



universität
wien

MAGISTERARBEIT

Titel der Magisterarbeit

„THE IMPACT OF NEPOTISM ON ORGANIZATIONS FROM AN ECONOMIC POINT OF VIEW, THE CASE OF TURKEY“

Verfasst von

YUSUF ERKAYA

angestrebter akademischer Grad

Magister der Sozial- und Wirtschaftswissenschaften
(Mag.rer.soc.oec.)

Wien, 2015

Studienkennzahl lt. Studienblatt

: A 066 913

Studienrichtung lt. Studienblatt

: Masterstudium Volkswirtschaftslehre

Betreuer

: ao. Univ. –Prof. Mag. Dr. Wolfgang Weigel

CONTENTS

1. INTRODUCTION	7
2. THE OVERVIEW OF CORRUPTION.....	8
2.1. The Meaning of Corruption	8
2.2. The Impact of Corruption on Economy.....	10
2.3. The Negative Impact of Corruption on Economy.....	10
2.4. The Positive Impact of Corruption on Economy	13
3. NEPOTISM AND COMMONLY USED TERMS RELATED TO NEPOTISM.....	15
4. THE CAUSES OF NEPOTISM.....	18
4.1. Belief.....	18
4.2. Trust in Loyalty.....	19
4.3. Favoritism.....	19
4.4. Cultural Factors.....	19
4.5. Lack of Legal Arrangement.....	19
5. THE DAMAGES OF NEPOTISM	19
5.1. The Inefficiency of Government Policies.....	20
5.2. Discrimination.....	20
5.3. Lack of Motivation.....	21
5.4. Inefficient and Nepotistic Allocations of Job and Resources	21
5.5. Negative Effect on Organizational Commitment.....	22
6. HOW TO AVOID NEPOTISM	23
6.1. The Study of Boadi	23
6.2. Meritocracy versus Nepotism.....	24
7. THE NEPOTISM CHALLENGE IN TURKEY	26
7.1. The Development Process of Public Management in Turkey.....	26
7.2. The Period of the Earlier Years of Republic until World War II	26
7.3. The Period of Domestic and Foreign Experts` Reports.....	26
7.4. The Planned Development Period	27
7.5. Ever Since the post-1980 Period under the Liberal Influence	28
7.6. THE KEY ISSUES OF CURRENT TURKISH PUBLIC PERSONNEL SYSTEM.....	29
7.6.1. Inefficiency.....	29
7.6.2. The Collapse of the Principle of Merit.....	29
7.6.3. Classification and Complexity of Status	30
8. ANTI-CORRUPTION POLICIES OF TURKEY SINCE 2002	30
8.1. Action Plan on Increasing Transparency and Enhancing Good Governance in the Public Sector	32

8.2.	Urgent Action Plan of 58th Government	32
8.3.	Joining into GRECO	33
8.4.	Strategic Plan on Reducing Corruption and Enhancing Transparency.....	34
8.5.	The Most Important Approved Contracts Related to Anti-Corruption by Turkish Government after 2002	34
8.6.	Anti-Corruption Legislation in Turkish Law	35
9.	THE INSTITUTIONS FIGHTING AGAINST CORRUPTION IN TURKEY	36
9.1.	The Financial Crimes Investigation Board (MASAK)	36
9.2.	Turkish Court of Accounts (TCA)	36
9.3.	The Prime Ministry Inspection Board (PMIB)	36
9.4.	Council of Ethics	37
10.	THE NGOS FIGHTING AGAINST CORRUPTION IN TURKEY	37
10.1.	Transparency International-Turkey (TI-TURKEY)	38
10.2.	Association for the Protection of Citizens` Taxes (VAVEK)	38
10.3.	The Turkish Economic and Social Studies Foundation (TESEV)	38
10.4.	Economic Policy Research Foundation of Turkey (TEPAV)	38
10.5.	Turkish Industrialists` and Businessmen`s Association (TUSIAD)	39
10.6.	The Foundation of Ethical Values Centre of Turkey (TEDMER).....	39
10.7.	White Point Foundation (BNV).....	39
10.8.	The Association of State Supervisory Staff (DENETDE)	39
11.	THE INTERNATIONAL ASSESSMENTS OF CORRUPTION IN TURKEY	40
11.1.	Corruption Perception Index (CPI)	40
11.2.	Opacity Index.....	42
11.3.	World Bank Business Environment and Enterprise Performance Survey (BEEPS)	42
11.4.	World Bank Global Competitiveness Reports	43
11.5.	Other Indicators.....	43
12.	CONCLUSION	44
13.	RECOMMENDATIONS	45
14.	REFERENCES.....	48

THE LIST OF TABLES

Table 1: The relationship between developed and third world countries in 2013.....	12
Table 2: Corruption Perception Index of Turkey between 2002 and 2014	41
Table 3: Comparison of CPI of Germany, Austria and Turkey	42
Table 4: Opacity Index.....	42
Table 5: The Most Problematic Factor for Doing Business.....	43

LIST OF ACRONYMS

BNV	: White Point Foundation
CPI	: Corruption Perception Index
DENETDE	: The Association of State Supervisory Staff
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
KAYA	: Public Administration Research Report
MASAK	: The Financial Crimes Investigation Board
HDI	: Human Development Index
PMIB	: Prime Ministry Inspection Board
PPSE	: Public Personnel Selection Exam
SPO	: State Planning Organization
TBMM	: Turkish Grand National Assembly
TESEV	: The Turkish Economic and Social Studies Foundation
TEPAV	: Economic and Policy Research Foundation of Turkey
TEDMER	: The Foundation of Ethical Values Centre of Turkey
TSHD	: The Association of Social Transparency Movement
TUSIAD	: Turkish Industrialists` and Businessmen`s Association
VAVEK	: Association for the protection of Citizens` Taxes
TCA	: Turkish Court of Accounts
TI	: Transparency International
TODAIE	: Turkey and the Middle East Public Administration Institute
UNICRI	: United Nations Interregional Crime and Justice Research Institute
UNDP	: United Nations Development Programme
WB	: World Bank

The Impacts of Nepotism on Organizations from an Economic Point of View: The Case of Turkey

Abstract

This paper examines the impacts of nepotism on organizations from an economic point of view and the case of Turkey. It is clear that nepotism, which has been defined as “privileging and favoritism of those who work at public institutions for their relatives and family members, has negative effects on economic, political, judicial and social life. It damages all institutions where it exists. The studies have already proved that it causes inefficiency of government policies, discrimination, lack of motivation, inefficient and nepotistic allocations of job and resources, and negative effect on organizational commitment. All of these negative effects naturally increase the cost for doing business as well. Correspondingly, this case leads to other problems.

The most important reasons for why nepotism is very common in Turkey are on the basis of legal gaps and failure to fully comply with the laws. Unfortunately, the number of people feeling themselves privileged are not uncommon. “Having an uncle in politics and bureaucracy” is still a valid tool to get hired, be promoted, win public tenders, and do business. Unless this thought is not left, nepotism will remain to exist and constitute huge problems for organizations.

Key Words: nepotism; corruption; Turkey

Kurzfassung

Diese Arbeit untersucht die Auswirkungen von Nepotismus auf Organisationen aus einer ökonomischen Betrachtungsweise und setzt sich im Weiteren mit seiner Entwicklung in der Türkei auseinander. Unbestreitbar führt Nepotismus, definiert als „Privilegierung und Bevorzugung jener, deren Verwandte und Familienmitglieder in öffentlichen Einrichtungen arbeiten“, zu negativen Auswirkungen im ökonomischen, politischen, rechtsprechenden wie gesellschaftlichen Leben. Wo er besteht, nimmt er Schaden auf alle Einrichtungen. Studien haben unlängst gezeigt, dass er eine Unwirtschaftlichkeit der Regierungspolitik, Diskriminierung, Motivationslosigkeit, ineffiziente und nepotistische Aufteilungen von Arbeitsplätzen und Mitteln, sowie negative Auswirkungen auf das betriebliche Engagement verursacht. All diese negativen Auswirkungen erhöhen selbstverständlich auch die Kosten für Geschäftstätigkeiten. Dementsprechend führt dieser Fall zu weiteren Problemen. Die bedeutendsten Gründe warum Nepotismus in der Türkei so verbreitet ist, sind auf rechtliche Lücken und dem Misslingen einer Einhaltung der Gesetze zurückzuführen. Leider sind jene, die sich privilegiert fühlen, nicht selten. „Einen Onkel in der Politik oder Bürokratie“ zu haben ist noch immer ein berechtigtes Mittel um eingestellt oder befördert zu werden, öffentliche Ausschreibungen zu gewinnen sowie um Geschäfte zu machen. Bis dieses Denken nicht aufgegeben ist, wird Nepotismus weiter bestehen und Organisationen große Probleme bereiten.

Schlagwörter: Vetternwirtschaft; Korruption; Türkei

1. INTRODUCTION

Plato once said that the public officials had to work without accepting any gift in return for their service which is produced for the citizens. The officials who do not obey this rule should be buried without organizing any funeral.

As Plato mentioned, corruption has since centuries been a crucial term related to economy, politics and social life. For instance, many political parties are coming to power promising of fight against corruption, after a while, they have to resign because of getting involved in corruption.

Although there are several organizations dealing with corruption, there is no single globally accepted definition. However, some international organizations have agreed on several different definitions. Corruption is defined by World Bank (WB) as “abuse of entrusted power for private gain.” Namely, corruption is considered as an umbrella for abuse of function, bribery, donation, embezzlement, extortion, facilitation payments, kickbacks, money laundering, nepotism and favoritism etc. In my research paper, I am going to focus mostly on nepotism, leaving aside other aspects of corruption.

It is because the number of people feeling themselves privileged are not uncommon. “Having an uncle in politics and bureaucracy is still a valid tool to get hired, be promoted, win public tenders and do business.” As for Turkey, the people in Turkey still feel the need for acquaintances, even when they go to hospital or a doctor. To give an example, so many friends of mine had called me to ask if I knew someone in Turkish Embassy in Vienna, although their bureaucratic transactions were very simple. Namely, “who knows whom” is still very common in Turkish institutions.

Because of these reasons, I have decided to write my Master’s Thesis on nepotism. The most important motivations of mine is to understand nepotism, its reasons of presence, impacts on organizations and the ways to prevent it. In this context, my research questions are “What are the impacts of nepotism on organizations from an economic point of view? What is the case of Turkey concerning to this issue?”

The paper is organized as follows: first I will try to explain corruption and its impacts on economy. Then, I will examine nepotism and commonly used terms related to nepotism, its causes, damages and the ways to prevent it. Afterwards, the nepotism issue in Turkey and the anti-corruption policies and NGOs and institutions fighting against corruption will be examined. Because of that there is not still separate data and information about nepotism, as a general aspect, the corruption perception level

will be discussed. At the same time, I will compare the corruption perception level of Turkey with Germany and Austria. And finally, I finish my research paper with conclusion and recommendation in the last part.

2. THE OVERVIEW OF CORRUPTION

2.1. The Meaning of Corruption

Plato once said that public officials had to work without accepting any gift in return for their serve which is produced for the citizens. The officials who do not obey this rule should be buried without organizing any funeral.

