

INCOME INEQUALITY IN TURKEY: STRUCTURAL DYNAMICS, INSTITUTIONAL CONSTRAINTS, AND POLICY IMPLICATIONS

DESIGUALDADE DE RENDA NA TURQUIA: DINÂMICAS ESTRUTURAIS, RESTRIÇÕES INSTITUCIONAIS E IMPLICAÇÕES POLÍTICAS

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Abstract

This study examines the structural dynamics of income inequality in Turkey within a multidimensional and institutional framework. While the reform process of the early 2000s led to a relative improvement in income distribution, this trend has reversed since the mid-2010s, giving way to a renewed pattern of deterioration. The study argues that rising inflation, exchange rate shocks, declining real wages, informality in labor markets, and regional disparities, combined with limited redistributive capacity of social policies, have reinforced income inequality in Turkey. Methodologically, the paper employs a descriptive and comparative approach based on secondary data obtained from internationally recognized sources such as the OECD, World Bank, IMF, and national statistics. Standard indicators, including the Gini coefficient and income distribution measures, are used to analyze both cross-country differences and temporal changes. The findings suggest that income inequality in Turkey reflects a structural model shaped by the interaction between market-generated disparities and insufficient redistributive mechanisms. Moreover, the results highlight that inequality is not merely an economic issue but also a critical factor affecting social cohesion, institutional trust, and long-term development prospects. The study contributes to the literature by integrating economic, institutional, and social dimensions of inequality into a unified analytical framework. In this context, it proposes a set of policy recommendations focusing on progressive taxation, strengthened social protection systems, labor market reforms, regional development strategies, and human capital investments.

Keywords: Income Inequality. Turkey. Income Distribution. Social Policy. Economic Inequality. Institutional Factors.

Resumo

Este estudo examina a dinâmica estrutural da desigualdade de renda na Turquia dentro de um quadro multidimensional e institucional. Embora o processo de reformas do início dos anos 2000 tenha levado a uma melhoria relativa na distribuição de renda, essa tendência se inverteu desde meados da década de 2010, dando lugar a um novo padrão de deterioração. O estudo argumenta que o aumento da inflação, os choques cambiais, a queda dos salários reais, a informalidade nos mercados de trabalho e as disparidades regionais, combinados com a capacidade redistributiva limitada das políticas sociais, reforçaram a desigualdade de renda na Turquia. Metodologicamente, o artigo emprega uma abordagem descritiva e comparativa baseada em dados secundários obtidos de fontes internacionalmente reconhecidas, como a OCDE, o Banco Mundial, o FMI e estatísticas nacionais. Indicadores padrão, incluindo o coeficiente de Gini e medidas de distribuição de renda, são utilizados para analisar tanto as diferenças entre países quanto as mudanças temporais. Os resultados sugerem que a desigualdade de renda na Turquia reflete um modelo estrutural moldado pela interação entre disparidades geradas pelo mercado e mecanismos redistributivos insuficientes. Além disso, os resultados destacam que a desigualdade não é meramente uma questão econômica, mas também um fator crítico que afeta a coesão social, a confiança institucional e as perspectivas de desenvolvimento de longo prazo. O estudo contribui para a literatura ao integrar as dimensões econômica, institucional e social da desigualdade em um quadro analítico unificado. Nesse contexto, propõe um conjunto de recomendações de políticas com foco na tributação progressiva, no fortalecimento dos sistemas de proteção social, nas reformas do mercado de trabalho, nas estratégias de



desenvolvimento regional e nos investimentos em capital humano.

Palavras-chave: *Desigualdade de Renda. Turquia. Distribuição de Renda. Política Social. Desigualdade Econômica. Fatores Institucionais.*

1 INTRODUCTION

Income distribution, while a technical indicator showing how the total income generated in an economy is shared among individuals or households, is also a multifaceted construct reflecting a society's sense of justice, value system, and historical background upon deeper analysis (Sen, 1999; Stiglitz, 2012). Therefore, the issue of income inequality is not only an economic phenomenon, but also a philosophical, sociological, and political one (Stiglitz, 2012). Debates on distributive justice, extending from Aristotle to the present day, have focused on the question of who should distribute income and wealth, according to what criteria, and how (Aristotle, 2009). As Rawls points out in her theory of justice, a distribution of income can only be considered morally legitimate if it improves the situation of the most disadvantaged groups (Rawls, 1971).

