ABSTRACT

Income inequality has been observed across both advanced and emerging market economies for the last thirty years. The neoliberal policies has resulted in a significant change in the distribution of income and wealth around the world in favour of the top income receivers.

Uneven distribution of income has recently been one of the main issues for researchers and policy makers. The reason why income inequality has been so high on the agenda is that because it has important consequences that erode social justice and peace in society. Rising inequality might damage economic growth, might pose a serious barrier to social development and hamper well-being, and might cause political instability.

Income inequality can be observed and analysed from various perspectives, such as regions, cities, gender, education, family size, occupations, factors, status, etc. A different way of analysis of income inequality can be made by comprising and harmonising three categories of income, namely income by occupations, income by employment status, and types of income (functional income). In this way, a relative income index has been constituted to demonstrate the top income receivers from every income category. It has been found that the managers from the first category, employers from the second category, and entrepreneurs, rent and interest receivers from the third category constitute the top income receivers.

The aim of this paper is to highlight that the top income receivers from aforesaid three income categories contribute to income inequality the most in Turkey. It has been concluded that pro-equal public policies should be devised to reduce inequalities.

Key words: Income inequality, Income by occupations, Income by employment status, Income by factors, Turkey

JEL Codes: I31, I38, I39, H53, E61

1. INTRODUCTION

The success of neoliberal policies since the 1980s has resulted in a significant change in the distribution of income and wealth around the world in favour of the top income receivers. It is stated (Rambotti, 2015:123) that inequality per se, more specifically income inequality, is harmful to every aspect of social life. Inequality is emphasised to be even more extreme in wealth than income. Estimates suggest (Jones and Kim, 2015: 14) that almost half of the world’s wealth is now owned by just 1% of the population, amounting to 110 trillion dollars- 65 times the total wealth of the bottom half of the world’s population.
There has been a global change in terms of income distribution between wages and profits to the detriment of wages. Not only the labor but also the factor incomes have accrued at the top income percentiles. Indeed about half of the income of the top 1 percent constitutes non-labor income compared with 30 percent for the top 10 percent as a whole (Dabla-Norris et al., 2015: 11).

Income inequality has been observed across both advanced and large emerging market economies. Over the last thirty years, top income shares have increased substantially in both advanced and emerging economies (Atkinson et al., 2011: 3). The middle class has been squeezed not only in many advanced but also some emerging economies, with incomes stagnating or even declining. Within the labour share, the highest earners have captured an increasingly large portion, while those at the bottom have seen their shares decline significantly. Thus the share of national income going to labour has declined in almost all G20 countries (G20 Joint Meeting, 2015).

There are some distinct trends in growing income inequality. Firstly, there is an unprecedented surge in top wage incomes. As a result, wage income comprises a larger fraction of top incomes than in the past (Atkinson et al., 2011: 3). Secondly, there has been a global change in terms of income distribution between wages and profits to the detriment of wages. Thirdly, tax and social transfer policy has had less of a corrective influence on income distribution than in the past (Mosqueira and Fahimi, 2014: 3).

Some of the reasons which underlie income inequality have been put forward as the change in technology, less regulated labour markets, tax rates, globalization, etc. It has been noted (Card and DiNardo, 2002: 734-735) that a burst of new technology caused a rise in the demand for highly skilled workers, which in turn led to a rise in earnings inequality. Technological advances have been found to have contributed the most to rising income inequality, accounting for nearly a third of the widening gap between the 90th and the 10th percentile earners over the last 25 years. However it has been argued (Stiglitz, 2015: 444) that technological change has made labor more productive but technological changes cannot explain why there should have been such an increase in the gap between average wages and productivity. It has been stated (Dabla-Norris et al, 2015: 19-20) that larger emerging market economies also shows a similar trend.

Dabla-Norris et al (2015) have argued that the decline of some labour market institutions have contributed to inequality in both advanced and emerging economies and flexible labour market institutions may lead to pose challenges for workers, especially those with low skills. It has been highlighted (Jaumotte and Buitron, 2015: 4) that the erosion of labor market institutions is associated with the rise of income inequality. The afore mentioned authors has added that the decline in unionization is related to the rise of top income shares and less redistribution, while the erosion of minimum wages is correlated with considerable increases in overall inequality; and the most novel result obtained is the strong negative relationship between unionization and top earners’ income shares.

