

## TURKEY

- The income gap vis-à-vis the upper half of the OECD countries narrowed in the 2000s but remains large. The strong catch-up in the 2000s has been driven by productivity gains in most of the period, and by the acceleration of job creation outside agriculture in recent years.
- The authorities have started to address the labour market reform agenda with important crisis measures, which have significantly reduced relative labour costs for youth and women as well as in certain regions. These measures have begun to pay off and should be further developed and made permanent.
- Strong employment growth is essential for the convergence of the still low employment rate with OECD benchmark. Improving educational achievement, reducing labour costs, reforming employment regulations and reducing incentives for early retirement are core priorities. Product market reforms to improve productivity growth in the sheltered sectors are also needed.
- Further progress with vocational education in close co-operation with the business sector and effective life-long education for adults whose schooling has been inadequate, would not only improve productivity and employability but also help reduce the still wide income gaps between social groups and across regions.

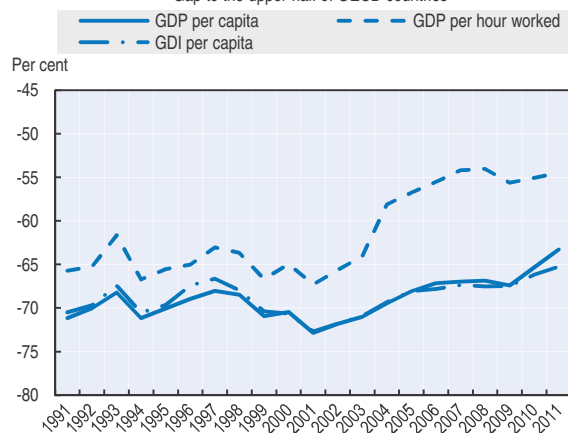
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent


|                                 | 2001-06 | 2006-11 |
|---------------------------------|---------|---------|
| Potential GDP per capita        | 1.8     | 2.9     |
| Potential labour utilisation    | -0.8    | 0.6     |
| of which:                       |         |         |
| Labour force participation rate | -0.6    | 0.6     |
| Employment rate <sup>1</sup>    | -0.1    | -0.1    |
| Potential labour productivity   | 2.6     | 2.4     |
| of which:                       |         |         |
| Capital intensity               | 0.7     | 0.9     |
| Labour efficiency               | 1.2     | 0.8     |
| Human capital                   | 0.7     | 0.6     |

#### B. Gaps in GDP per capita and productivity have narrowed but remain very large

Gap to the upper half of OECD countries<sup>2</sup>

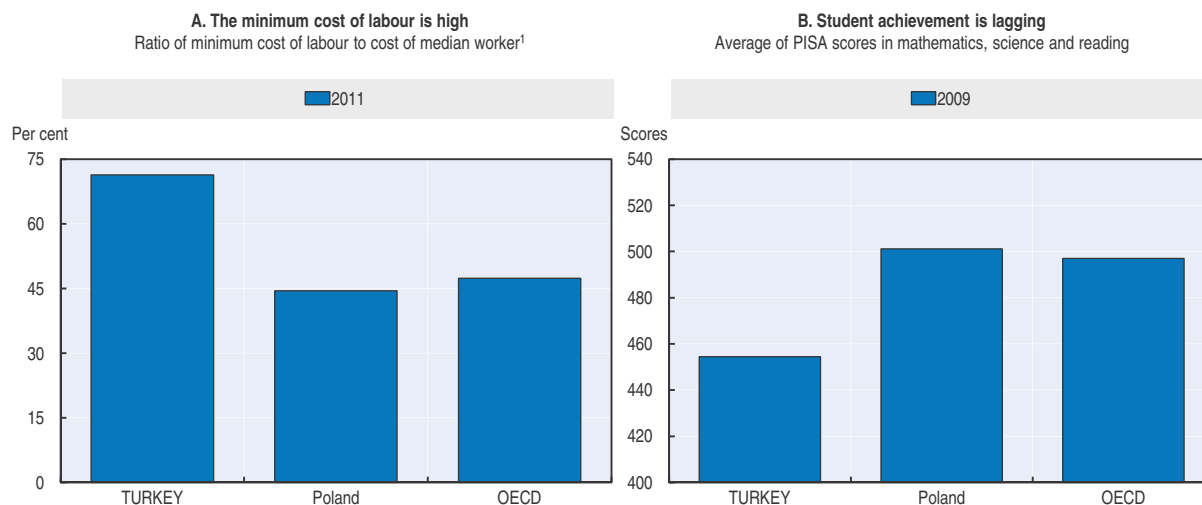
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases*.

