

TURKEY

Priorities supported by indicators

Improve educational achievement (2007, 2009, 2011)

Recommendations: Increase the availability of high-quality education and finance this by broadening the tax base. Revise the curricula according to labour market needs. Fund schools on a per-pupil basis and give them greater managerial responsibility and accountability. New universities should be adequately funded.

Actions taken: An Action Plan to Strengthen Links Between Vocational Education and Employment was issued in 2010, with 37 priorities, including establishing a national skills classification system, revising vocational school curricula according to new skill groups, and closer co-operation with employers on new vocational courses.

Reduce the minimum cost of labour (2007, 2009, 2011)

Recommendations: Limit the growth of the official minimum wage and differentiate it across regions. Reduce social security contributions and make at least part of the temporary cuts granted during the crisis permanent.

Actions taken: In 2008 employers' social security contribution rates were reduced from 19.5 to 14.5%. Contributions were also cut for the early years of employment of young and female workers (valid until 2015) and in labour-intensive sectors in selected provinces.

Reform employment protection legislation (2007, 2009, 2011)

Recommendations: Ease job protection in the formal sector by reforming severance payments and liberalising temporary work. Allow more flexible labour contracts on a voluntary basis.

Actions taken: In 2009, a reform authorising manpower agencies to offer temporary work services was vetoed by the President. In 2011, restrictive conditions for establishing temporary work contracts were partly simplified.

Other key priorities

Simplify product market regulations (2007, 2009, 2011)

Recommendations: Simplify product market regulations, in particular the sectoral licensing rules. Encourage greater competition in network industries in particular by facilitating new entries in electricity generation and rail transportation.

Actions taken: The licensing of food producers was centralised in the Ministry of Agriculture as a regulatory streamlining measure. Permits concerning environmental issues were also consolidated into a single "environmental permit" administered electronically. Privatisation resumed in the electricity distribution sector after the crisis.

Reduce incentives for early retirement (2007, 2009, 2011)

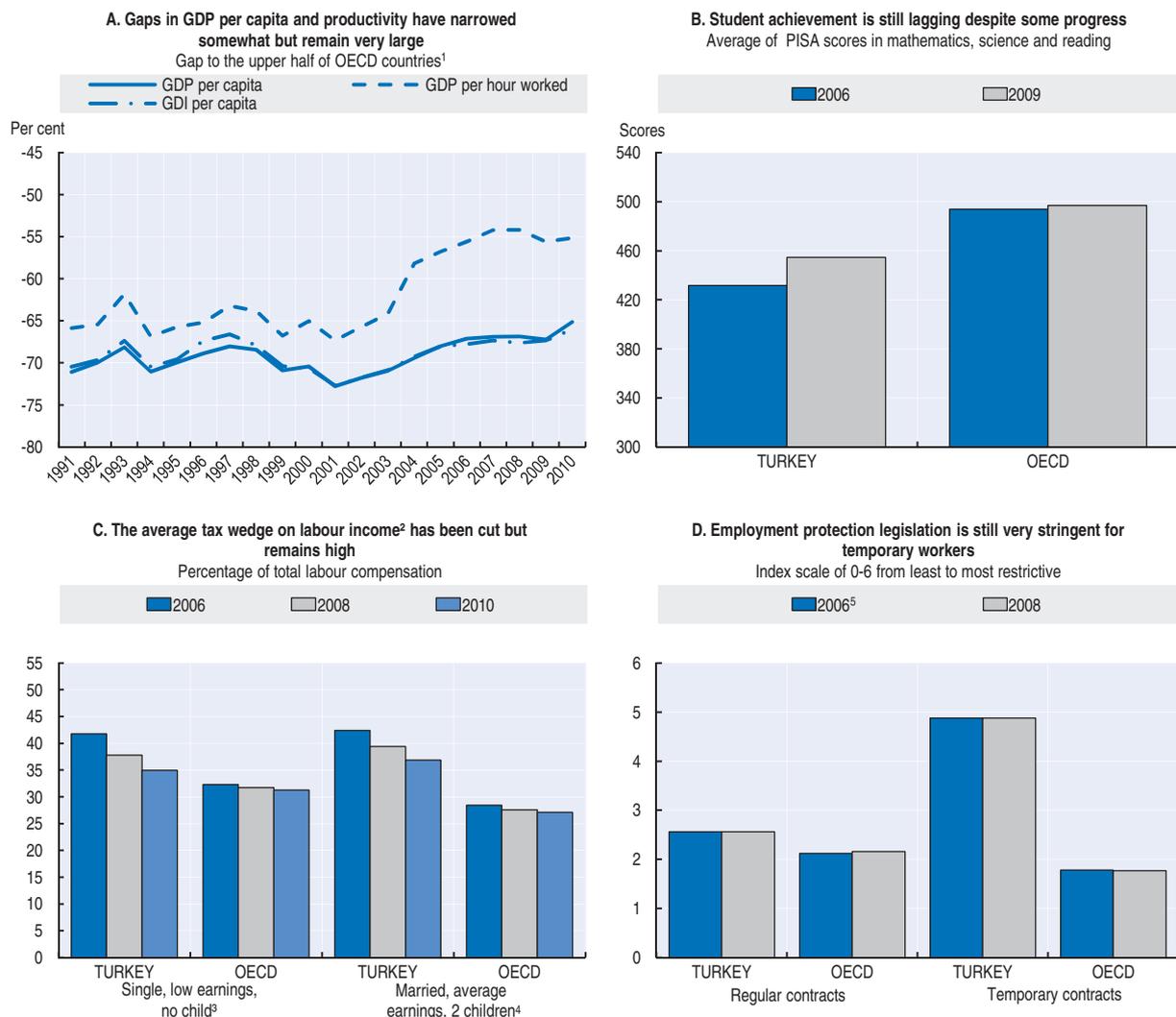
Recommendations: Reduce incentives for early retirement by making benefits more actuarially neutral, and by establishing a health insurance contribution for young retirees. Remove retiring workers' entitlement to severance payments (in new labour contracts).

Actions taken: No action taken.

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- The income gap vis-à-vis the upper half of OECD countries narrowed in the 2000s but remains very large owing to low productivity and labour utilisation levels. The strong catch-up has mainly been driven by productivity gains.
- In key priority areas, enterprise creation has been simplified, foreign direct investment has been stimulated, privatisations have reduced the scope of public ownership, and an action plan for vocational education has been launched. Reforms to reduce labour costs and enhance labour market flexibility have started but remain very limited so far.
- Growth-enhancing initiatives in other areas included an overhaul of the industrial investment incentives system, with the introduction of a single and more transparent framework of regional and sectoral investment incentives.

Performance and policy indicators



1. 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).
2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
3. Low earnings refer to two-thirds of average earnings.
4. At 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).
5. OECD average excludes Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *PISA 2009 Database*; Chart C: OECD, *Taxing Wages Database*; Chart D: OECD, *Employment Database*.

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