It is stated (Freeman, 2010:167) that deregulation of finance has spurred growth, profits, and high earnings for the highest positions which led to greater inequality more in finance than in other sectors. Dabla-Norris (2015) has claimed that financial globalization pushes up the demand for and wages of higher skilled workers which increases income inequality.

As a result of afore mentioned changes and factors, inequality has become the challenge of the present time and has gained substantial attention by many researchers.
recently although it has been ignored by dominant neo-liberal paradigm for years. The reason why economic inequalities have been so high on the agenda of researchers is because inequalities have been said (Werfhorst and Salverda, 2012) to have important consequences that erode social cohesion and decrease solidarity among groups in society, with many other negative effects. It has been stated (Stiglitz, 2014; Krueger, 2012) that high level of inequalities leads to a weaker economy and more instability. This weak economic performance has, in turn, contributed to the increase in inequality. It is claimed (Acemoglu and Robinson, 2000) that inequality is a barrier to social development and well-being of individuals; and rising inequality increases social unrest and induces democratization. All these impacts denote that income inequality is a fundamental issue of social justice and peace.

Income inequality has been studied and analysed from various perspectives, such as by regions, cities, gender, size of the household, education level, occupations, jobs, employment status, functional income, etc. Another way of studying income inequality which I have done in this paper is to colligate and harmonize different income categories, with the effort of displaying the highest income receivers.

The aim of this paper is to demonstrate income inequality in Turkey by highlighting the interrelation among the top income receivers from various income categories and underlining that top income receivers contribute to income inequality in Turkey the most.

The paper proceeds as, firstly with an introductory part which a summary of literature about the reasons and consequences of income inequality have been presented. Following it, a conceptual part where income categories in Turkey have been explained and described; thirdly an analysis of various income categories has been made by using a relative income index; and finally a conclusion takes place in the last part.

2. CONCEPTUAL FRAMEWORK

Some occupations yield higher incomes, whereas some yield lower incomes according to the skills and merits required by the occupations. Several works have described (Corley et al, 2005; Gallie, 1996) that there has been a growing demand for high-skilled labor. On the other hand, it has been put forward (Segal and Sullivan, 1995) that there is a growing group of people with limited skill requirements, having occupations at the lower level of income, often associated with low pay and poor working conditions. It has been added (Shatnawi et al, 2014; Maeda and Ishida, 2013) that occupations and job titles act as a continuum of wages. It is highlighted (Pertold-Gebicka, 2014) that there is increasing evidence about polarization in labor markets with employment and wage growth occurring in low and high skilled occupations. Some researchers claim (Wang and Chen, 2004; Levin-Waldman, 2014) that this ongoing dichotomization and polarization of employment lead to differences in wages and constitute the most important reason for income inequality in most countries.

It has further been stated (Stiglitz, 2015: 425) that much of the increase in inequality is associated with the growth in rents-including land and exploitation rents. Stiglitz (2015: 432) adds that much of the increase in wealth has little to do with savings in the usual sense; rather it is the result of capital gains especially the increased value of land and an increase in the capitalized value of other rents.

In this context, I have tried to highlight income inequality in Turkey by putting forward the top income receivers from various income categories, which are income by occupations, income by employment status, and income by factors (functional income). These
categories clearly show the gap within the factor holdings, status and skills of income receivers.

The first category, income by occupations, shows income distribution by occupations which people occupy, such as managers, professionals, associate professionals, clerks, etc. This category is focused on skills that people hold, and the relevant incomes that they receive. Occupations have been categorized by the ILO according to the international occupation standards, namely ISCO (International Standard Classification of Occupations). In Turkey, the highest income yielding occupations include chief executives, senior officials and legislators, administrative and commercial managers, production and specialized services managers, and hospitality, retail and other services managers. The lowest income yielding occupations encompass elementary occupations such as street sellers, porters, vendors, etc.

