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## How Should We Interpret the Outcome of the June 2015 Parliamentary Election in Turkey?\*

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### Abstract

The outcome of the June 7, 2015 parliamentary election in Turkey is analyzed. In particular, the causes of the drop in the vote share of the ruling Justice and Development Party are identified, and their effects are measured with the help of a vote equation. This model is fitted to data covering the 1951-2014 period and considers the credit or blame the government gets due to economic conditions, the advantages and disadvantages of incumbency, political inertia, and realignments. It also takes into account strategic voting, which is caused by election thresholds and the electorate's desire to balance the power of the government. A comparison of the prediction obtained from this equation with the actual realization is utilized to estimate the impact of the decision by the Peoples' Democratic Party to participate in the election officially, rather than through independent candidates.

**JEL Codes:** C53, D72

**Keywords:** Voter behavior, economic voting, strategic voting, election forecasting, AKP, Turkey.

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## **1. Introduction**

During 2002-2011, not only did the Justice and Development Party (AKP) come on top in every parliamentary election and rule in single-party governments, it also managed to raise its vote share each time. That is why, when the party's vote share shrank in the June 7, 2015 election large enough to deny it a parliamentary majority, it was considered surprising, even though the party still finished first and 16 points ahead of its closest rival (Table 1). The purpose of the present study is to explain what factors contributed to this outcome and measure their impacts. First, in Section 2, routine factors that play a role in every election, which are mentioned in the economic voting literature, such as the economy, political inertia, incumbency conditions, and strategic voting by the electorate, as well as political realignments that have taken place in Turkey, are discussed. In every election, there are also factors unique to that election. Those that influenced the result of the last election, such as the participation of the Peoples' Democratic Party (HDP) in the election officially, rather than through independent candidates as its predecessors had done, are covered in Section 3. Then, in Section 4, the effect of each factor on the incumbent party's share of the vote in the June 2015 election is estimated through a vote equation developed by Akarca and Tansel (2006) and Akarca (2009, 2010, 2011a, 2011b, and 2014), after some minor revisions and updating. Breaking down the incumbent party's vote swing in this manner makes it possible to analyze the outcome of the June 7 election more reliably and reach sounder conclusions in Section 5.

## **2. Usual Determinants of Election Outcomes**

Understanding the behavior of voters is the key to predicting and interpreting such things as election outcomes, the longevity of governments, election timing, political fragmentation, and political business cycles. Consequently, a field has developed over the last half century or so that analyzes how voters vote, referred to as economic voting. Lewis-Beck and Paldam (2000) define it as "a field that mixes economics and political science and does so by means of econometrics." Since detailed surveys of this literature are provided by that study, Lewis-Beck and Stegmaier (2000, 2008, and 2015), Stegmaier and Lewis-Beck (2013), and Akarca and Tansel (2006 and 2007), only a brief review will be given here.

According to the literature on economic voting, election outcomes are essentially the result of the five competing forces described below.

## 2.1 Political Alignment and Realignment

Most voters align themselves with a party that they identify as representing their interests and ideology. The demographic, cultural, and socio-economic characteristics of voters, as well as their habits and geographical location, determine their interests and worldviews. Since these usually change very gradually, voters show a tendency to choose the same party they voted for in the previous election. This is why there is a great amount of inertia in the political system. Thus, in analyzing a party's vote share, it makes sense to take its share in the previous election as the starting point.

**Table 1. Vote Shares of Major Political Parties in Turkey**

<b>POLITICAL PARTIES</b>	<b>2011</b>	<b>2014</b>	<b>2015</b>
Justice & Development Party (AKP)	49.83	43.40	40.87
Republican People's Party (CHP)	25.98	25.62	24.95
Nationalist Action Party (MHP)	13.01	17.62	16.29
Peace and Democracy Party (BDP)	5.67		
People's Democratic Party (HDP)+BDP		6.53	
Peoples' Democratic Party (HDP)			13.12
Other Parties	1.67	6.65	3.71
Independents	0.90	0.18	1.06

**Notes:** In parantheses are the Turkish acronyms of political parties. The parties that are successors or predecessors of each other are put in the same box to facilitate comparisons. The Peace and Democracy Party (BDP) did not enter the 2011 election officially. Instead, its candidates ran as independents to evade the nationwide 10% minimum vote requirement for entry to the parliament. The 2011 figure shown for this party is the vote share of the independent candidates supported by them. The 2011 and 2015 elections were for members of the Turkish Grand National Assembly (i.e., the Turkish parliament). The figures given for the 2014 election comprise the sums of the votes cast for district Municipal Councils in 30 provinces officially designated as having "Metropolis" status and for provincial General Councils for the remaining 51 provinces.

**Sources:** The figures related to the 2011, 2014, and 2015 elections are taken from Tuncer (2011), Tuncer, Yurtsever and Tuncer (2014), and Yüksek Seçim Kurulu (2015), respectively.

Although the economic voting literature largely ignores it, voters occasionally change their political allegiances. Phenomena such as migration, urbanization, and globalization, changes in income, better education and easier access to information can alter the worldviews and economic interests of voters. When that happens and the parties fail to adapt, political realignments

occur. Some voters may move to other parties when they get frustrated with chronic corruption and/or incompetence by the parties they support or when these parties change in a manner that deviates from their interests and beliefs. All of these have occurred in Turkey and led to a major political realignment during 2002-2011, when central-right and religious-right voters consolidated under the AKP banner.<sup>1</sup>

A much smaller and shorter-lived realignment involving an incumbent party took place between 1973 and 1975. Before the 1973 election, a political faction split from the Justice Party (AP), the leading incumbent party then, and formed the Democratic Party (DP2). This new party siphoned off many votes from the AP in the 1973 election, as most supporters of the party were confused as to which of the two parties really represented their worldview and interests. However, these votes largely returned to the Justice Party in the following election, in 1975, and the DP2 virtually disappeared from the political scene after that. In 1975, the AP also attracted a large chunk of the Republican Reliance Party's (CGP) supporters when that party came to the end of its life, for all practical purposes.<sup>2</sup>

## **2.2 Strategic Voting**

In every election, a portion of the electorate votes for a party other than their first choice. In other words, they vote strategically. They behave this way mainly for two reasons: to check the power of the incumbent party and to avoid wasting their vote by voting for a party not likely to surpass the national threshold necessary to gain representation in the parliament. In elections, such as midterm congressional elections in the US., European Parliamentary elections in European Union countries, and local administrations or parliamentary by elections in Turkey, supporters of the incumbent party get a chance to check the power of the central government without toppling it. Then, even more of them vote with the intention of diluting the power of the government. Consequently, incumbent parties tend to do poorly in these types of elections. The existence of threshold regulations in parliamentary general elections, such as Turkey's required minimum of a 10% nationwide vote share to gain the right to sit in the Turkish Grand National Assembly, contributes to this effect as well. Some of the supporters of small political parties, who had voted strategically for one of the major parties in the previous parliamentary election rather than waste their votes on a party that couldn't reach the threshold, re-

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<sup>1</sup> Analysis of this realignment is beyond the scope of the present paper. Readers who are interested in a more detailed discussion of it are referred to Akarca (2015).

<sup>2</sup> The latter party was formed by politicians who left the Republican People's Party (CHP) during 1969-1973, in protest over the change in the party's ideology.

turn to their “heart’s choice” in elections where no such handicaps apply, such as local contests in Turkey. However, in a parliamentary election, with the control of government at stake, the incumbent party experiences fewer deserters. Furthermore, the party attracts additional supporters from its smaller ideological cousins as well who fear wasting their vote if they vote for their favorites. Therefore, holding other factors constant, we should expect the vote losses of the incumbent party, due to such strategic voting, to be greater in a local election that follows a parliamentary one, lower in a parliamentary election that follows a local election, and to be in between these when the two elections involved are of the same type. Incumbent party vote losses due to strategic voting in parliamentary by elections should be even worse than in local elections, as not even the control of local administrations are at stake then.

### **2.3 Cost of Ruling**

Ruling involves making some compromises and unpopular or bad decisions, and shelving some promises. These actions also cost incumbent parties votes. The “cost of ruling,” as some refer to it in the literature, rises with the time spent in power, as disappointments with the incumbent party accumulate. The amount of this cost depends also on the size of the initial political capital an incumbent party has. Losses will be bigger when the previous vote share was higher. In other words, having more leads to losing more.

### **2.4 Incumbency Advantage**

Incumbency has its advantages, too, which can partially offset the losses from strategic-voting and cost of ruling. Besides benefits like access to the media and name recognition, the incumbency advantage involves the ability to indulge in transfer activities, such as providing services, subsidies, and patronage and picking locations for government investment and public-works projects—all of which might entice supporters from other parties. There is much anecdotal evidence on all incumbent parties in Turkey, especially those in coalition governments, behaving this way.

