

**TRANSLATING TRAVELLING IDEAS: THE INTRODUCTION OF
UNEMPLOYMENT INSURANCE AND LABOUR LAW REFORMS**

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Abstract

This thesis examines changes to the Turkish welfare-production regime induced by the introduction of an unemployment insurance program and labour legislation designed to promote both flexibility and job security. The main argument is that these social and labour market policy innovations occurred as a result of interaction between transnational – via the dissemination of the “travelling ideas” - and national forces. In other words, the dissertation calls attention to the way that the concepts of flexibility and flexicurity were produced within transnational governance networks and how international organizations – ILO, EU, World Bank, and OECD – translated these ideas into their “organizational discourses” (Dostal 2004). It then analyzes the way these ideas were translated in Turkey, generating changes to the Turkish welfare-production regime. The two competing advocacy coalitions (pro-market and pro-labour advocacy coalitions), composed of domestic and/or transnational actors, played an important role in the translation of these travelling ideas into the Turkish welfare-production regime.

Turkey’s adoption/translation of “flexibility” in the form of the unemployment insurance program and “flexicurity” in the new labour legislation resulted in two forms of institutional change: “layering” and “conversion” (Thelen and Streeck 2005). The introduction of unemployment insurance involved the “layering” of the unemployment insurance scheme on top of the pre-existing severance payment program. The thesis argues however that in Turkey the layering process has thus far not proved very successful because of the limited eligibility structure of the unemployment insurance program, which prevented it from weakening or deinstitutionalizing the generous

severance payment program. The incorporation of the flexibility and job security provisions into the Labour Act No. 1475 can be seen as the conversion of the Labour Act.

The thesis also argues that during the introduction of the unemployment insurance program, the labour and employer confederations focused on the fate of the longstanding severance payment program rather than on the design of the unemployment insurance program. This left it to other members of pro-labour and pro-market advocacy coalitions – the Ministry of Labour, the World Bank and the Turkish economic bureaucracy – to take the lead in pushing for the introduction of the program despite important differences in their political agendas. The unemployment insurance program was designed in accordance with the OECD's idea of flexibility by an expert team composed of the bureaucrats from the Job and Labour Finding Agency. In contrast to the unemployment insurance program, path-dependency proved stronger in the labour law reforms. In this case, the labour and employer confederations were involved in the translation of the idea of flexicurity – inspired from the EU and the ILO – into domestic legislation, along with the scientific commission composed of labour law professors who were members of the competing advocacy coalitions.

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TRANSLATING TRAVELLING IDEAS: THE INTRODUCTION OF UNEMPLOYMENT INSURANCE AND LABOUR LAW REFORMS

Introduction

This thesis focuses on Turkey's adoption of unemployment insurance and a series of related reforms designed to liberalize the Turkish welfare-production regime, a regime previously modelled along conservative corporatist lines. The main question that constitutes the focus of this thesis is: To what extent has the introduction of unemployment insurance and the labour legislation reforms initiated important path-shifting changes in Turkey's welfare-production regime? What role have "travelling policy ideas" played in the process?

The topic of unemployment insurance scheme is of interest because, by international standards, Turkey is a late adopter. Unemployment insurance was only introduced in 1999 in contrast to the developed countries of Western Europe and North America which introduced unemployment insurance nearly a century earlier¹. Turkey is of course not alone in the late adoption of an unemployment insurance scheme. Southern Regime countries such as Spain (1961), Italy (1988), and Portugal (1985), were also late in introducing unemployment insurance programs. In the Latin America and Caribbean

¹ It was first introduced in Switzerland in the form of municipal system (Pal 1988, 21). In Europe, the first unemployment insurance programs were started by trade unions. In particular, the first scheme established by English Foundrymen's union in 1831 formed the basic model for unemployment insurance programs in other European countries (Pal, 1988: 21). In the 1890s, municipal governments began to provide unemployment benefits with public funds. The Ghent system - subsidized and voluntary unemployment plans - was later adopted by some cities in Germany, Switzerland, and Italy (Garraty, 1978: 131) and eventually became a model for many other European countries: France (1905), Norway(1906), Denmark (1907), Netherlands (1916), Finland (1917), Belgium (1920), Switzerland (1924), Sweden (1934), and Iceland (1936) (Pal 1988, 21). Britain was the first country to introduce compulsory unemployment schemes in 1911, followed by Italy (1919), Austria (1920), the Soviet Union (1922), Poland (1924), Bulgaria (1925), Germany (1927), Yugoslavia (1927), the United States (1935), South Africa (1937), Canada (1940), Greece (1945), and Japan (1947) (Pal 1988, 21). After the Great Depression, all countries with voluntary unemployment insurance schemes, except the Nordic countries, changed their plans into compulsory schemes (Garraty 1978, 131).

region, almost all the programs in seven countries (Chile, Ecuador, Venezuela, Brazil, Argentina, Barbados, and Uruguay) “were designed in the 1980s or 1990s, a number resulting as a response to an economic crisis” (Mazza 2000, 8). With the exception of Brazil, none of the programs are as large as the unemployment schemes typical of the Western European and North American countries (Mazza 2000, 8). Eastern European countries were also late adopters. In the Eastern European region, “in the early 1990s...all transition countries enacted legislation for the provision of income support for the unemployed, using the West as their blueprint” (Vodopivec et al. 2003, 13).

When I began to work on the thesis I planned to focus simply on the introduction of unemployment insurance; however, as the research proceeded, it became clear that it was necessary to include an analysis of the establishment of flexibility and job security provisions in the labour law. Like many developed and developing countries, Turkey introduced flexible forms of contracts and employment relations (such as part-time work, fixed-term contracts, flexi-time arrangements, and other temporary employment relations) to promote labour market flexibility. While the introduction of such provisions reflected the centrality of flexibility to the neo-liberal paradigm, the introduction of the job security provisions moves in a different direction as it can be seen as an obstacle to the very labour market mobility and flexibility that the other reforms sought to promote.

In addition, it became apparent that these changes could not be understood solely in terms of domestic politics. International organizations had also been directly or indirectly involved in the introduction of these new components – the unemployment insurance program, job security, and flexibility provisions – to the Turkish regime. In particular, the World Bank and the OECD have (directly or indirectly) influenced the

design of the Turkish unemployment insurance program, as well as programs in Eastern Europe. The International Labour Organization (ILO) Convention No. 158 (1984) also played an important role in the diffusion of the job security principles to Turkey and other thirty-two countries from different regions of the world, while the EU has been the cognitive inspiration behind the design of the Turkish flexibility provisions. This raises additional questions: What has the role of the international organizations been in dissemination of such reforms in Turkey? Are there important differences in the way they conceive these reforms?

The core argument of this thesis is that Turkey's introduction of the unemployment insurance program, job security and flexibility provisions – the product of the interaction of domestic and transnational actors – contributed to the transformation of the structure of the existing corporatist welfare-production regime. In other words, the introduction of the new unemployment insurance program, flexibility, and job security provisions represent important innovations, designed to enhance flexibility and flexicurity of the Turkish corporatist welfare-production regime. The thesis thus examines the repercussions of these new components for Turkey's corporatist welfare-production regime. It also analyzes the way that the travelling policy ideas of flexibility and flexicurity that have informed these innovations have been translated by the Turkish actors. That is, while these ideas may have, at least in part, been conveyed to Turkey by the transnational and domestic actors, in the process they have been re-articulated, modified, and negotiated in a way that reflects the importance of national context and domestic actors (Grinvalds 2008).

Key Concepts and Terms

The late introduction of unemployment insurance is analytically interesting not only because unemployment insurance is one of the key arrangements (sickness payments, old-age payments, disability payments, and maternity programs) that welfare regimes establish to mitigate social risks (Korpi and Palme 1998; Bannink and Hoogenboom 2007, 25), but also because unemployment insurance lies at the nexus of welfare and production regimes (Kolberg and Esping-Andersen 1992). The legislation of the unemployment insurance program in 1999 had important implications for the Turkish welfare-production regime, which were magnified by the establishment of the flexibility and job security provisions in 2003. Therefore, it is important to specify first the concepts of “welfare regime” and “production regime”. By “welfare regime”, I mean the set of institutional configurations that address different social risks, while the “production regime” is composed of institutions that shape wages and employment. The production and social protection sides of national contexts are intertwined. This is because the institutions (such as unemployment insurance, severance payment schemes/arrangements, early retirement schemes, and job security) often undertake dual functions in both welfare and production aspects of the national context. While these institutions provide income support for the employees, at the same time they often influence wages as well as the entry to and exit from the labour market.

The concept of the welfare-production regime offers important insights into the importance of policy legacies. Nevertheless, like the broader historical institutionalist approach, it tends to over-emphasize institutional stability. As a result, it does not provide adequate analytical and conceptual tools to explain change in welfare-production

regimes. Recent formulations in the historical institutionalism do bring into focus changes that may occur as a result of the introduction of new institutional components (“layering”) and amendments to the existing institutions (“conversion”) (Thelen and Streeck 2005; Ebbinghaus 2005, 23). On the one hand, these revisionist versions emphasize the possibility of path-shifting through the introduction of new institutions; on the other hand, they show how such shifts may occur through the revision of the existing institutions. Following along the logic of revisionist institutionalism, this thesis argues that introduction of Turkey’s new unemployment insurance program can be seen as a form of “layering” since the unemployment insurance (UI) program created a functional duality with the severance payment as a form of income support, while the incorporation of the flexibility and job security provisions into the Labour Act No. 1475 involved the “conversion”² of the functions, and goals of this old Act³.

The processes of “layering” and “conversion” can also be analyzed by identifying the ideas that inspired the design of the institutional reforms (see Carson 2004; Carson 2008; Peters et al. 2005; Schmidt 2006; Béland 2007) because, as Béland argues, the ideas behind the institutions give clues about the direction of change (2007, 23). The thesis examines the ideational foundations of unemployment insurance program, job security and flexibility provisions in order to understand the change in the Turkish welfare-production regime.

² Thelen and Streeck describe layering as a process that occurs when “the new institutions attached to existing institutions change (or challenge *my emphasis*) their status and structure”, while the process of conversion refers to “the redeployment of old institutions to new purposes” or “new purposes attached to old structures” (2005, 31).

³ The new Labour Act No. 4857 amended the old Labour Act No. 1475 by incorporating the flexibility and job security provisions into the old Labour Act No. 1475. Therefore, the new Labour Act No. 4857 can be seen as the converted version of the old Labour Act No. 1475.

Focusing on the role of ideas in institutional and regime change raises the following question: “what are the sources of ideas that inform the new components of the welfare–production regime?” As the earlier historical institutionalist literature tends to focus on endogenous factors to explain change, its analysis is often limited to the ideas produced by domestic actors at the national scale. Nevertheless, the recent policy learning/diffusion/dissemination literature indicates that ideas produced elsewhere can be adopted by domestic actors, and can lead to change in the national welfare-production regimes. This adoption process can be the result of the interaction of transnational and domestic actors through sharing of travelling ideas within the “transnational knowledge networks” that “operate at various scales, from regional to global, and are not necessarily confined to contagious territories” (Mahon 2010). To fully understand this process, it is first important to identify how travelling ideas are produced within the transnational governance networks and how international organizations (IO), translate these ideas into their “organizational discourses” (Dostal 2004). Second, it is essential to analyze how these specific ideas are translated into national political landscapes; that is to say, it examines how a transnational idea is worked on by an advocacy coalition – composed of domestic and/or transnational actors – at national scale, and how it is “re-articulated, modified, and negotiated in a way that depends on the national context and actors” (Grinvalds 2008, 188).

The thesis focuses on the organizational discourses of four international organizations whose ideas have been influential on the design of new components of the Turkish welfare-production regime. It then discusses the way these IOs’ ideas have travelled to the Turkish landscape and how they have been institutionalized. It is one of

the purposes of this dissertation to analyze the ideational dissemination and translation process which occurred as a result of the interaction between IOs (ILO, World Bank, OECD, and EU) and domestic actors. The thesis argues that the ideas of flexicurity and flexibility produced within the “transnational knowledge networks” have been adopted – but also translated – by domestic and transnational actors.

This is not to suggest that the incorporation of new policy ideas and paradigms at the national scale means that the old paradigm is wiped out and the traditional welfare-production regime has been replaced. Peck argues that “the shift between policy paradigms was a jarringly orthogonal one, rather than a process of smooth succession, involving the effective overlaying of one political-economic ontology on top of another, one ideational order on top of another, and one set of policy diagnoses and policy logics on top of another” (2009, 16). In a similar vein, despite the introduction of unemployment insurance program and flexibility provisions which symbolized the competing travelling ideas of flexibility and flexicurity, the reform process did not replace the old institution of severance payment and even enabled the introduction of the job security provisions that are in contradiction to the idea of flexibility.

Thesis and Hypothesis

The main argument of this thesis then is that changes to Turkey’s corporatist welfare-production regime resulted from the interaction of key transnational (such as the OECD, ILO, World Bank, OECD, and the EU) and domestic actors (such as the employer and labour confederations, the Ministry of Labour, State Planning Organization, the Job and Labour Finding Agency, and labour law professors). Despite

the longstanding relationships of the domestic actors with the IOs, the timing of these path-shifting reforms can be explained by the ongoing economic crises linked to the transition to the export-oriented growth model, which had a devastating impact on Turkey. Once these economic crises opened up the “window of opportunity” for reform processes in the Turkish welfare-production regime, key domestic actors had a chance to translate certain ideas into the Turkish context. For example, the members of the domestic scientific commission of economists prepared the Turkish unemployment insurance program, inspired by the OECD’s and the World Bank’s understanding of flexibility, which underlined minimal and targeted social protection while providing flexibility in labour market. In contrast, the flexibility provisions designed by the scientific commission of labour law professors were more in line with the flexicurity idea promoted by the EU and the scientific commission of labour law professors drew on the ILO’s protectionist understanding while designing the job security provisions. While these international connections were important, it should not be forgotten that it was domestic actors who translated their ideas in the process of their institutionalization.

More broadly, as Peck underlines (2009, 16), the old layer beneath the new layer is never wiped out but instead the new layer continuously challenges the old path’s dominant idea and its institutions, such as the severance payment. In that sense, the thesis not only aims to specify the ideational foundations of the unemployment insurance program and flexibility provisions, but also tries to explain the translation process of the liberal paradigm onto the existing corporatist paradigm and its institutions. Moreover, the thesis argues that the emergence of new layer was not a smooth process (Peck 2009) since it also opened the way to the introduction of the job security provisions, which

indicated that the corporatist old layer of the welfare-production regime has yet disappeared. Lastly, the design of flexibility provisions was also informed by the corporatist, protectionist understanding of the old layer.

Method

The thesis aims to explicate processes of policy change by focusing on intervening variables such as macro-structural factors, institutional context, and the political contestations and compromises involving transnational and domestic actors who were the members of the pro-labour and pro-market domestic advocacy coalitions in the modifying the Turkish welfare-production regime. The thesis covers a time frame between the late 1980s and early 2000s when the unemployment insurance program and flexibility and job security provisions came onto the political agenda.

Unlike quantitative research methods that aim to measure the impact of new programs and legislation on the welfare-production regime, historical and qualitative analyses were used in this thesis to investigate the nature of change in the Turkish welfare-production regime. This research strategy was chosen because pure quantitative studies often mask causal sequences and processes that may involve elements that may help to initiate change in the institutional structure and ideational underpinnings of the welfare-production regimes. For instance, the World Bank's Turkey Labour Market Study emphasized that less than 4 percent of the unemployed can benefit from the unemployment insurance program in Turkey (2006, 91). Although these statistics indicate that the Turkish unemployment insurance program does not work well, they cannot provide the tools that show how the introduction of the unemployment insurance program

was used by the societal actors to challenge the old institutions or to support the enactment of new institutions. In fact, as shall be argued below, the introduction of unemployment insurance can be seen as a success for the pro-market advocacy coalition (especially the Turkish economic bureaucracy and the World Bank) because the program is the first liberal institution to be introduced into Turkish labour market policy. The program was used as a discursive tool by the other member of the pro-market advocacy coalition, the employer confederation (TİSK), to accelerate the enactment of the flexibility provisions and the re-structuring of the severance payment program.

Another example of the limitation of purely quantitative measures is the OECD's index for the strictness of employment protection. According to this index, the introduction of job security and flexibility provisions in 2003 did not have any impact on the "rigidity" of the Turkish labour market (http://stats.oecd.org/Index.aspx?DataSetCode=EPL_OV). Yet this index is unable to show how the liberal paradigm (flexibility and flexicurity ideas) has become more entrenched with the introduction of flexibility provisions. In other words, the index does not provide the tools to explain the way that the increasing power of the pro-market advocacy coalition vis-à-vis pro-labour advocacy coalition resulted in change in a more liberal direction for the Turkish welfare-production regime. The protectionist interpretation of the flexibility provisions and the introduction of job security provisions however show that the pro-labour advocacy coalition still plays an important role in the Turkish labour market policy-making.

At the same time, the quantitative data do serve as a reminder that it is too early to make a definitive judgement on whether these new components, enacted in 1999 and

2002, resulted in path shifting changes in the Turkish welfare-production regime. In his book, *Institutional Change and Globalization*, John L. Campbell underlines that “the degree to which diffusing ideas are translated, and therefore, the extent to which they precipitate change depend on local institutional contexts, power struggles...and implementation capacities” (2004, 82). In addition, Campbell distinguishes between “substantive” and “symbolic” translation of ideas into practice (Campbell 2004, 82). At this point, even though new institutional components, based on different principles, were introduced into Turkey’s welfare-production regime, it is too early to tell whether the layering and conversion processes have actually led to a “substantive” (path-shifting) rather than merely symbolic change. My research methodology will be outlined below.

To analyze the causal links between the travelling policy ideas and their implications for the Turkish welfare-production regime, the thesis research utilized archival research supplemented by in-depth interviews. My research primarily drew on documentary sources - academic literature, government reports, the reports of the international organizations, legislative drafts, newspapers, monthly news bulletins of labour and employer confederations, seminar and conference publications, the Turkish journal articles, and the transcripts of the Parliamentary debates on the new labour law - found in the libraries of government departments, labour and employer confederations, and universities in Turkey. I also examined books and articles written by key experts involved in the policy translation process which helped to identify the positions of these actors. For instance, academic articles written by the labour law professors – Tankut Centel, Toker Dereli, Nuri Çelik, Sarper Süzek, Öner Eyrenci, Savaş Taşkent, Münir Ekonomi, and Metin Kutal – provided further information on how law professors

incorporated flexibility and job security principles into the Turkish labour law. The books¹ written by ex-advisor of the labour confederation (TÜRK- İŞ), Yıldırım Koç, were very useful in understanding the positions of the labour confederations in this process. Koç was actively involved in the translation process of these new components. In addition, İş Güvencesi Tartışmaları (Job Security Debates) (2004) written by Refik Baydur, who was the president of the employer confederation during the debates over the unemployment insurance program, job security, and flexibility, provided valuable insights that helped to clarify the strategies of Turkish Employers' Confederation (TİSK) in the introductory processes of these innovations. Also, İşsizlik Sigortası (Unemployment Insurance) written by Mete Törüner (who was the leader of scientific commission to prepare unemployment insurance program) offered insights into earlier studies dealing with the introduction of unemployment insurance in Turkey.

The archival search was supplemented by in-depth interviews with key experts - law professors, bureaucrats from the economic bureaucracy such as the Labour and Job and Labour Finding Agency, the Treasury Board and the Ministry of Labour, the representatives of the labour confederations, and bureaucrats from international organizations. The interviews helped to understand how the travelling ideas were adapted to the Turkish context and which factors influenced the decisions during the institutionalization of these ideas. Interviews were conducted with key members of the scientific commissions of unemployment insurance program, and flexibility and job security provisions. Mete Törüner and Necdet Kenar, former general directors of Job and Labour Finding Agency, were interviewed to shed light on the way the scientific commission arrived at its design for the unemployment insurance program. Other former

bureaucrats also provided additional information on the dynamics of the reform process in the Turkish welfare-production regime. Tuncay Teksöz, who was a former Bureaucrat in Treasury Board and also former president of the Social Insurances Institution, gave valuable insights into the way the introduction of unemployment insurance program was related to the privatization of state economic enterprises and social security reform. Ismail Bayer, a former senior bureaucrat in the Ministry of Labour and Social Security in Turkey, provided information on the position of the Ministry of Labour and the role of scientific commission of labour law professors during the introduction process of flexibility and job security provisions.

Interviews with key people in labour confederations supplemented the findings of the thesis research. Yıldırım Koç, former Consultant of the Labour Confederation TÜRK-İŞ, and also industrial relations professor, provided a helpful overview of the Turkish industrial relations system and the position of the TÜRK- İŞ during the reform process. Necdet Okcan, director of Legal Office in the Labour Confederation DİSK, provided the documents prepared by the DİSK during the introductory process of the flexibility and job security provisions.

I also conducted several interviews with officials from the European Commission in Belgium and Delegation of the European Commission in Turkey. Those interviewed included Walter Wolf (Policy Officer Social Inclusion, European Commission, Directorate General for Employment, Social Affairs and Equal Opportunities), Jan Behrens (Policy Officer, Employment Policy, Directorate General for Employment, Social Affairs and Equal Opportunities), Christos Makridis (EU Enlargement Turkey Team, Social Policy Officer), and Zeynep Aydemir Koyuncu (Social Policy and

Employment Sector Manager Delegation of the European Commission to Turkey). I do not cite these interviews in the thesis as the main implication to be taken from them is that the EU was not directly involved in the incorporation of the EU flexibility directives into the Turkish labour legislation.

Outline

The dissertation is composed of three main parts. Chapters One, Two, and Three provide background information on Turkey and locate the Turkish case within a broader comparative framework. Chapter One examines the relationship between welfare and production regimes, the institutionalist theories that emphasize the role of endogenous and exogenous factors, and the ideas in explaining regime change. Chapter Two addresses the nature of the Turkish welfare-production regime by providing a general picture on the emergence and development of the institutions of the welfare-production regime. Chapter Three identifies the key actors, both domestic and transnational actors, who (actively or passively) took part in the reform processes. It discusses the emergence of domestic actors and their strategies by changing the welfare-production regime. It then focuses on the history of the international organizations (the World Bank, the OECD, the EU, and the ILO) and their organizational discourses which informed the designs of new unemployment insurance program, and flexibility and job security provisions in the Turkish context.

The second part of this thesis, Chapters Four and Five, concentrates on the case studies of the introduction of unemployment insurance program and new labour law. Chapter Four initially addresses the reasons behind the non-introduction of the

unemployment insurance program until the 2000s despite the existence of the establishment of the program in the policy agenda since the early 1960s. Then, it examines the endogenous and exogenous factors that led to the initiation of the program. Chapter Five focuses on the legislation process that resulted in the new labour law, which included the introduction process of the job security and flexibility provisions, and analyzes the role of domestic actors and transnational actors in this process. Lastly, Chapter Six summarizes the findings derived from these cases and concludes that both domestic and external factors contributed to the introduction and translation of these new components which contributed to the modification of the traditional Turkish welfare-production regime.

CHAPTER ONE

TRANSLATION OF TRAVELLING IDEAS TO THE TURKISH WELFARE- PRODUCTION REGIME

This thesis contributes to theoretical understanding of the establishment, evolution and transformation of the Turkish welfare-production regime by locating the Turkish case within a broader comparative perspective. While past comparative research on welfare regimes has focused on Western Europe and the United States, in recent years there has been increased scholarly interest in the Southern European and Latin American welfare regimes, including Turkey's (see also Haggard and Kaufman 2008; Ferrera 1996; Leibfried 1992; Andreotti et al. 2001; Karamessini 2008; Yakut-Çakar 2007; Buğra and Keyder 2006).

The thesis will draw on this literature, while at the same time including the concept of production regimes. Despite the existence of extensive work on welfare regimes and production regimes, thus far few have tried to integrate welfare and production regimes (Huber and Stephens 2001; Haggard and Kaufman 2008; Zeitlin 2003; Ebbinghaus and Manow 2001; Kolberg and Esping-Anderson 1992). Yet bringing the two concepts together makes it possible to position the Turkish case in terms of industrialization strategies and the institutions that shape the patterns of social protection and employment. In particular, such a perspective is necessary to understand the late introduction of the Turkish unemployment insurance program, a program that lies at the nexus of the welfare-production regime, and to explore the connections between this and the insertion of job security and flexibility provisions into labour legislation.