The second category, income by employment status, displays income distribution by either being an employer, or an employee (regular or casual), or self-employed. Employers are those people who own firms and employ other people to work for them. Self-employed people are those people who have their own firms in the form of shops or small workshops, and who use their own labour by working in their businesses. Regular employees are those people who work on a regular basis. Casual employees are those people who do not work regularly. Employment status might generate higher or lower incomes according to the status of the individuals. In this second category, employers receive the highest incomes, whereas casual employees receive the lowest incomes.

The third category, income by factors (functional income), specify the incomes generated by factors, such as labour, land and capital. Wages, salaries, rents, profits, interests, and transfer payments are the forms of incomes in this category.

In this paper, I tried to colligate the top income receivers from the three categories with the aim of highlighting income inequality in Turkey. In order to colligate and normalize the top income receivers from three different income categories, I have constituted a relative income index which is the ratio of the top incomes from each income category to the average income.

The reason for normalizing those different income categories relies on two assumptions. Firstly, I presume that the highest income receivers in all three categories are the same persons. In other words, a person named Mrs. Ample is the highest income receiver as a manager from the category of occupational income; she is the highest income receiver as an employer from the category of income by employment status; and she is the highest income receiver as an entrepreneur/renter from the category of functional income. Therefore Mrs. Ample can both be a manager, and an employer, as well as an entrepreneur.

The data used in this paper are from TurkStat (Turkish Statistics Institute), Income and Living Conditions and Consumer Expenditure Surveys, except the functional income (income by factors) data. This category of income has been calculated by a group of researchers and academicians (Selim et al, 2014) by using raw data from the Household Expenditure Surveys of TurkStat. All data cover the period from 2006 to 2014, except for the functional income category which covers the 2002-2011.

3. ANALYSIS OF THE INCOME CATEGORIES

It might be useful to start this section with a brief outlook of the Turkish economy. The economic situation of Turkey has shown different trends before and after the global crisis, 2008. The years between 2002 and 2007 have been identified (Selim et al, 2014) as a
period of macroeconomic stability, potential growth, and structural reforms. GDP tripled and became 646b $ in 2007. The average income, which was 8.75k TL in 2006 became 10.01k in 2007 and thus increased in real terms.

During the crisis period, 2008-2010, Turkey experienced a fluctuating position. Turkey felt the adverse effects of the crisis mainly in 2009, but not in 2007 or 2008. GDP increased by 13% in 2008, then fell down with a -4.8 contraction. And then in 2010 came back to the 2008-level (731.5b $). On the other hand, average real incomes almost stagnated in 2008. However, a weird phenomenon occurred in 2009- the growth rate decreased but the average income increased.

In 2010 and 2011, Turkey experienced very high growth rates, 9.2% and 8.8% consecutively, but in real terms GDP of 2010 was at the 2008-level. In 2011, Turkey’s GDP increased by 6% (774.7b $). And also the average incomes increased and became 12.6k TL (2010) and to 14.2k TL (2011).

During 2012-2015, the growth rates were 2.1%, 4.2%, 2.9%, and 4% consecutively. Contrary to the slow growth, average incomes increased and became 15.2k TL in 2012, 17.3k TL in 2013, and 19.1k TL in 2014. On the other hand, the increase in GDP during the 2012-2015 period could not create enough jobs. Unemployment became 9.9 in 2014 which was very close to the 2008-level.

3.1. Income by Occupations

In this part, the average annual income by occupations at main jobs will be analyzed for an eight-year period from 2006 to 2013. The occupational data of Turkey conform with the ILO standards, namely ISCO which classifies jobs. A job is defined (ILO) as a set of tasks and duties performed, or meant to be performed, by one person, including for an employer or in self employment. An occupation is defined as a set of jobs whose main tasks and duties are characterised by a high degree of similarity. A person may be associated with an occupation through the main job currently held, a second job or a job previously held. Jobs are classified by occupation with respect to the types of work performed, or to be performed.