In contemporary economic literature, discussions about income inequality are framed not only in terms of income flows but also in terms of wealth accumulation (Piketty, 2014). Thomas Piketty argues that the fundamental measure of inequality in modern capitalist economies is when the rate of return on capital exceeds the rate of economic growth ($r > g$), and that this leads to the concentration of wealth in certain segments of the population in the long run (Piketty, 2014). Within this context, wealth inequality presents a more persistent and more strongly transcendent structure compared to income inequality (Piketty, 2014).

Furthermore, Anthony B. Atkinson argues that inequality should not be viewed solely as a natural consequence of market processes, but rather as something that can be shaped through public policies (Atkinson, 2015). According to Atkinson, tax policies, social transfers, and the quality of public services are key institutional tools that determine the level of inequality (Atkinson, 2015).

On the other hand, Amartya Sen's "capability approach" finds it insufficient to limit inequality analysis solely to income level; it also places individuals' access levels to basic competencies such as education, health, and participation in social life at the center of the analysis (Sen, 1999). This approach reveals that income inequality is also intertwined with mechanisms of inequality of opportunity and social exclusion (Sen, 1999).

In this context, analyzing income distribution in Turkey solely through income flows is analytically insufficient; it is essential to consider wealth accumulation, intergenerational transfer, and ability-based inequality dimensions together (Piketty, 2014; Sen, 1999; Atkinson, 2015).

In modern societies, income is a fundamental parameter that determines not only an individual's consumption capacity but also their social status, political participation power, access to basic services such as education and healthcare, and the life opportunities they can pass on to future generations (Sen, 1999; Bourdieu, 1986). In societies where income inequality is rising, equality of opportunity decreases, options for social mobility narrow, and the socioeconomic status of the family into which an individual is born becomes the primary factor determining their living conditions, rather than personal effort or ability (Corak, 2013; Stiglitz, 2012). This situation leads to the formation of persistent class hierarchies from a sociological perspective, inefficiencies in resource allocation from an economic perspective, and social polarization and crises of representation from a political perspective (Stiglitz, 2012; OECD, 2015). This process strengthens intergenerational income transfer mechanisms, making social mobility more difficult and perpetuating inequality (Corak, 2013; Stiglitz, 2012).

Türkiye has undergone profound macroeconomic and social transformations over the past twenty-five years. The stabilization program implemented after the 2001 crisis, through fiscal discipline, banking reforms, and the expansion of social assistance mechanisms, led to improvements in both the growth rate and some indicators of poverty for a certain period (World Bank, 2021; TÜİK, 2023). However, this improvement did not lead to a lasting and fundamental improvement in income distribution; after 2013, income inequality began to worsen again due to factors such as rising inflation, exchange rate shocks, real wage losses, labor market insecurity, and regional inequalities (OECD,

2022; IMF, 2023). In this context, according to Turkish Statistical Institute (TÜİK) data, the Gini coefficient fell to 0.379 in 2014 but rose again to 0.418 as of 2022 (TÜİK, 2023).

Income inequality in Turkey has a character that exhibits local and regional differences. While western regions and metropolitan areas appear to be centers of economic activity and income concentration, many regions, particularly Eastern and Southeastern Anatolia, are trapped in a cycle of structural poverty, unemployment, and low productivity (TEPAV, 2021; UNDP, 2022). Urban-rural disparities, gender-based labor market inequalities, and imbalances in access to education and healthcare services transform the income distribution problem into a multidimensional structure of inequality (UNDP, 2022; World Bank, 2021). High inflation weakens the real incomes of those with fixed incomes in particular, thus worsening income distribution; however, the increased protection from inflation enjoyed by the wealthy further exacerbates inequality (IMF, 2023). When per capita income in Turkey is examined according to regional income disparities, it has been observed that it can be up to twice as high in western regions compared to eastern regions (TEPAV, 2021).

