

Behind the scenes of overall income inequality: The Role of Regions

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Abstract:

Income inequality in Turkey stands out still as one of the highest among OECD countries despite the improvement by the first half of the 2000s. Besides ranking high in income inequality comparisons between countries, within country income inequality is rather high in Turkey. Regional disparities in terms of social, demographic and economic aspects stand out as a considerable integrant of Turkish economy, which have been presented by the previous literature. This study discusses income inequality in Turkey from a regional perspective using Survey of Income and Living Conditions (SILC) data conducted by TurkStat available for NUTS1 regions for 2006-2017 period. At first, overall income distribution by ventiles and the growth rate of income within each ventile are revealed for exploring the extent of disparities across income groups. Based on the preliminary facts, by identifying four different major groups of income (low, med-low, med-high and high), the analysis attempts to investigate the differences in the contribution of regions to inequality across income groups. Furthermore, the study investigates between and within inequality by employing Theil index decomposition in order to discover whether inequality is majorly driven by interregional or intraregional inequality in income groups.

Keywords: Income distribution, regional inequality

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