As Plato mentioned, corruption has since centuries been a crucial term related to economy, politics and social life. Although there are several organizations dealing with corruption and bribery, there is no single globally accepted definition. However, some international organizations have agreed on several different definitions.

Corruption is defined by World Bank (WB) as “abuse of entrusted power for private gain.” As it is seen from the definition, corruption means misusing of an official her/his duty to earn more money than her/his salary, and/or to come to a better position. The crucial thing here is that the seeking illegal benefits on behalf of him/herself or third parties. Because of that corruption includes not only him/herself but also third parties. Third parties might be individuals, a societal group, or a supervisor paying the cost of that corruption. It does not matter whether or not, they are aware of it.

Besides, it is also defined by United Nations Development Programme (UNDP) as abuse of entrusted power, responsibility and duties for private gain and by the ways of bribery, nepotism, impropriety, favoritism, dishonesty and embezzlement.

According to the Council of Europa contract that governed by private law (January 4, 2009), giving and accepting a bribe or other undue advantage are not enough, it includes requesting and offering as well.¹

In the light of these definitions, Transparency International uses the term of “corruption” as abuse of entrusted power and/or function which does not only limit to the public responsibility for private gain.

In daily life, corruption means misusing of an official his/her duty in order to earn more money than his/her salary. In this case, that officials do not obey the rules creating a monopoly. He/she wants to be a new authority versus the public authority.

¹ <http://conventions.coe.int/Treaty/en/Treaties/Html/174.htm>

It is because there are many opportunities for officials to obtain undue advantages. They may demand money from the citizens as much as citizens are willing to pay. As mentioned before, because of that they have already created monopoly, they have force in order to be able to do this.

The officials may behave as businessmen to maximize their profit. Hence, they may perceive their duty as “commerce”. Klitgaard (1998) has demonstrated corruption as a system following:

$$C=M+D-A$$

Namely, corruption (C) equals to monopoly (M) plus discretion (D) minus accountability (A). There is always a possibility to meet up with corruption, as long as someone has monopoly power over a service or good, has a discretion to decide whether or not, and how much it is allowed to get, and finally is not accountable.

According to United Nations Interregional Crime and Justice Research Institute (UNICRI)² report, corruption is defined as corrupt in the decision making mechanisms in public and private institutions.

The last definition of corruption includes also private sector. It is defined as misuse of a commended authority, damaging the public and private benefits. Thus, Transparency International (TI) drew attention the corruption phenomena in March 2003, Vienna.³ In order to be accepted as a corruption phenomenon in public sector, these following criterias were taken into consideration: a) private sector is bigger than public sector in many countries, b) because of privatization and funding, there is a strict relationship between private sector and public sector, c) to ignore corruption in private sector leads citizens to lose their confidence in public, d) it is required to struggle against private sector bribery.⁴

² UNICRI established in 1967 to support countries worldwide in preventing crime and facilitating criminal justice. UNICRI's programme aim to promote national self-confidence and the development of institutional capabilities. See: http://www.unicri.it/topics/organized_crime_corruption/

³ http://www.transparency.org/news/pressrelease/un_convention_must_criminalise_private_sector_corruption_says_transparency

⁴ The short form of Organization for Economic Co-operation, and Development. The mission of OECD is determined as promoting policies that will improve the economic and social well-being of people around the world. By the end of 2013, there are 34 member countries in this organization. See <http://www.oecd.org/>

2.2. The Impact of Corruption on Economy

It is a fact that corruption has for a long time threatened the economic, and social life. To give an example, according to Corruption Perception Index (CPI)⁵ 2013, the most five transparent and cleanest countries are Denmark, New Zealand, Finland, Sweden and Norway. When we compare these countries with Human Development Index (HDI)⁶, it can smoothly be seen that those countries, which are the most transparent, have very high-ranking level in terms of HDI. It means that those countries, which have high-ranking HDI level, are developed and have higher levels of well-being.

After exploring the meaning of corruption, discussing its impact on economy would be appropriate. Well, I have a lot of interesting questions, for instances, how does corruption effect on economic growth, welfare, FDI, income equality and poverty etc.? While corruption is bad for some economies, is it good for some? And what about its impact on economic stability?

These questions have kept busy the economists studying developing and third world countries in the late 1960s onwards. Because they have for a long time been interested in examining how corruption affects the performance of an economy, especially the rate of growth. Why many economists have paid significant attention for this question is exactly about the review point and function of corruption.

2.3. The Negative Impact of Corruption on Economy

According to Murphy et al. (1993), even though the corrupt activities at the beginning have expansionary gains, all corrupt activities are economically restrictive. The increasing return in rent-seeking activities reduces the cost of next rent-seeking relative to productive investment. When there exists slow growth, the returns to productive activity decline relative to those of rent-seeking. Thus, it takes place other increasing rent-seeking activities which slow down the rate of economic growth.⁷

⁵ Corruption Perception Index (CPI) belongs to Transparency International (TI). The unique purpose of TI is to fight against corruption, encourage and strengthen national and international reliability systems. In order to carry out its purpose, it investigates and prepares reforms programs, shares its findings with the public. It publishes annually "corruption perception index, global corruption report and bribe payers index".

⁶ Human Development Index (HDI) is a composite measure of life expectancy, health, education and income indexes used to rank countries into four stages of human development. It has been published by United Nations Development Programme.

⁷ Although there are several literatures (Murphy et al 1993, Li et al. 2000, Hernando De Soto 1989,) which argue that corruption has negative effect on growth. However, if we look at welfare gains, it would be slightly different level of aggregation. Because Pareto Efficiency does not necessarily imply economic growth and reverse. (Pareto Efficiency is a case of allocation of resources in which it is unlikely to make any one individual better off without making at least one individual worse off.) Since

The damage of corruption is not limited to growth, they (Murphy et. al.), argued also that cost of corruption could be seen as an additional tax on business transactions. Hence, it leads to increase the cost of investments.

According to an investigation conducted by World Economic Forum Global Competitiveness report (World Bank, 1997: 5-24), because of the high-level corruption, many negotiations about licenses, permissions and taxes occur between public officials and companies. Besides, the capital costs of companies are too much higher in many corrupt countries.

According to Campos et al. (1999), while the negative effect is lessened if corrupt government is predictable, there is still a negative effect in terms of capital inflows. He also put emphasis on decreasing the foreign investment. Because corruption increases operational cost and creates “uncertainty”, and thereby deters investment. Corruption causes increasing cost in transaction from collectivist economy to market economy and it creates uncertainty in the economy.

The most well-known empirical work showing this effect is that of Mauro (1995) investigated the relationship between investment and corruption for 58 countries. In his investigation, he put emphasis on business transactions involving corruption and questionable payments. The findings of Mauro showed that corruption had a significant negative effect on the ratio of investment to GDP. This result led also to that corruption was harmful for economic growth. He also argued that corruption had negative effect on the sharing of the private investment and it led to lower the rate of economic growth. Mauro also argued in his investigation in 1998 that the one-third (1/3) of total negative effects on economic growth appears in private investments. The remaining injuries of negative effects occur in different shapes (Mauro 1998).

Another author who has argued that corruption had adverse effect on foreign direct investment (FDI) is Wei (1997). He found in his investigation that corruption, acting like a tax, discouraged significantly foreign investment in host countries. The less predictable level of corruption affects more negatively the FDI because of the increasing risk and uncertainty.

Besides, Hernando De Soto (1989) argued in his study that systemic effects of corruption on economic well-being were adverse and on the economic growth negatively. The adverse effect of corruption was not limited to growth as well. It also

Pareto Efficiency might not be accomplished because of losers and gainers. Those who gain from nepotism and now face a cutback on nepotism are the losers. Here, we do not have gainer and losers. In this respect, Pareto Efficiency would be violated as well.

leads to income inequality and poverty. All of the empirical studies (Li et. al. 2000, and Gupta et. al. 2002) found that corruption significantly increased income inequality and poverty by reducing economic growth. Gupta et al. found in their investigation that policies that decrease corruption would also lower income inequality and poverty. Because of that only the better connected individuals and firms can obtain benefit from the government projects, others cannot have enough opportunities to get their work done.

When we have a look at Corruption Perception Index (CPI) and Human Development Index (HDI), it can be easily noticed that there is a significant correlation between each other. The Human Development Indexes are high in the countries having low-level corruption. Nevertheless, poverty and inequality are high in the high corrupt countries. At the same time, these countries have low-level HDI.

Table 1: The relationship between developed and third world countries in 2013

COUNTRY	CPI	HDI	COUNTRY	CPI	HDI
Denmark	9.1 (1.)	0.901 (15.)	Somalia	0.8 (175.)	no data
New Zealand	9.1 (2.)	0.919 (6.)	Afghanistan	0.8 (175.)	0.374 (175.)
Finland	8.9 (3.)	0.892 (21.)	North Korea	0.8 (175.)	no data
Sweden	8.9 (4.)	0.916 (7.)	Sudan	1.1 (174.)	0.414 (171.)
Norway	8.6 (5.)	0.955 (1.)	South Sudan	1.4 (173.)	no data
Singapore	8.6 (6.)	0.895 (18.)	Libya	1.5 (172.)	0.769 (64.)
Switzerland	8.5 (7.)	0.913 (9.)	Iraqi	1.6 (171.)	0.590 (131.)
Netherlands	8.3(8.)	0.921 (4.)	Syria	1.7 (168.)	0.648 (116.)
Australia	8.1 (9.)	0.938 (2.)	Uzbekistan	1.7 (168.)	0.654 (114.)
Canada	8.1 (10.)	0.911 (11.)	Turkmenistan	1.7 (166.)	0.698 (102.)

Source: UNDP, Human Development Report 2013 and TI, Corruption Perception Index (2013).

According to CPI (2013), the most transparent and cleanest countries are Denmark, New Zealand, Finland, and Sweden. At the same time, when have a look at the HDI, it can smoothly realized that those countries, which are the most transparent, have very high-ranking level in terms of HDI. On the other hand, as we can see when we have a look at the right side of the table, the most ten corrupt countries also have very low-level HDI.

Neeman et al. (2008) has argued in their study that corruption was negative correlated with output in open economies, but not in closed economies. It means, corruption is deleterious effect in the open economies because domestic entrepreneurs invest abroad, when the home country has high-level corruption, and positive effect in the closed economies because of the difficulties of creating opportunities to invest.

Another deleterious side of the corruption is in allocating human capital. Because human capital cannot be used effectively in corrupt economies, and it will lead to that corruption retards human development. Thus, lacking of the human development will have negative effect on economic growth.

Due to corrupt behaviors, holdings and international companies worry about the risk of their investments. Thus, the investors look for the warranties way to keep safe their investments. This leads naturally to rent-seeking actions. Because of high tax rates and uncertainty conditions, the formal economy moves into informal economy. The existence of informal economy causes decreasing of public goods. Hence, informal economy over time expands in whole economy. And finally, informal economy again enhances corruption. It turns into a circle which affects each other.