This study examines income distribution and inequality in Turkey from a historical perspective, through international comparisons, and from the perspective of the redistributive impact of social policies. The main aim of this study is not only to present the current situation but also to provide policymakers with a comprehensive assessment by analyzing the underlying economic, institutional, and social dynamics of inequality. Accordingly, this study aims to fill a significant gap in the literature by addressing income and wealth inequality in Turkey through a holistic approach that considers labor market dynamics, regional differences, and the redistributive capacity of social policy instruments. In this study, income distribution indicators were examined using descriptive and comparative analysis methods with data from the Turkish Statistical Institute (TÜİK), OECD, World Bank, and UNDP for the period 2006–2022. In addition, empirical studies and theoretical approaches in the literature have been evaluated, and Turkey's inequality profile has been examined using a multifaceted approach.

(OECD, 2022; World Bank, 2021). A descriptive and comparative analytical framework is used to examine the structural dynamics of income inequality in Turkey during the period 2006-2022. The reason for choosing this period is based on the restructuring of Turkey's statistical system and the harmonization of national data with

international standards, which has made consistent and comparable data sets accessible. This period is also analytically important because it encompasses the relative improvement experienced in Turkey during the reform process after 2001, as well as the increasing macroeconomic instability and accompanying deterioration trend that began in the mid-2010s.

The empirical analysis is based on secondary data obtained from internationally recognized and methodologically consistent sources such as the OECD Income Inequality Database and Income Inequality Indicators, the World Bank, the International Monetary Fund, and the Turkish Statistical Institute. These datasets provide harmonized data that allows for both cross-country comparisons and time series analysis.

The study used standard inequality measures such as the Gini coefficient, income bracket shares, and the distribution of labor income. In addition, indicators relating to social transfers, tax structure, and labor market conditions were also included in the analysis to assess the redistributive capacity of social policies. The analytical approach, by combining temporal trend analysis with cross-country comparisons, makes it possible to reveal both the structural patterns and institutional differences that shape income inequality.

This study adopts a theoretically grounded interpretive approach that goes beyond descriptive analysis. Empirical findings are evaluated within the framework of welfare economics and political economy; and are based on important references such as Amartya Sen, Thomas Piketty, Anthony Atkinson, and Joseph Stiglitz. This integration allows the study to go beyond mere descriptive findings and offer a multidimensional interpretation of inequality.

Methodologically, this study contributes to the study by adopting a holistic approach that brings together macroeconomic indicators, institutional factors, and the socio-economic dimensions of inequality. By combining quantitative findings with theoretical approaches, this study provides a comprehensive assessment of income inequality in Turkey that goes beyond one-dimensional analyses.

2 THE TIME TREND OF INCOME DISTRIBUTION IN TURKEY

The temporal trajectory of developments in Turkey continues, with a noticeable fluctuation and overall unevenness in growth, particularly since the late 2000s (World Bank, 2021; OECD, 2022). Structural reforms implemented after the 2001 crisis and the expansion of social assistance programs led to a limited decline in the Gini coefficient until the mid-2000s, but this improvement was not permanent. (World Bank, 2021). Since the 2010s, with the increase in macroeconomic vulnerabilities and inflationary pressures, and the decline in real wages, income inequality has started to climb again (IMF, 2023). This situation leads to a widening of the real wage-price gap, weakening of labor incomes, and increased inequality (Stiglitz, 2012).

According to Turkish Statistical Institute (TÜİK) data, the Gini coefficient in Turkey fluctuated between 0.39 and 0.42 during the 2006-2022 period. The Gini coefficient, which fell to 0.379 in 2014, rose to 0.410 in 2019 and to 0.418 in 2022 (TÜİK, 2023). This increase shows that the deterioration in income distribution is not a coincidence, but a persistent structural trend. During the same period, the share of total income received by the richest 20% income group hovered around 47-48%, while the share of the poorest 20% remained at around 6% (OECD, 2022). In other words, the top income group receives approximately eight times more than the bottom income group. The decline in labor's share of national income indicates a shift in functional income distribution in favor of capital (ILO, 2022). These findings are consistent with conclusions in the international literature regarding the impact of inflation on inequality. Indeed, during periods of high inflation, real income losses for low-income groups become more pronounced, and this has a mitigating effect on inequality (IMF, 2023; Stiglitz, 2012).