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## TURKEY

## Policy indicators



1. Exactly half of all workers earn less than the median wage for the OECD countries. The cost of labour is the sum of the wage level and the social security contributions paid by employers.

Source: OECD, OECD Employment Outlook, Taxing Wages and PISA 2009 Databases.

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## Identifying Going for Growth 2013 priorities

## Priorities supported by indicators

**Improve educational achievement at all levels.** School enrolment rates have risen but there is ample scope to improve quality and equity.

**Actions taken:** Enrolment capacity in primary and secondary schools were further increased. In 2012, the length of compulsory education was extended to 12 years.

**Recommendations:** Reduce the large quality gaps among both schools and universities by granting them more autonomy and resources per student, against greater performance accountability. Develop pre-school education. Strengthen vocational education in co-operation with the business sector. Develop effective life-long education programmes for inadequately schooled adults.

**Reduce the cost of employment of the low-skilled.** Relatively high minimum costs of labour discourage employment of the low-skilled in the formal sector.

**Actions taken:** In response to the crisis, social security contributions were cut significantly for the early years of employment in certain regions as well as for youth and women.

**Recommendations:** Limit the growth of the official minimum wage and differentiate it across regions. Further reduce social security contributions and make permanent part of the cuts granted during the crisis, financed by a widening of the tax base.

**Reform employment protection legislation.** Rigid employment rules for permanent and temporary workers nurture a large informal sector.

**Actions taken:** A comprehensive draft Law to liberalise temporary and agency work was submitted for discussion to social partners in November 2011.

**TURKEY**

**Recommendations:** The severance payment regime for permanent workers should be re-designed with the help of “portable” severance saving accounts. The scope and eligibility for unemployment insurance should be broadened.

**Other key priorities**

**Improve competition in network industries and agriculture.** Obstacles to competition in network industries and agriculture undermine productivity growth.

**Actions taken:** Earlier liberalisation plans in the electricity, natural gas and telecommunications sectors continue to be implemented slowly.

**Recommendations:** Speed up the implementation of liberalisation of network industries. Delink agricultural support from production and shift its composition away from price measures toward direct support.

**Reduce incentives for early retirement.** The statutory pensionable age is still 45, which creates disincentives to continued formal sector work at older ages, as the phasing in of the pension reform is only very gradual.

**Actions taken:** The “Strategy of Fight Against the Informal Economy, 2012-2013” reinforced administrative capacities for employment registration and reduced incentives for early retirement.

**Recommendations:** Make pension benefits more actuarially neutral and establish a health insurance contribution for young retirees. Speed up increases in the statutory retirement age.

**Previous Going for Growth recommendations no longer considered a priority**

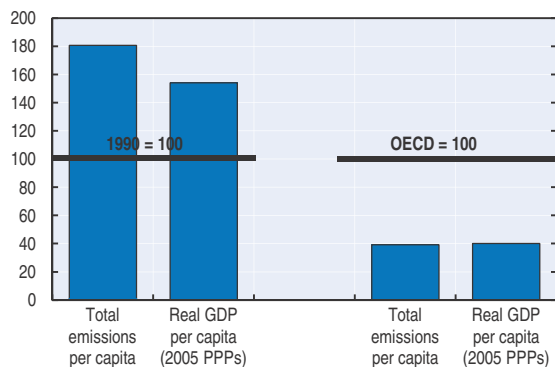
For this country, all 2011 *Going for Growth* recommendations remain as priorities.

## TURKEY

## Other dimensions of well-being: Performance indicators

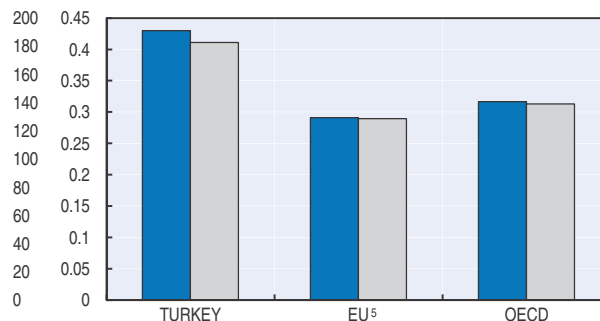
A. Emissions per capita have risen faster than GDP since 1990 but remain well below OECD average  
Average 2006-10<sup>1</sup>

Share in global GHG emissions:<sup>2</sup> 0.8%



B. Income inequality<sup>3</sup> remains above the OECD average but has decreased  
Gini coefficient

Legend: 2005<sup>4</sup> (Blue), 2009 (Grey)



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Data refer to 2004 for Turkey.
5. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

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