2.4. The Positive Impact of Corruption on Economy

Although several cross-country studies have found that corruption had adverse effect on the economic growth, as we discussed above, it is also possible to come up with other findings which claimed that corruption has positive effect on the economic growth. The authors, who argue that corruption has positive effect on economic growth, criticize the claim arguing a positive relationship between developing-bureaucracy-efficiency. According to those authors, although the bureaucracy is required an effective tool for the economic development, it constitutes a considerable impediment.

The most well-known justification of the useful effects of corruption is called as “grease the wheels” hypothesis. In that way, corruption may lead economy to work more appropriate. Corruption may help individuals and firms to get their work done, without delaying and wasting time. For instance, corrupt officials can work harder than non-corrupt officials. They do not tend to evade of their duties due to (undue) advantages.

Dwivedi (1967) argues that because of the excessive formalism of bureaucracy in the developing countries, the delay is so common during making administrative decisions and conducting the process. In this point, corruption plays a speeder and refreshing role, like “grease the wheel” hypothesis.

Beginning with Leff (1964) and Huntington (1968), they argued that corruption might be evaluated as a useful tool for a weak rule of law. If there are some preventing restrictions doing business legally, corruption might be a good way in order to get rid of unproductive procedures and bureaucratic delays. Thus, corruption can be helpful entrepreneurs to avoid restrictions and delays. This leads to that corruption can enhance the economic growth by allowing individuals to pay bribes. If it is required to say in simple terms, especially in most of the third world, and corruption is necessary to get something done. Under these circumstances, one has to choose the lesser evil. The system which constructed on bribery for government contracts and allocation licenses may lead to those firms will be able to afford paying the maximal bribes (Lui, 1985).

Corruption is a very common phenomenon in centrally planned economies⁸ as well. Corruption can play a significant role in carrying out the plans which might improve economies. For instance, building bridges, highways, railways, collective housings and so on might be required for those economies. Some people who want to obtain unfair gain may offer central planners to invest in them in terms of kickback from these bridges, highways, railways, and collective housings investments. In the wake of the agreement with the central planners, these investments will be occurred. This case might have positive impact on economic growth through the investments.

Osterfeld (1992) made a helpful distinction in classifying corruption activities. He has divided the corruption behaviors into the two categories: “economically restrictive” and “economically expansionary” corruption. Corruption will often cause to restrictive

⁸ Centrally planned economy is an economic system in which economic decisions are made by a central authority, such that a state or a government.

output when bribes decrease competition and increase market rigidities. For instance, rent-seeking actions lead to decrease competition in that economy. This outcome may be seen in economies where economic freedom is low, in monopolies and business which are ruled by elites and their relatives. But also, corruption will often lead to expansionary gains. If more bribes help the economy in order that it moves toward more free exchange. By the bribes, the entrepreneurs can get over bad law. Thus, where economic freedom is high, output will increase. To put it simply, “restrictive corruption” which limits opportunities for efficient exchange, “expansionary corruption” which involves actions that improve the flexibility of the market and competitiveness.

Acemoglu and Verdier (1998) claim that corruption brings efficiency in the economy and affects economic growth positively. Corruption can work like a payment for bureaucrats in order that they bypass the inefficient regulations for entrepreneurs.

Lien (1986) also states that corruption might raise efficiency the rate of economic growth. He suggested that corruption might raise the choice of the right decisions by the officials. In other words, if bureaucrats do not know about their task, or are not good at some decisions, corruption then can affect positively the outcome of a competitive auction.

According to Bayley (1966), the development aimed at the economic solution is not limited to government and bureaucracy. Rejecting the other choices will be a mistake. Because the ideological tendency of public officials, they might not improve the economy.

In contrast with these claims, many international institutions such as Transparency International, The World Bank, etc., aim to curb corruption and improve governments by conducting worldwide projects.

3. NEPOTISM AND COMMONLY USED TERMS RELATED TO NEPOTISM

There are several manifestations of corruption. After giving the several definitions of corruption and examining its impact on economy, it would be appropriate to speak of the various manifestations of corruption, including abuse of function, bribery, donation, embezzlement, extortion, facilitation payments, fraud, kickbacks, money laundering, insider trading, nepotism, favoritism, and cronyism. In my research paper, I am going to focus mostly on nepotism, leaving aside other aspects of corruption.

In such a way, there exist various types of privileging, such that nepotism, cronyism, factionalism (partisanship) and sexual favoritism. I am of the opinion that one should examine these related terms in order to be able to figure out what the nepotism is and how it works in public institutions. As a scope of my research, I am going to pay more attention for nepotism rather than others. Nevertheless, I will give their definitions as well.

The word was first originated from Latin, as meaning nephew, *nepo*. It was exactly related to the matter of papacy. Because new elected popes were assigning their relatives, especially their brothers and nephews. Thus, the relatives of new elected popes were providing very important advantages due to their newly created social and political status. The main reason for why they did it was to protect themselves against possible plots which were organized by people who disagreed with them. According to them, ties of blood were considered as a solid guarantee (Scott, 1991).

The suffix *-ism* is defined as “doctrine, theory, idiom or system.” As for the term of nepotism, it is defined as “privileging and favoritism of those who work at public institutions for their relatives and family members.” Anyone might be gotten hired by a politician, bureaucrat or someone else without taking into consideration his/her ability, achievement and educational level. They would do this by misusing their public power. At this point, it is likely to claim that those officers who protect and support their own relatives abuse of their function that is given them to serve all the society.

The nepotism is seen more excessive in the societies in which the kinship relations are so pervasive. We can give two examples as follows to make clear how the nepotistic behaviors occur due to kinship relations and whether it should be interpreted as illegal, or not.

Consider an African family with 20 children. They strive to send every child to university. But, due to financial problem of the family, it is impossible. Compared with others, Sam, one of their children, is more gifted. For this reason, his family decided to send Sam to university. A few years later, Sam became a high-ranking civil servant. In this case, Sam was expected to pay his family off. Because they had invested in him in order for Sam to help them. To be clear, people always invest in someone who will pay back their investment. If Sam privileges his family, hires his family members, or awards tender to his family member, might it be called as nepotism? And might it be a nepotistic behavior?

In this case, if the process of recruitment is carried out legally, and the applicants have enough work experience, then it is unlikely to speak of nepotism and favoritism with a legal perspective.

As for second example; the US presidential race would also be a well-known example. For November 2000 elections, the candidates were Vice President Albert Gore (Democratic) and Texas Governor George G. Bush (Republican). They were the sons of considerable political and elite families. Gore's father was senator from Tennessee. Bush's grandfather had been a senator, his father had been president, and his brother was the governor of Florida. According to many, although both candidates had meritorious background, excellent and successful education life, the discussions and expectations had focused on whose father/grandfather links were stronger and more effective in the US (Below, 2003). Here again, even all election process were carried out legally, would "the win of any of two candidates" be interpreted as nepotism?

As a legal perspective, both examples regarding to the father/grandfather links are not interpreted as nepotism. Because every people might have grandfather links somehow. We can speak of conflict of interest law where the nepotistic practices are not prevented directly. Thus, it might restrict privileges towards family members and relatives depending on interpretation of law. The crucial thing here is not having relatives and grandfather links, conversely, the main thing is whether the recruitment process, promotion, doing business, getting hired, winning public tenders, or even being elected a president are conducted in an appropriate way. Otherwise, The Title VII of the Civil Rights Act of 1964 would have been violated by discriminating against other applicants.

As for the related terms to nepotism, one can put in order like this; cronyism, factionalism (partisanship), sexual favoritism, coaxing and patronage.

Cronyism refers public officers to support and hire their acquaintances regardless of their competence, educational level and ability. Basically, there are no many more differences between nepotism and cronyism. The only distinction is that, in nepotism, while the protected person is kinship (by blood or marriage), in cronyism, the protected person is acquaintances. Although many people may take vital advantages from it, one way or another, it is harmful and dangerous for any kind of favoritism in terms of organization and public services.

Factionalism (partisanship) emerges after political parties take office. The followers and supporters help the political parties and finance their election campaigns in return for public tenders and recruitment. In this case, mutual and unjustly relationships based on win-win take place. The factionalism can be accepted as an efficient indicator in order to examine the corruption level of relevant country. Many studies show us that it is more common in developing countries. The political factors and references are more effective rather than ability and internal principles of that institutions. For instance, it is very common in Turkey. Even many businessmen and media mogul (one who is very great or powerful within the mass media) take sides openly for the candidates. After elections, the privileges, such that awarding tender or hire them or their relatives⁹, for those who have taken sides for elected party have smoothly been observed.

As for *sexual favoritism*, some managers might privilege for those who they might probably have sexual and/or emotional relationships. In this situation, the managers might be provided the advantages based on their personal and sexual relationship, instead of competence (Sheridan, 2007). It really does not matter being men or women in taking undue advantages. As a consequence, it damages social fabric somehow. It also leads to be seen the sexual inequality in the society.

Coaxing. It means that the political powers after election bestow favors on those who help and support itself before and during election. Thus, they would reward their supporters` help.

Patronage. In the political process, after political parties come to power, they dismiss top-level bureaucrats working in public institutions and organizations, and assign their friends or relatives, depending on political advocacy, ideology, nepotism, and cronyism etc. This situation is called as “patronage” in the literature.

4. THE CAUSES OF NEPOTISM

4.1. Belief

Those, who are of the opinion that the in-group members or relatives have superior performance rather than out-group members or non-relatives, prefer to recruit on the basis of beliefs. However, these kinds of beliefs may not reflect the truth properly.

⁹ Relatives mean as follows: Father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother -n-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, or half-sister. (Section 310.102 of the Code of Federal Regulations)

The belief of that in-group members or relatives would be more efficient may consist of the prejudices.

4.2. Trust in Loyalty

One of the main reason for the occurrence of nepotism has been based on trust in loyalty. As mentioned before, the new elected popes were assigning their relatives, especially their brothers and nephews in order to protect themselves against possible plots which were organized by people who disagreed with them. Thus, popes were assigning the people they trust in their loyalty. In these days, it might be explained as high-trust, low-cost relationships as well. While achieving high confidence, at the same time, it would have been obtained cost savings.

4.3. Favoritism

Those who place importance for the group and social identities may tend to favoritism. That is, they may prefer to hire and/or promote their group members.

4.4. Cultural Factors

Although the existence of nepotism changes from culture to culture and it still continues to be in many institutions. While it appears less in the societies in which the family ties are weak, on the contrary, it is seen more often in the societies in which the relationship among the family members are strong.

4.5. Lack of Legal Arrangement

One cannot deny that nepotism is a corrupt activity. According to all laws, corruption constitutes a criminal offence. Corruption, as an offence, should definitely be punished due to the framework of the relevant laws. Nevertheless, it occurs vital gaps in mostly legislations. Thus, it has been persisting to be in many spheres because of not supposing to be a crime. In addition to this, when the legal measures are compared in both developing and developed countries, one can smoothly recognize that preferential treatments resist to be a part of daily life (Boadi, 2000).

5. THE DAMAGES OF NEPOTISM

Nepotism, as a kind of corruption, has negative effects on organizations. One or more negative effects can in the same time be observed in institutions.