The earlier historical institutionalist literature tended to over-emphasize institutional stability and path dependency of the welfare-production regime. Recent approaches try to overcome this deficiency by focusing on the modes of incremental and transformative change (such as “layering” and “conversion”) within the path of welfare-production regimes (Thelen and Streeck 2005; Ebbinghaus 2005). The thesis highlights the importance of such processes of change with the introduction of the unemployment insurance program, and the incorporation of flexibility and job security provisions into the Labour Law No. 1475. At the same time, it argues that revisionist historical institutionalists such as Streeck and Thelen (2005) underestimate the role of travelling ideas in contributing to such changes as they tend to explain regime change primarily in terms of endogenous factors such as domestic ideas, actors, and political and economic conditions. Such travelling ideas can, however, inform the design of existing and new institutions, as well as the direct and indirect influences of transnational actors in shaping the welfare-production regime change. The concept of “translation” (Campbell 2002; 2004) offers insights into the ideational dissemination and learning processes that occur between transnational and national actors, which, in turn, can spark institutional change. On the one hand, it calls attention to the way transnational ideas are produced within transnational knowledge networks. This will be discussed in detail in Chapter Three. On the other hand, it highlights the importance of the way how an idea is conveyed, and how it comes to be modified to fit the national context (Grinvalds 2008). The thesis thus examines how travelling ideas informed the design of new components into the Turkish welfare-production regime, but only once they were translated by domestic actors.

The chapter begins by outlining key points from the literature concerning welfare and production regimes. The concept of the welfare-production regime as a cluster of programs and institutions designed to mitigate social risks and to shape employment outcomes is then introduced. This definition is especially important for understanding the old and new components of the Turkish welfare-production regime – unemployment insurance, severance pay, the early retirement scheme, and flexibility and job security provisions – on which this thesis focuses. The second section focuses on the question of change. As discussed above, institutionalist approaches emphasize “path dependent development.” While this thesis is not without insight, it is important also to allow for, and to explain, the introduction of path-shifting reforms. Streeck and Thelen add valuable contributions to our understanding of change with their useful concepts of “layering” and “conversion” (Thelen and Streeck 2005). The third section will focus on ideational approaches that can complement recent formulations in institutionalist and regime theory to address change. This section will discuss the ways in which ideational diffusion/learning/translation perspectives can help illuminate the interaction between transnational and national scales, leading to reception and institutionalization of new ideas (in the form of a new model or as principles) at the national scale.

Welfare-Production Regimes

The welfare state regime approach helps to locate Turkey’s late introduction of the unemployment insurance program (as a program key to mitigating the social risk of unemployment) in comparative perspective. Yet this approach is insufficient for the purposes of the thesis because UI also plays a key role in shaping the rules for entry and exit to the labour market. As such it lies at the nexus of the welfare-production regime.

This section accordingly starts with a discussion of welfare regimes then expands it to the production regimes.

In his pioneering work, *Three Worlds of Welfare Capitalism*, Esping-Andersen (1990) explored cross-national differences in the institutions of welfare states, which are clustered around three distinct regime-types: liberal, conservative, and social democratic. This three regime typology is based on the principles of decommodification – “the degree to which distribution is not linked to market mechanism” – and stratification – the degree to which “one’s status as a citizen will compete with, or even replace, one’s class position” (Esping Andersen 1990, 105- 106). For example, the institutions of liberal welfare regimes generally reflect lower degree of decommodification, while stratification is a dominant characteristic of the institutions of conservative welfare regimes.

Although in his earlier work, Esping-Andersen was particularly interested in a narrower understanding of welfare state regimes, he later began to integrate the study of welfare state and production regimes. Thus, in *Welfare Regimes and Employment Regimes*, Kolberg and Esping-Andersen argue that “the welfare state is more than a system of protection and provision; it has become a tremendous system of employment typifying its new relationship to the economy” (1992, 3). Their work thus goes beyond simply analyzing the institutional differences of welfare states in terms of rules of entitlements, scope, and coverage of social protection programs. As Kolberg and Kolstad succinctly argue, the “welfare state has a double function of both decommodification and commodification. For one thing, the welfare state can be regarded as a system of employment in its role as prominent employer. But the commodifying function of the modern welfare state goes beyond this....[and]...is reflected in labour market policy,

government subsidies to industries, and macroeconomic demand management” (1992, 173-174). In that sense, it is not possible to understand the interaction between production and welfare regimes without the pivotal role of the state (Stephens and Huber 2001).

Following Kolberg and Esping-Andersen (1992), Huber and Stephens (2001) introduced a complex hybrid typology that integrates welfare and production regime aspects of advanced capitalist states. Accordingly, “within a given country, different aspects of the welfare state ‘fit’ together and ‘fit’ with different aspects of the production regimes, in particular their labour market components. This ‘fit’, however, is not a one-to-one correspondence between a whole configuration of welfare state and production regimes” (Huber and Stephens 2001, 111). For example, liberal welfare state regimes are associated with a liberal economy with “weak to moderately strong unions, low levels of union contract coverage, decentralized wage bargaining, no corporatist policy bargaining...and very little state intervention in the economy” (Huber and Stephens 2001, 111). In social democratic or Nordic welfare state regimes, the production regime is typically based on a coordinated market economy “with strong unions, high levels of union contract coverage, centralized wage bargaining, peak level corporatist tripartite policy making, high levels of wage compression...and a strong state in the economy”(Huber and Stephens 2001, 111). The continental European welfare regime is linked to a production regime that is based on a “moderately strong union, high levels of union contract coverage, sectoral wage bargaining, moderate role for labour in corporatist bargaining.....and a modest state role in the economy” (Huber and Stephens 2001, 111).

While usefully linking the welfare and production regime approaches, much of this literature has focused on the Western European and North American examples (Stephens and Huber 2001; Zeitlin 2003; Ebbinghaus and Manow 2001); therefore, it is of somewhat limited use for probing the features of Turkey's welfare-production regime. Fortunately, however, there is a growing literature focused on middle-income countries of Latin America and Asia that does have insights to offer. For example, in *Development, Democracy, and Welfare States*, Haggard and Kaufman (2008) provide a framework for analyzing the welfare-production regimes in middle-income countries. They argue that the state's development (industrialization) strategies have historically shaped the emergence and development of welfare and production regime institutions (Haggard and Kaufman 2008, 2). In other words, development models like import-substitution industrialization, export-oriented growth, and socialist central planning that are pursued by middle-income states play a key role in the development of their social and labour market policies.

The late nation-state building and industrial development in the corporatist Latin American and Southern European regimes opened up room for the anti-democratic political elite to pursue top-down approaches in establishing the earlier institutions of welfare-production regime. In such corporatist regimes, industrial development and nation-building preceded political democratization (Streeck 2001, 27). Motivated by their top-down nation-building and industrialization projects, aided by authoritarian measures, the state elite considerably regulated the political and social realms. This was especially evident in the state's restrictions on the emergence and development of civil society organizations, which, in turn, prevented the latter from participating in the construction

and implementation of welfare programs (Andreotti et al. 2001, 49). Thus, as Andreotti et al. argued, under the authoritarian rules of Southern regimes “workers’ unions lacked the strength and political latitude to constitute an effective voice and to force substantial social policy changes” (2001, 49). Therefore, rather than the civil society organizations, it was the bureaucratic state elite, who lacked the democratic legitimacy within the society, that introduced the social rights and policies to certain newly emerging social groups who were essential to ensure social and political stability (Streeck 2001).

Late industrialization also contributed to the centralization of state power in the formation of Southern welfare-production regime institutions. Due to the absence of strong private sector the state initially assumed major responsibility for industrialization, acting as the main producer and employer in the economy. The protective development efforts of the state as part of its import-substitution industrialization (ISI) strategy typically created a highly protected labour force (core or formal sector workers). It was thus not surprising that early labour and welfare legislation in Latin American and Southern European countries, which was essential for industrialization and political stability, were introduced to cover this section of the labour force. Yet this led to the creation of the “polarized nature of the protection” in which the core or formal workers gained generous benefits from the income maintenance systems that mostly relied on the occupational status of the worker while income protection provided to the irregular and non-standard workers was very low (Ferrera 1996, 21- 22).

In Latin America and Southern Europe, these protectionist development strategies expanded the benefits of early retirement and severance pay schemes for formal sector workers. For example, in Uruguay, the minimum retirement age was 45 for women and

55 for men until 1979 (Mesa-Lago 1997, 511). Although the retirement age for private sector workers remained high (55/60), in 1991 the retirement age for Colombian civil servants was 45/50 (Mesa-Lago 1997, 514). As of 2005, Argentina and Chile had a severance payment that is equal to one month's salary for each year of employment. In Chile, workers obtained 20% extra payment (which could even increase up to 50% if there was no "plausible reason for dismissal") if the dismissal was unjust (Jaramillo and Saavedra 2005, 284). In Colombia, the dismissed worker received 45 days worth of wages if they worked less than a year, whereas in Mexico employees earned "three monthly wages plus 20 days' wages for each year of tenure". In Venezuela, the severance pay allowed "10 days of salary if the workers tenure is six months or more" (Jaramillo and Saavedra 2005, 285).

The Turkish welfare-production regime displays similar features to the larger Latin American countries (Andreotti et al. 2001; Buğra and Keyder 2006). As in countries like Brazil and Argentina, Turkey adopted protectionist industrialization strategies (especially the ISI) through the medium of an authoritarian state. This set the conditions for state-led development which, in turn, contributed to the emergence of institutions of the welfare-production regime. Not surprisingly, earlier employment policy legislation (such as the establishment of severance pay and pension system) was targeted at public sector employees working in the state economic enterprises but was later extended to the private sector workers in formal sector. This legislation, which covered only a small fraction of labour forces, provided social protection through severance payment and open-ended contracts.

During the period of import substituting industrialisation (1960 - 1980), protectionist industrialization policies contributed to the expansion of labour market regulations. Thus for instance, the scope of contract termination in severance payments was extended in 1975: the duration of eligibility for the severance payment program was decreased from three to one year of employment. Another adjustment was related to the amount of severance payment which was increased from fifteen days wages to a monthly wage for each year of employment (Dereli 2006, 40). Pension benefits were increased considerably with the enactment of the Act No. 1186 in 1969, which eliminated the mandatory retirement age of 60 for men and 55 for women. This enabled workers to retire on the condition that they contributed to their pension funds in a sufficient amount of time (20 years for women and 25 years for men), and they paid their premiums for 5000 days. These advances also reflected the trade union movement's growing relative autonomy from the state after the formation of the democratic constitution in 1960. Despite the fragmentation of the labour movement into many labour confederations in this period, the unions were strong enough to persuade political parties adopt pro-labour policies until the late 1970s.

The replacement of the protectionist import substituting development strategy with an export-oriented development model in the early 1980s challenged the historically established path of the Turkish welfare-production regime. This challenge opened up a window of opportunity to introduce new institutions including an unemployment insurance program and provisions for job security and flexibility in labour legislation. Although macro-structural transformations influenced changes in the welfare-production regime, it is also important to pay attention to how these structural transitions are

mediated by the strategies and struggles of political actors and the existing inter-mediate level institutions (Thelen and Steinmo 1992, 11). By doing so, we can explain why countries respond differently to the common macro-structural challenges. The next section focuses on historical institutionalism to analyze the policy and political processes that can lead to change within the welfare-production regimes.

Path Dependency and Regime Change

Institutionalist approaches, such as welfare and production regime theories, propose that institutions play an important role in shaping the key actors' preferences and goals, leaving their imprint on the labour market and social policy outcomes (Thelen and Steinmo 1992). Such approaches provide key insights into the persistent nature of cross-national differences, despite the existence of common external pressures. Although the concept of path-dependent change has insights to offer, it is also important to be open to the possibility of transformative, yet incremental, change. The following section outlines the weaknesses of the earlier regime theory in explaining change. It suggests that recent revisionist formulations in historical institutionalism, which highlight the possibility of incremental change over time, can assist us in analyzing path-shifting reforms in the Turkish welfare-production regime in the 2000s.

The path dependency thesis highlights the self-reinforcing or positive feedback effects of institutions in forming and stabilizing the path of welfare and production regimes (Mahoney 2001, 111-112). Borrowing the concept of "increasing returns" from the institutional economics literature, Pierson (2000) explains how path dependency emerges. He suggests that the costs of switching from a path to an alternative one

increases over time: “.....path dependence, in which preceding steps in a particular direction induce further movement in the same direction, is well captured by the idea of increasing returns. In an increasing returns process, the probability of further steps along the same path increases with each move down the path” (2000, 252).

Moreover Pierson emphasizes the importance of timing and sequencing to understand the path of a particular regime – especially in differentiating the “critical juncture” and the periods that reinforce the path (2000, 251). The institutions are established at critical junctures, and over time these institutions produce self-reinforcing effects which form the path. According to Pierson (1997), the vested interests behind each of the institutionalized programs constitute self-reinforcing mechanisms, which lead to the stabilization of the path of the welfare-production regimes. This is because the beneficiaries of these institutions generally aim to preserve these institutions in order to protect their privileges. Therefore, Pierson’s emphasis on self-reinforcing mechanisms makes it difficult to imagine institutional and regime change.

One of the earlier approaches to institutional change is the “punctuated equilibrium model” introduced by Stephan Krasner (1984). Krasner asserts that “short bursts of rapid institutional change” (or new institutional creation) are followed by long periods of stasis which can be termed as “punctuated equilibrium”, i.e. the periods of “institutional creation” and “institutional stasis” (1984, 242). For Krasner, factors that lead to institution building are different than the factors that stabilize the institutions. New institutions (or institutional change) emerge during the periods of crisis such as revolution, and war: institutional development is thus attributed to “historical ruptures or openings” (Thelen and Streeck 2005, 18). In addition, Krasner’s model explains change

in terms of exogenous factors as his main assumption is that “the new arrangements are mostly assumed to be very different from the old ones”. Therefore, the source of these arrangements is argued to be exogenous (Thelen and Streeck 2005, 34).

One of the weaknesses of this analysis is that it assumes that change is sudden and abrupt; however, as revisionists claim, change can also be “incremental with transformative results” (Thelen and Streeck 2005, 2- 9). Peters et al. claim that “this problem is in large part definitional. If one's theory conceptualizes change in terms of major events rather than incremental development then smaller changes are defined away, even if those incremental changes cumulatively produce significant change” (2005, 1277). They underline that “there is more probability of incremental change” because there is often an ongoing political conflict between actors even under path dependent period, which inevitably increases “the political pressures for change” (2005, 1278). Furthermore, Hacker (2005, 41) argues that in the current era, the main mechanisms of change are often “not large scale legislative reforms, but a set of alternative, and often less visible processes of adaptation” which try to weaken the position of the vested interests defending existing institutions. Another deficiency of Krasner’s approach is that, due to its emphasis on exogenous factors, it downplays the role of agency (Steinmo 2008). Streeck and Thelen (2005) maintain that there is also a possibility of change that can be achieved by political agents who act within the constraints and opportunities of the existing institutions.

Revisionist accounts of historical institutionalism offer more promising approaches to understanding institutional change (Ebbinghaus 2005; Thelen and Streeck 2005). These studies question the assumption of the earlier historical institutionalism that

all institutions are guided by the same logic of the welfare-production regime's existing path. It is thus not surprising that they have not paid sufficient attention to the possibility for change in the specific institutions of the welfare-production regime, which may actually transform the whole welfare-production regime (Streeck and Thelen 2005).

In contrast, Bonoli and Palier (1998) assert that in order to understand regime change, there is a need to disaggregate the welfare regimes into their institutions. This is consistent with Myles' (1998) plea for a simultaneous examination of regime characteristics and institution design. Bonoli and Palier focus on the changes in the "fundamental institutional characteristics (e.g. the benefit structure, financing) of the given programs" (1998, 7). These institutional changes can transform the whole regime because change in one component of welfare-production regime can and often has implications for the other institutions.

Moreover, revisionist formulations of historical institutionalism challenge the assumption that at critical junctures all institutions are established, which in turn form the paths of the welfare-production regimes (Mahoney 2001, 111-112). Borrowing from Orren and Skowronek (1994), Thelen argues that "the various institutional arrangements that make up a polity emerge at different times and out of different historical configurations. For this reason, the various pieces do not necessarily fit together into a coherent, self-reinforcing, let alone functional, whole" (1999, 382). Thus the historical institutionalist tradition tends to see institutions as entities that "emerge from and are sustained by features of the broader political and social context" (Thelen 1999, 382).

Yet the revisionist understanding does not entirely reject the self-reinforcing mechanisms that sustain institutions; instead, it perceives self-reinforcing mechanisms as

one of the possible alternatives for institutional processes. To comprehend the extent of change, Ebbinghaus (2005, 14) asks the question of “how much do past decisions shape the available alternatives for future?” He rejects the reductionist and determinist assumption that “the past determines the future”. According to Ebbinghaus, the future alternatives for the path are shaped by the ongoing political contestations among the key political actors. These political struggles may lead to institutional transformation called “path departure” (or path shift) – the process in which the institutions are subject to significant environmental changes and their self-reinforcing mechanism enables them to gradually adapt to these conditions (Ebbinghaus 2005, 17).

One of the forms that path-shifting reforms might take is “institutional layering” (see Thelen 2002; Thelen 2003; Thelen and Streeck 2005; Hacker 2005). When there are powerful vested interests behind an institution, it may difficult to replace or change the rule structure of this institution. In such a circumstance, the supporters of institutional change may pursue a political strategy of institutional layering. In institutional layering, a new institution is introduced that serves the same functions as the former institution. Over time, it is expected that the new institution will come to partially replace or supplant the existing institution. Thus the new institution gradually alters the existing institution’s status by weakening the vested interests behind it. In that sense, there is no “frontal attack on traditional institution”; instead, the new institution grows much faster and “siphons off the support of key constituencies of the latter” (Thelen and Streeck 2005, 23-24). In the Turkish context, the introduction of unemployment insurance can be seen as “layering” to the extent that it involved the creation of a functional duality with severance pay, the

established income support program. As we shall see, the new UI program has yet to weaken or deinstitutionalize the pre-existing severance payment program however.

“Conversion” represents another type of path departure in which the existing institutions are adapted to “new goals, functions, or purposes” (Thelen and Streeck 2005, 26). In institutional conversion, typically resistance to change is not as strong as it is in cases of “institutional layering”. Political actors struggle over “what functions and purposes an existing institution should serve” (Thelen and Streeck 2005, 26). The incorporation of the flexibility and job security principles into the Turkish labour law is an example for the “conversion”. The labour confederations and employer confederation were actively involved in shaping new goals and functions of the Labour Law No. 1475.

While such revisionist work adds important correctives to traditional historical institutionalism, some scholars claim that such accounts are unable fully to explain the dynamics of institutional change (Schmidt 2006; Schmidt 2008; Béland 2007). Schmidt points out that the approaches “that elaborate on the incremental processes of change resulting from actors’ use of mechanisms of layering, conversion....mainly describe such change rather than explain it by reference to what actors themselves think and say that leads to change” (2008, 316-317). For Béland, “layering” or “conversion” processes do not specify “the factors that explain the ‘direction’ that...incremental change take(s)” (2007, 23). To fully analyze the institutional change, he stresses the need to take the ideational processes into account because;

Institutional change is generally related to the strategies of concrete social and political actors, understanding the effect of their ideas and assumptions on the social and economic world is essential for explaining the way in which these actors can bring about institutional change in a particular policy area, and the form and orientation this change will take (Béland 2007, 23).

The above discussion raises some interesting questions: What is the role of ideas in politics and policy change? How are ideas packaged, carried, and adopted? Who conveys and adopts new ideas? (Schmidt 2008, 309) What are the roles of different advocacy coalitions (Sabatier 1988) – societal, state actors, academia and their transnational connections with international organizations – in bringing these transnational ideas to the national agenda? What is the role of academia in integrating these ideas into the design of new legislations which led to the “layering” and “conversion”? All these questions are critical to comprehending the processes of change at national scale. The following section discusses the theoretical approaches and elaborates upon the responses to these questions in order to understand the ideational foundations of “layering” and “conversion” processes.

Ideas, Learning, and Translation

Due to its over-emphasis on institutional stability and its tendency to explain everything in terms of institutions, the earlier historical institutionalist analysis often ignored the role of ideas in policy processes and change (Peters et al. 2005, 1284). Ideas can however provide insights into the direction of incremental change, either by focusing on the ideational foundations of a new institution (“layering”) or by specifying the ideational basis of new functions and goals of an institution (“conversion”). This section will first develop an understanding of the role of ideas in institutional change. Bringing the ideas into the analysis of institutional change however also requires the specification

of actors who generate, carry, support or challenge these ideas. Thus Sabatier's advocacy coalition framework is of use here as it emphasizes the role of material interests and scientific expertise in the institutionalization of new ideas, which in turn may lead to institutional change. The analysis will then be expanded to the transnational scale. The argument here is that the ideational approach in historical institutionalism tends to look primarily to endogenous factors – competing advocacy coalitions at the national scale. This leads them to ignore the role of transnational knowledge networks. This weakness will be addressed and a policy translation perspective will be provided as an alternative approach that can shed light on how ideas produced elsewhere can be adopted by the members of competing domestic advocacy coalitions through their direct or indirect interaction with the international organizations.

Some underline the importance of ideas in informing the design of institutions of the welfare-production regime. For instance, Hay argues that “it is not just institutions, but the very ideas on which they are predicated and which inform their design and development, that exert constraints on political autonomy; institutions are built on ideational foundations which exert an independent path dependent effect on their subsequent development” (2006, 7). For Hall (1992) too, ideas matter. In particular, he underlines that policy ideas “specify how the problems facing them are to be perceived, which goals might be attained through policy and what sorts of techniques can be used to reach those goals” (1992, 91). Thus, a policy idea can be seen as a package that enables the actors to know how the existing institutions are used.

Policy ideas are the socio-cognitive models that limit the range of solutions to the problems – the range of policy instruments to be used (Hall 1992; Campbell 1998). They

provide precise guidelines and causal mechanisms to solve social and economic problems (Campbell 2002, 28). For example, the idea of job security reflects the assumption that employment and income security are not sufficient to provide workers with a decent way of life because they leave workers exposed to market mechanism, forcing them to accept subsistence wages and work longer hours in order to keep their jobs. On the other side of the spectrum, the rationale behind the idea of flexibility is that flexible labour markets provide more jobs, higher wages, and more investment. Moreover, the flexibility perspective asserts that intervention in the market mechanism (in the form of generous social programs, protective labour legislation) may distort the functioning of market mechanisms, and as a result, may aggravate the situation of the workers in the labour market by creating fewer jobs, and more unemployment. Lastly, the idea of flexicurity stresses the necessity of labour market mobility and flexibility while at the same time it aims (1) to provide social protection to people who are adversely affected by the challenges from the market economy and globalization, and (2) to achieve social inclusion and cohesion through the provision of equal treatment and opportunities for all workers (such as activation and training policies, and elimination of any discrimination against gender, race, ethnicity, and atypical workers). Flexicurity recognizes the possibility of market failure to provide social protection for the workers; therefore, it tries to balance flexibility and security (often limited to income and employment security).

Ideas are also social constructs, which, when shared by group of actors, “serve as the foundation for organizing their perceptions, communication, and action” (Carson 2004, 195). They “attach values to political action and serve to legitimate the policies through reference to their appropriateness” (Schmidt 2008, 307). Sabatier brings these

insights together with an actor-centred approach. Thus in a specific policy subsystem, “actors can be aggregated into a number of advocacy coalitions composed of[actors]....who share a set of normative and causal beliefs and who often act in concert” (1988, 133). At any point in time, there are likely to be competing advocacy coalitions within a particular policy subsystem (especially in social and labour market policy area), which struggle to realize their interests, and the ideas they support. As we shall see, this thesis argues that in Turkey in the 1990s there were two competing advocacy coalitions, pro-labour and pro-market, that played a crucial role in the institutionalization of the transnational ideas in the form of unemployment insurance program and job security and flexibility provisions into the Turkish context. The pro-labour advocacy coalition was composed of the Ministry of Labour, labour confederations, trade unions, and labour law professors; the pro-market advocacy coalition involved the Turkish economic bureaucracy, the employer confederation, the World Bank, and other group of labour law professors.

The struggles among the advocacy coalitions supporting competing ideas may trigger distinctive processes of institutional change. These political struggles are in a way shaped by the “constraints and resources of the policy subsystem” (Sabatier 1988). The existing institutional framework within the subsystem can create obstacles to achieve comprehensive reforms. Therefore, when there is a high resistance to the replacement of old institutions by the existing advocacy coalition, and when there is also a competing advocacy coalition that demands change, “layering” and “conversion” are more likely to occur as processes of institutional change. Ideationally, “layering” occurs when a competing idea is institutionalized with a model that “prescribes a coherent, integrated

way of organizing a policy program or designing an institution”, while in “conversion” the competing idea(s) inform(s) the design of existing institutions components with its/their principles (Weyland 2007, 18).

