income inequality parameters than even Portugal, the EU member country with the worst income distribution figures.

- The most important feature of the EU countries leading to assuage inequalities is the existence of effective redistribution policies in these countries. In this line, while the initial income distribution (pre-taxation and pre-social-transfers) shows similarities with that of Turkey's figures, those redistribution policies in the EU successfully diminish income inequalities while they prove to be insufficient in Turkey.

In light of the above evaluations and assertions, the report suggests undertaking the following macro and structural changes to diminish income inequalities in Turkey:

- Increasing the share of wage earners in the employment.
- Reducing the level of real interest rates by reducing public deficits and widening the ownership of securities in the medium-term.
- Differentiating and increasing social transfers schemes and directing them to the lower income groups, and particularly, enabling direct income transfers to farmers.
- Broadening the coverage of the unemployment insurance
- Allocating more resources to education in order to improve the average education level.
- Implementing radical reforms in the public personnel regime with an emphasis to decrease irrational wage differences between the public and private sectors.