5.1. The Inefficiency of Government Policies

A recent cross-national study (Faccio, 2000) has, *ceteris paribus*, shown the relationship between the political networks of companies and policy decisions. In the research, he has covered database included over 20000 firms in 47 countries. The investigator assumed the firms as being connected with politicians if at least one of its considerable shareholders is a member of parliament, a minister or affiliated with a high-ranking politician or a party.

As a matter of fact, the results were as expected. The connections of firms with politics were especially common in countries with higher levels of corruption and countries enforcing restriction upon foreign investments.

Political connections of companies were largely common. The firms, including 7.72 percent of the world's stock market capitalization, were connected with politicians. Besides, the company value increased when a businessman entered high-level politics. That is, the stock price of his company increased more whenever a businessman was elected as a prime minister rather than as a member of parliament. In addition, to give an example in Indonesia, the Suharto administration came to power promising to end corruption. However, soon after they took office, they became corrupt as well. The new-established regime brought import quotas into force to provide monopoly power to Panca Holding whose main beneficiaries were President Subarto's cousin, Sudwikatmono and two of the President's sons: Sigit Haryoyudanto and Bambang Trihatmodjo. In that period, Panca Holding was the only agent for the import of plastics in Indonesia (Robertson and Snape, 1999).

Another example related to inefficiency of government policies is from Malaysia. It has been proven that firms with political connection were more likely to gain subsidies. However, what the expected result was not like this. In first phase of the Asian Crisis, it should have lost subsidies (Johnson and Mitton, 2003).

Consequently, it is likely to claim that these studies have shown us the adverse effects of nepotism on government policies.

5.2. Discrimination

Nepotism is also a pervasive phenomenon within discrimination challenge. That is, it may lead to unjust and prejudicial treatments in private and public sectors.

Lentz and Laband (1989) have shown that the children of doctors were about 14 percent more likely to be admitted to medical school than are comparable other applicants.¹⁰ That is, medical school admissions are characterized by nepotism and favoritism toward the children of doctors, as compared against children of non-doctors.

Besides, the study of Brick et al. (2005) might be given to confirm that there has been an excessive nepotism and cronyism on the professional groups as well. They found a significant positive relation between CEO and director compensation. In other words, the excess compensation of boards of directors takes its source from cronyism and mutual back scratching. It is also linked to a poor firm performance.

5.3. Lack of Motivation

There exist many indicators to show how the motivation of employees could be enhanced and the achievements regarding to motivation could be kept going. However, I will mostly focus on the preferential treatment, leaving aside other reasons of lack of motivation. As for one of the most crucial consequences of nepotism, it is that, the employees who work under an incompetent person are more stressful. It is because the employees have been exposed to preferential treatments. That is, the inequality and favoritism in business environment end up with the lack of motivation (Büte, 2009).

5.4. Inefficient and Nepotistic Allocations of Job and Resources

In organizations with deep privileged behaviors, the human resources departments work inefficient due to nepotistic treatments. In such cases, it is unlikely to speak of the appointments on the basis of competence, education and experiences etc. What is the most important thing is that “who knows whom”. Therefore, in the cases where employees are in competition with a privileged individual, their chance for promoting is low (Abdala et al. 1994).

Another crucial issue may even occur before the recruitment interview as with the finding of Bertrand and Mullainathan (2004). The authors have investigated the impact of the diversity of races on the labor market in US. In the framework of their research, they sent fictitious resumes to some newspapers in Boston and Chicago

¹⁰ They have argued that intergenerational transfers of human capital motivate children to follow in their parents' job/workplace. Following their parents' occupational footsteps were based on volunteerism, not obligation.

and the names of resumes were randomly indicated African-American or White sounding names. As a consequence, they received 50 percent more callbacks for job interviews. In addition, they added that the callbacks were more sensitive for white sounding names rather than for African-American ones. This has shown that there overtly existed a racial discrimination in the U.S. labor market.

Instead of benefiting from all the experienced and well-trained employees regardless of their race, by this way, only a part of whole labor market can be utilized. It is due to the existence of preferential treatments. As observed here, nepotism, as a type of preferential treatment, causes unproductive and unfair allocations of resources and job opportunities (Bertrand and Mullainathan, 2004).

5.5. Negative Effect on Organizational Commitment

Organizational commitment refers to employees working in an organization identify themselves with the organization on the basis of their loyalty and sense of duty (Mutheveloo and Rose, 2005).

The factors affecting organizational commitment of employees can be sorted as follows: helplessness, sex, marital status, colleagues, organizational justice, importance of work, opportunities for promotion, job security, rewards, and social rights etc. All of these factors play a major role in an individual's work preference and keeping on working in that work (Mowday et. al, 1982).

As for the relationship between nepotism and organizational commitment, Yilmaz and Karahan (2014) has examined the relationship between nepotism and organizational commitment. In the scope of their study, they conducted a survey over 272 health staff in a hospital in Turkey. The result of their investigation has shown that nepotism had negative effect on organizational commitment. Put differently, organizational commitment is very low in organizations in which nepotistic implementations are so common. They have also observed that nepotistic implementations in organizations caused the lack of motivation, job stress and ineffectiveness.

Besides, there are several types of organizational commitment but the most accepted and well-known classification belongs to Meyer and Allen. According to them, there are three types of organizational commitment: (Meyer and Allen, 1984)

Emotional Commitment. Because of that employee has an emotional bond with organization, s/he never wants to leave from the organization. It can also be said that the employee has identified with the organization.

Continuation Commitment. Because of the unique benefits and their working years, the employee who share continuation commitment with their employers cannot leave easily from the organization.

Normative Commitment. Normative commitment refers to the received necessity by employee to remain in the organization (Bagraim, 2003).

6. HOW TO AVOID NEPOTISM

In order to avoid nepotism, there exist some preventive measures. These measures may collect under two headings: the study of Boadi that includes comprehensive measures and meritocracy versus nepotism.

6.1. The Study of Boadi

There are several precautions to be taken in order to prevent nepotism. However, the most general measures have been gathered in the study of Boadi. According to Boadi (2000), there have been five effective and required circumstances which are impartiality, enhancing of competition, openness, integrity and appeals, in order to able to avoid nepotism.

Impartiality. All job interview and recruitment process should occur under neutral circumstances. Public interest should be protected through ethical behaviors and fairness. Besides, a potential applicant should not have direct relationship with anyone who is in charge of any unit of recruitment process. Even, they should never be active in a part of recruitment process in which they may be potential applicants. Another important issue for impartiality is to document every taken decisions, reasons, and consequences. This is exactly the key of accountability and transparency which are very important to build an effective organization. If there exists any kinds of suspicions or problems regarding to recruitment process, all kinds of allegations may be proven by this way.

Competition should be fostered. The relevant advertisement for recruitment should include both the recruitments of the job and the possible field of applicants. Before filling the vacancies, the terms of references should be enough determined and the area of applicants should be maximized. All the circumstances for competition should be identified clearly and openly as well.

Openness. If the recruitment policies have been identified openly and conducted the related procedures transparently, the risk of involvement in corruption then will be

diminished. Thus, the participants will be understood all of the given messages. Furthermore, being open should not mean the violation of institutional privacy. On the contrary, it means enough being transparent towards the participants.

Integrity. An administration, which tries to avoid any kinds of preferential treatments, has to indicate sanctions that are inconvenient in terms of institution policies. Besides, having independent peoples in the recruitment process enhances the integrity level of those organizations. Other committee members also should not know these independent people. Therefore, the organizations should definitely prefer the people from outside to utilize in the recruitment process. In the cases in which this is unlikely, this should be documented in writing. Finally, the whole process should be documented and the former-prepared documents should be examined seriously and the new-preparing documents have to put besides others.

Appeals. The applicants who consider that the recruitment process has not been evaluated properly should be able to appeal by themselves to the related authority. By doing so, they may seek a new and independent evaluation. Thus, if there is any mistake in the evaluation process of applicants, it will then be eliminated.

6.2. Meritocracy versus Nepotism

Meritocracy has emerged as a reaction to nepotism. The term of meritocracy was first used in the book called “Rise of Meritocracy” written by British sociologist Michael Young. It consists of two words: merit, from Latin *mereō* [earn] and –cracy from Ancient Greek *kratos* [strength, power]. After combining the words, the following meaning appears: a system in which the meritorious people are assigned to relevant departments and positions. Thus, there would be intelligent, diligent and highly qualified employees in the upper echelons of organizations. Meritocracy has been carried out for the first time in Prussia in the 18th century. The Prussian King Frederick the Great had entailed learning law and succeeding in exams in order to be public officer.

According to Sezer (2006), in the implementation of meritocracy, it has six vital features:

Being Sensitive towards Political Appointments. The most important point of merit is to be sensitive towards political appointments. In the circumstances in which the political appointments exceed, the relevant system will be corrupt. In this way, the merit system will lose the struggle against nepotism. All states have to be equal in

distance towards their citizens. This equidistance provides the citizens to trust in the states. In the democratic societies and states of law, nobody has right to violate these principles. If they are violated, it will end up with corrupt state, opaque public institutions and a society whose members seek to trick each other. As a result, the political patronage and political appointments discredit on the belief of citizens towards the democratic system and the state of law.

The Principle of Competition. The principle of competition means that there should be contest exams in the process of the recruitment for public institutions and internal promotion. The equality of opportunity should be provided for the applicants. All applicants should take these exams without getting involved in any kind of favoritism. In this wise, the relevant organization will both gain the trust of citizens in itself and choose the most suitable candidate for its best performance. In addition, the exams to be held should be announced via printed and visual media in order to increase the number of applicants. Furthermore, the contents of exam should be proper for the applicant and position. The evaluation of exam should be fair and transparent. The results of exam should be disclosed in a manner that everyone can see them. The applicants should be able to appeal on exam results.

Adequate and Fair Wages. If public officers are ensured adequate and fair wages, the probability of bribery, rent-seeking, abuse of function etc. will be decreased. Because they do not need to get involved in any kind of illegal activities in order to have a high life standard. Therefore, the public officers who have adequate and fair wages will have been encouraged not to abuse their function.

Internal Evaluation. The public officers should have right to promote based on their own merit. In this system, while the talented employees shall be entitled to promote, on the other hand, the insufficient employees may be removed from that positions. In this regard, the internal evaluation has vital importance to provide merit in the institutions.

Assurance. In order to carry out meritocracy, the assurance feature is also very important and required. If the public officers do not feel secure themselves while doing their jobs, one cannot speak of quality of work and impartiality. They are supposed to be protected against political repression and favoritism.

The Awareness of Public Interest. The awareness of public interest and the ethical behavior should be gained to public officers. While they are performing their duties, they are obliged to comply with ethical rules.

7. THE NEPOTISM CHALLENGE IN TURKEY

The main reasons for why corruption depending on nepotism is so high are based on inefficiency and corrupt public management system. It is because nepotism has been an archaic issue of Turkey for years. Since the foundation year of Republic of Turkey, it has one way or another continued. Thus, in order to figure out the nepotism challenge in Turkey, one has to examine the historical development process of Turkish public personnel management system.

