

**Income inequality
and
perceptions of social conflict in Turkey**

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Problem

Income Inequality

>> may create aspirational effects, thereby reducing the negativity of the perception of class differences.

or,

>> may exacerbate social tensions, increasing the risk of conflict among groups of people in the society

Questions

- 1) What is the relationship between actual and perceived income inequality in Turkey?
- 2) Do people focus on local income distribution when they form their opinions on the differences between economic classes?
- 3) How has the relationship between assessments of tension between the rich and the poor and actual income inequality evolved?

Review

Wilkinson and Pickett (2009) *The Spirit Level*:: income inequality >> social ills in a society.

The relationship is not an easy one to trace:

Reason 1: Future prospects If the poor expect to succeed in the future, they may not find current income inequality objectionable (Hirschmann and Rotschild 1973; Benabou and Ok 2001; Alesina and Ferrara 2005; Graham and Felton 2006).

Reason 2: Misleading perceptions Unless people have access to the correct information about inequality, people's perceptions are flawed and biased (Norton and Ariely 2011; Cruces et al 2013).

Reason 3: Indirect routes Income inequality & social ills >> intermediary factors: perceived conflict, status anxiety, and the role of distrust (Cojocane 2014; Rozer and Kraaykamp 201; Delhey and Dragolow 2014).

Main problem:

The relationship between income inequality and the perception of an antagonistic relationship between the rich and the poor focusing on Turkey.

>> Add regional income inequality since people may observe regional gaps in income as well as national income inequality.

>> Address changes over time.

>> Ponder job security, beyond demographic characteristics and provision of public goods and services.

The datasets

The European Quality of Life Survey (EQLS) of the Eurofound.

Coverage:

The EU member states, in candidate countries + Turkey, representative sample of the population aged 18+ years.

Living conditions, subjective well-being, working conditions, social position, household composition, health status, and household income.

+ evaluations of public institutions, trust and perception of social conflicts between different groups.

EQLS 2 (2007) & EQLS 3 (2011) ::

Turkey: 1607 adults in 2007, and 1660 adults in 2011.

Focus

In all countries there sometimes exists tension between social groups. In your opinion, how much tension is there between each of the following groups in this country?

Poor and rich people

(other groups: Management and workers, Men and women, Old people and young people, Different racial and ethnic groups, Different religious groups)

Perceived tension between the rich and the poor people, Turkey - EQLS Waves 2 & 3

	2007	2011
A lot of tension	34.47	38.73
Some tension	44.37	38.55
No tension	14.56	18.19
[Don't know + Refusal]	6.60	4.42
No of observations	1607	1660

$$P(Y = 1 | X, H, S)_{it} = \varphi (\beta_{0t} + \beta_{1t}X_{it} + \beta_{2t}GINI + \beta_{3t}H_{it} + \beta_{4t}S_{it}) \quad i = \{1, 2, \dots, n\} \text{ and } t = 2007, 2011$$

$$\mathbf{Perceived\ Tension} = \begin{cases} 1 & \text{if the response} = \text{"There exists a lot of tension"} \\ 0 & \text{if the response} \neq \text{"There exists a lot of tension"} \end{cases}$$

Regional GINI -- net household income in equivalized PPP ; provinces by rural & urban areas

Employment -- formal employment; unemployed; informally employed; out of labor force.

Education -- At most primary schooling; at most secondary school degree; college graduates.

Source of household income -- wages; self-employed; social transfers; rent, savings

Poverty -- Food poverty = 1 in the last 12 months

Environment and public services -- Air pollution; water quality; crime; trash on the streets; access to post office and to public transportation.

Controls for demographics characteristics -- Sex; age; household type.

Compressed Results

	2007		2011	
	Coeff.	Marginal Effects	Coeff.	Marginal Effects
GINI	0.673 (0.359)*	0.245 (0.131)*	0.538 (0.391)	0.205 (0.149)
<i>LM attachment (Ref: Formal work)</i>				
Unemployed	-0.006 (0.186)	-0.002 (0.068)	0.286 (0.178)	0.104 (0.061)*
Work unattached to LM	0.132 (0.132)	0.048 (0.048)	0.326 (0.137)**	0.123 (0.051)**
Out of LF	-0.073 (0.105)	-0.026 (0.037)	0.286 (0.115)**	0.106 (0.041)**
<i>HH Income Source (Ref: Wages)</i>				
HH Income source(Self-employed=1)	0.209 (0.096)**	0.078 (0.037)**	0.022 (0.128)	0.008 (0.049)
HH Income source (Social transfers=1)	0.171 (0.094)*	0.063 (0.035)*	0.072 (0.101)	0.027 (0.038)
HH Income source (Rent, savings=1)	0.153 (0.160)	0.057 (0.061)	0.028 (0.125)	0.011 (0.048)
<i>Other Controls (sex, age, household type, schooling, environment and public services, etc.)</i>				
Observations		1607		1660
Pseudo R2		0.07		0.05

Recap -- Questions

- 1) What is the relationship between actual and perceived income inequality in Turkey?
- 2) More specifically, do people focus on local income distribution when they form their opinions on the differences between economic classes?
- 3) How has the relationship between assessments of tension between the rich and the poor and actual income inequality evolved?

Full Results

>> Both income inequality and the main source of household income have lost statistical significance.

>> The position of the respondent in the labor market becomes a predictor of perceived social conflict.

>> The poor consistently assessed social tension higher than the non-poor population.

>> Possibly over time concerns about social mobility may have dominated in capturing the perceptions of social tension.

nb: Full results and a discussion are available in the paper

Caveats -- competing or complementary explanations

>> the regional GINI coefficient:

In small areas, it is likely that the GINI coefficient is biased downward.

Alternative measures of income inequality (national GINI, Theil, household income quintiles) to check the robustness of the results.

>> shifts in the relevant reference groups:

Within-country migration / increasing numbers of refugees in the metropolitan cities has caused spatial segregation, thereby increasing homogeneity of the relevant reference group.

Conclusion

When income insecurity increases and opportunities in the labor market and social mobility through the educational system are limited

then the GINI coefficient may be inefficient in tracing social tension between the affluent and the poor, at least in the Turkish context.

The shift in evaluations of social tension from income inequality to the indicators measuring economic security >>

A role for progressive social policy in that people believe that they have a stake at the stability of the system.

Q & A:

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Thank you.
SR.