An important point to emphasize here is that the Gini coefficient can only measure income inequality and does not fully reflect inequalities in wealth distribution. Wealth inequality arises particularly from financial assets, real estate, and values transferred through inheritance, and it is at higher levels compared to income inequality (Piketty, 2014). Indeed, global studies show that the concentration of wealth distribution is sharper than that of income distribution (Credit Suisse, 2022). In Turkey, the increase in housing

and financial asset prices leads to the concentration of wealth accumulation in certain groups, further deepening inequality (World Bank, 2021).

A similar trend is observed in Turkey. Rising housing prices, particularly in large cities, inequalities in access to financial assets, and limited access to foreign currency savings for certain segments of the population are the main factors deepening wealth inequality (World Bank, 2021). This situation goes beyond income inequality and leads to the concentration of economic power and opportunities among certain groups.

During this process, high and chronic inflation has become one of the main factors deepening income inequality. Inflation weakens the purchasing power of those with fixed and low incomes in particular; and as nominal wage increases lag behind inflation, real wage losses increase (IMF, 2023). High-income groups, on the other hand, are relatively less affected by this process and may even profit in some periods, as they possess inflation hedges such as financial assets, foreign currency, and real estate (Stiglitz, 2012). Thus, although inflation is technically a macroeconomic variable affecting all income groups, in practice it plays a role in deepening inequality (IMF, 2023).

Structural changes in the labor market are also among the important factors determining the temporal trajectory of inequality. In Turkey, the fact that informal employment hovers around 30% creates a large segment of the labor market that is insecure, low-wage, and lacks social protection. (TÜİK, 2023). The prevalence of informal employment puts downward pressure on wages, thus exacerbating income inequality (OECD, 2022). High youth unemployment rates, low female labor force participation, and the prevalence of informal employment even in non-agricultural sectors are structural dynamics that increase income inequality (OECD, 2022). The fact that the share of labor in national income has been declining in recent years indicates that the distribution between capital and labor has also deteriorated to the detriment of labor (ILO, 2022).

When all these factors are considered together, it can be said that the trajectory of income distribution in Turkey over time is a result not only of periodic economic shocks but also of structural vulnerabilities, institutional weaknesses, and inadequate redistribution policies (World Bank, 2021; OECD, 2022). These findings reveal that income inequality in Turkey is determined by structural factors rather than cyclical

fluctuations, and that current policy tools are insufficient to transform these dynamics (IMF, 2023).

3 INTERNATIONAL COMPARISONS

An international comparison of income inequality is a fundamental criterion for understanding Turkey's position on a global and OECD scale. OECD data shows that Turkey has one of the highest levels of income inequality among member countries of the organization. (OECD, 2022). Turkey has an income inequality level above the OECD average, with a Gini coefficient clearly higher than the OECD average of approximately 0.31 (OECD, 2022). It can be said that Turkey exhibits an income distribution profile similar to emerging economies with higher levels of inequality, rather than to developed OECD countries. Indeed, in social democratic welfare states like Sweden, the fact that the Gini coefficient hovers around 0.28 demonstrates the effectiveness of redistribution mechanisms (OECD, 2022). In contrast, Turkey, with its Gini coefficient hovering in the 0.41–0.42 range, exhibits a profile closer to Latin American countries such as Mexico and Chile in this respect (OECD, 2022). This situation stems from the limited redistributive capacity of the tax-transfer system and the insufficient balancing of market income inequalities (OECD, 2015). According to OECD data, the reduction in inequality after taxes and transfers in Turkey is more limited compared to many other OECD countries (OECD, 2022).