These processes of institutional change are also subject to the compromises among actors of competing advocacy coalitions over the decisions to create new institutions, and over the design of new institutions as well as the reform of existing ones. The compromises among the members of competing advocacy coalitions often facilitate the introduction of new models or principles, without suggesting that they agree on the design of these institutions. As Carson argues, “the process of institutionalization does not require all actors who press for the implementation of specific paradigmatic ideas to buy the whole package.....Diverse actors may join together to press for particular policies while motivated by quite different goals or ideals.....[and]...even while they continue to vehemently disagree in broader philosophical terms” (2008, 13).

The thesis indicates that (1) the Turkish Economic Bureaucracy (Treasury Board, State Planning Organization, and Job and Labour Finding Agency) and the World Bank, and (2) the Ministry of Labour played an important role in introducing the unemployment insurance program, even though they had different political agendas (i.e. pro-market and pro-labour agendas) and supported competing ideas. While the World Bank and the Turkish economic bureaucracy supported the unemployment insurance program to accelerate privatizations and to ensure labour market mobility and flexibility, the Ministry of Labour advocated the initiation of the unemployment insurance program as part of its broader pro-labour reform agenda that included improving collective rights (such as the right to strike, and collective bargaining), the re-structuring of the Job and

Labour Finding Agency, the enactment of job security, and the establishment of the severance pay fund. A compromise also emerged between the labour confederations and the employer confederation over the incorporation of flexibility and additional job security provisions into the labour law.

In line with revised historical institutionalist logic, these compromises over the introduction of new institutional components or the re-structuring of the existing institutions are guided by certain features of the existing policy subsystem. For instance, the two political resources of the Turkish employment policy subsystem are useful to understand the consensus among the political actors: (a) the fact that the government, especially the Ministers of Labour, was always very keen to reach consensus with the members of the pro-labour and pro-market advocacy coalitions (especially between the employers and employees, and between the Turkish economic bureaucracy and the labour confederations), and (b) the systematic incorporation of expert commissions into the policy process. It was thus not surprising that the Minister of Labour sought consensus between labour and employer confederations during the enactment of social security reform (including the introduction of the unemployment insurance program). Similarly, in the case of the establishment of the flexibility and job security provisions, the Ministry of Labour played a crucial role as a “policy broker” in brokering an agreement between employers and labour through its suggestion of creating a scientific commission that would prepare the flexibility and job security arrangements (Sabatier 1988).

Consideration of the role of ideas in institutional and regime change raises the following question: “what are the sources of the ideas that inform the new components of the welfare–production regime?” As the earlier historical institutionalist literature tended

to focus on endogenous factors to explain change, its analysis was often limited to the ideas produced by domestic actors at the national scale. Critics argue that although national scale based historical institutionalist analysis offers insights into national processes, contemporary analysis needs to focus on the interaction between different scales to understand the “complex and contested process of rescaling” in the redesigning and re-structuring of welfare-production regimes (Mahon 2003, 2) in this current era. Accordingly, we need to be open to the possibility that the transnational scale matters in understanding the sources of contemporary change in welfare-production regimes.

Policy learning/transfer approaches try to explain the interaction between transnational and national scales in terms of the flow of knowledge of ideas, institutions, and policies in complex multilateral environment (Stone 2004, 550). Dolowitz and Marsh define the policy transfer as “a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place” (1996, 344). The policy transfer/learning from a different scale offers insights into the changes occurring in welfare and production regimes at the national scale. The dissemination of ideas from one scale to another is especially significant in understanding the sources of institutional changes occurring at the national political landscapes. Nevertheless, the prominent approaches in policy transfer/learning/diffusion are not very clear about how the ideas (as principles or concrete models) produced elsewhere are “operationalized” at national scale and as a result, lead to the change in welfare and production regimes (see Stone 2004; Dolowitz and Marsh 1996; Dolowitz and Marsh 2000).

The policy translation perspective offers an alternative understanding of the interaction between transnational and national scales. To begin with, it pays attention to how transnational ideas are produced within the transnational knowledge networks in which the international organizations have become key nodes of idea construction and carriage. The content of the ideas that international organizations produce or disseminate is manifested themselves in their organizational discourses, which have been subject to revisions during the neo-liberal period since the 1980s. For example, the EU has tried to balance flexibility and security (flexicurity) in the late 1990s due to its historical emphasis on social protection. As the ILO has been dedicated to workers' protection, it experienced difficulty incorporating flexibility into its organizational discourse during the 1980s and 1990s. Between the late 1970s and the 1990s, the World Bank and the OECD played a role in promoting the idea of flexibility. The thesis accordingly analyses the organizational discourses developed within these four international organizations and traces their influence on the design of new components of the Turkish welfare-production regime in the early 2000s. While the ideas of EU and the ILO have inspired the design of the flexibility and job security provisions, the OECD's discourse has informed the architecture of the new Turkish unemployment insurance program. Even though most of these international organizations have recently re-formulated their organizational discourses, the thesis examines their organizational discourses in the period of 1960 and 2000. As well, it focuses on the roles of these international organizations during the process of incorporating the new components into the Turkish welfare-production regime in the early 2000s. Chapter Three discusses the organizational discourses of these four IOs and their mode of interventions into the national politics in more detail.

The translation approach also draws attention to the way that the travelling ideas of international organizations are picked up through transnational knowledge networks and translated into the national political landscapes; that is to say, it examines how travelling ideas are brought onto the national agenda by transnational or domestic actors and then re-articulated, modified, and negotiated in a way that is very much shaped by the national context and actors (Grinvalds 2008). Similarly, Campbell underlines that “the translation involves the combination of externally given elements received through diffusion [i.e. ideas, principles, and models my emphasis], as well as old locally given ones inherited from the past [such as institutional legacies and path-dependent strategies of political actors my emphasis]” (2004, 80). In some contexts, political parties can play a critical role in the domestic translation process. Yet the reforms which constitute the focus of this thesis took place in a time of great political turbulence and fluidity in the sphere of partisan competition. Thus the main domestic actors were bureaucrats and academic experts as well as the broader advocacy coalitions of which they formed a part.

The domestic scientific commissions have an important part in the translation of travelling ideas. Kogut and Macpherson (2008, 105) claim that “the pre-existence of the epistemic community is vital for the articulation of the policy as well as for the command of the practical knowledge of ‘how to do it’”. The scientific commissions are part of the epistemic communities (or networks) formed by “knowledge-based experts” who have authority and competence in a specific area (Haas 1992, 3). These group of experts have (1) shared normative and principled understandings that reflect their value-based approach to social phenomena, (2) common causal beliefs that explain, with respect to their expertise, the possible cause-and-effect relationship between policies and their

outcomes, (3) a “shared notion of validity” that specifies the criteria for validating the knowledge in their domain, and (4) “common policy expertise – that is, a set of common practices associated with a set of problems to which their professional competence is directed” (Haas 1992, 3). The scientific commissions are influential in the policy-making process when public agencies are open to “advice and personnel from centers of academy” (Hall 1989, 9). Academics and experts outside the state bureaucracy are often hired by the government departments to give advice on a specific policy issue when these public agencies lack sufficient expertise in that policy field. Yet the bureaucrats who have academic backgrounds may also influence the adoption and translation of travelling ideas (Hall 1989, 9). In this thesis, I explore the role of two national scientific commissions (that are part of the national epistemic communities of economics and law) in the preparation of unemployment insurance program and new labour law drafts in the Turkish context. The scientific commission for the unemployment insurance program was mostly composed of bureaucrats who were trained in economics, while the scientific commission that prepared flexibility and job security consisted of labour law professors selected by the state, employer, and labour confederations.

Scientific commissions select and adopt certain ideas rather than others. Weyland (2007) argues that the scientific commissions are often exhibit a bounded rationality in preparing reform proposals; that is to say, they are unable to undertake comprehensive, systematic processing of relevant information because of the costs and because of the lack of capacity to process all relevant information. It is not surprising that the scientific commissions mostly rely on their transnational connections when picking up ideas produced elsewhere. For example, the scientific commission on the unemployment

insurance program selected the ideas of the OECD and the World Bank since it had been in close collaboration with the experts from the World Bank and OECD since the 1980s. The scientific commission of labour law professors chose the ideas of the ILO and the EU due to its professional connection with these international organizations, and the demands of the employer and labour confederations.

In addition, even though scientific commissions pick up ideas produced elsewhere, they generally articulate these ideas with respect to the specific features of the national context. To that end, the Turkish scientific commission of economists designed the eligibility criteria of the unemployment insurance program in a more limited way than the OECD's understanding of flexibility which initially inspired them. This can be attributed to the scientific commission's fear that an unemployment insurance program could create budget deficits as a result of the Turkish economy being confronted with large fiscal deficits (Interview 1 & Interview 2). The scientific commission composed of the labour law professors also interpreted the travelling idea of flexicurity, which originated from the EU and the ILO at the transnational scale. They limited the scope of the job security to the establishments with at least ten workers. They also introduced the criterion that all forms of non-standard contracts (part-time contracts, trial contracts, and open-ended contracts...etc) need to be in written form.

Societal actors also take part in the adaptation of transnational ideas into the national context through their struggles to shape the design of institutions in line with the ideas they support. In that regard, the translation and adaptation of certain ideas continue even after the preparation of legislation proposals by the scientific commissions. The thesis argues that labour and employer confederations, which are the powerful members

of the pro-labour and pro-market advocacy coalitions respectively, successfully modified some articles of the reform bill that incorporated the flexibility and job security principles into the labour law No. 1475 (“conversion”). For instance, as we shall see the employer confederation TISK was successful in limiting the scope of job security to the establishments with at least 30 workers, while labour confederations persuaded the government to (i) extend the scope of the draft to the agricultural and forestry workers, (ii) remove the article related to temporary employment agencies, and (iii) suspend the restructuring of the severance payment as a fund.

Nevertheless, societal actors sometimes may not be interested in modifying the design of new institutional components to be introduced; rather their political struggle may concentrate on preserving or changing the design of the old institutions. This is especially evident when the beneficiaries of entrenched institutions resist any attempt that aims to re-structure or replace those institutions (Pierson, 1997). While some societal actors resist change, the other societal actors from the competing advocacy coalition seek to replace or re-structure the old institutions. The thesis argues that during the introductory process of the Turkish unemployment insurance program, the debate between labour and employer confederations has concentrated on the generous severance payment program (which is the oldest institution of the Turkish welfare-production regime) rather than on how to design the unemployment insurance program.

All these reasons point to the importance of domestic context (including the existing institutional setting and ideational framework), and the political strategies of domestic actors in understanding the nature of institutional change. The complex interaction of these factors often contributes to a complex, even ambiguous set of reforms

rather than a smooth transformation. As Carson suggests “rule changes may be made in piecemeal fashion, and may even be developed and carried out under the guidance of competing paradigm(s) – so that the internal logical consistency presents in the institutionally operationalized paradigm may be weakened or undercut in the process of its institutionalization over time” (2008, 176). In a similar vein, Campbell argues that “the degree to which diffusing ideas are translated, and therefore, the extent to which they precipitate change depend on local institutional contexts, power struggles...and implementation capacities” (2004, 82). Taking these caveats into account, currently it is clearly too early to make a definitive judgement on whether the new components, which were enacted in 1999 and 2002, led to substantial path-shifting in the Turkish welfare-production regime.

Overall, the thesis focuses on how the travelling ideas, which are reflected in broader policy paradigms, may challenge the dominant welfare-production regime paradigm and its institutions. It explores this broader theme through an analysis of the Turkish welfare-production regime. While recognising that travelling ideas can have an impact, it is also important to understand how these ideas have been translated in the national political and institutional landscape. That is, it is essential to identify how they have been selected and then adapted by domestic and transnational actors, and how they have been articulated by the members of competing domestic advocacy coalitions – the scientific commissions who adopted these ideas in the reform proposals and the societal actors who struggled to shape the reform proposals after their preparation.

The translation of travelling ideas into the Turkish context manifested itself in two forms of institutional change: “layering” and “conversion”. The “layering” of the

unemployment insurance program and the “conversion” of the Labour Act No. 1475 contributed to the modification of the Turkish welfare-production regime. In the introductory process of the unemployment insurance program, the design of the UI program has less been influenced by the old logic of the welfare-production regime. Yet in the case of the incorporation of the flexibility and job security provisions into the Labour Act No. 1475, the path dependency was stronger.

To explain the translation process of the travelling ideas in the form of unemployment insurance program, flexibility, and job security provisions in the Turkish context, it is first important to elaborate the historical emergence and development of the Turkish welfare-production regime because the capacity of domestic actors to translate travelling ideas into the political landscape is shaped by the existing institutional terrain, and by the openings that create windows of opportunity in the socio-economic environment such as the economic and political crises and the replacement of the industrialization strategy. These economic, political, and institutional factors shape the strategies of domestic actors in the introductory process of new institutional components in the early 2000s. Accordingly, Chapter Two discusses the historical origins of the Turkish welfare-production regime and its transformation from import-substitution industrialization (ISI) to export-oriented growth model which began in the early 1980s.

Secondly, the translation of travelling ideas not only focuses on the adaptation of travelling ideas to the national context but also the sources of these ideas at the transnational scale. Without doubt, the international organizations like the OECD, the World Bank, the EU, and the ILO are the leading actors in the production of new travelling ideas within the transnational knowledge networks. Moreover, together with

domestic actors, the IOs actively or passively disseminate and carry their ideas from transnational scale to the national political landscapes. Chapter Three identifies the domestic and transnational actors by discussing the historical emergence and development of their strategies and discourses which were later influential in the Turkish labour market reform process. Chapter Three also specifies the certain modes of interaction between domestic and transnational actors in the translation process of the travelling ideas which informed the design on new institutional components in the Turkish welfare-production regime.

Chapters Four and Five discuss the two forms of institutional transformation – “layering” and “conversion” – brought by the translation of the travelling ideas of the OECD, the World Bank, the ILO, and the EU by the domestic and transnational actors from the competing advocacy coalitions in Turkey. Chapter Four examines the role of transnational actors (like the World Bank) and the domestic actors (such as the Turkish economic bureaucracy, the Ministry of Labour, and the employer and employer confederations) during the “layering” process of the unemployment insurance program on the top of the old institution of severance payment. Chapter Five discusses how the domestic actors (such as the employer and labour confederations and the scientific commissions of labour law professors) have been inspired by the travelling ideas of the ILO and the EU, and how they have translated these ideas into the design of job security and flexibility provisions which in turn led to the “conversion” of the old Labour Act No. 1475.

CHAPTER TWO

THE TURKISH WELFARE- PRODUCTION REGIME

Historical institutionalists argue that the relationships between “the players, their interests and strategies, and the distribution of power among them” cannot be fully understood unless these factors are put into their institutional context (Thelen and Steinmo 1992, 12). Accordingly, an overview of the historical establishment of the Turkish welfare-production regime can, on the one hand, offer insights into the national context, identifying the constraints and opportunities for the key domestic actors. On the other hand, it can also be helpful in understanding the influence of the welfare-production regime institutions on the historical emergence of the key actors and the development of their strategies. Such an overview can provide the historical context for the emergence and development of the Turkish welfare-production regime with a special attention to the impact of the industrialization strategies on welfare-production regime development, and to the influence of the welfare-production regime on the emergence of key actors and the formation of their strategies.

The chapter therefore begins by sketching the basic characteristics of the Turkish welfare-production regime, with a particular focus on the emergence of labour market and social security institutions. Here, it will be argued that the industrialization strategies of the state (i.e. import substitution industrialization) played a significant role in the establishment of the labour market institutions. The next section of the chapter summarizes the major challenges to the existing welfare-production regime in order to lay the framework for understanding the transformation of the national context since the 1980s. In particular, the shift in the Turkish state’s development strategy from an import-

substitution model to an export-oriented growth model has had serious implications for the institutions of the Turkish welfare-production regime.

General Features of the Welfare-Production Regime in Turkey

The last 200 years of the Ottoman Empire had a fundamental impact on the emergence of the Turkish welfare-production regime during the new Turkish Republic. Two main characteristics of the late Ottoman period help to explain how the Turkish welfare production regime came into existence: the dominance of the state and bureaucracy, and late industrialization (Koray 2005). It was these conditions that helped to shape the evolution of a distinctive path for Turkey's welfare and production regime institutions.

The powerful state elite and bureaucracy of the Ottoman Empire was an important factor that would subsequently place its mark on the formation of the Turkish welfare production regime. During the eighteenth century, the Ottoman state played a dominant role in all social and economic matters. Thus, Heper notes that the power of state: the “.....centre in the Ottoman polity attributed to the periphery neither the status of a genuine civil society nor even that of an estate” (1985, 34). Indeed, power was concentrated within the bureaucratic centre, composed of military and civil officials. Therefore, it was not surprising that during the nineteenth century, the modernization efforts by the bureaucracy aimed to strengthen the centre rather than to develop civil society (Heper 1985, 34).

Another influential characteristic was the Ottoman Empire's reluctance to fully embrace industrialization (Koray 2005, 142). This was in contrast to the leading

European states that had begun to industrialize during the nineteenth century. As a result, countries such as England started to produce industrial products not only for their domestic market but also for the foreign markets. The Ottoman state, however, initially ignored these technological and industrial developments in the West. The industrialized section of the economy was limited to certain sectors including coal production, mining, ship construction, as well as some war and textile industries (Koray 2005, 165), which were dominated by the state economic enterprises (SEEs). It was these SEEs in particular industrialized sectors, however, that created the first social security arrangements. For example, in the *Mecelle (Civil Code)* of 1860, certain provisions were made for the rights of workers. The Civil Code prohibited payment of wages in kind, and the duration of the work was referred as the period between sunrise and the sunset (Koray 2005, 165). In addition to the *Mecelle*, *Dilaver Paşa Nizamnamesi (Dilaver Pasha Regulations)* of 1876 for Ereğli Coal Reservoir was enacted. This was the first regulation of the labour market and social policies in the Ottoman state. With this regulation, some provisions regarding work health, working hours, and wages were introduced (Koray 2005, 166).

The Turkish Republic emerged out of the ashes of the Ottoman Empire during WWI. Once the new Turkish state was created, Kemal Atatürk and the new political elite embarked on an ambitious nation-building project, which involved a top-down approach to modernization. Conditions in the country during this period allowed for the elite to maintain its stronghold, because an organized business class and a working class had not yet come into existence. As noted above, this was partly due to lack of industrialization, and the authoritarian attitude of the Ottoman state against the formation of classes. In addition, the War of Independence against the Allies of the World War I also prevented

the formation of these social groups. For example, many non-Muslims, who had constituted most of the business class, were forced out of the country as a result of mandatory emigration policies. The labour force was also significantly reduced during this period: between 1912 and 1922, the population declined by twenty percent (Pamuk 2007, 5).

It is thus not surprising that the state initiated an industrialization strategy which shaped the emerging production and welfare regime. Haggard and Kauffman (2008) argue that the developmental strategies of the state influence the formation of the welfare and production regime (specifically labour market institutions) as well as the creation of strategies by the domestic actors. Due to the absence of sufficient industrialization, the Turkish economy continued to be based primarily on agricultural production: In 1923, the percentage of the agriculture in the overall GNP was 42, while the industry constituted 11 percent of the Gross Domestic Product (GDP) (Pamuk 2007, 33). Thus, the industrialization led by the state was a significant project to create a strong industrialized national economy.

Although some major decisions² in the first Economic Congress were taken and *Teşvik-i Sanayi Kanunu* (The Act on Encouragement of the Industry) was enacted to support the emergence of business class in the early days of the Republic, these attempts were of limited success in promoting industrialization in the beginning of 1930s. The Great Depression showed the weaknesses of the emerging business class (Keyder 1987, 96). As well as these economic issues, there was also a need for industrialization policy that would enable the state elite to impose its nation-building project from the above, and

in the process to fuse the Republican People's Party with the state (Barkey 1990, 50; Makal 2002a).

All these conditions brought about the adoption of "state-led industrialization based on the domestic market" in 1932 (Boratav and Özügürü 2006, 163). State-led development in turn reflected the economic and political concerns of the state elite. Under this *étatiste* (statist) development model, the state would fulfill two functions: the construction of infrastructure and direct involvement as producer "in almost all facets of manufacturing" (Barkey 1990, 46). Planning was essential to succeed; therefore, the state elite prepared the first five year industrial plan. In addition, the state increased its control over the economy through administrative and legal arrangements (Makal 2002a, 2). Consequently, the *étatiste* developmental strategy expanded the scope of state activities in the economy that, in turn, led to the establishment of many state economic enterprises. By the end of thirties, the number of SEEs had increased from thirty to one hundred and eleven (Koray 2005, 162). These enterprises were founded in sugar, paper, textile, railway, and road construction. Sumerbank and Etibank, which were the most important SEEs, were established to supervise industrial and mining production. These two enterprises "quickly expanded and.....became vast conglomerates with numerous subsidies in various sub-fields" (Barkey 1990, 48).

The expansion of the SEEs also made the state the main employer. It was thus not a coincidence that the first labour market and social policies and regulations sought to provide a safe and attractive workplace for the industrial workers in the state economic enterprises. More specifically, such measures were designed to keep the workers, who retained kinship ties with their villages, in the industrial sector (Makal 2002a, 14). This

brought about a particular welfare-production regime trajectory in Turkey than in Western Europe where the working class and the parties of the left developed during the formation of the industrialized corporatist welfare state. In Western Europe, it was the demands of this rising labour movement that contributed to the emergence and implementation of the social insurance system. Rather, as in the Latin or Southern production-welfare regimes, the state was the main employer which led first to the introduction of the labour market and social policies for the employees in the state (Ebbinghaus 1998, 9).

The Labour Act (3008) of 1936 was the Turkish state's pre-emptive response to the needs of the incipient working class, especially in the state economic enterprises. Several institutional components of the emerging welfare-production regime came into existence with this Act, which included the first measures on work safety and provision of health services for workers. The Act also introduced protection against social risks and the principle of compulsory social insurance. Accordingly, different social insurance institutions would be gradually established by the state. Insurance against social risks was "to be regulated and administered by the state" (Anonymous 1937, 642), and would automatically begin when a worker began to work in an establishment. The right of the worker to benefit from social insurance was protected by the regulation that any contract agreement made between workers and employers would be invalid if the agreement did not provide the right to insurance for the employee (Anonymous 1937, 642). Moreover, the employer was not allowed to decrease wages "because of any assessments he was required to pay for the provision of insurance" (Anonymous 1937, 642).

Another important protective arrangement in Labour Law No. 3008 (1936) related to wages and working hours. The Act established certain standards for the duration of the payment of wages, working hours, and overwork. Furthermore, wages had to be paid at least once a week, if the employer did not agree with the employee over whether or not the payment should occur every 15 days or once a month (Anonymous 1937, 642). The employer, moreover, was not allowed to punish the workers by cutting their monthly wages by more than three days (Anonymous 1937, 642). In addition, “the workday was not to exceed 9 hours in establishments having Saturday half holidays nor 8 hours in other establishments” (Anonymous 1937, 642). The overtime work could not be more than “3 hours per day nor the equivalent of 90 workdays per year”. Finally, the employers required the consent of the workers for working overtime, and the approval of the authorized local government body “not later than the day when the overtime was to be worked” (Anonymous 1937, 640).

More importantly, the Act introduced severance payment for dismissed employees, who had to have worked at least five years in the firm. This piece of legislation was designed to provide an incentive to the workers to remain with a particular employer for a long period of time. According to the severance scheme, if employee left their job after a period of five years they would receive the payment for compensation (Anonymous 1937, 640). The emergence and development of the severance payment in the Turkish employment relations system is crucial for the purposes of this thesis. The program became one of the most important institutions in the welfare-production regime. Recently, it has been at the center of political struggle between societal actors in the 1990s and 2000s.

Alongside these labour market institutions, in 1930 the state introduced sickness and maternity leave for those working in the enterprises with at least fifty workers. This was followed by the establishment of retirement fund for the military and civil bureaucrats. In 1938, a retirement fund for the civil servants in state economic enterprises was established (Boratav and Özügurlu 2006, 165). The common element in all these funds and programs was their selective criterion; that is, they did not encompass the entire labour force. The programs primarily covered civil servants and state workers, especially in state economic enterprises. This also reflects how the state created its own strata as an employer in the early years of the Republic.