### **2.5 Economic Conditions**

Voters tend to reward incumbents for a good economic performance but punish them for a bad one. However, in making their economic evaluations, they tend to be retrospective and myopic, looking back no more than a year or so. They also place far more weight on growth than inflation. Such voter behavior gives incentives to governments to conduct expansionary economic policies before an election and then switch to restrictive ones (to tamp down

the resulting inflation) after it. It also induces governments to postpone painful adjustments needed for the economy until after elections. In short, the behavior of the voters is at the root of the political business cycles observed in so many countries. However, parties with a high probability of remaining in power may not feel compelled to indulge in such policies.

Voters judge governments both ego-tropically and as socio-tropically. That is, they consider not only changes in their own economic well-being but others' as well. The latter gets much larger weight. This may be out of concern that voters have for their fellow citizens, but it may also reflect a belief on the part of the citizenry that the government's nationwide economic performance is the best indicator of its competence.

### **3. Special Determinants of the 2015 Election Outcome**

Besides the factors mentioned in the previous section, two events played crucial roles in the June 7th election. The more important of the two was the Peoples' Democratic Party (HDP) participating in the election officially, rather than fielding independent candidates, as its predecessors had done in order to circumvent the 10% threshold in parliamentary elections. The other one was the government's refusal to help the Syrian Kurds defending themselves in the Syrian border town of Kobani from the onslaught of DAESH (aka ISIS or ISIL) militants, who are waging war to take over Iraq and Syria.<sup>3</sup>

The HDP's decision was a calculated gamble, as the national percentages its predecessor parties had garnered were in the 5-6% range; and in addition, the vote share of the HDP Leader Demirtaş in the 2014 presidential election was slightly less than 10%. Had the HDP failed to surpass the 10% threshold this time around, the AKP would not only have been returned to rule as a single-party government, it may even have gotten a parliamentary majority sufficient to amend the constitution to replace parliamentary system with a presidential one. This goal of the AKP was opposed by all of the other parties. It turned out that a higher than usual proportion of incumbent party supporters (mostly ethnic Kurds) deserted the AKP strategically to check the party's projected power, to express their displeasure with the government's failure to intervene in Kobani, and out of a feeling that presence of a party in the par-

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<sup>3</sup> Several analysts have mentioned, in addition, the Gezi Park protests during the summer of 2013, the December 17-25, 2013 corruption allegations against certain cabinet members, and the government's ongoing feud with the Gülen movement, since the beginning of 2012, as events affecting the outcome of the 2015 election. However, these occurred before the 2014 election, the outcome of which would supposedly have reflected any ramifications of these incidents. Actually, Akarca (2014), using the same approach outlined in this paper, showed why these events had no significant effect on the result of the 2014 election.

liament voicing Kurdish grievances would be good for democracy and for the solution of the Kurdish problem. Some supporters of other parties appear to have defected to the HDP as well. Contrary to common belief, however, these came mostly from the small parties and not from the CHP. From Table 1, one can see that all parties other than the HDP lost votes between March 2014 and June 2015, but the changes in the vote shares of People's Republican Party (CHP) and the Nationalist Action Party (MHP) were negligible. As explained in Subsection 2.2, many fans of small parties, who vote for their favorites when no national threshold applies (as is the case in local races), change their behavior when it comes to national contests, where such threshold applies. Then, they switch their allegiance temporarily to one of the major parties in order not to throw away their votes. Apparently, this time, close to half of them came over to the side of the HDP.

We should also point out that the HDP's official entry into the contest made it worthwhile for its followers in Turkey's western provinces to vote for it as well, even though the HDP candidates in that part of the country had no chance of winning. In previous elections, either the party had not fielded candidates in these provinces or its supporters had voted for their second choices or not voted at all. In the June 7<sup>th</sup> election however, they faced a situation in which they were not able to elect a candidate to parliament from their provinces, but by helping the party surpass the threshold, could effectively bring it dozens of deputies from other provinces. Consequently, this time, many of them turned out and voted for their first choice, instead of for the AKP or the CHP.

#### 4. Measuring Impacts of Various Determinants

A vote equation, which accounts for the usual factors listed in Section 2, is the following:<sup>4</sup>

$$V_t = a + b V_{t-k} + c \Delta L_t \cdot V_{t-k} + d \Delta B_t \cdot V_{t-k} + f D02_t \cdot V_{t-k} + h D04-11_t \cdot S_{t-k} + m D73_t \cdot V_{t-k} + n D75_t \cdot Q_{t-k} + u r_t \cdot V_{t-k} + v g_t + w p_t + e_t \quad (1)$$

where  $\Delta$  is the differencing operator ( $\Delta X_t = X_t - X_{t-k}$ ), and the variables are defined as follows:

- $V_t$ : vote share of the major incumbent party in election held at time  $t$ ,  
 $V_{t-k}$ : vote share of the major incumbent party in the previous election held  $k$  years earlier,

<sup>4</sup> The specification of this equation is the same as the one used by Akarca (2011a), except in two minor regards. Here the strategic voting effects are allowed to differ between local and parliamentary by elections, and the  $Q$  variable includes the Republican Reliance Party (CGP) vote share, in addition to the DP2 vote share.



- $L_t$  : a dummy variable, which takes on the value of one if the election involved is for local administrations, and zero otherwise,
- $B_t$  : a dummy variable, which takes on the value of one if the election involved is a National Assembly by election (that is, not held simultaneously with a Senate election), and zero otherwise,
- $D02_t$  : a dummy variable, which takes on the value of one in 2002, and zero in all other years,
- $D04-11_t$  : a dummy variable, which takes on the value of one between 2004 and 2011, and zero in all other years,
- $D73_t$  : a dummy variable, which takes on the value of one in 1973, and zero in all other years,
- $D75_t$  : a dummy variable, which takes on the value of one in 1975, and zero in all other years,
- $S_{t-k}$  : the aggregate vote share of the independent candidates and the right-wing parties other than the AKP, in the previous election (or 100 minus aggregate vote share of CHP, DSP, and the ethnic Kurdish party, in the previous election),<sup>5</sup>
- $Q_{t-k}$  : aggregate vote share of the DP2 and the CGP in the previous election,
- $r_t$  : number of years the major incumbent party was in power since the previous election,
- $g_t$  : growth rate of the per capita real GDP during the four quarters preceding the election held at time  $t$  (henceforth referred to as the growth rate),
- $p_t$  : inflation rate in GDP implicit price deflator during the four quarters preceding the election held at time  $t$  (henceforth referred to as the inflation rate),
- $e_t$  : error term, representing combined effects of all variables not in the model.

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<sup>5</sup> Votes cast for the independents are included in the variable because leaders of some of the decaying right-wing parties ran as independent candidates in the 2002 and 2007 elections to bypass the nationwide 10% nationwide threshold for a party's admission to the parliament. The ethnic Kurdish parties ran their candidates as independents in the 2007 and 2011 elections to avoid the threshold requirements. The votes received by such independent candidates are treated as if they were cast for their parties, and not for independents.

The parameter  $a$  in the above equation represents the incumbency advantage and is expected to be greater than zero. Parameters  $b$ ,  $c$ , and  $d$ , on the other hand, are expected to be negative. Vote loss due to strategic-voting between two parliamentary or two local elections is given by  $1+b$ , between a parliamentary general election and a local election by  $1+b+c$ , and between a local election and a parliamentary general election by  $1+b-c$ .<sup>6</sup> Similarly, the same type of vote loss between parliamentary general and by elections, and between parliamentary by and general elections, are given by  $1+b+d$  and  $1+b-d$ , respectively. The parameter  $u$  represents the cost of ruling per year, and  $v$  and  $w$ , the effects of economic conditions. The coefficients  $f$  and  $h$ , and  $m$  and  $n$ , capture the political realignments that have taken place during 2002-11 and 1973-75, respectively. The specification presumes that the movement of votes from the DP2 and CGP to the AP occurred in one election, whereas the shift of the right wing and independent candidate votes to the AKP was gradual and scattered over five elections.

The speed of vote transfers from the decaying right-wing parties to the AKP probably was not constant over time. Ideally, the model should also permit strategic voting and cost of ruling to differ under the AKP rule. Unfortunately, measurement of such nuances is not feasible with only five data points under the AKP incumbency, four of which coincide with the political realignment. The interaction terms needed to allow them would exhaust the degrees of freedom. Consequently, the parameter  $h$  probably represents transfer of votes to the AKP due to other reasons as well.

Table 2 presents the Ordinary Least Squares estimates of the parameters of Equation (1), obtained by fitting it to the nationwide time-series data, pooling 28 National Assembly (general and by), Senate and local elections, covering the 1951-2014 period. Also included in the table are the t-statistics for the parameter estimates, the R-square, the adjusted R-square, and F values, for judging the fit of the equation, and Durbin's (1970)  $h$  and White's (1980) chi-square statistics and their probability values, for checking autocorrelation and heteroskedasticity in the residuals and any misspecification in the model. The equation fits the data very well. The table in the Appendix presents the data used. The notes to that table provide sources of the data and explain how the variables are defined and measured in detail.