To explain this differentiation solely through economic indicators would be an incomplete interpretation. The literature focuses heavily on the impact of welfare state regimes on inequality. According to the classification of welfare regimes developed by Gøsta Esping-Andersen, in social democratic welfare states, strong redistribution mechanisms ensure that income inequality remains at low levels (Esping-Andersen, 1990). In contrast, market-based inequalities become more pronounced in countries with more limited social protection systems (Esping-Andersen, 1990). The literature highlights that the impact of the welfare state on inequality is related not only to the magnitude of spending but also to institutional structure and targeting capacity (Esping-Andersen, 1990; OECD, 2015).

It is stated that Turkey exhibits a “hybrid” welfare regime in this context; despite the expansion of social assistance, institutional integrity and redistribution capacity remain limited (Buğra & Keyder, 2006). This situation offers an important approach justifying the limitations of the capacity of social policies in Turkey to reduce inequality. Furthermore, Turkey exhibits a social assistance-based but institutionally fragmented welfare structure, resulting in a model with limited redistribution capacity (Buğra & Keyder, 2006). In this context, income inequality in Turkey should be considered not only a consequence of market mechanisms but also a reflection of the limited redistribution capacity of institutional structures and social policy tools (OECD, 2015; Buğra & Keyder, 2006).

When we compare Turkey with European Union countries, a more striking picture emerges. While the Gini coefficient is in the 0.25–0.30 range in countries like Slovenia, Czech Republic, Denmark, and the Netherlands; in Germany and France, this ratio is slightly above 0.30 (OECD, 2022; European Commission, 2023). In contrast, Turkey has a more unequal income distribution than many European countries, with a Gini coefficient above 0.40 (OECD, 2022). The main reasons for this difference include the relatively strong institutional strength of welfare mechanisms in European countries, the level of social spending, the progressive nature of the tax system, unionization rates, and access to public services. Indeed, the relatively low levels of income inequality in European Union countries are largely attributed to the redistributive capacity of their tax-transfer systems (OECD, 2022; European Commission, 2023).

Turkey's income distribution profile shares many similarities with Latin American countries. As in these countries, income concentration is pronounced in the upper classes, regional inequalities are sharp, the rate of informal employment is high, and wealth inequality is more deeply rooted than income inequality (World Bank, 2021; OECD, 2022). However, Turkey has some advantages over Latin American countries in terms of its social welfare tradition and education and health infrastructure, but the potential of these advantages to reduce inequality remains limited. In terms of these characteristics, we can say that Turkey presents a structural profile similar to economies with a "high inequality-high informality" model in terms of income distribution (World Bank, 2021; OECD, 2022).

Compared to Northern European countries, Turkey's institutional and political mechanisms for ensuring equality in income distribution are relatively weak. In Scandinavian welfare states, poverty and inequality are kept at low levels thanks to high taxation, strong social security systems, widespread and free public education and health services, socialization of childcare services, collective bargaining systems, and high unionization rates (Esping-Andersen, 1990; OECD, 2015). In Turkey, however, the quality and scope of social spending lag behind these countries, and the tax system relies heavily on indirect taxes (OECD, 2015).

International comparisons reveal that income inequality in Turkey is not merely a consequence of economic performance; rather, it is a structural phenomenon determined by welfare state capacity, institutional quality, and the level of democratic governance (OECD, 2022; World Bank, 2021). In this context, the level of income inequality is shaped not only by market outcomes but also by the extent to which those outcomes are redistributed (OECD, 2015).

4 THE IMPACT OF SOCIAL POLICIES ON INCOME DISTRIBUTION

Social policies are one of the most important tools the state uses to shape income distribution. Social transfers, the tax system, minimum wage policies, and mechanisms for accessing public services constitute key areas of intervention that have the potential to either reduce or deepen income inequality (Atkinson, 2015; OECD, 2015). When the impact of these tools on inequality in Turkey is examined, it is seen that the redistribution capacity is limited and fragmented (Buğra & Keyder, 2006).