In the post-World War II period, for the first time, Turkey experienced multi-party regime democracy with the establishment of the Democratic Party. Before the formation of the Democrat Party, the Republican People's Party (RPP) was the only party with a top-down and statist understanding, which inevitably led the RPP to take authoritarian measures to achieve modernization and nation-building. Therefore, it was not surprising that the liberal members of the Republican People's Party (RPP) decided to form the party when they realized that the RPP was reluctant to abolish anti-democratic laws of authoritarian regime and to introduce the principles of liberal economy such as privatization, and provision of incentives for strengthening private entrepreneurship. The Democratic Party, to some extent, put these policies into practice when it came into power in 1950.

This, in turn, had serious repercussions for state-led industrialization that had been pursued for the previous decades. The *étatiste* policies, with their protectionist cast, were challenged by a new industrialization policy that emphasized the liberalization of

imports, the abolition of tariffs and quotas. Nevertheless, the Democratic Party government was unable to implement liberalization policies:

Not only were etatists still a powerful force in the parliament, but also the nature of the economy did not lend itself to a wide-ranging liberalisation. To begin with the economy was agrarian in nature and based on primitive technology. Second, the few state run industrial units in existence were not profitable enough to attract foreign take-over. Furthermore, these establishments were Kemal Ataturk's legacy and no one would dare to completely transform them, as Kemalist ideology was deeply entrenched in Turkish society. In addition, the government taken over by the Democratic Party in 1950 was not financially sound enough to carry out extensive reforms, which would have disrupted the already troubled economy (Aydin 2005, 33).

Thus, despite the government's attempts to liberalize, the state intervention in the economy remained strong (Aydin 2005, 33), including continued reliance on the SEEs. The government's failure to privatize stemmed largely from the lack of sufficient capital in the private sector to purchase the SEEs (Aydin 2005, 33). Consequently, the state continued to make investments through SEEs to provide cheap goods and services, and to establish infrastructure for the private sector (Aydin 2005, 33).

The post-World War II transition to multi-party democracy in Turkey also held crucial implications for the development of the social and labour market policies. Democratization brought about competition between parties for the votes of masses which, in turn, contributed to the emergence of other institutional components of the Turkish welfare-production regime. The Ministry of Labour was founded, and "proceeded to open a series of official public employment agencies as well as exercising general supervision over labour problems" (Dereli 2006, 36). The Workers Insurance Agency was formed in 1945 which "aimed at protecting private sector employees and blue-collar public workers....against a broad range of risks such as old-age, disability,

health, and so on, to be co-funded by employer and employee contributions” (Yakut-Çakar 2007, 104). The name of the Workers Insurance Agency was changed the Social Insurance Institution (SSK) in 1965. In 1949, the retirement fund (*Emekli Sandığı*) was formed, which united all civil servant funds under the same legal framework. In addition, the scope of existing institutional components was extended. The severance payment program, for example, was improved, offering fifteen days of wage payment for the workers after three years of employment in the firm. These new programs intensified the already existing selective criteria which favored “occupationally defined corporate groups”. Their purpose thus did not cover all the labour force which, therefore, laid the basis for the creation of labour market dualism in which the urban labour force in the formal sector was more protected and had more privileges (Yakut-Çakar 2007, 104).

Towards the end of 1950s, the Turkish economy faced currency devaluation, which induced economic hardship for the citizens, who became dissatisfied with the regime. The state bureaucracy was also discontented, because it strongly believed that industrialization via rational central planning was be a solution for the chronic problems of the economy. In response, the Democratic Party government resorted to further repression, which in turn gave rise to a coup d'état led by a group of military officers against the government.

The military coup of 1960 constituted another important juncture, opening the way for the adoption of import-substitution industrialization. Aydın notes that although the origins of the import-substitution model dated back to the étatism in 1930s, “the real impetus came in the 1960s” (2005, 35). The model was based on the idea that previously produced imported simple consumer products should be manufactured domestically, and

thus enable the country to “save the foreign exchange that which was expended to purchase such goods, and simultaneously they could create impetus to the development of an industrial base” (Barkey 1990, 6). In that regard, the import-substitution model aimed to achieve industrialization through protecting and strengthening the domestic producers.

The State Planning Organization (SPO) was founded to control and coordinate industrialization based on import-substitution model in Turkey. The SPO had the authority to control the decisions related to “the public sector investments, incentives for the private sector, and foreign capital” (Şaylan 1981, 196). Moreover, the SPO was responsible for the preparation, implementation, and revision of the development plans, in which it ensured a mixed economy where “the private and public sectors were not independent and autonomous entities, but rather two complementary parts of a whole” (Barkey 1990, 60). The SPO did not force private sector to adopt its development plans; however, it enticed them to assume various policy guidelines (Barkey 1990, 60). Its posture towards the public sector was quite different. The SPO ensured that the public sector responded to the needs of the private sector (Barkey 1990, 60).

The provision of lower price inputs by the SEEs to private firms was part of a strategy to strengthen the private sector. These SEEs, which “specialized in intermediate goods, guaranteed cheap inputs to private industry” (Boratav and Özügürü 2006, 177). This, in turn, increased the importance of the state intervention in the economy and strengthened the role of the state as an employer in the labour market. Dereli maintains that: “during the 1960s and 1970s the public sector paid higher wages and fringe benefits than those paid by the private sector. This was probably due to the state’s deep-rooted

paternalistic approach and the ongoing effects of neo-Keynesian policies, as well as to its traditional tendency to be the leading force in labour questions” (2006, 41).

Central planning under the coordination of the SPO was made mandatory with the implementation of a new Constitution. According to the Constitution, the “duty of the state” was “to devise development plans which would, within the confines of democratic processes, realize the progress of society along economic, social, and cultural lines” (Barkey 1990, 66). In addition, for the first time, the Constitution specified the social rights for all citizens such as “access to education, health, and unemployment” (Boratav and Özüğurlu 2006, 166). The expansion of social rights contributed to the establishment of the Social Insurance Agency (1964) and Self-Employed Agency (1971). The Social Insurance Agency covered the social security arrangements for the employees such as “work injury, disease, sickness, maternity, disability, old-age, and death insurance” (Boratav and Özüğurlu 2006, 166). The Self-Employed Agency provided benefits to the craftsmen to protect against social risks including disability, old-age, death, and health problems (Boratav and Özüğurlu 2006, 166).

Alongside these developments, benefits increased considerably with the enactment of the Act No. 1186 in 1969, which eliminated the mandatory retirement age of 60 for men and 55 for women, and enabled workers to retire on the condition that they had contributed to their pension funds for a sufficient amount of time - 20 years for women and 25 years for men - and paid their premiums for 5000 days. Moreover, a new Labour Act 1475 came into force in 1971. The scope of Act 1475 embraced white collar workers as well as blue collar workers, and involved workers in all establishments, “even those employing only one worker” (Dereli 2006, 39).

In 1975, the policy-makers broadened the scope and coverage of the severance payment program on the grounds that there was no unemployment insurance program and job security. The amendment “lowered the required minimum period” from three years to one year employment (Dereli 2006, 40). It also augmented “the scope of the ‘contract termination’ categories which entitled the worker” (Dereli 2006, 40). Another amendment increased the amount of compensation from fifteen days to thirty days’ pay for the employee’s each year of service (Dereli 2006, 40). This is in line with Haggard and Kaufman’s argument, outlined in chapter one, that in Latin America import-substitution contributed to the protection of the urban working class by extending the labour market protections such as “limitations on the ability to fire workers in the formal sector and generous severance requirements” (2008, 63). In addition, severance payment programs served as “privately provided income insurance for the workers” (Haggard and Kaufman 2008, 63), becoming one of the most important components of the welfare-production regimes in countries like Turkey that share the characteristics of Latin American or Southern European welfare-production regimes.

The Turkish severance payment program would later become the center of the debate between labour and business when the import-substitution model was abandoned by these countries in the 1980s. In Turkey, the controversy over the severance payment was intensified once the introduction of unemployment insurance and job security came into the agenda after 1990s. We will turn to this debate in Chapters 4 and 5 while discussing the introduction of these new components.

The Challenges to the Turkish Welfare-Production Regime

This section of the chapter aims to shed light on the fundamental challenges faced by the welfare-production regime. Specifically, it provides the background to the privatization of the SEEs, social security reform and the challenge to the old labour law, including the severance payment program. The post-1970s was a period when the Turkish welfare-production regime came under pressure due to the economic crisis and related fiscal constraints. These developments, in turn, led to the replacement of the import-substitution industrialization model by an export-oriented growth model. This shift had far-reaching consequences for the wages, employment protection, and benefits. Due to the export-oriented growth model's emphasis on the superiority of market forces, the public sector involvement in the economy, high social spending, and labour costs came to be seen as the reasons behind macro-economic instability and lack of growth.

Beginning in the early 1970s, the Turkish economy was affected by instability in the world markets. In 1970, the government devalued the currency, as demanded by the IMF as a condition for the loan agreement. Despite strong opposition from the business class, the devaluation was seen by the government as a necessity for the integration of Turkey into the world economy (Aydın 2004, 38). The devaluation solved the problem of balance of payments in the short term by "speeding up the exports and allowing the transfer of workers' remittances" (Aydın 2004, 38). When the increase in export revenue came to an end, due to the re-valuation of the Turkish lira, the economy continued to rely on the workers' remittances to cope with the imbalance of payments. This helps to explain why Turkey did not need to devalue the currency between 1970 and 1979 (Barkey 1990, 98) when the recession emerged in the world economy.

In spite of these adjustments, the Turkish economy was affected by the increases in oil prices towards the end of the 1970s (Barkey 1990, 98). Aydın states that “the crisis faced by the Turkish economy was evident from the fact that there was a severe drop in overall production, a sharp decline in the rate of economic growth, a slow-down in the investment, a debt crisis, and high inflation” (2004, 39). The state’s industrialization policy also played a significant role in worsening the deficit in the balance of payments. Between 1960 and 1980, the State Planning Organization (SPO) followed an industrialization policy that supported both the private and public sector in all industries rather than focusing on specific industries. This contributed to the huge deficit created by the increases in oil prices (Aydın 2004, 39).

The economic crisis was also accompanied by social and political tensions between left and right wing groups. In addition, there was an ongoing conflict between the government and opposition parties. As a result, coalition governments did not last long. This situation ultimately led to the closure of the Parliament (Aydın 2004, 39). In the meantime, the government introduced a stabilization package on January 24, 1980 that aimed “to reduce the rate of inflation, improve the balance of payments through rapid export-growth” (Baysan and Blitzer 1990, 10). The program was strongly supported by the financial institutions such as the IMF and the World Bank. Yet the state was unable to implement the austerity program until the military coup of September 1980. Subsequently, the new right wing government party – Motherland Party (ANAP), which won the first elections after the coup, also supported this new model. Prime Minister Turgut Özal was in fact the architect of the Stabilization program that later paved the way to the structural adjustment program (SAP).

During the 1980s the policies associated with the structural adjustment programs focused on the transition from import-substitution to the export-oriented growth model. This period can be considered as the first-round-structural-adjustment (or the reforms to institutionalize export-oriented growth model in the economy) that placed priority on stabilization, balance-of-payments adjustment, liberalization of the trade and capital accounts, and reduced the role of the SEEs in the economy (Haggard and Kaufmann 2008, 194; Taymaz 1998, 3). In 1980, with the initiation of the stabilization program, the currency was devaluated and the price controls were reduced. This was followed by the liberalization of imports, with the replacement of the quantitative restrictions on imports in 1983. Finally, in 1988-89 interest rates and capital accounts were liberalized (Taymaz 1998).

The first-round-structural adjustment programs had implications for the welfare-production regime. When it came into power, the military junta replaced the 1960's liberal institutional setting for collective bargaining, wage settlements, and the right to strike with legislation that limited the collective rights (Celasun 1989, 13) (In the next section, I will discuss this transformation in the industrial relations system while outlining the key actors of industrial relations system). One of the important consequences of this shift was the decline in real wages as the export-oriented growth strategy necessitated the restriction of domestic demand, especially through the "restraints on wages" shaped by the import-substitution model, to establish an "export surplus" (Şenses 1994). Boratav et al. claim that "the share of wage-labour in private manufacturing value added receded from 27.5% to 17.1%; and in public manufacturing from 25% to 13%" (2000, 4). This, in turn, implied that the institutions of the welfare-production regime that had led to higher

wages in order to keep the domestic demand at a certain level were no longer appropriate under the new development strategy. In mid-1989, the government, however, had to increase wages in the public sector (comprising 70 percentage of formal workforce) back to their pre-1980 level due to the concern about domestic recession, increasing dissatisfaction with the government's liberal policies of the government and the massive strikes and demonstrations by the trade unions (Şenses 1994, 440). The increase in the public sector wages in turn triggered the rises of the private sector wages that year.

The stabilization and structural adjustment policies did not have a considerable impact on employment creation. The policy-makers' main assumption was that export-oriented growth model would correct price distortions "against export-oriented industries that were assumed to be labour intensive because, as a developing country, Turkey had a comparative advantage in the sectors that use the abundant resource, i.e., labour" (Taymaz 1998, 5). The import-substitution model was blamed for its inadequacy to create employment because ISI favored capital-intensive production (Şenses 1994, 422). Yet the new model did not succeed in generating employment. The annual growth rate of employment under the export-oriented growth model was 1.3 percent in the period of 1980-88, whereas the import-substitution policies had created an average annual employment rate of 2 percent in the period between 1963 and 1980 (Bulutay 1995, 218-220). Moreover, as the export-oriented growth model prioritized the principles of the market and competitiveness, the government was reluctant to create employment in the public sector "because of its increased concern with the efficiency of SEEs, generally characterized by overstaffing" (Şenses 1988, 12).

The liberalization of the interest rates and capital accounts in 1988-89 constituted the turning point for the adoption of economic liberalism in Turkey. This decision meant that “the Turkish economy was fully exposed to the forces of financial globalization” (Öniş and Bakır 2007, 149). Yet it became evident that Turkish economy was ill-prepared to cope with the “forces of financial globalization” and “large fiscal deficits and chronically high rates of inflation” (Öniş and Bakır 2007, 149). The vulnerability of the economy resulted in three subsequent crisis in 1994, 1999, and 2001. These economic crises encouraged more reforms, with important implications for the welfare-production regime model (Haggard and Kaufman 2008, 186).

Beginning in the early 1990s, structural adjustment programs promoted by the World Bank, IMF, and the Turkish economic bureaucracy focused on institutional reforms to social policy and labour markets, specifically privatization of the SEEs and reform in the social security system. These institutions of the welfare-production regime were perceived by the policy-makers as the sources of increasing public deficits that contributed by macro-economic imbalances and crises.

Despite the Motherland Party government’s efforts, the privatization of the SEEs had been very limited³ in the 1980s. The Motherland Party was very cautious in the selection of the SEEs to be privatized. This was closely related to the government’s commitment simultaneously to implement privatization and to develop capital markets. Privatization was intended “to promote the development of the capital market by injecting vitality into it and placing it onto a self-sustained path of expansion” (Öniş 1991, 168). The development of the capital market would, in turn, accelerate the

privatization process (Öniş 1991, 168). Thus, any mistake in the selection of the SEEs to be privatized would halt the development of the capital market (Öniş 1991, 168).

Towards the end of the decade, support for the Motherland Party government began to decline, spurring the government to pursue populist policies, incompatible with its concerns for efficiency, and privatization of the SEEs. Increases in wages and employment in the SEEs reflected this “populism”. In the mid-1990s, these policy choices were used to accelerate privatization of the SEEs on the grounds that the low performance of the SEEs, and high wages in these enterprises, were important factors creating large public deficits. Nevertheless, there was a strong opposition from the trade unions to privatization (Karataş 2001, 111). To cope with this resistance, the Turkish economic bureaucracy and World Bank initiated a privatization and social safety net loan project where the social safety component was designed to mitigate social backlash against privatizations. The social safety net component included labour adjustment programs such as the re-training, vocational training, and job placement and temporary income support programs. The unemployment insurance program was considered as an option that could serve both temporary income support and the labour adjustment functions (World Bank 1994). Chapter 4 will discuss the introduction of the unemployment insurance program in more detail.

Another temporary income support alternative was to implement early retirement policies to deal with privatizations. In 1992, the government introduced early retirement, “with 20 years of full contributions for women and 25 years for men sufficient in order to retire, regardless of the number of days worked, age” (Yakut- Çakar 2007, 119). The Turkish economic bureaucracy and the World Bank did not, however, fully support this

policy option because early retirement policies aggravated the already existing cash deficits in the social security system. The state had to inject transfers to the social security system because of the increasing deficits. Not surprisingly, from the mid-1990s the policy makers also focused on the reform of the social security system. To lessen the fiscal burden on the state and make the system more sustainable, the reform focused on the increase in retirement age and contribution rates, and the introduction of private pension schemes.

The structural reforms and economic crisis of the post-1980s also challenged the labour market institutions, especially the labour act regulating individual labour relations. Starting from the early 1980s, employers demanded the elimination of the labour market rigidities and the introduction of the flexibility regulations, to improve their competitiveness against foreign firms. When Turkey signed the Customs Union (1995) that necessitated the removal of the tariff barriers between the EU member states and Turkey, employers renewed their call for increased flexibility in the Turkish labour market. Their complaints concentrated on the re-structuring of the labour law through the inclusion of the flexibility arrangements, and the re-arrangement of the severance payment. Chapter Five aims to shed light on the reform process of the labour law.

Conclusion:

Three major factors have been influential on the emergence of the Turkish welfare-production regime: the authoritarian tendencies of the state, the weaknesses of social classes, and more importantly, late industrialization. All these factors set the conditions for the implementation of the state-led development strategies which shaped

the structure of welfare-production regime institutions. The earlier social and labour market policy legislation reflected the concerns of the state-led industrialization as they focused on labour in the public enterprises, and it also displayed the authoritarian tendencies of the state through banning the formation of class-based organizations.

The transition to democratic rule in the post-war period had profound implications for the welfare-production regime because it increased the incentives of the policy-makers to expand the social and labour market policy legislation to the broader segments of the population. In addition, the multi-party regime democracy led to the elimination of the ban on the formation of class-based organizations. It was also the time when private sector gained relative strength in the industrialization process. As a response to the emergence of the private sector, the Democratic Party government tried to replace state intervention-based economy with a liberal one. Despite the commitment of the Democratic Party government to privatize of the public enterprises as part of its liberalization agenda, the public enterprises continued to be the locomotive of the economy.

The post-military coup era was another important stage in the development of the Turkish welfare-production regime. Economically, the import-substitution industrialization model was adopted by the policy-makers as the new development strategy, which further strengthened the welfare and labour market legislation (such as the extension of severance payment and retirement schemes, and the expansion of labour law to include white collar-workers) for the formal sector workers in import-substituting sectors and public enterprises (Haggard and Kaufman 2008). Politically, the class-based organizations obtained more democratic rights with the introduction of the new

constitution such as the right to strike, and collective bargaining, which, in turn, provided them a relative authority from the state.

The military coup of 1980s represents a critical juncture for the history of Turkish welfare-production regime, which replaced the import-substitution industrialization model with the export-oriented growth and restricted the rights and benefits of labour. The transition to the export-oriented growth model was facilitated by the implementation of structural adjustment programs which initially aimed to achieve stabilization, balance-of-payments adjustment, liberalization, and reducing the role of the public enterprises. This was accompanied by the banning of trade union activity, the closure of the labour confederation DISK, and the introduction of new labour law that restricted trade union activity. Trade unions re-gained their power only towards the end of 1980s with the influence of the EU accession process and the ILO.

These developments of the 1980s opened up “windows of opportunity” for the introduction of new institutional components such as the unemployment insurance program, flexibility, and job security provisions. Throughout the 1990s, the political debates focused on the establishment of new components (the unemployment insurance program, and flexibility and job security provisions) and the modification of the existing institutional components (severance payments, early retirement schemes, and the labour law that only recognized the open-ended contracts, and fixed working hours). In fact, these controversies were between the actors who supported two competing paradigms – liberal paradigm and traditional corporatist paradigm. Despite the disagreement between the actors over the introduction of new components and re-structuring the existing

institutions, the ongoing economic crises throughout the 1990s and early 2000s facilitated social and labour market policy reform.

Having discussed the national institutional context, the next chapter identifies the key domestic and transnational actors involved in the introduction of the new institutional components. On the one hand, it focuses on the travelling ideas, generated by the four international organizations (the OECD, the World Bank, ILO, and the EU), which were influential in the design of new institutional components in the Turkish welfare-production regime. On the other hand, it discusses the strategies of the key domestic actors to understand how and why they tried to re-interpret and modify these travelling ideas. Chapter three also provides the conceptual tools to specify the interaction between the international organizations and domestic organizations.

CHAPTER THREE

TRANSNATIONAL GOVERNANCE: DOMESTIC AND TRANSNATIONAL ACTORS

The concept, welfare-production regime, provides a useful framework for understanding the national context and locating key domestic political actors. Nevertheless, the earlier literature on regimes was weak in terms of analyzing processes of change. More recent revisions of that tradition have begun to address this issue (e.g. Thelen and Streeck 2005; Ebbinghaus 2005). Yet the focus tends to remain exclusively on the role of internal (domestic) factors. Although historical institutionalism offers insights into national processes, it is also important to consider transnational diffusion and learning processes that cut across national scales, because change can also be induced by such travelling ideas, policies, and institutions. This is especially evident in the current era in which “technological advances made it easier and faster for policy makers to communicate to each other” (Dolowitz and Marsh 2000, 6).

The perspective I take here, analyzes “the reciprocal and mutually constitutive interplay of national and transnational institutional frames” in the dissemination of ideas (Djelic and Sahlin-Andersson 2006, 22). On the one hand, it calls attention to the way that transnational ideas are produced within transnational governance networks and how international organizations (IO) translate these ideas into their “organizational discourses” (Dostal 2004). On the other hand, it analyzes how these ideas are translated into national policy subsystems; that is to say, it examines how a transnational idea is worked on by the transnational or domestic actors, and the way it comes to be “re-articulated, modified, and negotiated in a way that depends on the national context and

actors” (Grinvalds 2008, 188). Therefore, it is important to specify both domestic and transnational actors who took part – through the introduction of the unemployment insurance program, job security and flexibility provisions – in the modification of the Turkish employment policy subsystem in the early 2000s.

The chapter begins with a discussion of the emergence and development of the competing domestic advocacy coalitions, who later translated the travelling ideas into the Turkish political landscape in the early 2000s. Next, the chapter focuses on the transnational ideational sources (the travelling ideas of the OECD, World Bank, the ILO, and the EU) of the new institutional components of the Turkish employment policy. It discusses the idea generator and conveyor roles of the four international organizations within the transnational knowledge networks by specifying their organizational discourses in the period of 1945 and 2000. The chapter also provides analytical and conceptual tools to identify active and passive interaction between the domestic actors and transnational actors, which demonstrate the transnational nature of processes of change in the policy subsystems at the national political landscape.

Key Actors of the Reform Process

The advocacy coalition framework developed by Sabatier (1988) helps to identify the domestic actors and systematically to analyze their strategies for the reform of the Turkish welfare-production regime. Nevertheless, the framework lacks the tools to specify the sources of ideas that inspired the domestic actors in the introductory process of the unemployment insurance program, and job security and flexibility provisions. Recent approaches on transnational governance help to overcome this weakness by

bringing the role of transnational actors and travelling ideas into the analysis of policy change. Accordingly, this section aims to specify the conceptual and analytical tools that demonstrate the interaction between transnational and national scales.

Sabatier (1988) argues that domestic actors create policy subsystems to address policy problems in specific policy fields. Within these policy subsystems, competing advocacy coalitions are formed by the domestic actors who share normative and causal beliefs (Sabatier 1988, 133). Each advocacy coalition adopts and pursues a strategy (or strategies) in order to achieve institutional reforms “which it feels will further its policy objectives” (Sabatier 1988, 133). Nevertheless, as Sabatier (1988, 159) also acknowledges, the advocacy coalition framework does not pay sufficient attention to “the generation and diffusion of new ideas” that inform the design of these institutional reforms.