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<sup>6</sup> Note that  $\Delta L_t$  equals zero in a parliamentary general election, which follows a parliamentary general election, and in a local election, which follows a local election. It equals  $-1$  in a parliamentary general election, which follows a local election, and equals  $+1$  in a local election, which follows a parliamentary general election.

The results show that a percentage-point increase in the growth rate of per capita real GDP, during the one-year period before the election, is expected to raise the incumbent party's vote share by 0.81 percentage point.<sup>7</sup> Each percentage-point increase in the inflation rate during the same period, on the other hand, lowers this share by 0.12 percentage point, or by about one-seventh of that of the growth rate. Thus, an incentive exists for Turkish governments to adopt populist policies before elections, especially considering the fact that prevailing economic conditions more than a year before the election do not matter. As long as it does not raise the inflation rate by more than seven percentage points, a stimulation of the economy that results in a percentage-point jump in the growth rate is politically advantageous to a Turkish incumbent party.

The coefficient of  $V_{t-k}$  is close to unity, indicating strong political inertia. However, the parameter is less than unity, consistent with strategic-voting. The estimated model implies that the major incumbent party is likely to lose 11.4% of its vote in the previous election of the same type for simply being the incumbent. This figure rises to 16.7% in local elections and to 24.4% in by elections that follow regular parliamentary elections, going down to 6.1% in regular parliamentary elections that follow local elections.<sup>8</sup> In parliamentary general elections that follow a by election, the incumbent party vote share should rise by 1.6%. In addition, the incumbent party's vote share is anticipated to depreciate at the rate of 5.7% per year while in office. The incumbency advantage is estimated as 6.9% of the votes.

According to the results in Table 2, the political realignment cost the DSP, the incumbent party in 2002, two-thirds of its supporters over and above what it lost due to other causes. The AKP is believed to have captured in each election between 2004 and 2011 about 18.1% of the remaining supporters of other right-wing parties and independent candidates. As can be seen from Table 1, after 2011, not many center-right and independent votes were left to transfer. Similarly, it appears that the fragmentation of the incumbent party in 1973 led

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<sup>7</sup> Three cross-section studies of Turkey, one macro and two micro, find a strong link between the economy and the election outcomes as well. Akarca and Tansel (2007), using cross-provincial data, show that, in 1995, incumbent party votes in Turkey tended to be higher in areas where the growth rate before the election was higher and to be lower in those where the growth rate was lower. Growth rate more than a year before the election is found to not affect its outcome. Başlevent and Akarca (2009) and Akarca and Başlevent (2009), using individual data, show that economic evaluations – especially retrospective ones – had a strong association with the party choices of Turkish voters in 2002 and 2007, respectively.

<sup>8</sup> Contrary to common belief, it appears that any advantage a ruling party enjoys in local elections through its ability to channel central government resources to those local administrations under its control is more than offset through strategic voting by the electorate.

it to lose 14.4% of its supporters to DP2. However, in the next election, in 1975, the party was able to get back almost half of these and the CGP votes.

**Table 2. Estimated Vote Equation**

Variables	Coefficient estimate
Constant	6.854 (1.69)
$V_{t-k}$	0.886 (10.62)
$\Delta L_t \cdot V_{t-k}$	-0.053 (3.09)
$\Delta B_t \cdot V_{t-k}$	-0.130 (4.54)
$D02_t \cdot V_{t-k}$	-0.664 (4.97)
$D04-11_t \cdot S_{t-k}$	0.181 (3.87)
$D73_t \cdot V_{t-k}$	-0.144 (2.34)
$D75_t \cdot Q_{t-k}$	0.485 (2.98)
$r_t \cdot V_{t-k}$	-0.057 (4.69)
$g_t$	0.813 (5.45)
$p_t$	-0.122 (3.86)
F	76.41
Prob > F	0.00
Durbin-h	-0.95
Prob > h	0.17
White Chi-square	25.83
Prob > Chi-square	0.92
R-square	0.98
Adj. R-square	0.96

**Notes:** The dependent variable in the regression is  $V_t$ , the vote share of the sole incumbent party in case of single-party governments and of the major incumbent party in case of coalitions. For the definitions of variables, see Section 3, and for their measurement, the notes to the Appendix Table. The data cover 28 local and parliamentary elections between 1951 and 2014. The Ordinary Least Squares method is used in the estimation of the equation. The numbers in parentheses, next to the parameter estimates, are the t-values.

**Source:** Author's computations with the data given in the Appendix.

According to the results in Table 2, the political realignment cost the DSP, the incumbent party in 2002, two-thirds of its supporters over and above what it lost due to other causes. The AKP is believed to have captured in each election between 2004 and 2011 about 18.1% of the remaining supporters of other right-wing parties and independent candidates. As can be seen from Table 1, after 2011, not many center-right and independent votes were left to transfer. Similarly, it appears that the fragmentation of the incumbent party in 1973 led

it to lose 14.4% of its supporters to DP2. However, in the next election, in 1975, the party was able to get back almost half of these and the CGP votes.

Table 3 presents the expected vote share of the Justice and Development Party (AKP) in June 2015, computed under the assumption that pre-2014 voting patterns will continue to hold. The contributions of typical factors on the vote swing are estimated in the table as well. The parameter estimates given in Table 2, the time elapsed between March 30, 2014 and June 7, 2015 elections, the outcome of the former election, the types of the two elections mentioned, and the economic conditions prevailing before the latter election were utilized in the computations. The difference between the expected (predicted) and actual AKP vote shares can be taken as the combined impacts of events specific to the 2015 election, following the procedure suggested by Box and Tiao (1976).

The actual AKP vote share for 2015 falls outside the 95% confidence interval for the expectation presented in Table 3. In other words, HDP's entry into the 2015 election officially had a significant effect on the election outcome. Apparently, this event has cost the AKP 3.7 percent of the vote in extra strategic voting. Had the HDP fielded independent candidates as before or the election threshold been lowered, the AKP's vote share would have been 44.6%, that is, 1.2 points higher than what it received in the 2014 local elections and 5.2 points less than its showing in the 2011 parliamentary election. Indeed, a poll, conducted by the IPSOS Social Studies Institute (2015) one day after the election, found that the AKP would have gotten about 45% if the public could have voted again after learning the results of the actual election. Obviously, most of those who voted for the HDP strategically did not anticipate the party surpassing the threshold by 3.1 points.

According to the information presented in Table 3, usual amount of strategic voting cost the AKP about 2.6 percent of the vote, and the cost of ruling, about 3.1 percent of it. Incumbency advantage of 6.9 percent more than compensated for these, but economic conditions were weak and provided no such help. Table 4 shows how much the AKP vote share would have differed under various hypothetical circumstances. For example, if the economy in 2015 were the same as in 2011, the party's vote share would be 4.9 percentage points higher. If the 2014 economic conditions were still prevailing in 2015, then it would be 1.8 points higher.

**Table 3. Conditional Expectation of the AKP Vote Share in 2015 (Percentage Points)**

Vote share in 2014		43.40
Impact of		
Strategic-voting	$- 0.061 \times 43.40 = - 2.65$	
Cost of ruling	$- 0.057 \times 43.40 \times 1.25 = - 3.09$	
Incumbency Advantage	$+ 6.85$	
Growth	$+ 0.813 \times 1.2 = + 0.98$	
Inflation	$- 0.122 \times 7.3 = - 0.89$	
Estimated vote swing		+ 1.20
Expected Vote Share in 2015 (point estimate)		44.62
Expected Vote share in 2015 (interval estimate)		41.95 to 47.28
Actual Vote Share		40.87
Difference between actuality and expectation		-3.75

**Note:** Due to rounding, the expected vote change and the sum of its components differ slightly. Growth and inflation figures used are for the period 2014.2 – 2015.1 because the data for 2015.2 were not available at the time this paper was written. The interval estimate given is the 95% confidence interval.

**Source:** Author's computations based on the vote equation presented in Table 2.

**Table 4. Change Expected in the AKP Vote Share Under Various Situations (Percentage Points)**

Economic conditions were the same as in 2011	+ 4.92
Economic conditions were the same as in 2014	+ 1.80
Election was for local administrations	- 2.84

**Source:** Author's computations based on the information given in Table 2 and Table A.

## **5. Conclusions**

In the June 2015 election, all parties, other than the HDP, lost votes relative to the 2014 election. In particular, the vote share of the AKP, the incumbent party, decreased by 2.5 points (9 points relative to the 2011 election), causing it to lose its parliamentary majority. Poor economic conditions and more than usual amount of ballots cast strategically to help the HDP surpass the threshold were essentially behind this drop. The HDP raised its vote share by 6.6 percentage points, or by more than 100 percent, and gained 80 of the parliament's 550 seats. The votes shed by the AKP and the small parties fueled this increase. Contrary to common belief, the number of CHP supporters casting their ballots strategically for the HDP was negligible. This party's vote share in 2015 was only 0.6 points less than its 2014 share.