The impact of the tax system on inequality in Turkey has also been revealed by empirical studies conducted in recent years. This situation weakens the redistributive function of the tax system and leads to insufficient balancing of market income inequalities in the post-tax period (OECD, 2015). Furthermore, in inflationary environments, the increased real burden of indirect taxes places additional pressure on those with fixed incomes, deepening inequality (IMF, 2023).

In Turkey, social transfers consist of retirement pensions, widow and orphan pensions, disability and old-age pensions, conditional cash transfers, and various social assistance programs. According to Turkish Statistical Institute (TÜİK) data, the Gini

coefficient excluding social transfers is 0.520, while it decreases to 0.433 when transfers are included (TÜİK, 2023). This finding reveals that social transfers have a positive effect on income distribution. However, compared to OECD countries, this effect is relatively limited. Indeed, while social transfers reduce the Gini coefficient by 10–15 points in many European countries, this effect remains at approximately 8–9 points in Turkey (OECD, 2022). This situation indicates that the scope, targeting accuracy, and institutional effectiveness of social transfers are limited.

The tax system is another significant mechanism affecting income inequality in Turkey. The fact that indirect taxes account for approximately 66% of total tax revenues increases the burden of consumption taxes and places a disproportionate burden on low-income groups. (OECD, 2022). Indirect taxes such as VAT and excise duties create a higher tax burden on households that allocate a large portion of their income to essential consumption, while the limited share of direct taxes on income and wealth weakens the progressive nature of the tax system (OECD, 2015). This structure leads to a more unequal distribution of after-tax income.

Minimum wage policy is one of the key tools, especially in protecting low-wage workers. Although the minimum wage in Turkey has increased rapidly in nominal terms in recent years, it has not provided sufficient real protection due to high inflation (IMF, 2023). Furthermore, the concentration of wage distribution in the lower segments leads to a large segment of the workforce earning minimum wage or just above it, creating congestion in the wage structure (OECD, 2022). This situation weakens the middle-income group and erodes the potential for improving income distribution through wages.

Differences in access to public services highlight the structural and multifaceted nature of income inequality. Access to education, health, and social services are critical factors that determine not only individuals' current income levels but also their future income and well-being (Sen, 1999). Regional disparities in Turkey create significant inequalities in terms of quality of education, access to healthcare, and digital infrastructure, particularly in rural areas and disadvantaged urban regions (World Bank, 2021; UNDP, 2022). This situation strengthens the intergenerational transmission of income inequality, deepening inequality of opportunity (Corak, 2013).

5 REGIONAL INEQUALITIES AND URBAN-RURAL DIFFERENCES

One of the determinants of income inequality in Turkey is regional inequalities and urban-rural disparities. The concentration of economic activity and capital accumulation in specific geographical regions has created deep imbalances in living standards and income levels between different parts of the country (Krugman, 1991). Istanbul, Ankara, Izmir, and the industrial cities in the Marmara region stand out significantly from the rest of the country in terms of per capita income and employment opportunities (Turkish Statistical Institute, 2023). This process creates a cycle of spatial inequality that is reinforced by the migration of capital and skilled labor to centers offering high productivity (Krugman, 1991).

According to Turkish Statistical Institute (TÜİK) regional income data, per capita income in Istanbul exceeds 100,000 TL (Turkish Lira), while in many provinces in Eastern and Southeastern Anatolia, this level remains below 40,000 TL (TÜİK, 2023). This difference reveals that economic growth in Turkey is not spatially homogeneous, but rather concentrated in certain centers. Regional inequalities are observed not only in terms of income but also in education, health, infrastructure, employment, and access to public services. This situation is explained in the regional development literature within the framework of "cumulative causality" and "center-periphery divide." The concentration of economic activities in certain centers leads to a deepening of regional inequalities over time through the mechanism of cumulative causality (Myrdal, 1957; Krugman, 1991). These differences stem from imbalances in the regional distribution of human capital accumulation, infrastructure investments, and private sector investments (World Bank, 2021). Furthermore, Turkish Statistical Institute (TÜİK) data shows that labor force participation rates are significantly lower in eastern regions compared to western regions (TÜİK, 2023). This structure perpetuates inequality by leading to a cycle of low productivity, low income, and low investment in rural areas.