Focusing on the role of ideas in institutional and regime change raises the following questions: what are the sources of the ideas that inform the new components of the welfare–production regime? Who generates and disseminates these ideas? And how are these ideas diffused from one context to another one? In an increasingly interconnected world, theoretical perspectives based on “methodological nationalism”⁴ are not sufficient to analyze the increasing ideational dissemination and learning processes occurring between multiple scales. In response, many scholars have focused on

⁴ Beck outlines the basic assumptions of methodological nationalism: “it equates societies with nation-state societies, and sees states and their governments as the cornerstones of a social science analysis. It assumes that humanity is naturally divided into a limited number of nations, which, on the inside, organize themselves as nation-states and, on the outside, set boundaries to distinguish themselves from other nation-states. It goes even further: this outer delimitation, as well as the competition between nation-states, represents the most fundamental category of political organization (2002, 51). He also adds that ‘methodological nationalism’ is based on “nation-state-centred understanding of politics both in political practice and science (Beck 2002, 53).

the transnational to argue that “it becomes increasingly difficult to separate what takes place within national boundaries and what takes place across and beyond nations” (Sahlin- Andersson 2006, 6). The concept of “transnational” thus refers to “the complex patchwork of networks, operating at variable scales” that forms the current governance system (Mahon and McBride 2009, 85). Within these transnational governance networks, multiple actors from different scales create, share, and adopt travelling policy ideas. Therefore, Sabatier’s advocacy coalition framework needs to be strengthened by incorporating the transnational actors and travelling ideas into the analysis of policy change.

The IOs have become key transnational actors of idea construction and carriage of the transnational governance networks. Their increased role in transnational policy-making has challenged the traditional notion that “IOs are mechanisms through which others (usually states) act and they are not purposive actors” (Barnett and Finnemore 1999, 700). They are, instead, often autonomous political actors with their own political projects. To achieve their political projects, the IOs create and disseminate ideas that influence the direction and content of institutional change increasingly taking place in different political landscapes. IOs use “soft” and “hard” forms of power in diffusing and translating the ideas which they have created or adopted.

The hard forms of power may involve budgetary and sanctioning powers to impose decisions and ideas on member states, while soft forms of power can be exercised through “inquisitive” (based on auditing, reviewing, comparing, and ranking of the state activities) and “mediative” (based on discussions between experts to share knowledge, and to reach agreement on best practices) modes of regulation (Jacobsson 2006).

In addition, IOs use different forms of intervention to disseminate their ideas across national landscapes. IOs seek to influence the content of policies directly by carrying their own agenda into a national context, or indirectly, by inspiring the members of competing domestic advocacy coalitions in specific policy subsystems. In the case of their direct involvement in national politics, they, for the most part, collaborate with domestic actors rather than “imposing...[their] policy ideas from the outside” (Béland 2009, 711). As indicated in Table 1 below, international organizations may undertake initiator and/or facilitator role(s) when they collaborate with domestic actors. Jacoby (2007, 629) calls this form of external influence a “coalition” in which the international organizations often seek to institutionalize the paradigm and its ideas they support by bolstering the domestic actors of an advocacy coalition who support this paradigm. These domestic actors may vary from “domestic movements, parties, or subsets of state officials who have pursued but never achieved a particular institutional solution to an important political problem” (Jacoby 2007, 629). For instance, as we shall see, the members of the pro-market advocacy coalition (the Turkish economic bureaucracy and the World Bank) in Turkey played a significant role in the reform of Turkey’s social security system and the introduction of unemployment insurance program. Similarly, the ILO was an influential actor in assisting the labour confederations, who are the members of the pro-labour coalition in Turkey, to push the Turkish government for the introduction of the job security provisions.

It can be useful to classify the coalitions between domestic actors and transnational actors into two distinct categories. In one, the international organization initiates the ideational dissemination process by launching a project/research together

with specific domestic actors. In the other, certain domestic actors demand assistance from the international organization to achieve the institutional reform. The IOs can then facilitate the process in favor of those domestic actors through making policy recommendations to the domestic policy-makers which are not binding.

In some cases, international organizations may affect national labour market policies without directly participating in national politics. Rather, their ideas are selected and even adopted by the domestic actors in pursuit of their own political projects (cognitive inspiration). Jacoby describes this form of soft power as “cognitive inspiration” which implies that “in some cases external influences can come without much external effort because while external actors may self-consciously attempt to promote their own ideas to.... [the countries]....they may simply be passive exemplars whom...[the countries].....choose to emulate” (2007, 628). The European Union often acts as a source of cognitive inspiration for potential member states that wish to gain full membership status in future (Jacoby 2007, 628). As we will see in Chapter Five, as a candidate for the EU, Turkey adopted the EU flexibility directives even though the EU had not opened the chapter of the social and labour market policy yet.

IOs may also utilize the tools of hard power to influence national policy making processes and outcomes. Such cases are said to occur when governments adopt ideas of the international organization as a result of their obligations as a member of the international organization and/or the conditionality the domestic actors are supposed to fulfill in order to obtain resources such as financial loans and technical aid. In the case of hard forms of power, the IO may either be an initiator of policy change, or a facilitator, when there is a demand from a domestic actor. For example, the World Bank may initiate

a loan project for the re-structuring of the pension system on the condition that the lender state introduces private pension funds. In the case of ILO, after the ratification of a Convention by a member state, the member state is supposed to integrate the Convention into its national legislation. If a state does not fulfill this obligation, it may be subject to certain legal sanctions. The next two chapters aim to elucidate the nature of the relationship between transnational and domestic actors in the diffusion of the ideas of flexibility and flexicurity into the Turkish context.

TABLE 1: The Role of Transnational Actors in the Process of Change in the Domestic Employment Policy Subsystem

Active	Forms of Power	
Involvement	Soft	Hard
Initiator	A transnational actor initiates change through provision of technical support. There is no conditionality in this form. The World Bank, for instance, provides unconditional technical support to the states in order to promote its ideas.	A transnational actor actively endeavours to introduce its own political project (and related organizational discourse) into the local context through conditionality. Thus, the World Bank often initiates loan projects on the condition that national policy-makers accept certain pre-conditions/adopt certain measures.
Facilitator	A transnational actor becomes involved in national politics at the behest of national actors. In this case, the IO may modify its reports for that country or may make recommendations that are not binding, in order to support policy change compatible with its organizational discourse.	A transnational actor becomes involved in national policymaking at the behest of national actors. This often occurs when a national actor realizes that it needs support to achieve the policy change (i.e. the boomerang effect). For instance, the labour confederation may ask assistance from the ILO to pressure national government to fulfill its obligation to integrate the ILO Convention into its national legal system.
Cognitive Inspiration	A transnational actor is not directly involved in local politics. Yet the IO can still influence the content of the policy change through the adoption of its ideas by national actors. For example, national policy-makers might adopt the EU standards to expedite accession process to the Union.	Not Applicable
Passive		
Involvement		

Domestic Actors

While critical of methodological nationalism, it is important to recognize that national scales of action remain important. Thus, transnational ideas supported by the IOs “cannot be....used or applied by policymakers” without being “reinterpreted, modified, and negotiated in ways that depend on local context and players” (Grinvalds 2008, 188). Djelic and Sahlin-Andersson (2006, 16) argue that the travel of ideas within these transnational governance networks is “an active social process of translation”, which implies that ideas are interpreted in different ways with regards to the peculiarities of the institutional context and strategies of domestic actors (Johnson and Hagstrom 2005, 367; see also Chapter 1). In other words, to fully understand the translation process of the travelling ideas, it is important to identify the domestic actors, their strategies, and the institutional context where these strategies have emerged. In that regard, this section focus on the emergence and development of domestic actors (the members of competing pro-market and pro-labour advocacy coalitions) who translated the ideas of flexibility and flexicurity into the Turkish landscape through the introduction of flexibility and job security regulations, and unemployment insurance program. These actors were societal actors (labour and employer confederations) and the intellectuals (economists from academy and bureaucracy, and labour law scholars).

Labour and Employer Confederations

To understand the strategies of labour and employer confederations, it is essential to identify the historical context that constrained and facilitated their establishment and development. These industrial relations actors, as well as the state, later became the key

domestic actors who are part of the competing advocacy coalitions in the debate for the change in the welfare- production regime, especially in the introduction of flexibility and job security arrangements in the early 2000s.

The Turkish state played a significant role in the emergence of these organizations. As discussed before, the state has been a key actor in the establishment of the institutions of the welfare-production regime in Turkey. In the developmental context, the state also plays a dominant role in the industrial relations system and the latter, in turn, influenced the formation and strategies of the labour and employer organizations. This is also in line with the characteristics of “state corporatism” where the state limits and controls the activities of interests groups in order to incorporate these groups into the state. Reflection on the authoritarian nature of the state system, dating back to the Ottoman state can thus be helpful to understand how class movements and organizations emerged, and also how their strategies were shaped.

In the late Ottoman period, the authoritarian state inhibited the emergence of class organizations and movements. This was closely related to the understanding of a strong central state that controls all social life. This picture would change at the beginning of the 20th century with the declaration of “*Meşrutiyet Dönemi*” (Constitutional Monarchy Period) in 1908. During this time, many strikes were organized by public workers against poor working conditions. Nevertheless, these strikes were banned by the *Tatil-i Eşgal Kanunu* (Stoppage of the Works Act) in 1909. The Act not only forbade the organizing of strikes but also class-based organizations (Dereli 2006, 34).

The authoritarian tendency to prevent the formation of class-based organizations continued after the establishment of the Turkish Republic. In the early Republican Period, there was a rejection of the existence of classes as a threat to a nation state. Mustafa Kemal Atatürk, the founder of the Republic, pointed out this understanding when he stated: “Our people do not consist of classes with distinct and separate interests, but also of classes whose existence and the outcome of their efforts depend on each other” (Timur 1993, 49 quoted from Boratav and Özügürlü 2006). Boratav and Özügürlü maintain that “this early rejection of classes based on conflicting interests was later transformed by the ideologues of the Republican People’s Party into a total rejection of the very existence of classes, as distinct from occupational groups based on a division of labour” (2006, 158). This was reflected in the first Labour Act (3008) which prohibited the formation of class-based organizations and banned strikes.

In the post-World War II period, the transition to the multi-party regime brought more democracy and rights for labour of which the right of association was the most important. This right was guaranteed by the Trade Unions Act of 1947 which brought into several democratic principles. Accordingly, “no person could be forced to join or refrain from joining a union or to withdraw (resign) or refrain from withdrawing from a union” (Dereli 2006, 36). At the same time, the industrial relations system was still controlled by the authoritarian state. For instance, the Trade Union Act still did not allow workers to go on strike. Moreover, the law banned trade union involvement in politics. Trade unions were not allowed to pursue their economic interests in times of a conflict with a national interest. As part of the protection of national interest, the trade unions were prohibited from joining “international organizations without the consent of the

government” (Dereli 2006, 36). These regulations indicated that the trade unions were under strict control of the state in terms of their activities.

State control revealed itself in closure of the left-wing political parties and the trade unions that were pioneered by these political parties. To illustrate, the Turkey Socialist Party (*Türkiye Sosyalist Partisi*), established in 1946 after the transition to the multi-party regime democracy, initiated the establishment of national type of trade unions such as Türkiye Tekel İşçileri Sendikası (Turkish Tobacco State Economic Enterprise Workers Union), Türkiye Deniz İşçileri Sendikası (Turkish Sea Workers Union), Türkiye Demir ve Çelik İşçileri Sendikası (Turkish Iron and Steel Workers Union), Türkiye Mensucat İşçileri Sendikası (Turkish Textile Workers Union), and Türkiye Basın ve Basın Mekanistleri Sendikası (Turkish Press Workers Union). These five trade unions formed the Türkiye İşçi Sendikaları Federasyonu (Turkish Worker Unions’ Federation). These unions, labour federation, and the political party were closed by the state as they were seen as incompatible with the state’s national project (Koç 2003, 85). The Turkey Socialist Worker, Villager Party (*Türkiye Sosyalist Emekçi Köylü Partisi*) also initiated the process for the establishment of the trade unions. The party supported the establishment of trade unions in each workplace, regional unions, and various sectoral federations at the national level. All these organizations would later form the Türkiye İşçi Sendikaları Konfederasyonu (Turkish Worker Unions’ Confederation). The party began by establishing all these organizations and the party were closed by the Martial Law Commandership in 1946 (Koç 2003, 86).

After these closures, the trade union movement became more cautious about its involvement in politics and its relations with political parties. The trade unions founded

between 1946 and 1952 formed the first trade union confederation named as the Confederation of Turkish Trade Unions (TÜRK- İŞ) in 1952. Not surprisingly, the confederation adopted a “centrist character” and “a policy of supra-party politics; that is, non-alliance with any political party” (Dereli 2006, 279). Moreover, the founders of the confederation banned the directors of the confederation to be the member of the political parties. Yet the confederation later changed its policy and started to support pro-labour candidates and specific political parties in national elections (Koç 2003, 92; Dereli 2006, 279).

Like the employees, employers also established their class-based organization in the post-World War II period. Yet most of these business associations did not survive. Only three employer associations – Turkey Newspaper Owners Associations (Türkiye Gazete Sahipleri Sendikası), Turkey Tourism, Industry Employers Associations (Türkiye Turizm Sanayii İşverenleri Sendikası), Turkey Metal Industrialists Associations (Türkiye Metal Sanayicileri Sendikası) – remained after the coup of 1960.

Nevertheless, the organization of employers took more time than the trade unions. There were several reasons behind the late emergence of the employer associations. First, in this period, the employers did not consider the trade unions as sufficiently powerful actors in the industrial relations system (Makal 2002b, 296). Second, as discussed above, the trade unionism was very limited and under the control of the state. Therefore, the employers were strong enough to influence the working conditions of labour by themselves without any consultation with the labour (Makal 2002b, 296). The increasing migration from rural to the urban areas also weakened labour’s position *vis-à-vis* employers (Makal 2002b, 297). The first employer association was founded in 1949, and

followed by few other associations. Hence, it would not be wrong to say that employers were unorganized in the pre-1960 period (Makal 2002b, 298).

The military coup of 1960 held many repercussions for collective rights in Turkey. The military officials were not willing to stay in power. Rather, they worked with “the progressive scholars for the preparation of a constitution based on Western type democratic principles” (Boratav and Özüğurlu 2006, 174). Dereli asserts that “the impact of external forces, such as ILO Conventions and Recommendations, as well as softening government attitudes towards organized labour, the emerging belief that collective bargaining with the right to strike was an indispensable component of pluralistic democracy, and the threats triggered by the gradual growth of left-wing ideologies in Turkish society” were the major factors behind the establishment of the democratic constitution (2006, 35-36). The new constitution introduced the rights “to organize in trade unions, to engage in collective bargaining and to strike” (Boratav and Özüğurlu 2006, 174). These new collective rights provided the basis for the tripartite representation in the industrial relations (Boratav and Özüğurlu 2006, 174). Moreover, in this period most of the trade unions established affiliations with the international labour associations with the permission of the state. In this respect, the Turkish experience differed from the advanced developed countries. In the Turkish context, the state elite granted these new rights in a top-down fashion that contrasted with the experiences of the advanced developed countries in which workers struggled for these rights for over a century (Dereli 2006, 38).

These developments in the industrial relations led to the emergence of new labour and employer confederations that later became the key actors in social and labour market

politics. In 1962, the employer confederation – Turkish Confederation of Employer Associations (TİSK) was established. In 1967, the Confederation of Progressive Trade Unions (DİSK) was founded as a response to the dissatisfaction with the TÜRK- İŞ. Koç (2003, 129- 130) underlines two main factors behind the establishment of the DİSK. First, as a result of the anti-communist rhetoric that was used to overshadow the success of the Turkish Labour Party (TIP) in the elections of 1964, the trade unionists affiliated to the TIP were excluded from the executive board of the TÜRK- İŞ. Second, these unionists were also willing to separate from the TÜRK- İŞ (Koç 2003, 129- 130). The TIP's accomplishment in the elections increased expectations that a labour confederation could improve the lot of labour (Koç 2003, 129- 130). Until the 1980s, DİSK's main characteristic was its autonomy and occasionally its conflicts with the state. Another important actor in Turkish industrial relations, the Confederation of Turkish Real Trade Unions (HAK- İŞ), was established in 1976. The confederation assembled trade unions with religious orientations, which manifested in the confederation's commitment to balance the disputes between employees and employers (Koç 2003, 153).

With the introduction of the Western type of industrial relations system in the post-1960s period, labour and employer confederations became the new actors in the politics of labour market and social policies. These new actors, however, adopted a mutually antagonistic strategy. Industrial conflict was not apparent in the early years of the import-substitution model however as the import-substitution industrialization policy ensured high profits for the employers and high wages for the employees. Hostility became increasingly evident when labour forced the employers to increase the real wages “in the wake of the deepening economic crisis in the late 1970s” (Şenses 1996, 433).

The demands of labour confederations continued in the first eight months of 1980, leading the employer organizations to call “for strong legislation to curb trade union power” (Şenses 1996, 434). When the military took power in September 1980, it severely limited the power of unions in Turkey, banning all union activity and closing trade unions in the initial years of the coup. This was followed by the introduction of new labour legislation that seriously limited the trade union activity (Şenses 1996, 434). In addition, the labour unions lost their power in the “wage determination settlements” in 1980-1984. Instead of a tripartite system in the wage determination settlements, the Supreme Arbitration Board established by the military junta determined the wages (Şenses 1996, 434). Even after the abolition of the ban on trade unions in 1984, “workers demands for higher wages were strongly discouraged through a highly bureaucratized process of collective bargaining and strike procedure” (Şenses 1996, 434). By the late 1980s, however, the trade unions had regained some of their power due to general dissatisfaction with the neo-liberal policies of the government.

The ILO also influenced the formation of Turkish industrial relations. The Turkish government became more willing to comply with the ILO standards and conventions when it re-applied for the full membership to the European Economic Community (EEC) (Şenses 1996, 434). Thus, in the 1990s and 2000s, the trade unions and labour confederations again became important actors in politics and labour could successfully oppose the social security reform throughout the 1990s. They also undertook an important role in the incorporation of the job security principles into the labour law in the early 2000s.

Without doubt, the employers obtained a victory against labour with the military coup of 1980. As part of Turkey's integration to the global economy, they increased their demands to eliminate the rigidities in the labour market and introduce more flexible arrangements. Especially in the late 1980s, Turkey's becoming a member of the Custom Union in Europe also influenced the employers' demand for the incorporation of flexibility provisions into the labour law in order to increase their competition capacity against the European firms.

Despite their claims for the introduction of the flexibility arrangements during the 1990s, the employers were unable to persuade the governments due to labour resistance. Yet labour resistance was considerably weakened with the intensification of the economic crises in the early 2000s, opening the window for the enactment of the flexibility arrangements. Chapter 5 will elaborate the role of the labour and employer confederations in the introduction process of flexibility and job security provisions in 2003.

The Scientific Commissions:

Haas argues that epistemic communities are composed of experts from outside or inside the state bureaucracy who share common beliefs and values in a specific policy area (1992, 3). The dissertation points out that there is a division of labour among different groups of experts in the preparation of the new components in the Turkish context. Two groups of experts were prominent in the formulation of the new welfare-production regime components: economists and labour law professors. The economists prepared the draft of the unemployment insurance program, whereas the law professors

prepared the job security and flexibility legislation. Economists used their expertise in the actuarial calculations of unemployment insurance program, whereas the law professors used their legal expertise in the writing of the job security and flexibility Acts. This part aims to identify the expert groups (economists and labour law professors) who designed the new institutional components in the early 2000s in the Turkish context. It is especially important to specify the characteristics of these expert groups to understand why they have picked certain travelling ideas not the others, and how they have re-interpreted these ideas.

One of the important characteristics of epistemic communities is that, to solve specific policy issues, they engage in different forms of organization and platforms that exceed the territorial boundaries of the national institutions (Bislev et al. 2002, 207). They establish their transnational connections through “face-to-face communication at conferences and meetings.....written and electronic forms of communication, papers, documents, web sites etc.” (Bislev et al. 2002, 208). The two key scientific committees from the standpoint of this thesis were composed of the members who are active or passive members of the “transnational knowledge communities” through which they would work for solutions to domestic policy issues. Due to their expertise in two different areas, law and economy, the transnational interaction of these two domestic scientific committees also differed. Whereas the labour law professors followed the developments in the EU and ILO legislation, the economists had close interaction with the World Bank and the OECD. The thesis will analyze the role of these two distinctive commissions (as well as the social classes) in the translation of the flexibility and flexicurity through the introduction of new components (unemployment insurance program, flexibility, and job

security provisions) into the Turkish welfare-production regime. Therefore, it is also important to identify the members of scientific communities as carriers or initiators of these programs.

The debates over the introduction of the unemployment insurance program date back to the 1960s. In the 1960s and 1970s, the bureaucrats from the State Planning Agency and Job and Labour Finding Agency played significant roles in the preparation of the unemployment insurance program drafts with the involvement of consultants from the international organizations such as the ILO and the OECD. These two domestic organizations, more importantly the State Planning Organization (SPO), reflected the paternalist and protectionist understanding of the state of the industrialization and development. The unemployment insurance program was part of this industrialization process because the state was supposed to play a balancing role between the labour and capital. Nevertheless, starting from the 1970s, the State Planning Organization gave more emphasis to the economic than to social development. This, in turn, contributed to the postponement of the unemployment insurance program.

The unemployment insurance issue came back on the national political agenda in the early 1990s, a decade after the replacement of the import-substitution industrialization with the export-oriented growth model and pro-market principles. The Turkish economic bureaucracy was the major supporter of this new industrialization model and pro-market paradigm within the state apparatus. It was thus not surprising that the unemployment insurance program drafts were designed in the early 1990s in accordance with the tenets of the new pro-market paradigm. The drafts not only involved passive measures like income support but also “activation” policies such as re-training and vocational training.

This emphasis was closely related to the principles of the market dominant export-oriented growth model adopted in the early years of the 1980s. From this perspective, the unemployment was understood as a structural issue emerging from the excessive demand side intervention of the state to the labour market such as generous labour protection programs. Therefore, unemployment insurance program benefits should be minimal in order to “make the markets more flexible and reduce structural unemployment”. This was also supported through the activation of the unemployed (Dostal 2004, 441- 442).

The bureaucrats and the academic who was appointed to the General Directorate of the Job and Labour Finding Agency designed the unemployment insurance program. All were economists, and specialized in unemployment insurance programs. Some of them had written their thesis on the earlier studies of unemployment insurance programs and their feasibility in Turkey. As well as their expertise, the studies and research about employment policies initiated by the World Bank and SPO were influential in the reception of the new supply-side labour market model. In the late 1980s, the World Bank and the SPO prepared a “Human Capital and Employment Development Systems Policy Document: Strategy Analysis and Action Plan” which emphasized the importance of the active labour market policies and the unemployment insurance program. Later, this report was used as a background document for one of the World Bank’s projects, “The Employment and Training Project”, in which the bureaucrats from the Job and Labour Finding Agency implemented the project.

Most of the members of the scientific commission were also part of this employment and training project. Not surprisingly, in the preparation of the unemployment insurance program draft, the commission benefited from the experiences

of the OECD countries, especially the Europeans, which had introduced active labour market policies and limited the benefit structure of their programs in the 1970s and 1980s. The commission observed that in OECD countries generous unemployment insurance programs had faced financial difficulties in the context of high unemployment (Interview 1). It then became important for the scientific commission to prepare an unemployment insurance program offering a limited benefit and coverage. This was also closely related to the fear of the scientific committee that an unemployment insurance program could create public deficits because, as discussed before, the Turkish economy was confronted with large fiscal deficits and serious crises in the 1990s. Until the introduction of the unemployment insurance program in 1999, this early draft was preserved only with minor modifications in the benefit and coverage structure.

The other new components of the welfare-production regime, job security and flexibility arrangements were formulated by a group of prominent labour law professors in Turkey: Prof. Münir Ekonomi, Prof. Toker Dereli, Prof. Şavaş Taşkent, Prof. Öner Eğrenci, Prof. Metin Kutal, Prof. Devrim Ulucan, Prof. Algun Çifter, Prof. Sarper Süzek, and Prof. Teoman Akunal. This scientific committee – elected by the employers, employees, and the state – prepared the Acts for job security, flexibility laws, and severance payment arrangement. To understand their role in the ideational translation, we need to clarify the dominant disciplinary discourse (the way of thinking) in the Turkish labour law in the pre-1980s.

Turkish law has been highly influenced by the continental European legal system. The civil code was adopted from Sweden, the criminal code from Italy, and administrative laws from France (Süral, 2009). In turn, the Turkish labour law was

shaped by German legislation. Its emergence dated back to the 1930s when German professors came into Turkey and established the modern universities and with them, labour law departments. These professors educated many students and teaching assistants who later became the lawyers and academics in the field of labour law. Many law professors were thus “inspired by German laws and jurisprudence” (Süral 2009, 339). This influence formed the basis of the paternalist policies in the labour law that also continued in the post-1960s period. Dereli (2001) succinctly describes the discourse of the pro-labour legislation in the post-1960 period: “The ‘old social contract’, which emerged and developed in the Fordist system and Keynesian period, embraced the industriousness, high performance, and loyalty of the worker to his/her firm in return for having job security, and getting promoted”.