If the economy improves, some votes lost by the AKP due to the economy would return as it has happened between the 2009 and 2011 elections. However, in the short time until the November 1 election, we cannot expect similarly large changes in the economy and the votes. Now that they realize that they have clipped the AKP's wings more than they had intended, and that the HDP did not need as much help as they thought, we can expect some of the AKP supporters who sided strategically with the HDP on June 7 to return also, especially if the 10-percent threshold is lowered. Three new developments will make this more likely as well: the government's decision to join the international fight against DAESH militarily, the PKK's return to violence, and the reluctance of the HDP to distance itself from it. We can expect for the same reasons, small party supporters who voted strategically for the HDP on June 7, instead to pick as their second choices the AKP or the CHP on November 1. On the other hand, depending on the duration of the fight with the PKK and the way it is conducted, some of the voters who intended to support the HDP temporarily may get realigned permanently.

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**APPENDIX**  
**Table A: Political and economic conditions, and electoral outcomes: 1950-2014**

Election Date	Election Type <sup>a</sup>	Provinces covered by the election	Incumbent Parties <sup>b</sup>	Vote Share (%)		Previous Vote Share (%)		Time in Power since last election (years)		Growth Rate <sup>e</sup> (%)	Inflation Rate <sup>f</sup> (%)
				Major Incumbent Party	All Incumbent Parties	Major Incumbent Party	All Incumbent Parties	Major Incumbent Party <sup>c</sup>	All Incumbent Parties <sup>d</sup>		
May 14, 1950	A	63 of 63	CHP	39.45	39.45			3.75		-3.5	-0.2
Sept. 16, 1951	B	17 of 63	DPI	52.73	52.73	52.68	52.68	1.25	1.25	9.2	4.3
May 2, 1954	A	64 of 64	DPI	57.61	57.61	52.73	52.73	2.50	2.50	4.8	4.9
Oct. 27, 1957	A	67 of 67	DPI	47.88	47.88	57.61	57.61	3.50	3.50	3.6	20.3
Oct. 15, 1961	A	67 of 67	Military rule <sup>g</sup>								
Nov. 17, 1963	L	67 of 67	CHP/YTP/CKMP	36.21	45.73	36.73	64.41	2.25	1.50	6.8	5.7
June 7, 1964	S	26 of 67	CHP	40.85	40.85	36.21	36.21	0.50	0.50	4.2	4.1
Oct. 10, 1965	A	67 of 67	AP/CKMP/YTP/MP	52.87	65.10	50.28	56.81 <sup>h</sup>	0.50	0.50	0.1	4.2
June 7, 1966	S + B	24 of 67	AP	56.49	56.49	52.87	52.87	0.75	0.75	4.6	5.2
June 2, 1968	L	67 of 67	AP	49.06	49.06	56.49	56.49	2.00	2.00	3.7	5.3
Oct. 12, 1969	A	67 of 67	AP	46.53	46.53	49.06	49.06	1.25	1.25	2.5	6.5
Oct. 14, 1973	A	67 of 67	AP/CGP	29.82	35.08	46.53	53.11	4.00	2.50 <sup>i</sup>	1.7	19.2
Oct. 12, 1975	S + B	27 of 67	AP/MSP/CGP/MHP	41.34	52.98 <sup>j</sup>	29.82	50.26	0.75	0.50	4.4	21.0
June 5, 1977	A	67 of 67	AP/MSP/CGP/MHP	36.88	53.73	41.34	52.98 <sup>j</sup>	1.75	1.75	4.7	19.4
Dec. 11, 1977	L	67 of 67	AP/MSP/MHP	37.08	50.59	36.88	51.86	0.50	0.50	1.3	23.7
Oct. 14, 1979	S + B	29 of 67	CHP/CGP/DP2	29.22	31.59 <sup>k</sup>	41.81	43.42	1.75	1.75	-2.2	68.4
Nov. 6, 1983	A	67 of 67	Military rule								
Mar. 25, 1984	L	67 of 67	ANAP	41.48	41.48	45.14	45.14	0.25	0.25	4.1	48.2
Sept. 28, 1986	B	10 of 67	ANAP	32.12	32.12	41.48	41.48	2.50	2.50	3.9	40.3
Nov. 29, 1987	A	67 of 67	ANAP	36.31	36.31	32.12	32.12	1.25	1.25	7.1	33.6
Mar. 26, 1989	L	71 of 71	ANAP	21.80	21.80	36.31	36.31	1.25	1.25	-2.5	69.2
Oct. 20, 1991	A	74 of 74	ANAP	24.01	24.01	21.80	21.80	2.50	2.50	1.5	55.2
Mar. 27, 1994	L	76 of 76	DYP/SHH	21.44	35.01	27.03	47.78	2.25	2.25	6.4	66.1
Dec. 24, 1995	A	79 of 79	DYP/CHP	19.18	29.89	21.44	39.64 <sup>l</sup>	1.75	1.75	5.6	87.2
Apr. 18, 1999	A	80 of 80	ANAP/DSP/DTP <sup>m</sup>	13.22	35.99	19.65	34.29 <sup>n</sup>	2.00	1.75	-1.8	68.4
Nov. 3, 2002	A	81 of 81	DSP/MHP/ANAP	1.22	14.71	22.19	53.39	3.50	3.25	-0.6	46.4
Mar. 28, 2004	L	81 of 81	AKP	41.67	41.67	34.28	34.28	1.25	1.25	4.5	18.8
July 22, 2007	A	81 of 81	AKP	46.58	46.58	41.67	41.67	3.25	3.25	4.6	9.0
Mar. 29, 2009	L	81 of 81	AKP	38.39	38.39	46.58	46.58	1.75	1.75	-5.6	13.3
June 12, 2011	A	81 of 81	AKP	49.83	49.83	38.39	38.39	2.25	2.25	7.3	7.6
Mar. 30, 2014	L	81 of 81	AKP	43.40	43.40	49.83	49.83	2.75	2.75	3.4	7.2

**Notes:**

- a/ A: National Assembly general election.  
 B: National Assembly by election.  
 S: Senate election  
 L: Local election (election for Provincial Councils until 2014, and for district Municipal Councils in 30 provinces officially designated as having “Metropolis” status and for Provincial Councils for the remaining 51 provinces in 2014).  
 S+B: Senate election plus National Assembly by election (only in provinces where no Senate election was held simultaneously).

In instances when different types of elections are held simultaneously or almost simultaneously, the priority for inclusion in the sample was given first to the National Assembly general elections, next to local elections, then to the Senate elections, and last to the by elections. The Senate and by elections were given lower priorities because, unlike the National Assembly general elections and local elections, they did not cover the whole country. The Senate elections involved only a third of the provinces and only a third of the seats in the Senate that were subject to election. The coverage of by elections was even less, about 15-27% of the provinces when they did not coincide with a Senate election. When the Senate and by elections were held simultaneously, their results were aggregated to increase the coverage of the country. In such aggregation, for provinces where the two elections overlapped, the outcome of the Senate election is considered.

- b/ The party listed first in the Table is the major incumbent party. The Turkish acronyms used in the table and the parties they represent are as follows:

CHP: Republican People’s Party

DP1: Democrat Party

YTP: New Turkey Party

CKMP: Republican Peasants’ Nation Party

AP: Justice Party

MP: Nation Party

CGP: Republican Reliance Party

MSP: National Salvation Party

MHP: Nationalist Action Party

DP2: Democratic Party

ANAP: Motherland Party

DYP: True Path Party

SHP: Social Democratic People's Party

DSP: Democratic Left Party

DTP: Democrat Turkey Party

AKP: Justice and Development Party

c/ 0.25 times the number of quarters since the last election during which the major incumbent party was in power a majority of the time, either alone or with other parties.

d/ 0.25 times the number of quarters since the last election during which all incumbent parties were in power simultaneously a majority of the time, with or without other parties.

e/ The growth rate,  $g_t$ , is taken as the growth rate of per capita real GDP during the four-quarter period preceding the election. The latter is obtained by adjusting the growth rate of real GDP during the four-quarter period before the election with the annual growth rate of the population during the year of the election if the election was held in the second half of the year and during the year before if the election was held in the first half of the year. The quarter of the election is included in the four-quarter period if the election was held in the second half of the quarter; if otherwise, it is not included.

For elections prior to 1989, when quarterly data were not available,  $g_t$  is computed as follows:

$$g_t = m G_t + (1-m) G_{t-1}$$

where  $G_t$  and  $G_{t-1}$  are the annual growth rates for the year in which the election was held, and the one prior to that.

