

TURKEY

Priorities supported by indicators

Improve educational achievement (2005, 2007, 2009)

Recommendations: Fully enforce minimum schooling rules, revise the education curricula according to labour market needs, increase spending on education financed by cuts in lower priority areas, fund schools on a per-pupil basis and provide them with more managerial responsibility.

Actions taken: A national campaign was launched to increase the school enrolment of girls in 2005. Education curricula in primary and secondary schools were thoroughly revised in 2006.

Reduce the minimum cost of labour (2005, 2007, 2009)

Recommendations: Reduce the minimum wage relative to the average wage. Cut the labour tax wedge, especially on low earnings, financed by rationalisation of spending.

Actions taken: A personal income tax allowance was introduced for low income workers in 2007. Social security contributions were also reduced for the early years of employment of young and female workers in 2008, and to a more limited extent for all workers. The Treasury is temporarily paying the social security contributions of newly hired workers in 2009 (for a period of 6-12 months).

► **Reform employment protection legislation (2007, 2009)**

Recommendations: Ease employment protection in the formal sector, both by reforming severance payments and by facilitating temporary work.

Actions taken: Manpower agencies were authorised to offer temporary work services in 2009.

Reduce the scope of public ownership (2005)

Recommendations: Facilitate the privatisation of national energy, telecommunications, transportation and banking enterprises by removing barriers to foreign ownership.

Actions taken: Foreign ownership caps were raised and/or waived and privatisation tenders were opened to foreign investors in 2006, leading to the acquisition of controlling shares by foreign investors in telecommunications, oil refining and petro-chemical firms.

Reduce administrative burdens on start-ups (2005)

Recommendations: Simplify regulatory requirements for small enterprises.

Actions taken: Regulations for registration and market entry of small enterprises were streamlined in 2006.

Other key priorities

► **Simplify product market regulations (2007, 2009)**

Recommendations: Streamline product market regulations, in particular the sectoral licensing rules. Encourage greater competition in network industries.

Actions taken: The Competition Authority initiated an investigation of competition conditions in the energy sector in 2008.

► **Reduce early retirement incentives for workers in the formal sector (2007, 2009)**

Recommendations: Reduce incentives for early retirement, and introduce a health insurance contribution for young retirees. Remove retiring workers' entitlement to severance payments.

Actions taken: No action taken.

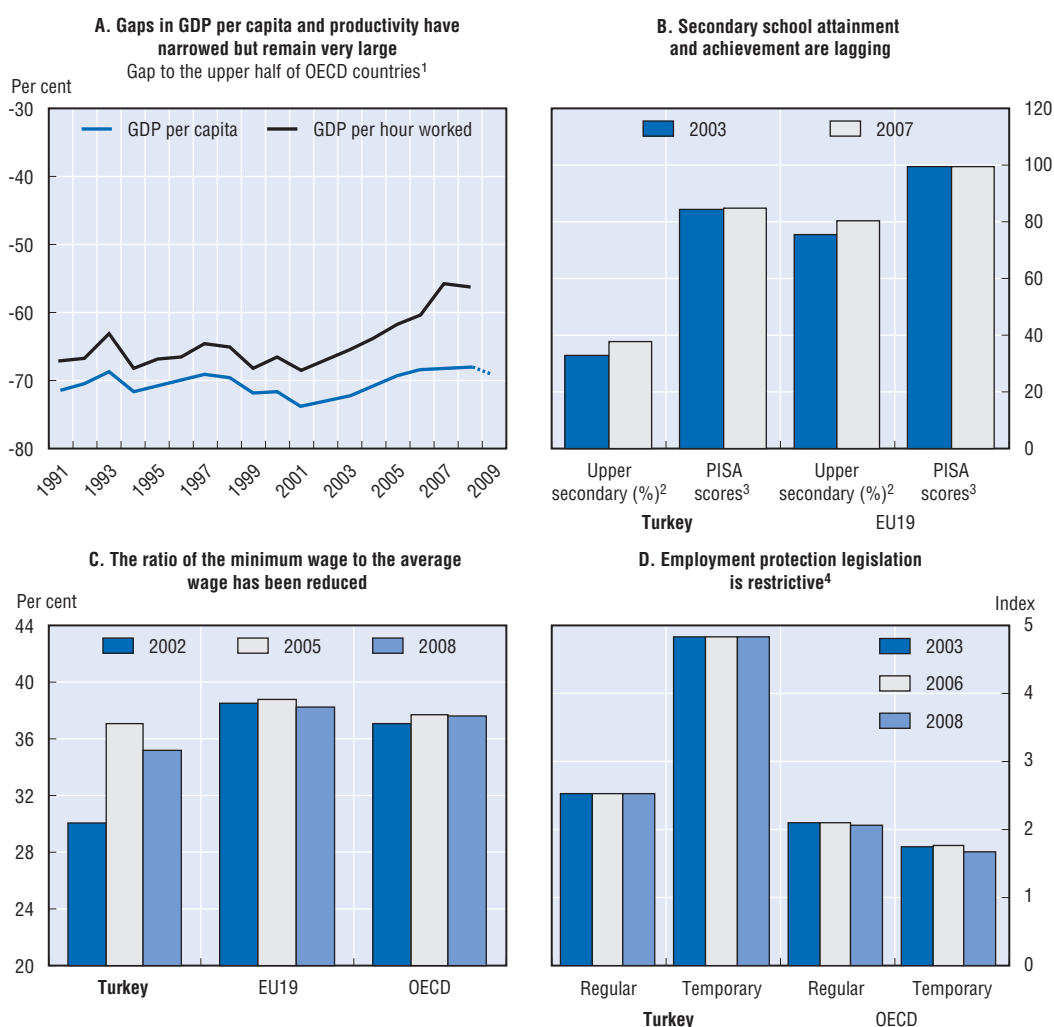
Implement results-oriented budgeting in core public services (2005)

Recommendations: Implement results-oriented budgeting in justice, education and health care.

Actions taken: A new law requiring the use of result-oriented budgeting was implemented in 2006, however with a limited practical effect so far.


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- The income gap vis-à-vis the upper half of OECD countries started to narrow in the 2000s but remains very large, reflecting both low labour productivity and utilisation levels. Past catch-up reflected productivity gains, while labour utilisation deteriorated.
- In key priority areas, enterprise creation has been simplified by reducing administrative burdens. Large scale privatisations have reduced the scope of public ownership, and foreign direct investment has been stimulated. However, reforms to reduce labour costs and increase labour market flexibility have been very limited.
- Growth-enhancing actions in other areas included monetary and fiscal stabilisation after the 2001 crisis, the thorough restructuring and recapitalisation of the banking sector, and the opening of accession negotiations with the EU.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gap in GDP per capita for 2009 is an OECD estimate, based on the *OECD Economic Outlook*, No. 86.
2. Percentage of population aged 25-34 that has attained at least upper-secondary education.
3. Average mean score of student performance in mathematics, science and reading in 2006. Index OECD = 100.
4. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Charts B: OECD (2009), *Education at a Glance* and OECD, *PISA 2006 Database*; Chart C: OECD, *Taxing Wages and Minimum Earnings Databases*; Chart D: OECD, *Employment Outlook Database*.

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