Urban-rural disparities are also significant dynamics that deepen income inequality. In rural areas, agricultural-based, low-productivity, and seasonal forms of employment are prevalent; informal employment rates are high, and social security is limited (OECD, 2022). Low productivity and limited capital accumulation in rural areas put downward pressure on wage levels, increasing income inequality. Limited

educational opportunities, low enrollment and attendance rates, and inadequate health infrastructure make access to quality services difficult (UNDP, 2022). Under these conditions, rural poverty becomes a persistent, self-reproducing structure. This strengthens the intergenerational transmission of rural poverty, perpetuating inequality of opportunity (Corak, 2013). In this context, regional inequalities become a structural factor determining individuals' living standards.

Regional disparities are evident not only in income levels but also in labor force participation rates and education indicators (Turkish Statistical Institute, 2023). This situation deepens not only income inequality but also inequality of opportunity by limiting individuals' capabilities (Sen, 1999). Recent studies show that regional inequalities stem not only from economic factors but also from differences in institutional quality and governance (Rodríguez-Pose, 2018). In this context, regional and urban-rural inequalities in Turkey arise not only from economic differences but also from imbalances in institutional capacity, access to public services, and human capital accumulation.

Projects such as GAP, DAP, and DOKAP, implemented within the framework of regional development policies, have achieved significant infrastructure investments but have been limited in creating an inclusive and sustainable economic transformation (World Bank, 2021; UNDP, 2022). The main factors reducing the effectiveness of regional development efforts in these projects are the weak capacity to create employment, insufficient private sector investment, and limited participation of local governments and civil society in decision-making processes. According to Turkish Statistical Institute (TÜİK) data, net migration from eastern to western regions constitutes a significant dynamic that perpetuates regional inequalities (TÜİK, 2023). This situation demonstrates that infrastructure-focused growth strategies are insufficient to reduce inequalities unless supported by adequate institutional capacity and human capital investments (Rodríguez-Pose, 2018). Therefore, regional inequalities emerge as a structural element that deepens the problem of income distribution both horizontally (between regions) and vertically (by class). Recent studies emphasize the decisive role of local institutional capacity and governance quality on regional development performance; they reveal that institutional weaknesses increase the persistence of regional inequalities by limiting the effectiveness of public investments (Rodríguez-Pose & Ketterer, 2020).

The effectiveness of policies aimed at reducing regional inequalities is not limited solely to infrastructure investments, but is also directly linked to human capital accumulation, local institutional capacity, and private sector dynamism (Sen, 1999; UNDP, 2022). UNDP reports emphasize the crucial role of education and health investments in sustainable regional development, demonstrating that deficiencies in these areas create mechanisms that reproduce income inequalities in the long term (UNDP, 2022). In this context, the effectiveness of regional development policies depends not only on physical infrastructure investments but also on social policies that enhance the productive capacities of individuals. This situation reveals that regional development policies largely focus on physical infrastructure investments; however, they remain limited in supporting the development of productive sectors and their capacity to create employment (Rodríguez-Pose, 2018).

The persistence of regional inequalities in Turkey is also closely linked to migration dynamics. Internal migration from rural areas to large cities, while increasing the labor supply, also leads to the emergence of new forms of inequality in cities, such as informal employment, low-wage work, and spatial segregation (World Bank, 2021). This process suppresses wages by increasing the supply of low-skilled labor in cities, creating a structure that exacerbates income inequality. When evaluated within the framework of "push-pull factors," this process shows that economic inadequacies in rural areas force individuals to migrate, while the opportunities offered by cities encourage this migration. However, this mobility creates an unequal spatial restructuring instead of a balanced spatial distribution (Harris & Todaro, 1970).