Beginning in the late 1980s, the flexibility discourse was incorporated into the Turkish labour law discipline by the prominent scholars. Flexibility in industrial relations was considered to be a necessity for the adaptation of the domestic firms in the increasingly internationalized markets (Centel 2002; Ulucan 2003). Accordingly, there was a need to increase the capacity of firms to compete with foreign firms; however, the labour market rigidities decreased the competitiveness of the Turkish firms by raising the production costs (Centel 2002, 42). Some Turkish labour law scholars also asserted that the technological developments brought new production systems that necessitated distinctive forms of employment (Dereli 2001). There are also other views among labour scholars stating the necessity of the flexibility regulations in order to cope with economic stagnations and unemployment (Süzek 2001; Süzek 2007; Çifter et al. 2007; Kutal 1997).

The members of the committee were the pioneers in bringing the flexibility arrangements into the Turkish labour law literature. Some of the studies published on flexibility in the early 1990s were *Kısmi Çalışma* (Part-time Work) by Tankut Centel (1992), *Almanya'da Çalışma Sürelerinin Esnekleştirilmesine Yönelik Çalışmalar* (The Studies on the Flexibilization of Working Time in Germany) translated by Öner Eğrenci (1993), *Türkiye'de Yeni İstihdam Bicimleri, İş İlişkilerinin Esnekleştirilmesi, Çalışma Hayatında Esneklik* (New Employment Contracts, and Flexibilization of the Job Relations in Turkey, Flexibility in Industrial Relations) by Tankut Centel (1994), and *Türk İş Hukukunda Esnekleşme Gereği, Çalışma Hayatında Esneklik* (The Necessity for Flexibilization in Turkish Labour Law, Flexibility in Industrial Relations) by Münir Ekonomi (1994). Many conferences, seminars, and workshops about flexibility were also organized in this period as well. With the participation of the domestic and foreign labour law scholars, representatives of the employees, employers, and the state, two important seminars on “the Flexibility in Industrial Relations” were organized by the employer associations and confederation (TİSK) in 1994 and 1999.

These experts yet articulated a nuanced flexibility discourse peculiar to the Turkish context. Although there is a consensus among the labour law academics about the necessity for flexibility arrangements, flexibility is not understood as the deregulation of the labour markets (Süzek 2001). Rather, the labour law scholars adopted an approach that sought a balance between the principles of the protection of the workers and deregulation of the labour markets (Süzek 2001; Centel 2001; Dereli 2001; Ekonomi 1997; Kutal 2002; Kutal 2003a; Kutal 2003b). This understanding formed the ideational

origin of the new Labour Law that introduced flexibility and job security arrangements to the previous Act.

This nuanced approach also stemmed from the experts' adoption of ideas from different transnational organizations. The labour law professors had access to the material produced by the transnational discourse communities, and had a significant role on translation and reinterpretation of these texts (Bislev et al. 2004, 208). In the early 1990s, the members of the scientific commission studied and translated the European Union flexibility directives for the employer confederation (TISK) (Interview 3). They also organized conferences regularly with their European colleagues (especially with German and Dutch scholars) on industrial relations and labour law issues. In addition to the connection with the EU standards, historically the Turkish labour law discipline was influenced by the ILO. For instance, the first Turkish labour legislation was introduced as part of the Turkey's commitment to the ILO conventions. Thus, the labour law scholars closely followed the developments on social justice and protection for the workers in the ILO legislation. They also actively acted as representatives of the employees, employers, and the state during the ILO meetings (Interview 3).

Transnational Actors:

As stated above, advocacy coalition framework tends to focus on national processes of change; and therefore, it does not pay sufficient attention to transnational diffusion and learning processes that cut across national scales. Yet transnational actors and their travelling ideas often play crucial roles in the process of change at national political landscape. The international organizations have come to be involved - actively

or passively - in the translation of their ideas into a national context. By exercising hard and soft forms of power, they undertake initiator, facilitator, and cognitive inspirer roles during the processes of change at national scales.

Moreover, the IOs not only play important roles in the translation of their ideas into a national context but they also “translate the ideas they mediate, reflecting in the process their own projects and interests” (Djelic and Sahlin- Andersson 2006, 17). These actors translate travelling ideas into their “organizational discourse” – that is to say, “their long-term political projects, defined by...themselves” (Dostal 2004, 445; Mahon 2010). In other words, as Mahon rightly notes, “while IOs and the networks they help to consolidate tend to contribute to the generation of a hegemonic meta-discourse – e.g. neoliberal globalization – it is also important to identify the particular stamp each IO places on this” (2010, 2). The organizational discourses of each international organization are framed by their historical legacies that take the form of “rules, rituals, and beliefs that are embedded in the organization” (Barnett and Finnemore 1999, 719). Yet these discourses are also the products of new projects that reshape the existing paths of the international organizations (Mahon 2010). Therefore, while not losing the insights from the understanding that past practices leaves their imprint on future alternatives for organizational discourses, the next section provides a dynamic view that international organizations create new organizational discourses within the framework of their policy legacies, which may even shift these policies into new paths. In line with this, the following section aims to specify how international organizations –the ILO, the World Bank, the OECD, and the EU – historically formed their organizational discourses through their various projects. This will enable us understand the ideational sources of the

new components in the Turkish welfare-production regime because the travelling ideas of the international organizations are shaped by their distinctive organizational discourses. For example, while flexibility may appear in the discourses of several IOs, each tends to put its particular stamp on it.

The International Labour Organization (ILO)

Without doubt, the International Labour Organization (ILO) has made important contributions to national labour market and social policies since its creation at the end of World War I. Moreover, unlike the neo-liberal priorities of the World Bank and the OECD, the ILO has retained a social democratic tone in its organizational discourse throughout its history (Deacon et al. 1997, 73). The ILO has also recourse to different instruments to transmit its ideas to nation states. The ILO has an international labour standard setting function via the formulation of conventions concerned with labour issues. Once a state ratifies an ILO convention, the ILO is authorized to supervise the legislation and implementation of the Convention in that particular state. In addition, like the OECD and the World Bank, the ILO also exercises soft forms of regulation through technical assistance to the member states, and through its publications (Strang and Chang 1993, 241).

The formation of the ILO's social security organizational discourse dates back to the early years of the organization. During this period, the organization dedicated its energy to establishing international standards for labour, and this formed the foundations of its organizational discourse. It initially focused on the introduction of regulations related to "eight-hour day and 48 hour week, unemployment", "night work of women and

young persons”, “and minimum age for employment in industry” (Morse 1969, 11-12). In addition, to promote the adoption of its organizational discourse among its member states, the ILO started to provide technical assistance. For example, the organization offered support for the establishment of the national social security system (Greece), organization of the local factory inspection services (China), formation of Ministry of Labour (Egypt), implementation of the unemployment insurance program and pensions (USA), preparation of social insurance and labour Act (Venezuela), and the creation of the Worker’s Insurance Organization (Turkey) (Alcock 1971, 139-148).

With the rise of Keynesianism in the post-war period, the ILO’s social security organizational discourse became more influential among its members. In the years following World War II, the ILO engaged in solving skilled labour shortages in Europe and Asia through its Manpower Program. Later, the organization initiated public employment service projects for developing countries; however, the ILO later realized that the main labour issue of the developing countries was “not how to match job applications for employment with notified vacancies but how to provide more jobs, on the one hand, and to train more skilled workers, on the other” (Morse 1969, 49). Such emphasis on job creation and building up a skilled and productive labour force led to the re-articulation of organizational discourse of the organization in terms of economic development in the 1960s.

It is thus not surprising that the ILO’s organizational discourse focused on unemployment which was, according to the ILO, the main problem in the developing world (Morse 1969, 49). During this period, the ILO adopted measures for employment policy which involved “ways of dealing with economic underdevelopment (such as

investment and income policy, promotion of industrial and rural employment, studies of population growth), actions by employers' and workers' organizations, and guidelines for international action" (Alcock 1971, 352). At regional level, the Ottawa Plan for human resource development in Latin American countries was adopted during the Eighth Conference of American States Members of the ILO (1966), which was followed by 13th Conference of the ILO's Asian Advisory Committee that suggested "at the national level, countries should introduce a comprehensive system of manpower planning to promote higher productivity and provide adequate supplies of trained personnel...at the international level, the ILO take immediate steps to develop an Asian Manpower Plan" (Alcock 1971, 357).

All these developments led the ILO to "adopt a Resolution on international co-operation for economic and social development", which in turn authorized the ILO to prepare "a world plan for employment and human resource development" (Alcock 1971, 359). According to the World Employment Program (WEP) that was initiated as a result of these efforts, one of the solutions to increase employment was rural development since most of the labour force was working in the agricultural sector and most of the underdeveloped regions in the world were rural areas (Alcock 1971, 363). The WEP also made recommendations to increase industrial employment such as the creation of "labour-intensive public works programs.....river valley projects, transport and communications and low-cost housing" (Alcock 1971, 363). Moreover, the program underlined the importance of labour-intensive industrialization strategies to assist the transition of "labour force from agriculture to industry" (Alcock 1971, 364).

Another transformation in organizational discourse of the ILO in the post-war era was the adoption of a human rights perspective in its standard-setting activity. This was closely related to the ILO's status as an agency of the United Nations. The five Conventions relating to "freedom of association, the right to organize and to bargain collectively, the abolition of forced labour, the elimination of discrimination in employment, and equal pay for work of equal value" constituted the core of human rights principles that ILO supported (Morse 1969, 57-58). The emphasis on human rights, however, brought about problems for the implementation of these rights in developing countries. This led the ILO to become involved in collecting information about these difficulties, and to seek ways to ease the implementation of these fundamental rights in different contexts (Morse 1969, 57-58).

In the late 1970s, the World Bank, the International Monetary Fund, and the OECD began to challenge the ILO's traditional organizational discourse (Standing 2008). The so-called Washington consensus understanding shared by these international organizations had a pronounced neo-liberal cast, prioritizing cuts in social policy and deregulation of labour markets: economic growth through deregulation, liberalization, and privatization was treated as a way to increase employment, and improve living standards. With regard to labour markets, this meant the elimination of protective regulations and the introduction of flexibility arrangements. This was a direct challenge to the labour market regulations that the ILO had adopted since its establishment.

Throughout the 1980s, the ILO failed to develop "a coherent response to the supply-side economic model" (Standing 2008, 364). The organization continued to assert its traditional organizational discourse of social security, which, however, resulted in the

organization's loss of discursive ground in transnational epistemic circles. This situation changed to some extent however with the ILO's involvement in the Eastern Europe. In Eastern Europe, the organization took part in "articulating policies to assist newly-designated vulnerable groups hurt by labour market or economic reforms" (Standing 2008, 364). Although the ILO was eager to introduce principles of its traditional organizational discourse in the region, its success was limited by the World Bank, which provided necessary funds to the ILO for the continuation of its activities in the transition countries (Standing 2008, 364).

In the 1990s, the ILO started to shape a new organizational discourse with an emphasis on "decent work". At the World Summit on Social Development in 1995, the ILO supported the view of "full employment with full respect for workers' rights" (Richards 2001, 1). "Decent work" was the main theme of ILO's *Declaration on Fundamental Principles and Rights at Work* (1998) which aimed to "secure full employment together with universal respect for fundamental principles and rights at work...including social dialogue (freedom of association and collective bargaining), the absence of discrimination, of forced labour and especially of the worst forms of child labour, and social protection" (Richards 2001, 3). Decent work necessitated "the state of full, productive, and freely chosen employment...where there is neither overwork nor insufficient work, no absolute poverty and no discrimination" (Richards 2001, 12).

The European Union (EU)

Over the last two decades, the European Union has become an influential idea creator and disseminator in the area of social and labour market policies, not only for its

members, but also for the candidate states in the process of accession to the European Union. Like the ILO and in contrast to the World Bank and the OECD, the EU has adopted a more social democratic position. The European Union uses both hard and soft law instruments to disseminate its (modestly) social democratic ideas. In the employment policy field, the EU uses soft forms of regulation, especially via the mechanism of the “open method of coordination” through which the Commission and the Council review national action plans which aim to mitigate unemployment, and then make recommendations and comments on these plans that are not legally binding (Trubek and Mosher 2001, 18). In certain particular areas of social and labour market policy the EU can also use hard forms of regulation to ensure that member states adopt the provisions of directives and legal instruments of the EU (i.e. directives on health, safety, and flexibility) into legislation. In the case of candidate states, the candidate country may also be required to introduce new laws or to re-frame the existing ones in accordance with the EU legislation, in order to expedite its accession process.

There was no definitive organizational discourse in the early establishment Treaties of the EU. In these Treaties, the social and labour market policies “were mentioned only indirectly or through broad interpretations of key social policy articles” (Geyer 2000, 82). The Treaty of Paris, which created the European Steel and Coal Community (ESCS) in 1951, focused on elimination of barriers for the establishment of common market that “expand[s] beyond the boundaries of existing nation-states....lead[ing] to greater economic efficiency, production, and performance” (Geyer 2000, 21).

In addition to its economic concerns, the Treaty introduced two key social policy measures: “social improvement” and “social harmonization” (Geyer 2000, 22). Social harmonization was based on “the idea that benefits and costs of market integration should be distributed equally among member states” (Geyer 2000, 22), which especially targeted “wage undercutting” between firms (Geyer 2000 22). Social improvement referred to “employment creation”, “improving living standards and working conditions”, and the provision of “various forms of unemployment aid, resettlement allowances, and retraining policies for the workers who lost their jobs due to technical innovation” (Geyer 2000, 22). During the first decades, social policy regulations were subordinated to the economic goals of the ESCS (Geyer 2000, 22).

The successor of the Treaty of Paris, the Treaty of Rome, which extended the scope of common market beyond the coal and steel industries, had a section on social policy that covered matters “relating to training, employment, working conditions, social security, collective bargaining, and common security measures for immigrant workers” (Hantrais 1995, 3). The Treaty also opened the way for the creation of the European Social Fund that “was intended to make the employment and re-employment of workers easier and to encourage geographical and occupational mobility within the EEC by providing assistance with the cost of vocational retraining and resettlement allowances” (Hantrais 1995, 3). Like the Treaty of Paris, the Treaty of Rome primarily focused on the establishment of common market that would “lead almost automatically to greater economic and social benefits” (Geyer 2000, 25). The role of social policy decreased further during the late 1950s and 1960s when the member states were pursuing Keynesian welfare policies at the national scale and were reluctant to delegate their

authority to a supranational Treaty in the area of social and labour market policies (Geyer 2000, 26).

It was not until the introduction of Social Action Plan (SAP) in 1974 that “the more positivist and interventionist social policy within the Community” emerged (Geyer 2000, 5) SAP was the initial document that articulated the initial organizational discourse of the EU with implications for social and labour market policies. The rationale of the SAP was that “economic expansion was not to be as an end in itself but should result in an improvement of the quality of life” (Geyer 2000, 5). To achieve this goal, the SAP specified three areas for action: “attainment of full and better employment, improvement of living and working conditions so as to make possible their harmonization while the improvement is being maintained, and increased involvement of management and labour in the economic and social decisions of the Community, and workers in the life of undertakings” (Geyer 2000, 36). Nevertheless, with the oil shocks, high inflation and unemployment during the 1970s, the scope of organizational discourse remained limited to certain areas such as gender equality in working conditions, employment protection, health and safety issues at work, and labour participation (Gold 2009, 13). Directives – hard law instruments – were enacted to regulate these areas: a directive guaranteeing the participation of the labour on the board of enterprises (1970); an equal pay directive (1975); a collective redundancy directive that ensured “the right to information and consultation when redundancies were planned” (1975); an equal treatment directive that “dealt with access to employment, promotion, vocational training and working conditions” (1976); transfer of undertakings (1977) that “guaranteed the continuity of employees contractual and statutory rights in cases of mergers and takeovers”; a directive

on “safety signs at the work place” (1977); an equal treatment for men and women directive (1978); and an insolvency directive (1980) “that protected workers pay if their company ceased trading” (Gold 2009, 13-14).

The early 1980s was the period when “Euro-pessimism” dominated. The stagflation crises in the late 1970s led member states turn inward (Geyer 2000, 40). This situation started to change in the mid-1980s when the process of Europeanization took on new life, this time clearly animated by an organizational discourse which envisaged the complete elimination of trade barriers and the promotion of a free market (Gold 2009, 41). This, in turn, led to the revival of the attempts to establish complete European integration. The White Paper on “the completion of the internal market” (1985) and the Single European Act (1986) were the outcomes of these efforts. As in the earlier decades, both documents subordinated social policy to free-market ideals. Geyer (2000, 45) noted that “the assumption was that as the protected economies of Europe integrated and barriers to trade were reduced, Europe would develop a more flexible and dynamic economy....Social policy had no role to play in this economic revival. Moreover, in order to keep the larger integration process moving, social policy was intentionally downplayed or ignored”. This brought about the erosion of the organizational discourse of the labour market policy in the 1970s.

One of the repercussions of this was the slowdown in the adoption of directives. A few directives on “promotion of positive action for women” (1984), “equal treatment in occupational security schemes” (1986), and “equal treatment for the self-employed and the protection of self-employed women during pregnancy and motherhood” (1986) were approved. Yet the draft directives on “part-time work, temporary work, and parental

leave and leave for family reasons” remained blocked (Gold 2009, 14). In most of these cases, Margaret Thatcher’s British government used its veto power to block the directives, arguing that they would increase labour costs, thus decreasing their competitiveness (Gold 2009, 14)

The downtrend in the use of directives led the Commission the search for an alternative to the hard-law approach. As a solution, the Commission sought to “integrate EU level employers and union organizations (the “social partners”) more closely into policy-making procedures” (Gold 2009, 16). The establishment of Social Dialogue ensured the development of soft-law that would later become the main tool to achieve the organizational discourse of the EU employment policies.

With the adoption of the Maastricht Treaty in 1992, the EU entered into a new phase of integration – the European Monetary Union (EMU). The Maastricht Treaty introduced economic criteria that “required the convergence of the economies of those member states wishing to join EMU in line with certain performance indicators” (Gold 2009, 18). The performance indicators had crucial implications for the employment policies of the member states. As these measures required the control of money supply and price stability, the members were no longer able to adjust their employment levels with “devaluation of their currencies” and “Keynesian demand management policies” (Gold 2009, 19). The only option for the member states (in the area of employment policy) was to introduce supply-side measures such as deregulation of labour markets (promoting labour market flexibility), and “reforming the welfare state to make working more attractive” (Gold 2009, 20-21).

This supply-side understanding was reflected at the European level with the shift in the emphasis “from employment protection towards employment promotion” in the EU organizational discourse (Gold 2009, 25). In 1993, the Commission prepared the White Paper on *Growth, Competitiveness, and Employment*, which focused on “training, flexibility in the labour market and work reorganization amongst other means of reducing the level of unemployment across EU” (Gold 2009, 20). This was followed by the Essen Summit in 1994 that aimed to “promote training, increase the job intensity of growth, reduce non-wage labour costs, move from passive to active labour market policies and target groups particularly hit hard by unemployment” and “also required member states to report every year on the measures they were taking to achieve these objectives” (Gold 2009, 20).

Alongside these economic concerns, the Maastricht Treaty also promoted the development of soft-law measures through social dialogue. The role of social dialogue was expanded through “enabling social partners to reach collective agreements which could be enacted as European directives” (Goetschy 1999, 118). In the late 1990s, the social partners agreed on a number of directives: parental leave (1996), part-time workers (1997), and fixed-term contracts (1999) (Goetschy 1999, 118-119). The social dialogue also assisted the elaboration and formulation of the White Paper entitled *Growth, Competitiveness and Employment*, and *Essen Strategy* (Goetschy 1999, 119).

The neo-liberal orientation was tempered, however, with the approval Treaty of Amsterdam in 1997, which authorized the EC to take action against discrimination stemming from “sex, racial or ethnic origin, religion or belief, disability, age, or sexual orientation” (Gold 2009, 21). Consultation with the social partners was required on “both

direction and content of proposed legislation in the social field before proceeding with it” (Gold 2009, 21). In addition, the Treaty recognized reducing unemployment and creating high quality jobs as common goals for all members and also introduced “a detailed procedure for monitoring employment and job creation” (Gold 2009, 21). All these concerns characterized the EU’s effort to balance flexibility (economic concerns) and security (social concerns) in its organizational discourse.

The World Bank (WB)

As the preeminent international lending organization for developing states, the World Bank has been one of the most important IOs and since the 1980s has provided crucial support for the diffusion of pro-market and liberal ideas. In particular, it has often used its financial clout to push its favored policies as a precondition to qualify for a loan (Gavin and Rodrik 1995, 332). Thus, it has stipulated that loans can only be offered to nation-states that have the “appropriate policy context”. In addition, the Bank’s technical advice has played a significant role in “ideational transmission” for borrowing countries that lack necessary expertise to prepare project applications with respect to the Bank’s ideas.

The Bank was established during the Bretton Woods Conference, which set principles of new international system in the post-war period. According to its original articles, the World Bank was responsible for re-building of economies that were demolished by the World War II, and the improvement of the productivity of services and resources in the less developed states (Blough 1968, 152; Smithies 1944, 787). To achieve these goals, the Bank would “promote private foreign investment by means of

guarantees or participation” and “supplement private investment by providing....finance....out of its own capital, fund raised by it and its other resource” (Smithies 1944, 787). All these activities would be performed “in such a way as to contribute to the balanced growth of international trade and the maintenance of equilibrium in balances of payments” (Smithies 1944, 787). These institutional goals have shaped the organizational discourses of the Bank throughout its history.

In its initial years of operation, far from being an active player in establishing social and labour market policies, the Bank was primarily concerned with trying to prove itself as “a financial institution recognized by the financial markets that had to absorb the Bank’s bonds at a reasonable price” (Griesgraber and Gunter 1996, 67). The Bank’s organizational discourse largely ignored social and labour market policies. This was in part because the Bank was heavily reliant upon stock markets to sustain its operations (Gavin and Rodrik 1995, 333). As a reflection of this, the dominant understanding in the Bank was that “lending should be done in a way that would not jeopardize the Bank’s access to private capital markets” (Gavin and Rodrik 1995, 333). Under these circumstances, the Bank pursued a very cautious program of lending activity since the “repayability” of these loans by the borrowing countries was crucial for the Bank to continue its operations. Thus, the Bank concentrated on “concrete, bankable projects”, especially infrastructure projects such as transportation, power, and port development (Gavin and Rodrik 1995, 333). This was evident in the Turkish case. For instance, the Bank was prepared to provide loans for a grain storage project, and the development of port, dam, and industrial bank projects during the fifties, but there was no funding for social development projects.

Another feature of the Bank's lending operations was that the Bank only focused on the "capital market deficiencies" through loans that targeted provision of "capital for the necessary long term investments which otherwise could not be financed through private markets" (Gilbert and Vines 2000, 15). The main rationale behind this understanding was that if "capital market deficiencies" had been overcome, this would inevitably have led to economic growth and the promotion of development. Nevertheless, due to its concern with repayability, the Bank largely avoided providing loans to capital-poor regions in which the certainty of repayment was perceived as less likely (Gilbert and Vines 2000, 14). Thus, in the period between 1946 and 1948, the Bank allocated the loans amounting to "\$500 million to the countries in the Western Europe (\$250 million to France, \$207 million to the Netherlands, \$40 million to Denmark and \$12 million to Luxembourg)", whereas only Chile could obtain a loan of \$16 million in the group of developing countries (Toussaint 2008, 19).

Nevertheless, the economic recovery of the Europe in the late 1950s forced the Bank to turn its attention to the economic development of capital-poor countries. This shift in the Bank's focus is evidenced by the establishment of the International Development Agency (IDA) in 1960, which became the second component of the World Bank. The main drive behind the formation of the IDA was "the difficulty of finding projects in many of the poorer (now renamed) developing countries which would generate rates of return compatible with the repayment of IBRD loans" (Gilbert and Vines 2000, 15). With the creation of the IDA, the Bank began to assume the role of "a development agency rather than public sector bank lending for development-related projects" (Gilbert and Vines 2000, 15).

The Bank's new emphasis on development was the starting point of its formation of organizational discourse in labour market and social policies. Between 1963 and 1968, the Bank launched its first social sector lending projects in education and sanitation (de Vries 1996, 67). Under the presidency of McNamara (1968- 1982), the change within the Bank became more apparent. The scope of projects for development considerably increased. To illustrate, Ayres states that "in fiscal 1968, Bank lending for agriculture and rural development amounted to only \$172.5 million, 18.1 percent of its total lending. By fiscal 1981, it had risen to \$3.8 billion, 31 percent of total lending" (1983, 5). This was also the period when the criticisms of the trickle-down model of development gained credit in the academies and international knowledge circles. Contemporary empirical studies argued that high growth rates in third world countries were not accompanied by meaningful social development (Kanbur and Vines 2000).