7.1. The Development Process of Public Management in Turkey

The development process of public management in Turkey can be examined under four headings: (Yilmazöz, 2009)

- The period of the earlier years of Republic until World War II
- The period of domestic and foreign experts' reports
- The planned development period
- Ever since the post-1980 period under the liberal influence

7.2. The Period of the Earlier Years of Republic until World War II

In the period of the earlier years of Republic until World War II, the public management (recruitment process, wage, promotion, retirement, etc.) had been conducted unsystematically. The most important improvement about recruitment and promotion of civil servants was "Public Officers' Law" numbered 788 of 1926. However, although this law at the beginning seemed "very good" for civil servants, over time, many trouble took place depending on this law. It created offices which was fail-safe from a legal point and attractive from an economic point. Due to lack of central personnel unit and services not being classified, an efficient and rational system could not have been established. The commissioning was left to the discretion of the organization and it was conducted randomly in practice. The examination principle was not paid enough attention. Besides, it caused wage inequality. According to Article 14 of the law in question, each officers would have a hidden file and this file would include officers' personality status, temperament and behaviors. In addition, the reports prepared by supervisors and inspectors would be stored in that file.

7.3. The Period of Domestic and Foreign Experts' Reports

Many crucial changes occurred in Turkey during World War II. On the one hand, the necessity of introduction to the process of democratization, on the other hand, the expansion of public services and the tendency of reaching out to rural areas revealed the inefficiency between public management and development (Canman, 1995). In the wake of this awareness, many reports were prepared by domestic and foreign experts in order to be able to solve problems.

The first report was prepared in 1949 by Prof. Fritz Neumark¹¹ by order of then-Prime Minister Ismet İnönü. After this report, the next reports were prepared by Thornburg¹² in 1950, Barker¹³ in 1951, Martin and Cush¹⁴ in 1951 and Leimgruber¹⁵ still in 1951. In addition to above reports, Gıyas Mediterranean Reports¹⁶ were published in 1952. In addition to above reports, Turkey and the Middle East Public Administration Institute (TODAIE) was established in order to conduct scientific research in the field of public management and personnel management. The most important study of this institution was published under the name of “A Study on the State Personnel in Turkey”. From the earliest years of the Republic of Turkey, the changes that occurred in the civil service, civil servants’ salaries and civil servants’ social status were examined.

7.4. The Planned Development Period

The Constitution of 1961 had brought a new perspective to the public management, initiated a planned development period and envisaged significant changes in terms of public personnel system, after the military coup of 27 May 1960. The first improvement in that years was the establishment of the State Personnel Department under the Prime Ministry by No: 160 (Yılmazöz, 2009).

¹¹ The name of Prof. Neumark’s report was „The Report on Rational Working Principles in the State Departments and Institutions.“ According to Neumark, the number of officers and their efficiency were the crucial issue of Turkish personnel management.

¹² Max Veston Thornburg was one of the managers of American Standard Oil Company. He had prepared two reports: i) How rises Turkey? ii) The Criticism of Turkey’s Economic Situation. According to Thornburg, the main problem of Turkish personnel management was to avoid applying the principles of meritocracy.

¹³ Barker Report mainly includes the opinions about Turkey’s social, economic and cultural developments.

¹⁴ The main suggestion of this report was to establish a central personnel office.

¹⁵ Prof. Leimgruber was former Prime Minister of Switzerland. He has also focused on establishing a central personnel office.

¹⁶ The main suggestion of these reports was a wage reform for public officers.

In addition, in this period, many reports were prepared by both domestic and foreign experts. For instance, under the leadership of the State Planning Organization (SPO), “Preliminary Report on Administrative Reform and Re-organization” (1961), under the leadership of Turkey and the Middle East Public Administration Institute (TODAIE), “Central Government Organization Research Project¹⁷” (1962), and Preliminary Report on the State Personnel Regime (1962) (Saylan, 2000).

During this period, the most important improvement in terms of public personnel management was the Law No: 657 on Civil Servants. The related law has been built on three basic principle: merit, career and classification.¹⁸ It was revoked by the Constitutional Court because of that university staffs were within the scope this regulation, but about half of the law was amended by Law No: 1327 and it started to be implemented (Akgüner, 2001).

This law was later repeatedly amended. The related law is still the most changed law in Turkish law legislation. Today, three-quarters of law articles have changed and the remaining part consists of additional and temporary law articles (Saylan, 2000).

7.5. Ever Since the post-1980 Period under the Liberal Influence

1980 has been a turning point for Turkey. Public personnel management was also affected by this turning point. Both during the right-left conflict and after the military coup of 12 September 1980, the enhancement works in the public personnel management were carried on. Such that, “Administrative Reform Advisory Committee Report” (1972), “Civil Servant Regime Commission Report” (1982), “Public Administration Research Report” (1991) were published in order to solve the problems in the Turkish public personnel management.

The most important one of these reports was “Public Administration Research Report”.¹⁹ The report had been published by TODAIE in three years. Its aims were to investigate organizational structures, legislations, communications, and public relations system of central and local governments and resolve the failures.

¹⁷ The short form of “Central Government Organization Research Project” is called “MEHTAP” in Turkish.

¹⁸ The principle of merit has been based on knowledge, experience, skills, and education levels in the process of recruitment and promotion. The principle of career is to express openly rights, responsibilities, promotions, securities of civil servants by defining public service as a profession. The principle of classification can be defined as classification of civil servants as their features in the process of recruitment, pricing, promotion, and retirement.

¹⁹ The short form of this report is called “KAYA” in Turkish.

According to KAYA Report, the current status and main problems of personnel regime can be summarized as follows: (KAYA, 1991)

- Financial rights are inadequate. The recruitment of qualified personnel is very difficult due to incompatibility between institutions, restrictive legal provisions, inequality in social rights and helps.
- Because of that the current personnel system adopted a comprehensive classification, different professions and specialties are not separated from each other.
- The wage system consists of monthly indicator table, additional indicator table, base salary, retirement pension and coefficient. However, this system has been succumbed to inflation.

From the end of the 1990s, it has been started to be focused on a new and modern personnel law instead of the Civil Servants Law No: 657. It is because the presence of this law constitutes a huge problem rather than being a solution. The draft laws that were prepared in 1996, 1999 and 2005 might be given as an example of these efforts.

Furthermore, the privatization practices, the spread of contractual status, the creation of an autonomous state organization structure entail provision of the system. Still, the attempts of establishment a new personnel system continue (Yilmazöz, 2009).

7.6. THE KEY ISSUES OF CURRENT TURKISH PUBLIC PERSONNEL SYSTEM

We can collect the key issues of current Turkish public personnel system under three headings: (Saylan, 2000)

7.6.1. Inefficiency

It is observed that an average Turkish public official remains at a lower level in the comparative evaluation rather than many countries. The main causes for inefficiency can be summarized as follows: The lack of remuneration based on performance, the reward deficiency, the uncertainty of distinction between working and non-working people, not valuing for talent and creativity, and the lack of in-service trainings. For the development of Turkey, Turkey should remove the inefficiency in the public personnel system.

7.6.2. The Collapse of the Principle of Merit

Nepotism is so common in public and private sectors in the process of recruitment and promotion. Some of the main reasons for corruption are the collapse of merit and the becoming widespread of nepotistic implementations, as it happens in many countries. In particular, the privatization²⁰ applications gaining popularity have intensified public attention to the issue of corruption and encourage the government to take new measures. In this context, The Prime Minister Council of Ethics for Public Officials has been established by Law No.5176. Thus, the ethical audits have been begun.

It can be frankly recognized that the approach of patronage has invaded the whole bureaucratic mechanisms. All changes of political power in Turkey, senior civil servants and bureaucrats are also changed due to new government. In spite of the fact that there are some appropriate methods to reveal the real talent of applicants, they are not adequate. For instance, the implementation of Public Personnel Selection Exam²¹ (PPSE) might be a good step but the context of the related exam is not proper for all applicants in order to measure their knowledge and adequacy. It is because they are exposed to questions outside of their own field.

7.6.3. Classification and Complexity of Status

The current system of classification and status does not meet the actual needs, especially the status has been neglected for the sake of some kind of groups' interests. These kinds of behaviors negatively affect not only the political system but also whole organizations without distinguishing. However, the status differentiation based on nepotism throws off civil servants' balance and causes great injustice.

8. ANTI-CORRUPTION POLICIES OF TURKEY SINCE 2002

It is a fact that Turkey has carried out a successful process in democratization, economic liberalization and enhancement its social structure in the last decade, however, not included after 2011.²² The access to full EU membership candidacy, its participations into the regional and international organizations and signing

²⁰ The transfer of a company or organization from government to private ownership and control.

²¹ It is called as „Kamu Personeli Secme Sinavi“(KPSS) in Turkish.

²² The ruling Justice and Development Party (AK Party), which has overcome by languor because of its long ruling period, has implemented many restrictive policies against transparency, accountability and openness. In addition, the EU accession process was suspended due to the ruling party's wrong and provocative politics.

agreements, which defend democracy, human rights and universal values, are significant indicators of Turkey's performance in recent years.

The transparency in the public procurement system has been enhanced and provided the distribution of resources fairly.

In order to encourage foreign direct investment (FDI), the rights of foreign investors have been secured. On the investment conditions, the international laws and rules have taken into consideration. It is because foreign investors constantly complained of corruption and bribery that they had to pay to get their work done.

It has been tried to obtain the rights and freedom of access to information. In demonstrating public expenditures and revenues, international standards have been adopted. Internal control and control mechanisms have been activated.

The responsibility of public officials have been determined openly. Several laws have been legislated, related to transparency, neutrality, honesty, accountability, and protection of public interest.

Several laws, which were related to local governance, have legislated in order to enhance the institutional capacity of local governments.

The new legal amendments about negative prescription have been imposed. It is because most of public officials, who smeared to corruption, got rid of penalty and sanctions due to negative prescription.

In order to have stronger civil society, the obstacles related establishing non-governmental organizations have been removed.

All manner of precautions have been taken in order to prevent economic and financial crisis.

The arrangements about social security system have been made. In addition, it has been struggled against informal employment. Thus, it has been tried to deter the public officials not to get involved in corruption and bribery.

It has been founded a stronger data system in order to able to fight against the crimes, taking into consideration the internal needs and international arrangements.

It has been made legal arrangements related to oil smuggler. Because one of the most widespread smuggling in Turkey is still oil smuggling. Despite the measures that has been taken, it is a fact that it has not attained enough achievements.

In order to able to judge an officials for an offense, which took place abroad, some legal regulations have made by Ministry of Justice.

Those who were willing to testify for an illegal incident, were scared of the potential damages of perpetrators. However, the law on witness protection has been enacted in 2007. But nonetheless, those who inform about criminal, such as corruption, have not enough legal protection despite this witness protection law. Anyway, this law has one way or other been remarkable for Turkey.

Furthermore, Turkey ratified the United Nation Convention against Corruption on November 2006. According to Article 33 of the UN Convention, it has been needed to adopt of national legislation to protect whistleblowers²³ reporting to competent authorities from unjustified treatment. However, no regulations for whistleblowers have been adopted in Turkey until now.