In metropolitan areas, intra-city inequalities lead to significant differences between neighborhoods in terms of income level, housing conditions, educational opportunities, and social capital. The segregation within the same city between areas inhabited by high-income groups and areas with a high concentration of low-income households is also reflected in indicators such as educational achievement, access to the labor market, and life expectancy (Bourdieu, 1986). This situation demonstrates that inequality is reproduced through the spatial concentration of social and economic capital. Thus, income inequality is not only at the individual or household level, but also becomes a spatially institutionalized and self-reproducing structure. This segregation is considered

a process of "spatial polarization" and creates a structure that reproduces inequality of opportunity within the city.

6 CONCLUSION AND POLICY RECOMMENDATIONS

This study demonstrates that income inequality in Turkey is a challenging, multifaceted, and structural issue with deep historical roots. The relative improvement brought about by the reforms implemented in the early 2000s has given way to a tendency towards deterioration again since the mid-2010s. Rising inflation, exchange rate shocks, real wage losses, informal employment, and regional disparities, along with social policy instruments that have limited redistribution capacity, are among the key determinants of this process. In this context, income inequality in Turkey appears to be a structural model consisting of a combination of market-based income disparities and weak redistribution mechanisms.

Comparisons with OECD and European countries show that Turkey is in a relatively disadvantaged position in terms of income distribution. This situation is not limited to economic performance but also has significant effects on social justice, social cohesion, and democratic legitimacy. Indeed, high levels of inequality increase social polarization, weaken institutional trust, and negatively affect individuals' future expectations (Stiglitz, 2012).

This study contributes to the literature by demonstrating that income inequality in Turkey cannot be explained solely by economic variables; it is also a multifaceted phenomenon shaped by institutional structure, social policy choices, and regional dynamics. Within this framework, policy areas can be evaluated under the following headings:

Fiscal policies: Reducing the share of indirect taxes in the tax system and strengthening the progressive structure of direct taxes on income and wealth increases redistributive capacity and alleviates the disproportionate tax burden on low-income groups (Atkinson, 2015; OECD, 2015).

Social protection policies: Restructuring social assistance programs with a rights-based and data-driven approach leads to more sustainable results in combating inequality (Sen, 1999; UNDP, 2022).

Labor market policies: Protecting real wages and increasing the share of labor income in national income are among the key mechanisms for limiting the deterioration of functional income distribution (Stiglitz, 2012).

Regional development policies: Strategies focusing on high value-added production, local entrepreneurship, and employment capacity play a critical role in reducing regional inequalities (Rodríguez-Pose & Ketterer, 2020).

Human capital policies: Ensuring equal opportunities in access to education and health services is one of the key tools in limiting the intergenerational transmission of inequality (Corak, 2013; UNDP, 2022).

The findings of this study demonstrate that reducing income inequality in Turkey requires a comprehensive and multifaceted policy that goes beyond growth-oriented approaches. In particular, the current tax structure's high reliance on indirect taxes can exacerbate income inequality. Therefore, strengthening the progressive nature of direct taxes can increase the redistributive capacity of fiscal policy. Furthermore, the findings indicate that the fragmented structure of the social protection system limits targeting effectiveness; therefore, restructuring the system within an integrated and rights-based framework could strengthen social inclusion in the long term.

In the context of the labor market, policies aimed at protecting real wages and increasing the share of labor income in national income play a critical role in reducing functional income inequality, especially under conditions of high inflation. Furthermore, the persistent nature of regional inequalities highlights the importance of policy approaches based on local dynamics in addressing this problem. In this context, spatially based development strategies that encourage high value-added production, support local entrepreneurship, and increase job creation capacity can be considered an important tool in reducing spatial inequalities. Finally, investments in human capital, particularly in education and health, are one of the key mechanisms that limit the intergenerational transmission of inequality and play a critical role in supporting a more inclusive and sustainable development process.

In conclusion, Turkey's shift towards a sustainable and inclusive development path requires a holistic transformation perspective that goes beyond growth-oriented policies and centers on equality, equal opportunity, and institutional capacity. Lasting improvements in income inequality will not only increase individual well-being but will also create a structure that strengthens economic stability, restores institutional trust, and supports social integration (Stiglitz, 2012; Atkinson, 2015).

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