In Turkey, TurkStat used ISCO-88 until 2011, and started to use ISCO-08 in 2012 and afterwards (1). There is no important difference between ISCO-88 and ISCO-08. Only some amendments have been made in the subcategories of occupations due to the changes in occupations by time. For example the heading of the first group in ISCO-88 is ‘legislators, senior officials, and managers’; while the heading of the first group in ISCO-08 is just ‘managers’ that include the senior officials, legislators and all managers under its subcategories.


The highest income receiving group is ‘managers, legislators, and senior officials’. Income of managers increased rapidly during the reference period albeit some fluctuations during 2008-2010 due to the crisis. It was 20.6k TL in 2007 and became 42.9k TL in 2014.

The second highest income receiving group is professionals. Incomes of the two highest groups were very close to each other in 2010 (22.9k TL and 22.4k TL respectively) but in 2014 the gap between those two highest income groups (32.7k TL and 42.9k TL
respectively) widened in favour of the managers. Thus managers capture the highest income in this category.

The income of managers displays three main trends. Firstly, there has never been a decrease in the incomes of managers in monetary terms, although there was a contraction in the growth rates of this group in 2008 and 2009 due to the economic crisis. Secondly, managers recovered from the crisis after 2010. Thirdly, the growth rate of managers increased very rapidly in 2011 and 2012. In monetary terms, the income of the managers was 17.5k TL in 2006 and became 42.9k TL in 2014. This meant an increase more than double during the reference period.

**Figure 1. Relative Income Index by Occupations**

![Relative Income Index by Occupations](chart.png)

**Source:** Author’s calculation.

The relative income index by occupations (Figure 1) shows the increase in the incomes of the managers. During 2006-2008, the index was above the 2.50 threshold. It was 2.74, 2.56, 2.54 consecutively. During 2009-2011, the index was below the 2.50 threshold. It was 2.40, 2.36, 2.36 consecutively. In 2012 it increased rapidly and became 2.99 and in 2013 it increased further and became 3.18. Then in 2014 it fell down to 2.96 which is also close to the 3.00 threshold. It can be deduced that the relative income index of the managers was around 3.00 after 2012.

**3.2. Income by Employment Status**

Employment status might generate higher or lower incomes according to the status of the individual. This category encompasses four groups, (1) employers, (2) regular employees, (3) casual employees, and (4) self-employed. Employers receive the highest incomes, whereas casual employees capture the lowest incomes.

During the whole reference period (2006-2013), the incomes of the employers were the highest. It started three times higher than the average income with 20.4k TL in 2006. However it showed slight increases in 2007, 2008 and 2009 (25.4k TL, 26.8k TL, and 27.2k
It decreased by 3% in 2010 and became 26.5k TL. Then during the rest of the period, 2011-2013, it increased by 26%, by 7%, and by 11%. In 2013, the average income of employers was 39.6k TL, whereas the average income of the regular employee, who is the second highest income receiver in this category, was just 18.1k TL.

The gap between the employers and the regular employees is more than double. The incomes that the regular employees received were only close to total average income during the whole period. Besides monetary terms, the growth rate of incomes of the employers is much faster than the growth rate of the regular employees.

The incomes of the self-employed were much lower than the total average income. The reason for this could be inadequate and/or false replies to the questions in the surveys. This group encompasses people trying to evade from taxes, and therefore they might insist on showing their incomes lower.

**Figure 2. Relative Income Index by Employment Status**

Source: Author’s calculation.

The relative income index of the employers during 2006-2013 is equal or above the 3.00 threshold mostly, except 2009 and 2010. It was above 3.19, 3.16, and 3.21 during 2006-2008. It fell down to 2.90, which is still close to the 3.00 threshold, in 2009, and further to 2.72 in 2010. Then it recovered very quickly and became 3.11 in 2011 and 3.01 in 2012. It fell down 0.02 points below and became 2.99 in 2013. It can be said that the relative income index of the employers was around 3.00 during most of the reference period.