8.1. Action Plan on Increasing Transparency and Enhancing Good Governance in the Public Sector

This action plan was adopted by the Council of Ministers in January 2002.²⁴ In the scope of this action plan, it was underlined that there were several unnecessary bureaucratic transactions and red tape. And these ones constituted an obstacles. These obstacles affected adversely on economic performance. Especially, the bureaucratic transactions and delaying, regarding to reconstruction transactions, investment incentives and corporate registration, have negative effect on economic growth of Turkey.

New legal and structural arrangements were made in order to prevent bribery. The measures for the purpose of modernizing the auditing system of public sector, developing transparency and election campaigns were taken.

It was openly struggled with money laundering. It was strived to increase the accountability of asset declaration.

8.2. Urgent Action Plan of 58th Government

The ruling Justice and Development Party (AK Party) had declared its anti-corruption policy as one of the top priority commitment. It brought this to the agenda on the Urgent Action Plan of 58th Government in 2003, as well. In this manner, the contract of criminal law and civil code about corruption has been approved.

²³ The reporting by employees or former employees of illegal, irregular, dangerous or unethical practices by employers. (Thesaurus of the International Labor Organization-ILO-)

²⁴ Indeed, it was adopted before the ruling Justice and Development Party (AK Party).

The punishments over corruption and infraction of rules have been made more deterrent. In the previous laws, because of the lack of deterrent sanctions, the legal arrangement could not have been effective in reducing corruption in Turkey.

After resigning their office, the fields about jobs, which have not been allowed to work on, have been extended and applied effectively. Namely, the officials might abuse their power after leaving their duties as well. Therefore, it was required to be overseen the officials, after resigning.

The finance of politics have been made more transparent. The finance and limits of politics have been described openly, agreeing with all parties.²⁵

Related to corruption, it has been decided to interpret over again the term of “secret” and “secrecy” depending on the relationship and dialog among government, public administration, judgment, media, and civil society. On the Turkish legislation, there were many “secret”, such as trade secret, banking secret, and military secret. Except for national security, the components, which stimulate the secrecy, have been examined and amended the legislation. Thus, it has been strived bureaucracy to get rid of unnecessary “secrecy”, becoming more transparent. In addition, all layers of society have been included in collaborating and fighting against corruption.

8.3. Joining into GRECO

Turkey has joint into GRECO on Jan. 1st, 2004, in order to fight against corruption more effectively. And so, Turkey has become a member combating corruption either domestic and internationally.

As mentioned in the former sections as well, the main aim of GRECO is to fight against corruption, operate the mechanism of “dynamic process of mutual evaluation” and “peer pressure”. The aim is not limited to this. It tries to increase their capacities concerning to anti-corruption policies.

The code of ethics for public officers was adopted in 2005. It has been tried to raise awareness among public officers about corruption by trainings. In 2009-2010, 7000 public officials, who work at central and local government, received ethics training about corruption. Its social, economic and political costs are also included in the content of that training. It is a fact that although Turkish Government preluded very

²⁵ But it is a fact that it could not have reached to the desired level. Recently, we have seen in the leaked audio recordings onto YouTube and published confidential documents that all political parties, especially ruling Justice and Development Party (AK Party), have their own business groups. They support their connected party in the elections in return for public tenders. It means that coaxing, patronage, favoritism are still common in Turkish politics.

well, it could not sustain it as before. The government could not extend the contents of trainings into academicians, army personals, and judicial members.²⁶

8.4. Strategic Plan on Reducing Corruption and Enhancing Transparency

On Feb. 1st, 2010, the Turkish Government has imposed a “strategic plan on reducing corruption and enhancing transparency”. Before adopting this strategy, a ministerial commission and an execution committee were established in December 2009 in order to carry out it successfully. It has been because the authorities related to this issue were of the opinion that it was required to coordinate and prepare its infrastructure.

The aims of this strategy have been to sustain the anti-corruption policies that have been implemented since 2002. In addition, the resolving of failures regarding to the former action plan (2003) has been another goal. This strategy have had three components as following: preventing, implementing the sanctions, and raising the awareness of society.

It is a fact that compared to the previous action strategy plans and legal regulations, this strategy plan was criticized for being abstruse, complex and not participatory by opposition parties and many observers. Besides, one can argue that the civil society and NGOs did not include and benefit from them in the process of building this strategy plan.²⁷

8.5. The Most Important Approved Contracts Related to Anti-Corruption by Turkish Government after 2002

Turkey enacted the legislation of “the amendment to the Law Regarding Business Transactions” on Feb. 1st, 2013. Turkey has established criminal responsibility for the active bribery of a foreign public officials. Thus, the Turkish Criminal Code has been regulated in order to meet the requirements.²⁸

²⁶ http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/tr_rapport_2010_en.pdf

²⁷ <http://www.efri.gov.tr/download/Ba%C5%9Fbakanl%C4%B1k%20Mevzuat%C4%B1%20Geli%C5%9Ftirme%20ve%20Yay%C4%B1n%20Genel%20M%C3%BCd%C3%BCrl%C3%BC%C4%9F%C3%BC.htm>

²⁸ <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/33967367.pdf>

On Feb. 30, 2003, United National Convention against Transnational Organized Crime has been ratified. The anti-corruption policies have been included in this contract as well.

The treaties and conventions, which have been signed and ratified by Turkey, are not limited to these ones. In addition, it also ratified following: United Nation`s Convention against Corruption, the Council of Europe Criminal Law Convention on Corruption, and the Council of Europe Civil Law Convention on Corruption.

8.6. Anti-Corruption Legislation in Turkish Law

The new Turkish Criminal Code No. 5237, which has come into force, defines bribery different from the old one. While under the old Turkish Criminal Code No. 765 “obtaining an advantage to a civil servant to make her/him perform an act that s/he is normally required to make, or to omit an act which s/he is normally required not to make” was considered as bribery (Old Criminal Code No.765, art. 211); under the new Turkish Criminal Code, these kinds of acts are not considered as bribery, but “abuse of function”. Pursuant to the new Criminal Code, the penalty for the crime of “abuse of function is quite less than the crime of bribery. Nevertheless, “abuse of function” constitutes a prison sentence of one to two years while bribery constitutes a prison sentence of four to twelve years (Criminal Code, art. 257).

If the civil servant who receives bribe is a judge, an arbitrator, a notary public or sworn financial adviser, the punishment to be imposed shall be increased up to one third (Criminal Code, art. 252).

If a bribe causes to an illegal benefit to a legal entity, the entity shall be punished through three measures: cancellation of the license granted by a public authority; seizure of the goods which are used in the commitment of, or the consequence of, a crime by the representatives of a legal entity; and seizure of pecuniary benefits appearing from or obtained for the commitment of a crime (Okuyucu-Ergün, 2007).

The newly amended Turkish Criminal Code shall apply to crimes committed within Turkey, thus, it does not matter whether it has been committed by a Turkish citizen or foreigner. The first effort of Turkey to criminalize bribing foreign public officials was the ratification in 2000 of OECD Convention. It has afterwards enacted in 2003 of Law No. 4782 Amending Certain Laws for the Prevention of Bribery Foreign Public Officials in International Commercial Transactions (Okuyucu-Ergün, 2007).

9. THE INSTITUTIONS FIGHTING AGAINST CORRUPTION IN TURKEY

As mentioned before, the measures to prevent corruption do not only focus on nepotism, on the contrary, the measure are so general. Put differently, the precautions that were taken to avoid corruption include “avoid nepotism” as well.

In contrast to non-governmental organizations, the institutions fighting against corruption work within the collaboration. They prepare some reports together, use some joint data, and share some important information among themselves mutually. However, it is hard to say the same case for the NGOs. Because all of these institutions belong to government, they do not compete with each other.

9.1. The Financial Crimes Investigation Board (MASAK)

MASAK has been established within the Ministry of Finance in 1996 in order to fight against money laundering and financing of terrorism. MASAK has not been established only for combating corruption, moreover, it informs to the related institutions about its own operations against money laundering and financing of terrorism.

MASAK has five main functions, as following: 1) developing policies and improving legislation, 2) data collecting, analyzing, evaluation, 3) supervision, 4) coordination, 5) investigation.²⁹

9.2. Turkish Court of Accounts (TCA)

In order to use the public agencies and public resources efficiently, productive, appropriately for economic and law, the Turkish Court of Accounts has been established. Regarding to the budgetary plans, it inspects the account and transactions of the Turkish Grand National Assembly (TBMM). It periodically prepares reports related to its research findings and annual reports in order to share with public and other authorities.³⁰

9.3. The Prime Ministry Inspection Board (PMIB)

The Prime Ministry Inspection Board endeavors to reduce corruption and infraction of rules. Moreover, its other aims are to locate the rule of law to make dominant

²⁹ <http://www.masak.gov.tr/en/content/duties-and-powers/148>

³⁰ <http://www.sayistay.gov.tr/en/?p=2&CategoryId=15>

objective and fair mentality in the public. For this reason, it produces solutions, which lead to a dynamic and trailblazer institution, in national and international working dimensions. It inspects and launches in order to provide transparency and accountability in the public.³¹

According to many observers, there are some critiques regarding to its structure. Because of that the PMIB is directly subordinate to the Prime Minister, it might not work objective and fairly in the process of potential corruption investigations against the current government.

9.4. Council of Ethics

Council of Ethics purposes to improve ethics culture in the public administrations. It also aims to take preventive measures in taking away receiving gifts in order to remove mismanagement in the public institutions. It is also a fact that the supporting of EU-funded projects provide a huge advantage in order to able to carry out its plans and projects.³²

10. THE NGOs FIGHTING AGAINST CORRUPTION IN TURKEY

The importance of NGOs is so huge, especially in democratic societies. If citizens are willing to live in a democratic society, they then cannot ignore their existences. One cannot deny the contribution of non-governmental organizations, during coping with the problems and developing societies. As most of other problems, “corruption challenge” can be solved by NGOs as well. They can do this through true information, clean society and transparent public administration.

Some of NGOs in Turkey have been established in order to fight directly against corruption. However, some of them work just as a part of their duty. Here are the most important and effective NGOs which combat corruption.

On the contrary to previous institutions, it is unlikely to claim that all of the following non-government organizations work within collaboration. It is reason is simple. Some of them have an opposite ideological attitude towards current government and other NGOs. For this reason, they sometimes avoid to corporate due to their ideological attitude. For instance, while Transparency International-Turkey is an impartial NGO, it is observed many times that TUSIAD (Turkish Industrialists` and Businessmen`s

³¹ <http://www.teftis.gov.tr/AnaSayfa.aspx?LangID=2>

³² <http://www.etik.gov.tr>

Association, an NGO based on economic elites, called as “Istanbul Capital”) had lost its impartiality depending on its relationship between governments and other NGOs.

10.1. Transparency International-Turkey (TI-TURKEY)

The Association of Social Transparency Movement (TSHD) has been established in 1996. Two years later, it became the Turkey agent of Transparency International (TI). It's main aim is to fight against corruption, through investigating and discussing of corrupt activities. It purposes the citizens to live in a transparent society.