This challenge to the orthodox model of development, in turn influenced the policies of the World Bank (Ayres 1983, 8). For example, the Bank released a poverty reduction strategy entitled *Redistribution with Growth* that articulated its initial organizational discourse on social policy and development (Kapur et al. 1997, 237; Ayres 1983, 76). The Bank's anti-poverty discourse analyzed poverty in absolute terms (Ayres 1983, 77). Despite the reference to the term *redistribution*, it avoided the concepts of relative income, inequality, or distribution of wealth. Kapur et al. suggest that the fact that the Bank did not define:

....the problem as one of inequality, and thus of redistribution, became a barrier to action: the definition magnified the perceived political constraint and increased the probable complexity of any lending operation.....Putting equity aside, the Bank could focus on the more politically acceptable and – as it first appeared – administratively limited goal of providing resources to the poor (1997, 248).

Thus, the Bank's new position on poverty reduction did not mark a radical shift in its organizational discourse. This was evident in the Bank's rejection of the trade-off between poverty alleviation and growth (or economic productivity). Growth was still seen as "necessary for poverty reduction and an essential purpose of every Bank loan and policy recommendations" (Kapur et al. 1997, 248). In his speeches, McNamara underlined the necessity for the "economic productivity" of the Bank loans. He argued that "there is no sense in simply redistributing the same size pie" and "in the long run no direct efforts against poverty and unemployment can succeed without sustained economic growth" (Kapur et al. 1997, 248). This period can thus be understood as one in which the Bank attempted to reconcile its commitment to promoting economic growth with poverty reduction (which by this time became a relatively autonomous issue, not assumed to be a direct side-effect of economic growth).

As a reflection of this new period in the Bank's development, employment soon became an area of ideational development for the Bank. The recognition of the poverty problem as an "employment creation" issue in its organizational discourse enabled the Bank to combine poverty reduction with economic productivity. Employment creation was seen as a solution to reduce poverty. Kapur et al. argued that "once poverty reduction was identified with 'job creation', win-win solutions became possible: more jobs would raise production and help the poorest simultaneously" (1997, 227). Initially, the Bank drew on the research of other IOs (especially the OECD and the ILO) to develop its own position in this area. For instance, the Bank drew on OECD's study *Industry and Trade in Some Developing Countries (1970)*, which was concerned with an "historical review of industrial and trade policies in developing countries". In spite of the emphasis of this

work on the cost of protectionism that impeded the economic growth, it also underlined that the limited job creation in less developed countries is associated with high protectionism (Kapur et al. 1997, 226). The World Employment Program, which was carried out in seven countries by the ILO during the period of 1970 and 1975, also drew attention to the employment problems of developing countries (Kapur et al. 1997, 227).

The Bank's emphasis on employment creation was put into practice in both rural and urban development projects. In rural development projects, the Bank aimed to "make the poor more productive, to raise the income and output of small-scale rural producers and make subsistence or near-subsistence farmers into commercial ones" (Ayres 1983, 99). In urban development projects, the Bank paid special attention to "increase earning opportunities" through "small-scale enterprise development", and to "create more jobs in the modern sector" (Ayres 1983, 152-153).

The 1980s was characterized by another major shift in the Bank's organizational discourse as the Bank started to focus on "structural adjustment", emphasizing stabilization, balance of payments, and the free-market economy, as a response to global economic crisis. The Bank focused on "removing sources of inefficiency in public spending and employment, and agricultural policy". According to the Bank, the interventionist role of the state in markets, expansionary fiscal and monetary policies, and protectionist policies (i.e. "export taxes on agricultural commodities and import tariffs", and "overvalued exchange rates") did not better assist the poor (Kapur et al. 1997, 353). Kapur et al summarize the Bank's position thus:

Import protection, food subsidies, and health and education expenditures...favored urban, often middle-class inhabitants, not the rural poor. Similarly high wage policies merely helped workers 'in the modern sector of the economy which employs only a small proportion of the total population...with result that inflation was fuelled'. In this view, the cry against the social costs of adjustment' was a misperception because those who would be hurt by adjustment' were typically urban dwellers, not the rural poor (1997, 353).

Instead, the Bank argued that liberalization and free-market economy was necessary for growth and hence for reducing poverty (Kanbur and Vines 2000, 91). Consequently, the 1970s style poverty reduction projects lost their importance.

Towards the end of the 1980s, the criticisms were intensified against the Bank's ignorance of the "social costs of adjustment". Notably, the UNICEF publication in 1987 entitled *Adjustment with a Human Face* drew the attention of the international community to the adverse social effects of the structural adjustment. The UNICEF study argued for "compensatory measures to soften the effects of adjustment on the poor – notably unemployment among fired state and parastatal employees, rising food prices for net consumers among the poor, and reduced social services as government spending is cut" (Nelson 1995, 21). These criticisms brought issues of poverty back on the World Bank's agenda and organizational discourse.

Nevertheless, the Bank interpreted these criticisms from within its neo-liberal organizational discourse. In *The World Development Report 1990*, the Bank recognized that the structural adjustment may have adverse impacts on the poor in the short-term; however, the Bank maintained that economic growth would decrease poverty in the medium term (World Bank 1990, 120). This understanding manifested itself as a "dual strategy for poverty alleviation [that] was, in effect, a compromise, combining poverty targeted and even welfare lending with a re-emphasis on growth and trickle-down"

(Kapur et al. 1997, 370). The first component of the strategy aimed to pursue “a pattern of a growth that ensures the productive use of the poor’s most important asset – labour” (World Bank 1990). This component was in line with the Bank’s structural adjustment policies that promoted promoting export-oriented growth and decreased state intervention in markets, including labour markets. According to the Bank, the inward-development (or the protectionist development) strategies of developing countries had created a privileged class of workers (“insiders”) who maintained their privileged position by means of security provided by severance payment, job security, and the like (World Bank 1995, 13). The Bank argued that such protectionist policies at both the macro- and micro-level resulted in a decrease in labour demand and productivity, preventing the creation of more jobs for the “outsiders” – the unemployed workers and those working in the informal and rural sectors (World Bank 1995, 89). Therefore, the Bank called for re-structuring or elimination of these market rigidities to increase efficiency and productivity in the labour market, which would in turn create more jobs. An unemployment insurance program, if properly designed, however, was seen by the Bank as a tool to increase labour market efficiency by facilitating labour market mobility.

The Bank also argued that an unemployment insurance program can ensure labour market mobility especially by conditioning the income benefit to job search and decreasing the duration of benefits (World Bank 1995, 89). The second part of the Bank’s strategy focused on the provision of basic welfare services to the poor such as primary education, primary health, and family planning. The Bank also suggested “well-targeted transfers” for those who cannot benefit from these two elements of the strategy and “social safety nets” for those who “are exposed to shocks” (World Bank 1990).

According to the Bank, the “social safety net” component was required to compensate losses of public workers fired in the structural adjustment process. The Bank argued that structural adjustment requires decreasing public employment; however, it is politically difficult to achieve without any compensation to dismissed workers such as “severance payments” or “other redeployment payments”, “special credits”, “re-training services”, and “unemployment insurance program” (World Bank 1990, 120). At the same time these programs were also argued to “enhance labour market mobility by making it easier to fire and dismiss workers and by introducing market-driven program(s) for the unemployed” (Derviş et al. 1995, 107).

The Organization for Economic Co-operation and Development (OECD)

Over the last two decades, the OECD has increasingly become a key actor as a “creator, purveyor, and legitimator of ideas” in the transnational governance of social and labour market policies (Mahon and McBride 2009, 84). With the World Bank, and the IMF, the OECD is another international organization which, since the late 1970s, has developed its ideas in a more neo-liberal direction. Yet unlike the World Bank and IMF, however, the OECD does not have budgetary nor sanctioning powers to impose its decisions and ideas on member states (Mahon and McBride 2009, 87). Rather, drawing on Jacobsson’s (2006) classification, Mahon and McBride (2009, 86) argue that the OECD exercises soft forms of power in the dissemination of its ideas through “inquisitive” and “meditative” modes of regulation.

The formation of the earliest organization discourse of the OECD in employment policy dates back to its establishment with objectives to promote both economic growth

and employment. To address employment issues, the OECD established the Manpower and Social Affairs Directorate and the Development Center to perform research, identify problems, and suggest solutions. While the Manpower and Social Affairs Directorate was involved in labour market problems of industrialized states, the Development Center engaged in employment issues in non-member developing countries.

The Manpower and Social Affairs Directorate of the OECD played a significant role in the formulation of its organizational discourse for the industrialized countries. The Directorate identified the scarcity of labour as an impediment to high rates of economic growth (OECD 1967, 13). This way of thinking mirrored changes within the prevalent Keynesian paradigm which stressed the contribution of supply-side management (i.e. manpower and employment policies) to “economic growth combined with financial stability” (Marcussen 2001, 5).

The tasks of the Directorate considerably increased after the initiation of “an active manpower policy that would request member governments to examine and report back on national manpower policies for the promotion of economic growth” by the OECD Council in 1964 (Aubrey 1967, 72). Consequently, between 1964- 1972 the Directorate began to publish on Manpower Policy and Programs on a number of countries.

As part of its program, the Manpower and Social Affairs Committee supported pilot studies⁵ that would “improve the participation rate and productivity of the hard-to-

⁵ Some of these studies were *Job Redesign* (1964), *Training Methods* (1965), *Placement Techniques* (1966), *Promoting the Placement of Older Job Seekers: A Guide to Methods* (1967), *Women Workers: Working Hours and Services* (1965), *Work or Support: Analysis of Substitute Permanent Employment*

place or special groups (such as women, old workers, long-term unemployed, and rural employees my emphasis) in the labour market” (Williams and Rosenblum 1967, 7). The integration and re-integration of these groups into the labour market was central to the active manpower policy of the OECD: manpower policy should see to “the provision of aid to groups intermittently or permanently outside the labour force (to enable them) to participate in useful employment through such aids...as special job arrangements and efforts to reduce prejudice against their employment” (Klein 1965, 9). The rationale behind the integration and re-integration of these special groups, according to the OECD, was that “full and efficient use [of labour as a scarce resource] largely determines the rate of economic growth in the industrialized countries”; therefore, there was a need for efficient methods to increase the participation of these groups into the labour market (OECD 1967, 13).

The organizational discourse of OECD for developing countries was quite different from that formulated for developed countries. This was because, according to the OECD, for the developing countries the problem was not the scarcity of labour but was the lack of employment opportunities in the face of an increasing supply of labour. The Development Center’s organizational discourse was also relevant to the less developed members of the OECD such as Turkey and Greece who shared similar employment problems with the developing world. According to the Development Center, protectionist development strategies of the developing countries were the cause of the employment problem. In a report entitled *Industry and Trade in Some Developing Countries: A Comparative Study* (1970), it criticized the impact of the import-substitution

(1966), *Rural Manpower and Industrial Development, Adaptation, and Training* (1961), and *National Rural Manpower* (1965).

model on employment, and distribution of income in seven countries (Brazil, Argentina, India, Mexico, Pakistan, the Philippines, and Taiwan). The main finding of the report was that the import-substitution model halted employment creation and aggravated income inequalities. According to the study, import-substitution oriented industries are usually capital-intensive because exchange rates are overvalued to facilitate the cheap import of “capital equipment”. In addition, import-substitution promoted high social protection measures and high wages for the workers “who are already employed in industry”. The report also stated that the import substitution model neglected the agriculture sector due to its emphasis on protection of the industry (Little et al. 1970, 8). According to the OECD study, all these factors prevented the formation of more jobs, which increased inequalities in income distribution. To overcome these problems, the report suggested that export-oriented growth would lead to more labour-intensive production in developing countries (Little et al. 1970, 11). This was justified on the grounds that under free-trade conditions, the developing countries would specialize in the specific production of certain goods on which they had comparative advantage – that was mostly the labour-intensive production as the labour was cheaper compared to the industrialized countries (Little et al. 1970, 11).

After the publication of the *Industry and Trade in Some Developing Countries*, the Development Center initiated direct studies on the employment problem in developing countries. The first publication of these series of studies was *The Employment Problem in Less Developed Countries: A Review of Evidence (1971)*. This study argued that national industrialization strategies promoting capital-intensive industries hindered employment creation. It suggested that developing countries should instead support

labour-intensive industries (mainly the export sector) in order to absorb high supply of the unemployed.⁶ Overall, in the post-war period while the OECD focused its efforts on eliminating unemployment in developing countries, it focused on labour scarcity problem in the industrialized ones.

By the late 1970s, however, industrialized countries began to experience high unemployment combined with inflation. The traditional Keynesian fiscal toolkit for managing the economy no longer seemed applicable. This led many to question the efficacy of the Keynesian paradigm. In response to the problem of stagflation, the OECD appointed a group of independent experts to assess the problem, and to find solutions for it. In 1977, these experts prepared the “McCracken Report” (as it was often called) which articulated the new organizational discourse – supply-side economics – of the OECD in area of labour market and social policies. According to the report, it was not possible to reach high growth rates and full employment without solving the inflation problem (McCracken 1977, 25). This was justified on the grounds that high inflation resulted in loss of sales, investment, and jobs (McCracken 1977, 27). The report criticized the expansionary monetary and fiscal policies in the 1960s and 1970s which it believed aggravated the inflation. It suggested that macro-economic policy tools such as tighter fiscal and monetary policy had to be used to ensure that inflation was “accommodating”.

In addition, the study emphasized that these tools would be more efficient and would lead to higher economic growth and low unemployment if market rigidities and

⁶ This work was followed by other publications such as *The Employment Problem in Less Developed Countries: A Review of Evidence* (1971), *Employment and Output: A Methodology Applied to Peru and Guatemala* (1971), *Technological Change in Agriculture and Employment in Developing Countries* (1971), and *The Social Costs of Urban Surplus Labour* (1977).

limitations were removed (McCracken 1977, 44). Labour market rigidities such as generous unemployment compensation benefits, high wages, and other labour costs were the major reasons behind the increasing unemployment rates in the industrialized countries (McCracken 1977, 14 and 44).

...a secular rise in the price of labour and other input costs relative to output prices, and reduced flexibility in the adjustment of labour inputs in response to output fluctuations. Because of the low rate of return on capital there is not enough investment; and what investment takes place is mainly directed to saving labour and reducing other costs rather than expanding capacity and providing additional jobs (McCracken 1977, 37).

Hence, the report supported flexibility in wages, and elimination of other labour restraints in order to “reduce the mismatches between supply and labour for particular categories of labour” (McCracken 1977, 44). The report symbolized the shift in organizational discourse within the OECD to a more market-oriented, liberal direction (McBride and Mahon 2009, 94).

This pro-market organizational discourse was reinforced with the OECD conference, *Welfare State in Crisis*, held in 1981. At the conference, the OECD criticized high welfare state expenditures (i.e. generous social protection programs, and other non-wage benefits) on the grounds that they hindered economic growth, and undermined governments’ ability to control inflation (OECD 1981, 73- 74). The OECD argued that social policies had to be re-designed so that they did not distort the efficient functioning of the economy. Accordingly, social programs had to provide “adequate minimum protection” (not generous), and they had to be more targeted (OECD 1981, 77- 81). The OECD Secretariat underlined in the conference that welfare state approach, which “depend[ed] on tax/transfer mechanisms, uniformity in the delivery of social services,

universality, and the protection of individuals through impersonal transactions with non-discriminatory eligibility conditions”, had to be replaced with a pro-market alternative which “was based on more selectivity (to target groups) in income transfers and the delivery of social services; greater decentralization and localization of services....tighter eligibility conditions and incomes-testing” (OECD 1981, 82). The OECD’s position reflected the principles of the pro-market model that emphasized liberalization, deregulation, and privatization in the regulation of social and economic policies.

In the 1990s, this economic orthodoxy manifested itself again with the publication of the OECD’s *Jobs Study* (1994). Similar to the suggestions of *McCracken Report* and *Welfare State in Crisis* conference, the Jobs Study recommended that countries should increase flexibility in working-time and wages, and they should reform the employment security legislation and social benefit programs related to unemployment (OECD 1994). According to the study, there was a need to remove legislative barriers in order to introduce flexible working hours and part-time work. This was justified on the grounds that rigid labour legislation indirectly hampered employment creation (OECD 1994, 32). The study also called for reduction of non-wage costs (including “social security contributions”, and “taxes paid by employees and employers to finance social expenditure”) as these costs discouraged employers from hiring new workers because of the high costs of dismissal (i.e. severance payment, and other payments that the employers were supposed to pay) and of hiring (OECD 1994, 33-34). In close relation to its support for flexibility, the OECD suggested that employment security provisions should be re-designed to allow dismissals; and unemployment and related benefit structures should be re-structured to increase work incentives (OECD 1994, 50-52). In

other words, labour legislation and social security programs should be prevented from distorting the functioning of the labour market. Moreover, the OECD preferred more public spending on active labour market policies than on passive measures such as unemployment insurance benefits and other social security benefits. Active labour market policy component was complementary to the OECD's stance on "minimum social security provision" to the unemployed because both active and passive measures were supposed to increase the capacity and incentives of the unemployed to return work.

As for the developing countries, the OECD Development Center published a report called *Employment and Development: A New Review of Evidence* in 1993. Like the Development Center's report on employment in the 1970s, this report argued that the "slow growth of employment in medium and large scale modern industrial enterprise is linked to policies that favored inward-looking import substitution, which caused output growth to be limited and investment incentives and labour protection policies that favored capital intensity" (Turnham 1993, 15). The report supported the structural adjustment programs that promoted export-oriented growth as they would lead to increase in employment, at least, in the long-run (Turnham 1993, 9). In that regard, the OECD also supported pro-market model in developing countries so as to achieve more employment creation in their economies.

Conclusion

This chapter has focused on the domestic and transnational actors who took part in the reform process in Turkey by focusing on their organizational discourses and strategies that emerged at a certain institutional and historical context and developed

them within the framework of policy legacies. The chapter first identified the members of domestic advocacy coalitions (societal actors and scientific commissions) who took part in the selection and translation of the travelling ideas generated and/or diffused by the international organizations. Then, it expanded the domestic advocacy coalition framework with the “transnational knowledge networks”. This is especially important in the Turkish labour market reform process in the early 2000s as these reforms were the product of the interaction between transnational and national scales.

The key domestic actors in the introduction process of the new unemployment insurance program, and flexibility and job security provisions were the scientific commissions, and political actors such as class-based organizations and politicians. There were two scientific committees in this process. The first was comprised of economists who worked in the state bureaucracy, and was authorized to design unemployment insurance program; the second was comprised of labour law professors, who were responsible for preparing the flexibility and job security provisions, and for revising the severance payment program. Due to their transnational connections with the OECD, the World Bank, the EU, and the ILO, these groups of professional economists and labour professors also had access to the developments in economics and labour law disciplines in the transnational knowledge networks. Thus, it was not a coincidence that these actors aimed to design these components in line with the ideational foundations of the flexicurity and flexibility. Even though the labour and employer confederations and the political parties were not directly involved in the preparation of the drafts for these institutions, they, to some extent, changed some of the provisions of these bills. This process will be more detailed in the case study chapters of four and five.

Secondly, the chapter has concentrated on four international organizations, which, as nodes of transnational knowledge networks, directly or indirectly play important roles in the diffusion of the ideas into the national contexts through using “soft” and “hard” forms of power. Since these actors have produced “organizational discourses” which influenced the reforms in the Turkish employment policy in the early 2000s, the chapter has emphasized the need to identify the historical emergence and evolution of the “organizational discourses” of these actors. The historical legacies of these organizations provide the context where these long term political projects have emerged. In other words, each international organization has its own specific history that in turn, shapes its discourses. Yet these organization discourses are also the outcomes of their new projects, which may transform their past practices (Mahon 2010). Mahon (2010, 2) argues that, with their own emphasis, international organizations contribute to the production of the meta-discourses in each hegemonic period of the world capitalism – neo-liberal globalization, and Keynesianism. This chapter has identified the “organizational discourses” of the four international organizations (ILO, WB, OECD, and EU) which have taken part in the introduction of the unemployment insurance program, the job security, and flexibility arrangements in the Turkish context. The ILO and the EU have historically adopted social democratic positions, while the OECD and the WB have leaned in a liberal and increasingly neo-liberal direction (Deacon et al. 1997).

All these international organizations have had longstanding relations with Turkey. Turkey joined the ILO in the 1930s and since then has ratified 56 Conventions covering the topics of minimum wage, social security, equality of treatment, employment policy, job security, elimination of discrimination, abolition of forced labour, workers

representatives, labour inspection, right to organized and collective bargaining, weekly rest, and underground work. In addition, the ILO has provided technical support on how to establish state labour organizations and departments (such as the support for the formation of Worker's Insurance Organization in 1931), and implement an unemployment insurance program.

The EU has also been an important actor in labour market and social policies since the 1990s. Turkey and EU relations have a history dating back to early 1960s. Turkey applied for EEC membership in 1963; however, the accession process could not be finalized until 1982. After the military coup in 1980, relations were frozen between 1982 and 1986. With Turkey's re-application for EU membership in 1988, the interaction between EU and Turkey considerably increased. One of the repercussions of this increasing interaction was Turkey's ratification of the EU Custom Tariffs Treaty in 1995. Relations between Turkey and the EU reached its peak when Turkey was accepted as a candidate for EU membership in 1999.

Since the 1950s, the World Bank has been involved in more than 200 projects including port development, grain drainage development, municipal services, small and medium enterprises, structural adjustment, privatization, secondary education, vocational education, employment and training...etc. Throughout the 1970s, as part of the Bank's new emphasis on poverty reduction, the World Bank Turkey office initiated the "İstanbul Urban Development Project" (1972) which "aimed to meet in a systematic way the short and long-term needs of the growing population for employment, basic urban infrastructure and services, housing, education, health and other amenities" (World Bank 1972, 7). In 1975, the Bank launched the "Çorum-Çankırı Rural Development Project"

that aimed to increase the productivity of the farmers “through improved breeding and feeding, and the introduction of an area of irrigation” (World Bank 1975, 26). When the poverty reduction projects lost their importance in the early 1980s, as part of its neo-liberal organizational discourse, the country office provided structural adjustment loans exceeding more than 25 percent of the amount of lending between the period of 1980 and 1990⁴.

The interaction between the OECD (its predecessor the Organization for European Economic Cooperation in Europe) and Turkey dates back to the late 1950s. The OECD played a key role in the adoption of central planning for the establishment of a discipline of public expenditures (Erder et al. 2003, 12). The State Planning Organization (SPO), which was responsible for the preparation of five-year development plans, was established with the efforts of the OECD. Since the 1960s, the OECD also conducted studies on the Turkish labour market and social policies. The OECD provided technical assistance on the re-structuring of the Job Finding Agency, and the feasibility of the unemployment insurance program in the Turkish context. Beginning in the 1980s, along with the IMF and World Bank, the OECD played an important role in the replacement of import-substitution industrialization with the export-oriented growth model (Öniş and Bakır 2007).

These four international organizations directly or indirectly influenced the introductory process of the unemployment insurance program, and flexibility and job security provisions in the early 2000s. The World Bank played an active role in the establishment of the Turkish unemployment insurance program through the implementation of two projects in Turkey – *Employment and Training Project* (1992) and

Privatization Implementation Assistance and Social Safety Net (1994). While the *Employment and Training Project* aimed to use the unemployment insurance program to increase labour market mobility and flexibility, *Privatization Implementation Assistance and Social Safety Net* suggested the usage of the program as a social safety net for the dismissed workers after privatizations. In line with the objectives of these projects, the scientific commission of economists designed the Turkish unemployment program. The commission of economists specifically used the OECD standards for the preparation process of the UI draft, which was also in line with the liberal understanding of the World Bank and the Turkish economic bureaucracy.

Following the introduction of the unemployment insurance program, the enactment of the job security and flexibility provisions came onto the agenda. The scientific commission of the labour law professors, which was selected by labour, employers, and the state, prepared the flexibility and job security provisions compatible with the principles of the ILO and the EU. The scientific commission of the labour law professors used the ILO Convention as a reference for the design of job security provisions, whereas they used the related EU directives to design the flexibility provisions. In the next two chapters, the thesis examines how these standards of international organizations were translated into the Turkish context focusing on the strategies of domestic actors, in addition to structural factors, notably the economic and political instability of the period.