$m = 0.00$  if the election is held between January 1 and February 14,

$m = 0.25$  if the election is held between February 15 and May 15,

$m = 0.50$  if the election is held between May 16 and August 15,

$m = 0.75$  if the election is held between August 16 and November 15,  
 $m = 1.00$  if the election is held between November 16 and December 31,  
 except for elections in 1965, 1975, and 1984, when  $m$  is taken as unity  
 because the governments then were either not in power during the  
 year preceding the election or were in power for less than half a  
 quarter.

For the year 1968, growth rate of per capita real GNP is substituted  
 for the missing growth rate for per capita real GDP.

f/ The inflation rate,  $p_t$ , is taken as the growth rate of the GDP implicit  
 price deflator during the four-quarter period preceding the election.  
 The quarter of the election is included in the four-quarter period if the  
 election was held in the second half of the quarter and not if other-  
 wise. For the elections prior to 1989, when quarterly data were not  
 available,  $p_t$  is computed as the weighted average of the annual infla-  
 tion rates during the election year and the one before it; in a similar  
 way the  $g_t$  was computed as explained above.

For the year 1968, rate of change in GNP deflator is substituted for  
 the missing rate of change in GDP deflator.

g/ To increase the number of observations, the Republican People's  
 Party (CHP) was treated as the incumbent party in 1961 by Akarca  
 and Tansel (2006) and Akarca (2009, 2010 and 2011) even though the  
 military was in power. This party was allied with the military regime  
 at the time and supported it or at least was perceived by the public as  
 such. Now that there are more data points at hand, the 1961 election  
 has been dropped from the sample.

h/ Vote share of only AP, CKMP, and YTP. MP did not enter the 1964  
 election.

i/ The CGP was formed by the merger of the National Reliance Party  
 (MGP) with the Republican Party (CP). In computing CGP's time in  
 power, CGP and MGP are treated as if they are the same party.

j/ Vote share of only AP, MSP, and MHP. CGP did not participate in  
 the 1975 election.

k/ Vote share of only CHP and CGP. DP2 did not contest the 1979 elec-  
 tion.

l/ Vote share of DYP, CHP, and SHP in 1994. SHP merged with CHP  
 in 1995. Therefore, SHP and CHP are treated as one party.

- m/ A minority government formed by DSP was in power during the four months preceding the election, but it was just a caretaker government. For that reason, the coalition government in power for more than 18 months prior to that is taken as the incumbent.
- n/ Vote share of only ANAP and DSP. DTP was formed in 1997 and thus did not compete in the 1995 election.

**Sources of Data:**

The dates and the coverage of elections, and the make-up of governments and their time in power, were determined using the information given in Yüksek Seçim Kurulu (2015), Tuncer (2002, 2007, 2009, and 2011), and Tuncer and Kasapbaş (2004).

Vote shares have been computed by the author, using the data provided by Yüksek Seçim Kurulu (2015) for the 2015 election, and by Tuncer (2002, 2007, 2009, and 2011), Tuncer and Kasapbaş (2004) and Tuncer, Yurtsever and Tuncer (2014) for all other elections. For aggregating the Grand National Assembly by elections and Senate elections held in 1975 and 1979, the province level vote data provided by the Turkish Institute of Statistics (TurkStat) were also used.

The growth rates have been computed by the author, as explained in note (e), using the data provided by the TurkStat for all years except 1948 and 1968. For the latter two years, the per capita real GNP growth rate was substituted for the missing growth rate in per capita real GDP. In computing the former, the population growth rate, provided by the TurkStat, and the real GNP growth rate, provided by the State Planning Organization (SPO) of the Republic of Turkey were drawn upon. The GDP series, from which the annual growth rates were obtained, is 1987-based for the years prior to 1998, and 1998-based for the years after 1999.

The inflation rates have also been computed by the author, as explained in note (f) above, using the data provided by the TurkStat for all the years except 1948 and 1968, for which the rate of change in the GNP price deflator was used instead. The rate of change in the GNP deflator was obtained from the SPO.

## **Social Transfers and Income Inequality in Turkey: How Informative Is the Survey of Income and Living Conditions?**

*Cem Başlevent\**

### **Abstract**

The main purpose of this paper is to draw attention to the difficulties in determining the extent to which social transfers have an impact on income inequality in Turkey. Given the socio-economic and political importance of the issue, an examination of the redistributive impact of pensions and social-assistance programs in Turkey could indeed be an enlightening exercise. Unfortunately, some data inadequacies limit our ability to provide a reliable answer to the research question. The currently available micro data set drawn from the Survey of Income and Living Conditions (SILC) identifies the amounts of various types of income received by individuals or—in some cases—households, and we find that social assistance and disability benefits do alleviate income inequality. However, the actual redistributive effect of what is generally agreed upon as “social assistance” in the Turkish context is probably quite larger than our findings suggest. The reason is that certain types of social benefits are lumped together in the SILC with other income types, while others—including health-insurance premiums paid by the state on behalf of poor households—are not recorded at all. The redistributive impact of pension payments and unemployment benefits does not appear to be very large, since especially the latter are received mainly by individuals who are outside the lower end of the income distribution.

**JEL Codes:** D31, I38, H75

**Keywords:** Social transfers, social assistance, income inequality, Turkey, SILC.

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## 1. Introduction

Even though income inequality in Turkey is still quite high according to developed-country standards, a sizable improvement in the distribution of income has taken place since 2002, when the currently ruling Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP) first came to power. This change, which has been cited as a prime factor in the political stability seen over the period, resulted in a reduction in the Gini coefficient, from 0.44 in 2001 to 0.40 in 2010.<sup>1</sup> In addition to high economic growth—much of which occurred before the global crisis of 2008—the AKP arguably owes its long-lasting electoral success to the extensive social-security and assistance programs that have brought a higher standard of living to a significant portion of Turkish low-income families.

The current study has two main purposes. One is to carry out descriptive analyses to determine the extent to which social transfers (i.e., pension payments, unemployment benefits, and social assistance to poor households) have an impact on income inequality in Turkey. The other is to draw attention to the difficulty in achieving this goal due to data limitations. The survey data we work with allow us to carry out this research by identifying the amounts of various types of income received by households. The availability of details on labor income and pension payments at the individual level also allows us to distinguish between the incomes of male and female household members, which makes it possible to examine some gendered aspects of the research question. Thus, the examination of the distributional impact of pensions and social-assistance programs in Turkey promises to be an interesting exercise that will provide valuable insights. However, as will be discussed below, some data inadequacies limit our ability to fully measure the extent of the link between social transfers and income inequality.

### 1.1 The Turkish Welfare Regime

Since 2002, the AKP governments have mainly pursued neo-liberal economic policies that have largely ignored the need to enhance both industrial production and international competitiveness. Instead, gains in economic well-being have mainly been dependent on the availability of foreign financial investments, which bring interest rates down and inflate asset prices but do not result in substantial increases in employment. Although employment

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<sup>1</sup> Using official data from four rounds of the Household Budget and Expenditure Survey, Filiztekin (2015) finds that the decline in equality came to a halt in 2007 and argues that a reversal in the trend may have begun.

growth in services has picked up in the past few years, it has been offset by a rise in the labor-force participation rate. Coinciding with the rapid expansion of the adult population, this has meant that a growing number of Turkish people are now facing the risk of needing social assistance to meet their basic needs.

The neo-liberal economic policies of the past decade have, perhaps unexpectedly, brought about increased public spending on social assistance. Major upgrades in the health-care services were made at the expense of putting more strains on the national budget (Erol and Özdemir, 2014; Daştan and Çetinkaya, 2015). Nowadays, not only active workers registered in the social-security system, retirees, and dependents of those two categories, but the entire population is eligible for health-care services provided by state-run medical institutions. Depending on the level of per capita household income, all citizens are now covered by "General Health Insurance" in return for making minor contributions, or even none at all (Karadeniz, 2012). At additional cost, all citizens can also receive treatment at private institutions.

Along with popular health-care policies involving a considerable expansion of public health-insurance coverage, the central government has also ramped up its social-assistance programs for especially vulnerable groups. The Ministry of Family and Social Policies was established in 2011 and became responsible for all aspects of non-contributory social payments, including in-kind aid and monthly payments to poor families, the elderly, the disabled, and the parents of small and school-aged children. In 2014, the cost of these programs—funded by the Ministry's own budget and the Social Assistance and Solidarity Fund—was approximately 20 billion Turkish liras, a marked rise from a decade earlier, when the amount of social-assistance spending was deemed to be extremely low (Buğra and Adar, 2008). According to official figures, the share of social-assistance expenditures in national income went up from around 0.5% in 2002 to 1.4% in 2014.<sup>2</sup>

According to Yazıcı (2012), the amount of social spending may not be the best indicator of welfare transformation; and one needs to look into the institutional arrangements through which welfare provision is organized. Since its rise to power, Yazıcı argues, the AKP governments have systematically promoted initiatives on the part of the private sector and voluntary organizations, especially charitable activities underwritten by non-governmental organizations and municipalities. These have proven to be leading actors in poverty-alleviation efforts and the delivery of social services. In fact, local administrations run by the AKP also provide in-cash and in-kind aid to poor house-

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<sup>2</sup> A breakdown of the total amount of social-assistance spending into various programs can be found in Başlevent (2015).

holds not only through their own budgets, but also through NGOs with Islamic affiliations. According to Pınarcıoğlu and Işık (2009), the AKP has attempted to open a new chapter in the Turkish welfare regime by fostering the emergence of these new networks that complement more traditional forms of welfare provision originating with family and friends.