TI-Turkey investigates the corrupt behaviors in Turkey and around the world and tries to raise the awareness of costs of corruption. It encourages national reliability systems.³³

10.2. Association for the Protection of Citizens` Taxes (VAVEK)

VAVEK has been founded in 1997. It's aims are to fight against corruption, reduce smuggling and tax evasions, provide transparency of public sector and raise the awareness of costs of corruption. It fulfils these ones through repairing reports, publications and sharing its findings with the public.

It is required that public revenues and expenditures must be published, public institutions must be monitored, budget process must be provided more transparent, the citizens must be aware of their taxes, tax evaders must be revealed.³⁴

10.3. The Turkish Economic and Social Studies Foundation (TESEV)

TESEV has been established in 1994. It aims to solve the social, political, economic, and structural problems in order to arrive at a cleaner society. It purposes to encourage the civil society in the democratic system and shares its findings and reports with the public. Although it focuses on many questions, it classifies these questions as following: democratization, foreign policy and good governance.

But at the same time, depending on this framework, it carried out many studies about combating corruption, transparency and accountability.³⁵

10.4. Economic Policy Research Foundation of Turkey (TEPAV)

³³ http://www.seffaflik.org/index_en.asp

³⁴ http://www.vavek.org.tr/vav_2.html

³⁵ <http://www.tesev.org.tr/about-us/TesevEng/1.html>

TEPAV has come into operation in 2004. It has been established by a group of business people, bureaucrats, and academicians. Its aims have been to contribute on the future of Turkey by producing new knowledge and improving every thoughts. One of the main working fields of TEPAV is anti-corruption policy studies. It helps to reduce corruption and bribery in Turkey by preparing reports and publishing its research findings in certain periods.³⁶

10.5. Turkish Industrialists` and Businessmen`s Association (TUSIAD)

TUSIAD is an independent and non-governmental organization which has been founded in 1971. Many scientists and researcher have been working for TUSIAD for many years. It has published many reports and shared its research findings with businesses and public. The association fixed the reasons of corruption and bribery in Turkey and put forward its suggestions.³⁷

10.6. The Foundation of Ethical Values Centre of Turkey (TEDMER)

TEDMER has been founded in 2001 in order to solve the problems of businesses. Thus, it has been interested in corruption as well. It publishes the reports, organizes meetings and educated the participants based on sectors.³⁸

10.7. White Point Foundation (BNV)

BNV has been established in 1994. Anti-bribery policies are one of their working fields. While they do this, they purpose to improve “the ability of solving problem” of the people.³⁹

10.8. The Association of State Supervisory Staff (DENETDE)

The staffs, who fulfill their audit duties, have established DENETDE in 1984 in order to able to fight against corruption and bribery by increasing transparency.⁴⁰

³⁶ <http://www.tepav.org.tr/en/html/249/About>

³⁷ <http://www.tusiad.org/information-center>

³⁸ <http://www.tedmer.org.tr>

³⁹ <http://www.beyaznokta.org.tr>

⁴⁰ <http://www.denetde.org.tr>

11. THE INTERNATIONAL ASSESSMENTS OF CORRUPTION IN TURKEY

There are several different perception regarding to the dimension of corruption in Turkey. This is exactly related to the interpretation of the acquired results, methodology which has been used during the investigations, and the viewpoint of the investigators. Besides, those kind of reports and indicators might be manipulated smoothly. For these reasons, I have utilized many reports and indexes which developed by international well-known institutions, to denote the assessment of corruption, instead of only one.

The corruption issue in Turkey has not been examined comprehensively yet. In addition, there is so far no measurement for nepotism and its effect on organizations as well. For this reason, it is required to take this case into consideration, while having look at the assessments.

Within this framework, I will follow up Corruption Perception Index (CPI), Opacity Index, World Bank Business Environment and Enterprise Performance Survey (BEEPS), World Bank Global Competitiveness Reports, Ernst & Young Global Fraud Survey 2012, and US Department of State 2013, respectively.

11.1. Corruption Perception Index (CPI)

Because of that the level of corruption cannot be measured directly, we cannot be sure if the above anti-corruption policies have worked, or not. This might be by coincidence as well.

According CPI, which belongs to Transparency International, in 2002, Turkey is ranked 64 out of 102 with a score of 3.2 out of 10 and 64 out of 175 with a score of 4.5 out of 10 in 2014.⁴¹ Even though there existed some fluctuations in the scores between 2008 and 2011, in general (and except for 2014) it is likely to argue that there is a growing tendency in the scores.⁴²

⁴¹ The CPI occurs between 0 (highly corrupt) and 10 (highly clean). These scores are only perceptions of the degree of corruption which has been seen by business people and country analysts.

⁴² Actually, it is impossible to measure the level of corruption. Because of this, the level of corruption perception is measure measured. To give an example, there is as well-known joke in Turkey as follows: a liar is someone who cannot lie. It is some kind of paradox. If there are so many news and corruption scandals on the country's agenda, then, the level of corruption perception will increase. If it is less, then, it is going to decrease.

Table 2: Corruption Perception Index of Turkey between 2002 and 2014

YEAR	NUMBER of COUNTRIES INCLUDED IN THE SURVEY	TURKEY'S RANK	TURKEY'S CPI SCORES (out of 10)
2002	102	64	3.2
2003	133	77	3.1
2004	145	77	3.2
2005	158	65	3.5
2006	163	60	3.8
2007	179	64	4.1
2008	180	58	4.6
2009	180	61	4.4
2010	178	56	4.4
2011	182	61	4.2
2012	174	54	4.9
2013	177	53	5.0 ⁴³
2014	175	64	4.5

Sources: Transparency International CPI 2002-2014

When we have a look at the Table 3 briefly, one can smoothly recognize that the prevalence of corruption in Turkey is seen much more than Germany and Austria. Starting from 2002, except for 2014, there is a growing tendency in the scores. However, it is unlikely to claim the same thing for Germany and Austria. The scores of these countries sometimes increased, sometimes decreased. Namely, it is not easy to speak of a general tendency for those countries.

⁴³ As for 2013, it seems the corruption allegations erupted on Dec.17, 2013 not to affect so much the perceptions of degree of corruption by business people and country analysts. It also depends on the happening of the biggest corruption scandals end of the year. Because of this, it has not reflected in the CPI entirely.

Table 3: Comparison of CPI of Germany, Austria and Turkey

YEAR	GERMANY	AUSTRIA	TURKEY
2002	7.3	7.8	3.2
2003	7.7	8.0	3.1
2004	8.2	8.4	3.2
2005	8.2	8.7	3.5
2006	8.0	8.6	3.8
2007	7.8	8.1	4.1
2008	7.9	8.1	4.6
2009	8.0	7.9	4.4
2010	7.9	7.9	4.4
2011	8.0	7.8	4.2
2012	7.9	6.9	4.9
2013	7.8	6.9	5.0
2014	7.9	7.2	4.5

Sources: Transparency International CPI 2002-2014

11.2. Opacity Index

When we have a look at the Table 11, we can smoothly realize the improvement between 2001 and 2009. In the light of the information in the table, it might be said that the government's precautions has affected positively on reducing corruption.

Table 4: Opacity Index

OPACITY INDEX ⁴⁴						
	C	L	E	A	R	Opacity Score
2001	51	72	87	80	81	74
2004	67	41	27	44	36	43
2007-2008	52	39	47	12	31	36
2009	51	41	45	13	32	36

Source: Opacity Index Measuring Global Business Risks,

In 2001, the Opacity score of Turkey was 74 out of 100. However, it progressed up to 36 in 2009 increasing its transparency.

11.3. World Bank Business Environment and Enterprise Performance Survey (BEEPS)

⁴⁴ The Opacity Index range from 1 to 100. As much as the score is high, the opacity is greater. (C) means Corruption, (L) means Legal systems, (E) means enforcement policies, (A) means Accounting and Disclosure Standards and (R) means Regulatory Qualities.

By the contrast with this positive developments, according to World Bank Business Environment and Enterprise Performance Survey (BEEPS) 2008⁴⁵, corruption was specified as one of the most important drawback for doing business in Turkey. In 2005, 41% of companies surveyed, considering corruption as one of the most important problem that affected business environment. However, this percentage increased to 58% in 2008.

11.4. World Bank Global Competitiveness Reports

According to the Global Competitiveness Reports, one can argue that anti-corruption policies of Turkey between 2007 and 2012 contributed to reducing corruption in Turkey. But, in 2013, by contrast with the previous years, the percentage of corruption as a problematic factor for doing business increased to 2.4% from 1.0%.

Table 5: The Most Problematic Factor for Doing Business

Year	2007	2008	2009	2010	2011	2012	2013
The Percentage of Corruption (of %100)	5.52	4.8	03.9	3.2	2.5	1.0	2.4

Source: Global Competitiveness Report 2007-2013.

11.5. Other Indicators

In addition, according to the Ernst & Young Global Fraud Survey 2012, 52% of surveyed international companies think that bribery/corrupt practices happen widely in businesses of Turkey. Apart from this, 50% believe that bribery/corrupt practices have increased because of economic downturn.⁴⁶

As was argued by the US Department of State 2013, most of companies argued facilitation payments are required to get licenses and permits in Turkey. Facilitation payments generally become reality in the form of gifts.⁴⁷

⁴⁵<http://siteresources.worldbank.org/INTECAREGTOPANTCOR/Resources/BAAGREV20060208Turkey.pdf>

⁴⁶[http://www.ey.com/Publication/vwLUAssets/Global-Fraud-Survey-a-place-for-integrity-12th-Global-Fraud-Survey/\\$FILE/EY-12th-GLOBAL-FRAUD-SURVEY.pdf](http://www.ey.com/Publication/vwLUAssets/Global-Fraud-Survey-a-place-for-integrity-12th-Global-Fraud-Survey/$FILE/EY-12th-GLOBAL-FRAUD-SURVEY.pdf)

⁴⁷<http://www.state.gov/e/eb/rls/othr/ics/2013/204751.htm>

12. CONCLUSION

It is clear that nepotism, which has been defined as “privileging and favoritism of those who work at public institutions for their relatives and family members”, has negative effects on economic, political, judicial and social life. It damages all institutions where it exists. The studies have already proved that it causes inefficiency of government policies, discrimination, lack of motivation, inefficient and nepotistic allocations of job and resources, and negative effect on organizational commitment. All of these negative effects naturally increase the cost for doing business as well. Correspondingly, this case leads to other problems.

As for the case of Turkey, all kinds of corruption, especially nepotism, are very common in Turkey. The struggle with nepotism has been neglected for years. It is because all of the newly elected ruling parties have gotten involved in the same method in order to guarantee their place as well.

Besides, the unfair evaluation of performance and determination of promotion are not based on scientific methods. The principle of equal pay for equal work is not applied properly in all organizations. The efforts to reduce red tape and bureaucratic transactions are not adequate. There exist a serious implementation issue of the principle of merit in Turkey. Therefore, the principle of merit should become widespread in all institutions and departments.

Depending on prevalence of political appointments, the autonomous institutions are often exposed to external interferences. Because of that the politicians are not allowed to interfere directly institutions, they prefer to intervene to public officials. Even, after taking office of newly elected ruling parties, not only governors but also the police chiefs are dismissed, depending on their ideological attitudes. In this case, these interventions make public personnel management more corrupt.