**3.3. Income by Factors (Functional Income)**

Functional income is the distribution of income between labour incomes, such as wages and salaries, and non-labour incomes, such as profits, interests, rents, and transfers. Functional incomes are composed of labour incomes, entrepreneurial incomes, agricultural entrepreneurial incomes, interest incomes, pensions, and transfer incomes. An individual might benefit from transfer income in addition to the labour income s/he receives. In that case, the highest income is recorded as the main income type.

When we break down the functional income in Turkey, the percentages of the components of the total functional income is as follows: wages and salaries 40.8%, entrepreneurial income 24.2%, social transfers 17.8%, property income 6.1%, casual income 3.7%, rental income 3.1%, interhousehold transfers 2.9%, and other incomes 1.5%.
The highest income yielding group in the functional income category is the interest income receivers. Interest income is a particular type of income. In the survey, a low number of households fell into this category. Interest income receivers obtain other types of earnings besides interest. The weight of interest incomes in total income is more than the rest of the other types of income.

**Figure 3. Relative Income Index by Factors**

![Figure 3. Relative Income Index by Factors](image)

**Source:** Author’s calculation.

During the reference period, interest incomes have shown a fluctuating pattern. The growth rates of interest income during 2002-2007 was -13.4 but it went up to 45.6 during the 2007-2011 period (Selim et al, 2014: 81). It was 14.2k TL in 2002, reduced to less than half in 2003, then doubled in 2004, then again reduced to one fifth in 2005 and increased seven times 2006 and then halved in 2007. It doubled in 2008, then again doubled in 2009 (43.7k TL) even when the Turkish economy slowed down that year. It increased to 47.8k TL in 2010 and then increased very rapidly and became 66.9k TL in 2011.

The second highest income, entrepreneurial income, started by 6.6k TL in 2002, doubled in 2006 (12.6k TL), increased slightly in 2007 (13.8k TL), went up to 16.5k TL in 2008, became 18.1k TL in 2009, and increased slightly to 19.1k TL in 2010 and ended with 22.8k TL in 2011.

Entrepreneurial income is much lower than the managers. The reason for this might be the high number of small or medium-sized firms (artisans) which evade from There is a smooth increase in this income type during the period of 2002-2011.

Both entrepreneurial incomes and interest incomes might yield high or moderate earnings. The entrepreneurs are a heterogenous group that encompasses both the large scale producers and the small scale producers, namely the artisans. The same pattern is seen in the interest income group. This group also encompasses high and moderate interest receivers.

Pensions and labour incomes stayed almost the same during the reference period. However, pensions have become lower than labour incomes after 2008. Transfer incomes
were at the same level with the labour incomes, agricultural entrepreneurial incomes, and pensions until 2004. After that year transfer incomes lagged behind them.

The relative income index of entrepreneurial income between 2006 and 20011 is 1.97, 1.71, 1.97, 1.93, 1.96, 2.12 consecutively. These figures are much lower than the managers from the occupations category and the employers from the status category.

The relative income index of the interest income between 2006-2011 is much more higher than the indexes of the other income categories. It was 3.51, then went down to 1.34, then became 2.89, then doubled and became 4.65, then increased to 4.92, and went up rapidly to 6.22.

3.3.1. Distribution of functional income by the highest quintile (20% income group)

In this part, I will try to highlight the distribution of functional income (income by factors) by the highest 20% income group. The highest income earners, namely 20% income group, capture the most of the rental incomes, most of the property incomes, more than half of the entrepreneurial incomes, and half of the wages.

The highest quintile gets the following types of functional incomes in percentages during the reference period 2006-2013: (1) about 70% of total rental income, (2) 60-66% of total property income, (3) 54-57% of total entrepreneurial income, (4) 51-53% of total wages and salaries, (5) 42-46% of total pensions and survivors’ benefits, (6) 40-45% of total social transfers, (7) 32-41% of total inter-household transfers, (8) 18-27% of total ‘other social transfers’, (9) 44-9% of total ‘other incomes’- in a decreasing way), and (10) 8-11% of total casual incomes. It is easily seen that the highest quintile has a high level of rental and property incomes.