Buğra and Keyder (2006) draw attention to the fact that municipal governments whose Islamic ideological orientation has helped mobilize civil participation in social assistance usually act only as “brokers in charity,” i.e., they channel resources to destitute people. However, this charity brokerage might involve dubious liaisons with shady characters who contribute to municipal charity funds only as a tradeoff for immunity from prosecution for their crooked business dealings. Göçmen (2014) also points to the ever greater role taken on by religion in the Turkish welfare system over the last two decades. The author claims that, during a period in which social assistance by central and local institutions has expanded, the rise of religiously based associations is not only a response to growing liberalization and economic deregulation, but also a symptom of the emergence of Islam as a principal line of cleavage between two political camps in the country.

Also expressing a highly critical view, Eder (2009) posits that the bigger role of the state in welfare provision in Turkey has led to an explosion of political patronage and ever greater state power, but without any significant improvement in welfare governance. Elsewhere, Buğra and Candaş (2011) argue that the jump in public expenditures sustains clientelistic relations between the political authorities and the poor, which reinforces our initial argument that political preferences in Turkey may be closely linked with the nature of the welfare regime. Unfortunately, the currently available micro data do not allow us to test empirically the idea that individuals’ party choices are swayed by their views on the social policies of the ruling party or their reciprocity status. However, the income-inequality analysis we undertake in the current study might provide some indirect evidence in this regard.

While much of the existing academic work contains strong criticism of the current Turkish welfare regime on economic or ethical grounds, praise for the transformation that welfare policies have gone through has also been voiced. Esen (2014) maintains that the negative views put forth in the existing literature on Turkey’s social policies lack adequate empirical evidence. He also disagrees with the idea that Turkey’s welfare regime is being shaped dominantly by the Islamist impulses of the AKP, and he gives it credit for the reforms it has introduced to widen the delivery of services and update the infrastructure of the entire welfare system.

## 1.2 Social Transfers and Income Inequality

One way of assessing the effectiveness of redistributive policies is to see whether they lead to a meaningful lessening of income inequality. Comparing pre-social-spending income inequality with the inequality level attained after the transfers, Immervoll *et al.* (2005), Whiteford (2008), and Fuest *et al.* (2010) find substantial redistributive effects of social benefits. In a cross-section of 28 countries, Wang *et al.* (2012) find that taxes and social benefits cause a major drop in the Gini coefficient (on average, by about 0.16), and social transfers account for 85% of this reduction. According to Frick *et al.* (2000) and Jesuit and Mahler (2010), however, this approach is problematic because it neglects the fact that the pre-transfer distribution of income is not independent of welfare policies. Social transfers might influence individuals' behavior in many ways, such as by removing the incentive to work, leading, in turn, to a worsening of pre-transfer income inequality. Furthermore, Sinn (1995) believes that more social spending sparks more investment in risky assets and more moral hazard effects. Therefore, more redistribution may result in not only more pre-transfer, but also more post-transfer inequality.

Marx *et al.* (2014) also discuss the inappropriateness of using a counterfactual pre-transfer distribution along with other theoretical and definitional issues that need to be kept in mind when evaluating the redistributive impact of the welfare state. For example, the distinction between social insurance and social-assistance benefits is an important one that has also been addressed in, for example, Danziger *et al.* (1981) and Barr (2004). While the amount of the first type depends largely on contributions made by individuals in the past, likely making its redistributive impact small, the latter is typically means-tested (i.e., provided on the basis of an income test) and thus is expected to have a larger redistributive effect.

Making use of a cross-country panel data set and econometric techniques that try to solve the above-mentioned methodological problems, Niehues (2010) finds that unemployment benefits and public pensions have a greater inequality-reducing impact on the income distribution than do the more targeted benefits, which—as it turns out—do not significantly affect income inequality. The author points to the positive (i.e., an increasing) effect of social-assistance programs on pre-transfer income inequality and attributes this finding to substantial disincentive ramifications of the kind discussed above. This revelation is especially relevant for Turkey, as many experts and commentators argue—and even the Prime Minister has weighed in on this issue—that many recipients of social assistance choose to remain out of work in order to maintain their eligibility for aid.

### 1.3 Functional Income Distribution

One key concept that describes our research is “functional income distribution”—the study of how much of the income in a society goes to the owners of various factors of production. The downward trend in labor’s share of labor income has been what spurred scholars to take up this approach. Income-inequality analyses that distinguish between different types (or sources) of income received by the various units (e.g., households) that make up the population aim to identify which types of income (usually labor, non-labor, and transfer incomes) comprise a larger share of household income and which ones contribute to inequality the most.

The literature on the contribution of various sources of income to inequality has shown that they differ not only in the magnitude of their contributions, but also in the degree of inequality in their own distributions (Cancian and Reed, 1998; Lerman, 1999). As far back as Fields (1979), it has usually been found that labor-market earnings are relatively more equally distributed than non-labor income, and they thus have a smaller effect on inequality. Frässdorf *et al.* (2011) have asserted that capital income makes a disproportionately high contribution to overall inequality in relation to its share in disposable income. Focusing on the gender aspect, Reed and Cancian (2001) and Ding, Dong, and Li (2009) find an equalizing effect of female earnings.

Empirical studies of functional income distribution in Turkey have also been conducted using official data sets. Silber and Özmucur (2000) and the TÜSİAD (2000) report, written by a team led by Seyfettin Gürsel, make use of the 1994 HIDS to find that income from primary jobs is relatively more equally distributed, but different patterns are observed when the sample is broken down by employment status. Başlevent (2010) focuses on four main subcomponents of household income, namely labor-market earnings of females and males, non-labor income, and imputed rents. The problem with that paper is that pension payments, social-assistance benefits, and income from financial assets and real estate are all lumped together as non-labor income. The study by Kaya and Şenesen (2009) of Turkey makes a distinction between male and female earnings. They state that the gender discrepancy in earnings constitutes a rather large chunk of the Gini coefficient for disposable income and wage-income distributions. Finally, the TÜSİAD (2014) report, written by Öner Günçavdı, Raziye Selim, and Aylin Bayar, finds that wage and self-employment incomes combine for over 80% of total household income, while income from financial assets contributes a disproportionately large amount to inequality.

## 2. The Data

In the empirical work, we use data drawn from the 2013 Survey of Income and Living Conditions (SILC), conducted by the Turkish Statistical Institute, TUIK. The income figures provided in the SILC data include after-tax in-cash and in-kind payments from primary and secondary jobs (and jobs previously held during the past year), as well as income from non-labor sources, such as interest and rent incomes, dividends, and transfers. Also reported are imputed rents, which were shown by Dayıoğlu and Başlevent (2006) to have a non-negligible negative contribution to income inequality in Turkey. Since the point of our exercise is to rank households with respect to their standards of living, all of these figures will be included in the total incomes of the households.

According to the 2013 SILC, the working-age population of Turkey is 55.6 million. About 69% of this population resides in urban areas (i.e., in administrative units with populations of more than 20,000). The focus of the current study will be on the earnings in this sub-population due to the dominance of agricultural activities – which are characterized by seasonal and unregistered employment and work without pay in family-owned businesses – in rural areas. The SILC data set allows us to distinguish between several types of income received by individuals aged 15 and above during the reference period of the 2013 SILC, which is the year 2012. The two types of income representing labor-market earnings are “wage and salary” and self-employment (i.e., employers and own-account work) income. Retirement payments (including survivor benefits) and disability allowances are the two types of income received by inactive individuals. While almost all men in our sample receive retirement payments in return for their own contributions, more than half of the women in this category are paid survivor benefits.

An important shortcoming of the survey in relation to our purposes is that some payments made by the government through social-assistance programs are lumped together with the income types listed above. First, regular payments received by the elderly (aged 65 and above) who are in need of financial support are recorded under “retirement and old-age income,” which mostly consists of payments made to retirees and their survivors. According to 2014 figures published by the Ministry of Family and Social Policies, more than half a million people are beneficiaries of the financial-support program for the elderly, and it would have been quite useful to identify those people. Secondly, individuals who receive monthly payments in return for spending a certain amount of time looking after disabled family members are recorded as being in the category of wage and salary workers. The official figure puts the

number of such individuals above 400,000 as of 2014. Finally, the disability-income item includes invalidity allowances and payments to war veterans, as well as payments to people with disabilities.

