

## Inter-regional wage differentials in Turkey

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**Abstract**

In Turkey, overall wage inequality declined considerably during the last two decades. Most of the research tackles the issue in relation to different labor characteristics and earnings inequality nexus while quite a little interest has been taken on the regional dimension. However, a preliminary analysis shows that the improvement in wage inequality is principally a result of decreasing wage inequality within the regions of Turkey, not between. Hence, this study aims to reveal the factors that have contributed to the decline in inequality within regions and investigate whether those defining inequality in each region differ. It also explores whether these factors have varying effects at different points along the regional wage distributions. Household Labor Force Statistics (2004-2019) micro data compiled by TurkStat is utilized in order to employ quantile regression (QR) framework which allows one to explore wage differentials across the whole wage distribution. Firstly, we estimate Mincer-type regional wage equations by OLS and QR for selected quantiles. Then we apply the methodology developed by Melly (2005) to decompose regional wage differentials into the contribution of endowments and returns by selected quantiles. Our preliminary findings indicate that estimated coefficients quite differ across the wage distribution and between regions. In addition, regional wage differentials depict a U-shape pattern over the wage distribution at the beginning of the sample period while it has relatively been distorted by the end of the period.

**Keywords:** Regional disparities, wage inequality,

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