When one takes a closer look at the functional incomes of the highest quintile, the following characteristics can be noticed. Rental incomes of the highest income group was 72.2% in 2006. It fell to 69.2% and then quickly recovered in 2009 and became 72.9%. Rental incomes kept their position at 70-71% for the rest of the period. This implies that property income receivers did not get affected by the 2008 crisis.

Property incomes were 63.1% in 2006 but fell to 56.6% prior to the economic crisis, in 2007. Then it increased up to 63.5% in 2008. It increased to 66.5% in 2012 but then fell to 60.9% in 2013. This shows that property income receivers were not also affected by the 2008 economic crisis.

Entrepreneurial incomes of the highest quintile started with 58.9% in 2006, went down to 55.6% due to the economic crisis in 2008, almost stayed the same (55.9%) in 2009; and then went down to 52.6% in 2010; and increased a little and became 54-55% for the rest of the period. Wages and salaries display a steady profile with 52-53 percentages during the whole period.

Pensions and survivors’ benefits and social transfers have shown a similar trend. The percentage of pensions is between 41 and 46; and of social transfers is between 41 and 45. Inter-household transfers were high in 2007 with 41.9% but fell down to 33.9% in 2008 due to the crisis. This category of income continued almost the same (35%) for the rest of the period. ‘Other incomes’ were quite high (43-44%) in 2006-2008 but then a sharp decrease happened right after the economic crisis of 2008. In 2009, it fell to 13.1 % and kept on this low trend during the rest of the period. In 2013 it was 9.1%. ‘Other incomes’ can be said to be affected by the 2008 economic crisis the most. ‘Other social transfers’ displayed almost a
steady trend until 2009 with about 20%, then in 2010 it fell down a few points, and recovered in 2011 and became 25.6%. In 2013, it reached to 27%. Finally, ‘casual incomes’ showed a steady position at 7.1-7.6% during the whole reference period.

The data show that the highest quintile constitutes half of the total income in Turkey and it contributes to income inequality the most (Sümer and Baran, 2015).

4. ASSESSMENT OF RELATIVE INCOME INDEXES

In this part, I will compare the relative indexes from three different categories of incomes- by occupations, by employment status, and by factors, with the aim of highlighting income inequality in Turkey.

The first highest relative index belongs to the interest income receivers from the category of income by factors (functional income). The relative index figures of this group are 3.51, 1.34, 2.89, 4.65, 4.92, and 6.22 respectively between 2006-2011 (Figure 1). Interest income index was the lowest one year before and during the 2008 crisis but then it recovered very quickly and increased very rapidly. Except those specified two years, it has always been the highest of all the other income indexes.

The second highest relative index belongs to the employers from the category of income by employment status. The relative index figures of this group are 3.19, 3.16, 3.21, 2.90, 2.72, 3.11, 3.01, and 2.99 respectively between 2006-2013 (Figure 2). The highest figure was in 2008 and the lowest was in 2010. This group did not seem to be affected much by the economic crisis in 2008. Except 2009 and 2010, the relative index of this group was equal to 3.00 or above. However, after 2011, this group could not catch the previous levels of the 2006-2008.

The third highest relative index belongs to the managers from the category of income by occupations. The relative index figures of this group are 2.74, 2.56, 2.54, 2.40, 2.36, 2.99, 3.18, and 2.96 respectively between 2006-2013 (Figure 3). The relative income index of this group was almost the same during the reference period, with the lowest figures in 2009, 2010 and 2011. In 2012 the index of this group passed 3.00 but then fell to 2.96.

The relative income index of the entrepreneurs from the category of functional income is the fourth index in the descending order. Until 2011, it has remained below 2.00. It is 1.97 in 2006, 1.71 in 2007, 1.97 in 2008, 1.93 in 2009, 1.96 in 2010, and 2.12 in 2011 (Figure 3). Entrepreneurs do not seem affected by the 2008 crisis. The relative income index of entrepreneurs has even increased by 0.26 points in 2008. The lowest figure is in 2007, one year before the global crisis, and the highest figure is in 2011.