As the discussion above implies, our inability to identify individuals receiving social-assistance benefits and treat their earnings separately means our findings as to the impact of such programs on income inequality are likely to be biased downward. However, an even more significant limitation of the SILC is that it provides no information on the amount of General Health Insurance premiums paid by the state on behalf of poor families and elderly individuals. According to 2014 figures, around nine million individuals benefit from this service. Given that the amount of money spent by the Ministry of Family and Social Policies on health-insurance premiums represents roughly one-third of its budget, the lack of this information is probably the main reason why the SILC cannot reflect the true size of the Turkish welfare state.

Another salient feature of the SILC is that unlike labor-market incomes and retirement payments, which are recorded at the individual level, the remaining types of non-labor income (such as that from rents and financial assets) and in-kind and cash transfers from various social-assistance programs are recorded at the household level. This precludes us from identifying whether the household is eligible for social assistance due to simply having a per capita household income below a certain level or the presence of, for example, a female member who has recently given birth or is currently enrolled in an educational institution. This could be considered another inadequacy of the data, for it fails to uncover the gendered aspects of the links between social protection and income inequality. On the plus side, the SILC data allow us to distinguish between the labor market, retirement, and disability incomes of male and female household members.

### **3. Empirical Work**

We begin the empirical work with an individual-level analysis to demonstrate how the different types of income (recorded at the individual level by the SILC) are distributed among the recipients. We then move on to a household-level analysis, the main purpose of which is to present the prime patterns in household income-inequality and how the different types of income contribute to it. Given the methodological problems with measuring the impact of social programs on income inequality, we refrain from making pre- and post-transfer comparisons and rely on more standard decomposition techniques that are presented below.

### 3.1 Individual Level Analysis

The figures presented in Table 1 are meant to display which types of income are the most commonly received and how they are distributed among the recipients in the sub-population aged 15 and above. It turns out, as expected, that the most commonly received type is wage and salary income. Sixty percent of working-age males and 25% of females received some wage and salary income in the year 2012. Both the mean and median figures reveal that self-employment earnings are typically higher than wage and salary earnings and that men earn more than women. According to Gini coefficient figures, the most unequally distributed type is self-employment income. The especially high figure among females (Gini = 0.71) points to the heterogeneity in the type of activities classified under self-employment. Apparently, this category contains both women engaging in modest home-based activities and full-time working professional women, whose annual earnings exhibit a great deal of variation. Another clue that this might be the case is that the rate of informality is much higher among self-employed women in comparison to men (68% vs. 37%). Among wage and salary workers, on the other hand, the rates of informality for male and female workers are not very different.<sup>3</sup>

**Table 1. Summary Statistics of Earnings by Income Type and Gender**

	Income type				
		Wage and salary	Self-employment	Retirement	Disability
Share of recipients (%)	Overall	42.2	8.9	17.4	0.8
	Male	59.8	14.4	20.8	1.1
	Female	24.8	3.5	14.0	0.6
Gini coefficient among recipients	Overall	0.435	0.562	0.260	0.299
	Male	0.407	0.519	0.215	0.314
	Female	0.494	0.709	0.307	0.245

The information presented in Table 2 is meant to provide a better understanding of the characteristics of individuals receiving the four types of income that the SILC distinguishes between. These figures confirm that labor-market earnings are mainly received by males. The relatively high share of female recipients in the case of retirement payments is not really surprising if we recall that this category includes the survivors of deceased retirees. With respect to age, we find that the largest share of recipients is in the 25-34 age group in the case of wage and salary incomes, and in the 35-44 age group in

<sup>3</sup> Başlevent and Acar (2015) report that the gender difference in the rate of informality is present even when the sectoral composition of employment and basic personal characteristics of the employed are controlled for. This means that informality is an important gendered aspect of social protection in Turkey.



the case of self-employment incomes. Married individuals, those with primary-school education, and household heads make up the largest group of income recipients among the wage earners, the self-employed, and the retired. Those receiving disability income, on the other hand, are more likely to be illiterate, never-married, and the child of the household head.

**Table 2. The Distribution of Recipients of Income Types Into Broad Categories (% Shares)**

		Income type			
		Wage and salary	Self-employment	Retirement	Disability
Gender	Male	70.3	80.0	59.3	65.9
	Female	29.8	20.0	40.8	34.1
Age group	15-24	17.9	3.3	1.9	11.2
	25-34	35.0	23.5	1.1	25.4
	35-44	28.0	32.2	2.8	24.1
	45-54	14.9	24.3	27.6	17.5
	55+	4.2	16.7	66.7	21.9
Marital status	Married	67.3	85.7	66.1	41.1
	Never-married	28.3	8.7	4.9	45.0
	Widowed	0.8	2.3	24.4	6.7
	Divorced	3.6	3.3	4.5	7.2
Education	Illiterate	1.7	2.6	12.4	39.3
	Literate	3.3	3.6	7.8	11.2
	Primary	27.2	45.2	42.1	28.1
	Secondary	18.5	15.7	9.9	8.5
	High school	12.3	9.6	7.3	7.5
	Vocational	12.6	9.7	8.0	4.3
Relationship to household head	Head	50.8	72.3	74.4	37.1
	Spouse	17.4	16.2	12.3	8.3
	Child	28.3	9.6	4.0	41.9
	Parent	0.1	0.8	6.1	3.4
	Other	3.4	1.2	3.3	9.3

### 3.2 Household-Level Analysis

Having presented certain stylized facts about the types of income received by individuals, we now turn to a household-level analysis, whose main purpose is to observe the extent of inequality in total household incomes. In addition to the income types examined earlier, the household incomes which we base our analysis on include imputed rents, returns on financial assets, rental income from real-estate ownership, unemployment benefits, income received from social-assistance programs and relatives, and other types of income, such as alimony payments, that add up to only a small portion of household incomes in Turkey.

Before the household incomes are entered into an inequality analysis, they need to be adjusted for household size and composition with an “adult equivalence scale” so that they more accurately reflect the material well-being of the households. In line with common practice, we use the Eurostat (a.k.a. the modified OECD) scale, which distinguishes between adults and children, to obtain the effective number of adults (or adult equivalents) in the household. Under this scale, the number of adult equivalents in the household is calculated by counting the first adult in the household as one person and each other adult as the equivalent of 0.5 adult. The children (i.e., below 15) are counted as 0.3 adults. In the remainder of our empirical work, the income figures on which the households’ rankings and the inequality measures will be based will be the amounts obtained after the raw-income figures are divided by the number of adult equivalents.

Having obtained the equivalized household incomes and sorted the households according to those adjusted income figures, we first look at the mean values of several variables in income quintiles to get a better idea of what kind of households are placed towards the bottom or the top of the income distribution. According to the figures presented in Table 3, larger households are more likely to be found in the lower end of the distribution. The average household size declines from 4.6 to 2.8, from the bottom to the top quintile. Similarly, the average number of children per household falls from 1.6 to 0.5. The rate of home ownership is found to be 56% in the bottom quintile, as opposed to 74% in the top quintile. Interestingly, female-headed households are not worse-off than male-headed ones. In fact, the share of female-headed households is the largest in the top quintile (15.8%). The share of households with one or more informally-employed members reveals a strong association between informality and well-being. While nearly half of the households in the bottom quintile have a member who is in informal employment, the corresponding figure for the top quintile is 16.1 (which, actually, is also quite large).

**Table 3. Means of Various Household Characteristics by Income Quintiles**

	Bottom	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Top	All
Household size	4.6	3.7	3.4	3.1	2.8	3.5
No. of children	1.6	0.9	0.6	0.5	0.5	0.8
Home owners (%)	55.5	69.1	74.7	76.8	74.2	70.1
Female head (%)	13.2	13.7	17.9	16.7	15.8	15.5
Informal empl. (%)	47.8	36.9	33.1	24.9	16.1	31.5

Another exercise we carry out with the quintile assignments of households is to look at how each subcomponent of income is allocated among the income quintiles. According to the figures presented in Table 4, households in the top quintile receive almost 47% of total household income. With figures above 60%, the share received by the top quintile is the largest in the case of rental and financial income, female self-employment income, and female wage and salary income. Households in the bottom quintile, on the other hand, receive only 2-3% of these types of income. The highly unequal distribution of female labor-market earnings is primarily a reflection of the low female participation rate, especially among those with low levels of education. It also demonstrates how closely household well-being is linked with female labor market activity in Turkey.

The bottom quintile also gets only a minor portion of retirement payments, while the retirement incomes of both males and females are quite evenly distributed across the remaining four quintiles. This pattern implies that retirement serves as an effective social-protection mechanism, as it turns out to be highly unlikely that a household receiving a retirement benefit will fall into poverty (at least in relative terms). As would be expected, income from social-assistance programs goes mainly to households in the bottom quintile. However, the non-negligible presence of recipients even in the top quintile casts some doubt on the efficiency of those programs in terms of providing aid to only those in need.