The most important reasons for why nepotism, favoritism, and generally corruption are very common in Turkey are on the basis of legal gaps and failure to fully comply with the laws. Unfortunately, the number of people feeling themselves privileged are not uncommon. “Having an uncle in politics and bureaucracy” is still a valid tool to get hired, to be promoted, winning public tenders, and doing business. Unless this thought is not left, nepotism will remain to exist and constitute huge problems for organizations.

13. RECOMMENDATIONS

As a matter of fact Turkey has to fulfill many obligations in fighting against corruption. This does not mean that any extra policies should not be carried out anymore. First of all, the term of “secrecy” should revise again in order to avoid the undue activities. At the same time, “the state secret” is very common in the public institutions. It has been over long years used in order to hide and get under one umbrella the dirty and shady relationships.

A fair and well-educated parliamentary research commission, which believe the rule of law and the need of transparency, should be established. Each party in the parliamentary research commission should have equal members and rights regardless of their vote percentage in the elections. They should have a voice in order to work more effectively.

The e-governance implementation should be improved and become prevalent among the public and private institutions. The revenue, expenditure and activity reports should be published and shared with the public. So, the public should be illuminated about what is going on in those institutions.

The immunity regarding to high-ranking public officials and bureaucrats should be removed. It has been very common criminal, corruption as well, entering under the umbrella of immunity. In addition, the public officials should periodically make their declaration of wealth. They should also inform their wealth after their retirement, not only at run time.

The ruling governments should not maintain the well-protected tutelage system, instead of this, they should defend and try to apply the policies that increase the transparency, rule of law and accountability.

There should exist interinstitutional solidarity, not competition. One can argue that competition might bring innovation. But in the socially and politically polarized countries, like Turkey, it is unlikely to work better. In the polarized countries and likewise polarized institutions, the favoritism and cronyism are very common. On the contrary, the ability should come into prominence.

The pressure, obstacles and restrictions on the media should be removed. The freedom of press should be provided without restraint or censorship by government. The relationship between politicians and media magnates should be more transparent. Because it is very common to support each other in return for mutual interests. It has repeatedly emerged that the media magnates donated the political

parties and supported their election campaigns in order to be able to win public tenders. The media in Turkey should have more ethical sensitivity. Because of these dirty relations, the donations and public procurement process should be more transparent. When the laws are examined, one can smoothly recognize that although there exist many laws and sanctions, they could not be applied very well. So, the legislation is not enough, it should be implemented as well.

The relationship between Turkey and EU should be improved. One can also argue that they have for a long time been enforced to collaborate due to their bilateral benefits. The negotiation among them should be brought to the agenda again. The annual EU progress reports should take into account, while taking a step to increase the degree of democracy of the country.

The most successful countries should be analyzed and followed, benchmarking within them should be carried out, utilizing from other's experiences in fighting against corruption. For instance, Sweden might be a good example. As remembered, I have already examined and given it as an example, in combating corruption and bribery. Turkey could also reduce corruption, raising the public officials' salaries, improving their working conditions and providing assurances. Many indicators showed us that the officials who have a good well-being did not get involved in the bribery.

It is a fact that the facilitation payments are very common in Turkish institutions in form of gift. The giving and receiving gifts must be recorded. What the more important thing is to forbid giving and receiving gifts for officials.

The ethic training that was started the implementing in 2007 should be applied almost in every sectors. In addition, the awareness of the costs and damages of corruption should be raised. There are still many EU-funded projects which Turkey should carry out. Turkey should follow them.

The governance size should be reduced. Turkey should not have more state owned enterprise, unless it did not improve its control and inspection mechanisms. Besides, the privatization process should be transparent and fair.

In 1990s, many people and institutions wanted to overthrow the current governments under the name of fighting against corruption. The anti-corruption policies were used as a tool to suppress the governments in order to take undue advantages. But in this point, there are some crucial challenges. Because of that the anti-corruption campaigns were used to overthrow the governments, the ruling Justice and

Development Party (AK Party) has been using it in order to cover up the corruption allegations, showing itself oppressed and aggrieved. The ruling Justice and Development Party should avoid such unwarranted excuses.

14. REFERENCES

- Abdalla, H. M.-D. (1994). *Research note: Assessing the effect of nepotism on human resource managers*. International Journal of Manpower, 5:1, p. 60-67.
- Acemoglu, D. V. (1998). *Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach*. Economic Journal, p. 1381-1403.
- Akgüner, T. (2001). *Public Personnel Management*. Istanbul: Der Press.
- Bagraim, J. J. (2003). *The Nature of Measurement of Multiple Commitment Foci Amongst South African Knowledge Workers*. Mcnyan Dynamics 12: 2, p. 13-23.
- Bayley, D. H. (1966). *The Effects of Corruption in a Developing Nation*. Western Political Quarterly, 19, p. 719-732.
- Bellow, A. (2003). *In Praise of Nepotism: A Natural History*. New York: Doubleday.
- Bertrand M., & M. (2004). *Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination*. The American Economic Review, 94:4, p. 991-1013.
- Boadi, G. (2000). *Conflict of Interest, Nepotism and Cronyism*. Source Book 2000, 5, p. 195-204.
- Boadi, G. E. (2000). *Conflict of Interest, Nepotism and Cronyism*. Source Book 2000, 5, p. 195-204.
- Brick, I. &. (2005). *CEO Compensation, Director Compensation, and Firm Performance: Evidence of Cronyism*. Journal of Corporate Finance, 12, p. 403-423.
- Büte, M. (2009). *Aile İletmelerinde Nepotizm: Trabzon İlinde Faaliyet Gösteren Aile Şirketlerinde Nepotizm Uygulamasının Tespitine Yönelik Bir Arastırma*. 17. Ulusal Yönetim ve Organizasyon Kongresi Bildiriler Kitabı, p. 737-741.
- Büte, M. (2011). *The Effects of Nepotism and Favoritism on Employee Behaviors and Human Resources Practices: A Research on Turkish Public Banks*. TODAİE's Review of Public Administration, 5:1, pp. 185-208.
- Campos J. E., L. D. (1999). *The Impact of Corruption on Investment: Predictability Matters*. World Development, 27(6), 1059-1067.
- Canman, D. (1995). *Çağdaş Personel Yönetimi*. Ankara: TODAİE Publications 260.
- De Soto, H. (1989). *The Other Path: The Economic Answer to Terrorism*. New York: Harper and Row.
- Dwivedi, O. (1967). *Bureaucratic Corruption in Developing Countries*. University of California Press.
- Faccio, M. (2006). *Politically Connected Firms*. The American Economic Review, p. 369-391.
- Gupta, S. D.-T. (2002). *Does Corruption Affect Income Inequality and Poverty?* Economics of Governance, 3: p. 23-45.
- Huntington, S. (1968). *Modernization and Corruption*. Political Order in Changing Societies. New Haven: Yale University Press. p. 59-71.
- Johnson, S. &. (2003). *Cronyism and Capital Control: Evidence from Malaysia*. Journal of Financial Economics 67:2, p. 351-382.

- Karahan, A. Y. (2014). *Correlation of Nepotism with Organizational Commitment and A Case Study*. The Journal of Social and Economic Research.
- Klitgaard, R. (1998). *Controlling Corruption*. University of California Press.
- Leff, N. (1964). *Economic Development through Bureaucratic Corruption*. American Behavioral Scientist. p. 8-14.
- Lentz, B. F. (1989). *Why so many children of doctors become doctors: Nepotism vs. human capital transfers*. Journal of Human Resources, 24, p. 396-413.
- Li, H. X. (2000). *Corruption, Income Distribution, and Growth*. Economics and Politics, 12: p. 155-182.
- Lien, D. (1986). *A Note on Competitive Bribery Games*. Economics Letters, 22, p. 337-341.
- Lui, F. (1985). *An Equilibrium Queuing Model of Bribery*. Journal of Political Economics, 93, p. 760-781.
- Lui, F. T. (1985). *An Equilibrium Queuing Model of Bribery*. Journal of Political Economy, 94, p. 760-781.
- Mauro, P. (1995). *Corruption and Growth*. Quarterly Journal Of Economics. 110, p. 681-712.
- Mauro, P. (1998). *Corruption: Causes, consequences and agenda for further research*. Finance and Development 35, p. 10-14.
- Meyer, J., & Allen, N. (1984). *Testing the "side-bet theory" of organizational commitment: Some methodological considerations*. Journal of Applied Psychology, 69, p. 372-378.
- Mowday, R. T. (1982). *Employee-Organization Linkages, the Psychology of Commitment, Absenteeism, and Turnover*. New York: Academic Press.
- Murphy, K. M. (1993). *Why is Rent-Seeking So Costly to Growth?* American Economic Review. 8, p. 409-414.
- Muthueloo, R. &. (2005). *Typology of Organisational Commitment*. American Journal of Applied Science 2:6, p. 1078-1081.
- Neeman, Z. &. (2008). *Corruption and Openness*. The B.E. Journal of Economic Analysis & Policy, 8:1, p. 1-40.
- Okuyucu-Ergün, G. (2007). *Anti-Corruption Legislation in Turkish Law*. German Law Journal, 8:9, p. 903-914.
- Osterfeld, D. (1992). *Prosperity versus Planning: How Government Stifles Economic Growth*. New York: Oxford University Press.
- Robertson-Snape, F. (1999). *Corruption, collusion and nepotism in Indonesia*. Third World Quarterly, 20, p. 589-602.
- Saylan, G. (2000). *Kamu Personel Yönetiminden İnsan Kaynakları Yönetimine Gecis*. Istanbul: TESEV Publications 18.
- Scott, J. (1991). *Images of nepotism: The painted ceilings of Palazzo Barberini*. Princeton University Press, p. 4.
- Sezer, Y. (2006). *Kamu Hizmetine Girme Hakkı*. Ankara: Seckin.

Sheridan, M. (2007). *Just Because It's Sex Doesn't Mean It's because of Sex: The Need for New Legislation to Target Sexual Favoritism*. Columbia Journal of Law and Social Problems, 40: 379, p. 379-423.

Wei, S. J. (1997). *Why is corruption so much more taxing than tax? Arbitrariness kills*. NBER, Cambridge, MA, Working Paper 6255.

Yilmazöz, M. (2009). *Türkiye`de Kamu Personel Yönetimi Sorunu*. Maliye Dergisi, 157, p. 293-302.

Web Sites:

<http://www.conventions.coe.int>

<http://www.unicri.it>

<http://www.oecd.org>

<http://www.transparency.org>

<http://www.efri.gov.tr>

<http://www.masak.gov.tr>

<http://www.sayistay.gov.tr>

<http://www.teftis.adalet.gov.tr>

<http://www.etik.gov.tr/> (in Turkish)

<http://www.seffaflik.org>

<http://www.beyaznokta.org.tr>

<http://www.state.gov>

<http://www.ey.com>

<http://www.worldbank.org>

<http://www.tedmer.org.tr>

<http://www.vavek.org.tr>

<http://www.tusiad.org>

<http://www.tepav.org.tr>

<http://www.denetde.org.tr>

<http://www.tesev.org.tr>

<http://ec.europa.eu>