It is expected that the income of employers would be higher than the income of managers but the numbers show that the income of managers is higher than the employers. There can be various reasons for this position. Employers, especially small scale employers, can be hesitant in responding the questions of the surveys correctly, in order to evade from undue taxing. Another reason can be the high increase in the wages and salaries of high level managers, senior officials and legislators, and the statesmen which augment the income of managers. The issue of ‘working rich’ has been put forth (Saëz, 2013; Atkinson et al, 2011) and has been stated that the two groups now appear to co-habitate the top end of the income distribution.
5. CONCLUDING REMARKS

In this paper it has been put forward that the highest income receivers, namely employers, managers, entrepreneurs, and interest income receivers from various income categories through profits, interests, rents, and wages contribute to income inequality the most in Turkey. It has been added that the highest income receivers might be the same people who belong to the above referred categories of income.

The phenomenon of income inequality has been analysed by using a relative income index for each income category. Each relative income index from every three category has been compared in order to see which income group captures the highest income. It has been found that interest income receivers contribute to income inequality in Turkey the most, while employers, managers, and entrepreneurs take their part following the interest income receivers.

This ongoing income inequality perpetuated by the highest income receivers might hamper an inclusive economic growth and might easily damage social peace. It is often accentuated that the market has not been successful so far in the fair distribution of incomes. In order to reduce income inequality, some policies and regulations are needed. In this respect, efforts for the improvement of income inequality through public policies are required. Fiscal policy, monetary policy, growth policy and other policies such as social policy can be put into effect to eliminate high income inequality.

Among the public policies, monetary policy is said (Stiglitz, 2015(a):4) to be more effective in reducing output than expanding production. Lower interest rates are intended to induce more investment, but they can change the relative cost of capital and labour. Low interest rates might create a jobless recovery which has all the adverse effects on inequality. However, in Turkey, this impact might be reverse. Lower interest rates might create an inclusive growth, creating more jobs. On the other hand, lower interest rates might restrain foreign investment.
It could be far better if income inequality is coped with fiscal policy in Turkey. For example, more and more progressive taxing policy, especially for the lowest and the highest income groups is an urgent necessity in Turkey. Specifically, taxing on the minimum wage has to be abolished. This would substantially reduce income inequality in Turkey. Another tool for public policy is the social transfer payments which might be used to reduce income inequality. This policy has less effect on the elimination of income inequality and usually has been attacked on for having high costs. Nonetheless, smartly designed schemes for social transfer payments might reduce that cost. Stiglitz (2015) has rightly stated that a better performing economy, with higher growth and more equality, can be achieved if monetary and financial regulation be conducted with an eye to the impact of policies on distribution.

The last but not the least policy is the supervision of the functioning of a more comprehensive and regulated labour market which could open the way to reduce income inequality through more, and secured and decent jobs that might provide opportunities for better incomes for many people.

**Endnote**

1) The occupations numbered by ILO according to the main groups are:

1. Managers (ISCO-08)/ Legislators, senior officials, and managers (ISCO-88) (eg: senior judges, prime minister, parliament and assembly representatives, senior managers, CEOs, and chief executives)
2. Professionals (eg., engineers, doctors, dentists, teaching professionals, directors)
3. Technicians and associate professionals
4. Clerks
5. Plant and machine operators and assemblers (stationary plant and machine operators; assemblers; drivers and mobile plant operators)
6. Service workers, shop and market sales workers
7. Craft and related trade workers (building and related trades workers; metal, machinery and related trades workers; handcraft and printing workers; electrical and electronic trades workers, food processing, wood working, garment and other craft and related trades workers)
8. Skilled agricultural and fishery workers
9. Elementary occupations (cleaners and helpers; agricultural, forestry and fishery labourers; labourers in mining, construction, manufacturing and transport; food preparation assistants; street and related sales and service workers; refuse workers and other elementary workers)

0. Armed forces occupations (ISCO-08) are denoted by zero. (commissioned armed forces officers; non-commissioned armed forces officers; armed forces occupations, other ranks)
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