**Table 4. Allocation of Subcomponents of Income Into Income Quintiles (% Shares)**

	Bottom	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Top
Male wage and salary	9.0	13.0	15.2	21.3	41.5
Female wage and salary	2.6	5.6	10.0	17.0	64.8
Male self-employment	5.4	7.4	10.9	16.6	59.7
Female self-employment	3.3	5.5	7.8	17.5	66.0
Male retirement	4.5	15.5	23.0	26.5	30.5
Female retirement	3.2	9.0	19.1	29.9	38.9
Male disability	21.0	27.0	26.2	18.6	7.2
Female disability	33.3	18.3	27.0	16.1	5.0
Imputed rents	7.9	14.0	19.1	23.7	35.4
Rental and financial	2.3	5.2	9.8	16.5	66.3
Unemployment benefits	4.8	8.7	10.5	18.9	57.1
Social assistance	64.8	19.6	6.0	4.5	5.1
Family assistance	12.0	14.4	18.9	22.0	32.7
Other	6.6	7.3	6.7	10.4	68.9
<i>Total Income</i>	<i>6.5</i>	<i>10.9</i>	<i>14.9</i>	<i>20.9</i>	<i>46.8</i>

Examination of the distribution of the various types of income into income quintiles provides only a rough idea on which sources enhance inequality and which ones work against it. In order to quantify the contributions of these ‘factors’ to household income inequality, there are several decomposition techniques that can be used. The technique developed in Shorrocks (1982) is a relatively simple one that considers all of the components simultaneously and measures their “proportionate contributions”. The formulation is based on the covariances between the values of the factors and total income, and it is independent of the choice of the measure of inequality. As defined, the sum of the proportionate contributions is 100 percent, with positive values implying a positive impact of the factor on overall inequality.

All of the different types of income presented earlier are treated as separate factors in our decomposition analysis. We are primarily be interested in the contributions of retirement benefits and social assistance income. The proportionate contribution figures are presented in the second-to-last column of Table 5. Most of these figures are positive, meaning that the income type in question is positively correlated with total household income. It turns out that about two-thirds of the households have a male wage and salary earner, but the incomes of these members account for about one-fourth of total inequality. Considering the fact that the share of this factor in total income is 37 percent, the proportionate contribution is small in relation to its magnitude.

The only factors with a negative proportionate contribution are social assistance payments and disability incomes of males and females. However, since the share of these factors in total income is very small, their impact on overall inequality is only marginal. This finding is line with the Jesuit and Mahler (2004) assertion that redistribution is more strongly related to the size of a social program than to its target efficiency. The contribution of female labor market earnings to inequality is not only positive, but also larger in magnitude than male earnings after they are divided by their respective shares in total income. According to these ‘per-unit contribution’ figures given in the last column of Table 10, the contribution of female self-employment earnings is especially large. This is consistent with our earlier observation that female labor market earnings are highly concentrated in the top quintile. As would be expected, the per-unit contribution of rental and financial income is also quite large. The proportionate contribution of this type is nearly 18 percent despite the fact that its share in total income is only 7 percent. Apparently, the wealth distribution, which is known to be highly unequal, is having a considerable impact on the income distribution as well.

**Table 5. The Contribution of Subcomponents of Income to Household-Level Inequality**

	Share of households receiving factor (%)	Share of factor in total income (%)	Coefficient of variation for factor	Proportionate contribution of factor to inequality (%)	Per-unit contribution of factor
Male wage and salary	65.7	36.7	1.4	24.9	0.7
Female wage and salary	30.1	12.9	2.6	15.0	1.2
Male self-employment	18.3	12.2	4.0	24.9	2.0
Female self-employment	4.7	1.4	11.4	4.0	2.8
Male retirement	27.0	10.1	2.0	3.3	0.3
Female retirement	17.0	6.2	2.9	2.9	0.5
Male disability	1.4	0.2	10.9	-0.03	-0.2
Female disability	0.7	0.1	14.5	-0.02	-0.3
Imputed rents	70.1	9.2	1.1	4.6	0.5
Rental and financial	41.3	6.7	4.5	17.7	2.6
Unemployment benefits	3.5	0.4	14.2	0.5	1.2
Social assistance	8.3	0.2	5.9	-0.1	-0.5
Family assistance	17.6	2.7	4.5	0.7	0.3
Other	8.0	1.0	11.1	1.6	1.6

**Notes:** The figures reported here are based on amounts adjusted by the adult equivalence scale. The per-unit contributions reported in the last column are obtained by dividing the proportionate contributions by these shares. The Gini coefficient of total household income is 0.395. The exercise was carried out using software package STATA.

In interpreting the contribution figures, we should keep in mind that a positive proportionate contribution does not necessarily mean that the income type in question makes income inequality worse than it would have been in its absence. The retirement payments of both males and females, for example, have positive contributions, but they have small per-unit contributions, which means that inequality would have been even larger if no retirement payments existed (holding everything else constant). Furthermore, if we were able to separate the old-age payments made within social assistance programs from

those made to retirees and survivors, we would have probably found that the former type of income has a negative proportionate contribution, i.e. an unambiguous equalizing impact on income distribution.

The finding that unemployment benefits have a large positive per-unit contribution is an unexpected one. However, if one takes into account the current situation in Turkey that only those with strong prior attachments to the labor force, e.g. the formally and regularly employed, are eligible for these benefits, the finding is not that surprising. If the conditions for unemployment benefit reciprocity are relaxed by the government, we are eventually likely to see a change in this pattern.

Yet another interesting finding from a social protection perspective is that the income source labeled here as ‘family assistance’ amounts to a much larger share of total income than ‘social assistance’ does. While the share of the former type (received by nearly 18 percent of households) is 2.7 percent, social assistance (received by 8 percent of households) accounts for only 0.2 percent of total income. This finding suggests that inter-household transfers between relatives play a non-negligible role in enhancing social justice. Considering the importance of traditional socio-cultural norms, a key element of which is strong family ties, this finding does not come as much of a surprise in the context of a predominantly Muslim society. Our finding is also in line with assertion made in Grütjen (2008) that the most significant common trait of the welfare regimes in Turkey is the consideration of the family as a main institution of welfare.

#### **4. Conclusion**

The main objective of this study was to observe the redistributive effect of social transfers in Turkey to help assess the idea that these transfers have had a considerable impact on political outcomes. During a period in which employment opportunities have been limited, increased social spending by the government has indeed been seen by many as a key factor in the Justice and Development Party’s electoral success. A decomposition analysis which yielded the proportionate contributions of various income types revealed that the redistributive effect of social assistance payments is unambiguously positive, i.e. they alleviate income inequality. The same was true of the disability incomes of males and females. However, since these three income types combined for only 0.5 percent of total household income, their impact on overall inequality – as measured by their proportionate contributions – was quite small. The contributions of retirement and unemployment benefits, on the other hand, were positive, meaning that the correlation of these factors and

total household income is positive. Given that more than half of unemployment benefits and about a third of retirement payments are currently received by households in the top quintile, it might take quite a while for these sources to have an equalizing impact on Turkey's income distribution.

Due to the fact that some types of social benefits are lumped with some other income types and also that some benefits – such as health insurance premiums paid by the state – are not recorded at all, the Survey of Income and Living Conditions we utilized here was actually not very suitable for finding a reliable answer to our main research question. The redistributive effect of what is generally agreed upon as social assistance in the Turkish context is probably quite larger than our findings suggest. Taking into account the socio-economic importance and the political relevance of the topic, the Turkish Statistical Institute might consider revising the survey so that it can provide more insights regarding the links between social spending and income inequality.

One issue that can be tackled is the underreporting of social assistance income. By our calculations, the total amount of disability income reported in the SILC (close to 1.7 billion TL in 2012) is roughly the same as the amount reported in the statistical bulletins of the Ministry of Family and Social Policies. However, the total social assistance income reported in the survey is much smaller than what the administrative data suggest. A more detailed inquiry into the in cash and in kind assistance received by households should be useful in capturing a larger proportion of state-funded aid that ranges from free textbooks to all students in primary and secondary education to financial support to families that have members in compulsory military service. As far as health insurance premiums paid by the state are concerned, the respondents will most probably not be able report the amount of the aid, but a survey item may question whether the household head took the 'income test' (which is a precondition for getting that service) and what the outcome of the test was. The amount of premium paid by the state can then be determined by TUIK (or the researcher working with the data).

The currently available survey data are also not conducive to uncovering the link between social spending and political outcomes. Surveys that inquire about both political preferences and access to social assistance would definitely be instrumental in finding out how much the incumbent parties benefit from greater social spending. These findings, in turn, might give rise to discussions on whether the political gains are large enough to cover the cost of alienating some higher-income voters as well as the social and economic costs associated with the disincentives to work among the recipients.

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