CHAPTER FOUR

THE TRANSLATION OF THE TURKISH UNEMPLOYMENT INSURANCE PROGRAM

The Turkish unemployment insurance program was introduced in the late 1990s as a result of increased interaction between transnational and domestic actors, and the intensification of the economic crises related to the country's transition to the export-oriented growth model. Along with sickness payments, old-age payments, disability payments, and maternity programs, the late introduction of the unemployment insurance program is interesting analytically not only because it is one of the key arrangements which welfare regimes adopt to mitigate social risks (Korpi and Palme 1998; Bannink and Hoogenboom 2007, 25), but also because the unemployment insurance scheme lies at the nexus of welfare and production regimes (Kolberg and Esping-Andersen 1990). Not surprisingly, the introduction of new unemployment insurance program contributed to the unsettling of the Turkish welfare-production regime. The introduction of the unemployment insurance program led to a layering of the unemployment insurance scheme on top of the existing severance payment program. In layering, a new institution is introduced with a similar function as an old institution (Thelen and Streeck 2005). The new institution is expected to gain support from the beneficiaries of the old institution and thereby lead to the weakening of the vested interests behind the old program. This chapter argues however that in Turkey the layering process has thus far not proved very successful because of the limited eligibility structure of the unemployment insurance program, which prevented it from weakening or deinstitutionalizing the generous severance payment program.

In order to fully analyze the change that was brought about by the unemployment insurance program in the Turkish welfare-production regime, it is important to identify the travelling ideas that influenced the design of the unemployment insurance program. At the idea-institutional level, layering refers to the institutionalization of competing transnational idea with a new model that “prescribes a coherent, integrated way of organizing a policy program or designing an institution” (Weyland 2007, 18). The chapter argues that the design of the Turkish unemployment insurance program was inspired by the OECD’s idea of flexibility, which challenged the notion of job security and its institution of severance payment in the Turkish context. To analyze the translation process of the flexibility idea in the form of the new unemployment insurance program, the chapter discusses how competing domestic advocacy coalitions (pro-labour and pro-market) agreed to introduce the unemployment insurance program, and how the scientific commission which was part of the pro-market advocacy coalition articulated the flexibility idea of the OECD while designing the unemployment insurance program.

The chapter begins with a discussion of why the unemployment insurance program was not introduced earlier in Turkey, even though its adoption had been debated since the early 1960s. It examines the role of macro-structural factors including the impact of emigration from Turkey to Europe during the 1960s and 1970s, and state-led import-substitution industrialization strategy), as well as institutional factors like the existing labour market institutions that shaped the strategies of national political parties, labour and employer confederations. Building on the insights from the first section, the next section tries to uncover the important factors behind the introduction of the unemployment insurance program in the late 1990s. The chapter focuses on the

implications of macro-structural factors such as the transition from import-substitution to the export-oriented growth model, and the influence of the ongoing economic crises on the initiation process of the unemployment insurance program.

Yet the creation of the unemployment insurance program cannot only be explained by these structural transitions and crises, but also by the strategies and struggles of political actors, and the existing intermediate-level institutions that mediate the macro-structural factors (Thelen and Steinmo 1992, 11). The chapter especially argues that two features of Turkish labour market policy making proved influential for the introduction of the unemployment insurance program: (a) the fact that the government was very keen to reach consensus between the members of the pro-market and pro-labour advocacy coalitions (between the Turkish economic bureaucracy and the labour confederations), and (b) the systematic incorporation of expert commission into the policy process.

The second section examines the role of the pro-labour advocacy coalition (composed of the Ministry of Labour, and labour confederations) and the pro-market advocacy coalition (including the Turkish economic bureaucracy, the employer confederation, and the World Bank) in the layering of the unemployment insurance over the old practice of severance payments. The chapter argues that neither the labour confederations nor the employer confederation made any effort in support of the introduction of the unemployment insurance program due to their concern to preserve existing institutions (Mazza 2000, 72). Instead, the labour and employer confederations focused their attention on the generous severance payment program (which is the oldest

institution of the Turkish welfare-production regime) rather than on how to design the unemployment insurance program.

Unlike the labour and employer confederations, however, other members of pro-labour and pro-market advocacy coalitions – the Ministry of Labour, the World Bank and the Turkish economic bureaucracy – pushed for the introduction of the program despite important differences in their political agendas.

The World Bank and the Turkish economic bureaucracy had a pro-market agenda that focused on flexibilization of labour markets, privatization of the State Economic Enterprises, and decreasing the budget deficits created by the social security system. As a transnational actor, the World Bank was directly involved in Turkish policy-making by launching projects and research together with the Turkish economic bureaucracy. In other words, the Bank undertook an “initiator” role in its collaboration with the Turkish economic bureaucracy so as to bring the travelling idea of flexibility into the Turkish political landscape. While doing that, the Bank used “soft” and “hard” forms of power to persuade the successive Turkish governments (see Chapter Three). Initially, the World Bank and the Turkish economic bureaucracy suggested the layering of the unemployment insurance program on the top of the severance payment program because, they liked the pro-market logic embedded in the unemployment insurance program; that is, it could ensure more flexibility and mobility in the labour market than the severance payment program. Starting from the mid-1990s, however, the layering of the unemployment insurance program became a secondary goal for the members of the pro-market advocacy coalition because they drew their attention to the reform of the pension system.

Unlike the pro-market advocacy coalition, the Ministry of Labour supported the introduction of the program as a complement to the existing severance payment scheme and the possible enactment of job security. In response to increasing pressure of the Turkish economic bureaucracy and the World Bank, the Ministry of Labour also used the commitment to create the program as a tool to mitigate the reaction of the labour unions against pension reform in the late 1990s. In other words, the Ministry of Labour played a “policy broker” role between (1) the Turkish economic bureaucracy and the World Bank and (2) labour unions by suggesting the introduction of the unemployment insurance program as part of the pension reform. It was thus not surprising that the unemployment insurance program was introduced as the by-product of the pension reform process. The introductory process of the unemployment insurance program is addressed in the last section of the chapter.

The chapter also discusses how the unemployment insurance program was designed in accordance with the OECD’s idea of flexibility by an expert team composed of the bureaucrats from the Job and Labour Finding Agency, which was part of the Turkish economic bureaucracy and pro-market advocacy coalition. In the domestic translation of the OECD’s idea, the Turkish expert team formulated the unemployment insurance program with a very limited eligibility and benefit criteria relative to the OECD work. The re-interpretation of the OECD’s idea was only limited to this change. This was because the societal actors (labour and employer confederations) were not interested in the establishment of the unemployment insurance program due to their concerns with the existing severance payment program and early retirement scheme; therefore, they did not

struggle over changing the design of the unemployment insurance program with respect to their interests.

Debates regarding the non-Introduction of the Unemployment Insurance Program:

Although the unemployment insurance program was only introduced in the early 2000s, the idea has been debated since the 1960s. The transnational actors and their ideas have especially inspired the bureaucracy in Turkey to design the unemployment insurance program drafts. There had been many studies about the introduction of the unemployment insurance program conducted by transnational actors such as the ILO and the OECD. Consequently, the Turkish bureaucracy such as the State Planning Organization and İİBK had considered its introduction in light of these studies.

Cooperation with transnational actors about creating an unemployment insurance program began with the first study in 1959. The Ministry of Labour and Social Security formed a commission to carry out the research for the creation of this scheme, with technical assistance from the ILO (Andaç 1991, 93). An ILO expert conducted the research and prepared a report called *Possible Solutions for Unemployment in Turkey*. This report underlined the need to introduce the UI scheme because the existing severance payment program provided insufficient protection for all dismissed workers (Törüner 1991, 41). The study also suggested that the Job and Labour Finding Agency (İİBK) should be re-organized so that it could collect reliable labour market data for the implementation of the UI program (Törüner 1991, 41). Rather than collecting labour market data, the İİBK historically had been engaged in matching semi-skilled employees with public enterprises in terms of job openings.

The idea of introducing an unemployment insurance program gained greater importance in the early 1960s when it became a social priority in the first five-year development plan (Törüner 1991; Andaç 1991). The İİBK undertook the leading role in conducting studies for the creation of the UI scheme, and preparing a UI draft law (1964), which incorporated the views of various government departments, especially the State Planning Organization (Şahin 1979, 32). When the İİBK realized that the legal and fiscal aspects needed to be assessed, the Ministry of Labour and Social Security turned to Forest L. Miller, who was the USA Ministry of Labour General Director of the Unemployment Insurance Organization (Törüner 1991, 41). For technical support, Miller's report (1967) suggested that the unemployment insurance program include permanent workers; setting unemployment compensation at fifty per cent of monthly wage; the premiums in total should be three percent; the state should not be involved in the payment of such premiums (Törüner 1991, 42).

Based on these recommendations, the İİBK prepared another draft in 1968 and sent it to related government organizations such as the Ministry of Labour and Social Security and the State Planning Organization (TİSK 1993, 32). This round of consultations made it evident that reliable data on the entry-exit of workers were needed for the UI program prior to its implementation. From the mid-1970s, the İİBK focused on developing the capacity to collect reliable data (Andaç 1991, 94).

The İİBK benefited from the expertise of the international consultants. For instance, in 1974 the agency invited OECD consultant Louis Levine to Turkey. Levine worked with the İİBK personnel, to gather data from select public and private organizations in Ankara, İzmir, and Bursa provinces. He also conducted field visits to the

provinces of Zonguldak, Kocaeli, and İstanbul (Andaç 1991, 94). This research involved meetings with experts from the Social Planning Department in the SPO and the State Statistics Institute (SSI). Levine's report, *Türkiye Projesi (75) 37*, outlined the sectors in which a UI program could be implemented, the methodology for the collection of data, and the organization and planning of the unemployment insurance program (Andaç 1991, 95). In accordance with the suggestions of this report, İİBK and SPO conducted a study which later was published as *Türkiye 'de İşsizlik Sigortasına Dönük Model Araştırması (A Research on a Model for the Unemployment Insurance in Turkey- 1978)* (Andaç 1991, 95). Two additional documents – *Labour Market Study and the Implementation of Unemployment Insurance Program* – aimed to determine the socio-economic status of workers in firms, the needs of the labour force in such firms, the necessities for pre-and post-employment vocational training, and the impact of technological changes on the labour force (Andaç 1991, 95).

Despite these extensive studies and the various drafts provided by national and transnational organizations, the unemployment insurance program was not introduced between 1960 and 1980. Several factors influenced the postponement of the unemployment insurance program: the limitations created by the logic of the import-substitution industrialization model, the impact of large emigration to Europe, and finally the lack of political support.

The delayed introduction of the unemployment insurance program was partly related to the logic of Turkey's import-substitution industrialization model, which manifested itself with the limited capacity of the İİBK (especially in an economy with a large informal sector) and the prior existence of severance payment and early retirement.

Without doubt, import-substitution industrialization gave priority to economic development issues. Social development goals were always subordinate to the strategies for economic development (Karacal 1981). This was especially evident in the third-five-year development plan (1973-1977) which stressed that the introduction of the unemployment insurance program and income redistribution policies might have a negative impact on economic development (Karacal 1981, 283). The underlying logic was that the employment problem could not be solved without accelerated economic development. According to the plan, the introduction of the unemployment insurance program would slow down industrialization which, in turn, would prevent sufficient employment creation (Andaç 1991, 98).

This understanding became more apparent when the Turkish economy was faced with an economic crisis caused by the inherent contradictions of import-substitution industrialization and external oil shocks in the 1970s. To respond to these economic challenges, the State Planning Organization, as the most powerful public organization controlling the allocation of resources, slowed down the studies related to the establishment of the unemployment insurance program. The SPO's concern towards the creation of UI program also led to the postponement of the re-organization of the İİBK, the agency that would have been responsible for the implementation of unemployment insurance. Such a re-organization of the İİBK was necessary because, as discussed above, the agency did not have sufficient capacity to collect reliable data that would assist the administration of the UI scheme.

The existence of large informal and agricultural sectors contributed to the difficulties faced by the İİBK, especially in the collection of information about the labour

market as a whole. This can be explained by the fact that given the existence of a large informal and rural sector, it was hard to decide “whether persons [were] actually unemployed or, rather working in the informal sector” (Domeland and Gill 2002, 24). In these circumstances, the unemployment insurance program would be ineffective as a “social safety net” because the program would be unable to protect workers. The SPO was careful to spell this out in its five year development plan (1968- 1972): “the different characteristics of unemployment compared to those in the industrialized countries will be taken into account” during the studies for the establishment of the unemployment insurance program (Andaç 1991, 96). The logic here was that whereas in developed economies unemployment often stemmed from technological changes, economic fluctuations, and the mobility of the labour force; in Turkey, unemployment was mostly hidden and seasonal due to the existence of a large informal and rural sector (Damalı 1970, 1-2). Hence, according to the SPO, it was difficult to implement and administer an UI program due to these peculiar characteristics of unemployment in the country.

The prior existence of other income support programs such as the severance payment and pension program also contributed to the postponement of the unemployment insurance program. As discussed in Chapter 2, these income support programs emerged in response to the needs of public sector workers in the early period of the Republic when the state led the industrialization process. These programs were later extended to private sector workers in the 1950s. During the period of import-substitution industrialization, the benefits of these income support programs increased considerably. For instance, the amendments in the severance payment program in 1975 extended the benefits and shortened the duration of eligibility for the program. The program’s payments were

raised from a half-monthly wage to a monthly wage for each year of employment, and its eligibility criterion was decreased from 3 years to 1 year of employment. The policy-makers justified this modification on the grounds that there was no unemployment insurance program and job security (Günay 1998, 619).

Similarly, the early retirement scheme provided income support to older workers who lost their jobs; it fulfilled, to a certain extent, the function of an unemployment insurance program. Pension benefits increased in 1969 with the enactment of Act No. 1186. The Act eliminated the mandatory retirement age of 60 for men and 55 for women, as workers could retire once after contributing to their pension funds for a sufficient period (20 years for women and 25 years for men), and paying their premiums for at least 5000 days. This Act was replaced by a new legislation in 1985, which introduced a retirement age for men and women (60 for men and 55 for women), but the new regulation was abolished in 1992, and the previous practice of early retirement was reinstated (Yakut-Çakar 2007, 119).

Emigration also played a key role in Turkey's failure to adopt an unemployment insurance program and active labour market policies in the post-war decades. After the Second World War, a large number of Turkish workers emigrated to European countries where they could find employment in low-skill jobs. The Turkish labour force in Europe increased from 5,100 to 791,900 workers in the period from 1961 to 1973 (Bulutay 1995, 136). This large wave of emigration absorbed a substantial part of the labour surplus in the Turkish labour market. During this period, moreover, the İİBK focused on its traditional role, mediating between the Turkish workers and the labour finding agencies

of foreign countries, rather than implementing an UI program and active labour market policies.

The reasons for delaying the introduction of the UI program were related not only to the logic of the import-substitution model and the external impact of immigration, but also to the existing institutions which shaped the strategies of political actors in Turkey. The unemployment insurance program was unable to gain sufficient support from the national actors – political parties, unions, and the employer confederation – due to the existence of the severance payment program and early retirement scheme. In other words, political actors adopted path-dependent strategies based on the existing institutions in their own political struggles. As we will discuss later, these path dependent strategies later shaped the political discourse of the layering process of the unemployment insurance program throughout the 1990s.

At first glance, political parties seemed to support the introduction of the UI scheme. For instance, the Justice Party, which was established after the military coup of 1960, included the introduction of the unemployment insurance program in its party program of 1966 as an important component of the welfare state (Andaç 1991, 100). In its 1969 election manifesto, the Republican People's Party stated that "human happiness and freedom can be achieved through the provision of social security" and consequently, the party strived to create a universal social security system that involved unifying the existing social security system, as well as introducing an unemployment insurance program (Andaç 1991, 100). In its party program of 1965, the National Action Party highlighted the important role of the state in creating an unemployment insurance program that would benefit all employees by addressing various issues including sick

leave, maternity leave, workplace accidents, disabilities, and unemployment (Andaç 1991, 101). Although parties formed governments during the 1960s and 1970s, none were willing to introduce the unemployment insurance program. Rather, they preferred path-dependent responses such as the extension of severance payment and pension benefits. This attitude reflected their opposition to the creation of the unemployment insurance program. As these responses were supported by the trade unions whose members were the direct beneficiaries of the existing programs, the political parties preferred to extend the benefit structure of the existing income support programs.

There were several reasons behind the unions' preference for the old institutions of severance payment and early retirement. First, the benefit structures of the early retirement scheme and severance payment program were more generous than an unemployment insurance program which would be designed to provide income support only for a limited period of time. Moreover, the extension of the benefits of severance payment and early retirement scheme considerably increased the incentive for unions to support these programs. Hence, they reacted by giving up their acquired rights in return for the introduction of the unemployment insurance scheme. For instance, at its seventh General Board meeting in 1968, the union confederation TÜRK- İŞ indicated that it would support the initiation of the unemployment insurance program on the condition that the scope of labour law would be extended, the structure of the severance payment program be preserved, and that the program should continue to be financed by the employers (Andaç 1991, 103). In addition, the trade unions did not have an interest in the implementation of a state administered unemployment insurance program instead of a severance payment program regulated by a collective bargaining mechanism.

The unions were not alone in opposing the introduction of the unemployment insurance program. The employer confederation (TISK) also lacked interest in the unemployment insurance program because it feared that the establishment of unemployment insurance would increase its costs, a concern highlighted by the sharp increases of wages and other labour costs during the 1970s. In parallel to this, TISK adopted a path-dependent political strategy that concentrated on weakening severance payments, which was seen by TISK as responsible for higher labour costs. TISK failed in its efforts to persuade the government to reduce these costs. For instance, when the policy-makers extended the benefit structure of severance payment in 1975, TISK vociferously opposed the amendment on the basis that it would increase the costs of production for employers. In light of its failures, TISK's strategy was to oppose the establishment of the unemployment insurance scheme unless necessary amendments were made in the structure of generous severance payment (Andaç 1991, 103). For all these reasons the unemployment insurance program was not introduced until the end of the century. This raises a number of questions: why was it even possible to introduce it at the later date? What were the external and institutional factors that facilitated the establishment of the program in the early 2000s? To what extent did the transition from import-substitution to an export-oriented growth model contribute to this change? What role did transnational actors have in this process? Which domestic actors supported the creation of the program? Why did the unions and employer confederations change their previous strategies over the introduction of the program? To what extent did the policy legacies shape the strategies of the societal actors? The next section will attempt to respond to these questions.

Challenges to the ISI Model and the Implications for the Introduction of Unemployment Insurance Program

The macro-structural changes in Turkey contributed to the re-emergence of the debate over the introduction of the unemployment insurance program in the early 1990s. To understand these changes, it is necessary to analyze the transformation of the industrialization model starting from the late 1970s. The old development model based on ISI was seriously challenged by the economic crises and fiscal constraints in Turkey towards the end of the 1970s. The economic crisis was exacerbated by social and political tensions between left and right wing political parties, as well as labour and employer organizations. Under these circumstances, the government introduced a stabilization package in 1980 that aimed to replace the import-substitution model with the export-oriented growth model. In the face of increased social and political unrest, the government was unable to implement the package, but this changed as a result of the military coup of 1980 that opened the way to its implementation. The military coup not only made it possible to begin the transition to an export-oriented growth model, but it also undermined the Kemalist political regime. All political parties were banned during the years of the military regime (1980 and 1983) and trade union activities were severely restricted by the enactment of new labour legislation (Dereli 2006, 43), which in turn precipitated the decrease in the political power of the unions. Some of the restrictions, however, were eliminated in the late 1980s, which brought about their revival in the early 1990s.

Although the change in economic strategy removed the blockage, the unemployment insurance program did not come onto the political agenda in the 1980s

because the structural adjustment policies focused primarily on macro-economic reforms such as stabilization, balance-of-payments adjustment, liberalization of trade and capital accounts. In the early 1990s, the structural adjustment policies entered into their second phase, focusing on pro-market reforms which came to include the re-structuring of the social security system and the introduction of the unemployment insurance program. The 1990s was also a decade where the counter neo-liberal movement started to gain significant force. It was in this context that the unemployment insurance program came onto the political agenda.

Domestic and transnational actors, who are part of the pro-market and pro-labour domestic advocacy coalitions, played a crucial role in placing the introduction of the UI program back onto the agenda. The union and employer confederations, who were the members of the newly emerging pro-market and pro-labour advocacy coalitions, were not directly involved in the debates over the introduction of the UI program in the early 1990s, but they continued to pursue their previous strategies. The division between them was mainly based on the issue of what the introduction of unemployment insurance and job security measures would hold for the institutions of the old welfare-production regime, especially the severance payment and early retirement. Indeed, the main tension between them focused on whether the severance payment program should be re-structured or whether the program should be preserved after the introduction of an unemployment insurance program (and job security provisions).

The employer confederation was concerned about a potential increase in non-wage costs, unless the severance payment program was modified (TÜRK- İŞ 1992, 39). Although unemployment insurance, job security, and the severance payment had

somewhat different functions, the employer confederation argued that the three institutions were interrelated. It based its argument on its experience with the modification of the severance payment program in 1975. That amendment had extended the benefit and eligibility structure of the program on the grounds that there was no such thing as an unemployment insurance program nor was there job security legislation (Baydur 2004). TİSK thus asserted that the two functions of severance payment had to be eliminated if the unemployment insurance program and job security were to be introduced. The employer confederation argued that calculation of severance had to be decreased to 10 days from one month after the introduction of the unemployment insurance program and job security (Baydur 2004).

Unlike the employers, unions supported the creation of an unemployment insurance program and job security on the grounds that the programs provide income for unemployed workers and would prevent arbitrary dismissals. At the same time, they were against any changes to the severance payment and early retirement programs. In this, they were acting to protect their vested interests. The severance and early retirement schemes were the oldest and the most fundamental institutions of the Turkish welfare-production regime. Following the extension of the benefit and coverage structure in the mid-1970s, they became even more central to the workers and their unions as they provided income and job security. Thus, despite their support for the introduction of the unemployment insurance program and job security, the unions refused to give up their right of early retirement in return. As it will be noted below, the Ministry of Labour tried to use the unemployment insurance program to get labour to accept social security reforms in the late 1990s.

Not surprisingly, even though the labour and employer confederations were involved in the debates, they were not the key actors who pushed for the introduction of unemployment insurance. In fact, two groups of actors, the Turkish economic bureaucracy and the experts from the World Bank, and the Ministry of Labour who were the members of the pro-market and pro-labour advocacy coalitions, played key roles in bringing the program into the national agenda. Although these two groups had different political agendas, the ambiguous characteristics of the unemployment insurance program made it appealing to both in the early 1990s. Carson notes that “the process of institutionalization does not require all actors who press for the implementation of specific paradigmatic ideas to buy the whole package.....Diverse actors may join together to press for particular policies while motivated by quite different goals or ideals.....[and]...even while they continue to vehemently disagree in broader philosophical terms” (2008,13). Thus, it is important to identify the political projects of (1) the World Bank and the Turkish economic bureaucracy coalition which were the members of the pro-market advocacy coalition, and (2) the Ministry of Labour which was a member of the pro-labour advocacy coalition to understand why and how both could support the introduction of the unemployment insurance program.

The World Bank and the Turkish Economic Bureaucracy

Starting from the early 1980s, the World Bank and the Turkish economic bureaucracy were involved together in the policy-making process as part of the pro-market advocacy coalition. This manifested itself with their support of liberal ideas which emphasized flexibility and mobility in the Turkish labour market. More specifically, these two actors initiated projects and research suggesting the introduction and layering

of the unemployment insurance program on top of the existing severance payment in the early 1990s. Even though the main focus of these two actors has changed from the establishment of the unemployment insurance scheme to social security reform in the mid-1990s, they continued to support the introduction of the unemployment insurance program as part of their pro-market strategy. This section focuses on how these two members became part of the pro-market advocacy coalition, and how they brought the travelling idea of flexibility in the form of unemployment insurance program into the Turkish context through various joint projects.

As was outlined in Chapter Three, during the early 1980s the World Bank adopted a neo-liberal paradigm that gave priority to strongly market-oriented structural adjustment. The new organizational discourse of the Bank was particularly critical of protectionist policies, which were seen to include labour market rigidities, and the role of the state as a producer in the economy in Turkey. The Bank considered labour market rigidities such as generous severance payments and the existence of job security to be a major cause of the fall in labour productivity, which in turn inhibited job creation. Therefore, according to the Bank, these rigidities had to be either removed or re-structured (World Bank 1990). Moreover, the Bank argued that state intervention through the State Economic Enterprises in Turkey was the cause of poor economic performance and budget deficits in the 1990s. Therefore, the Bank strongly believed that privatizing of the state economic enterprises was the solution to enhance the performance of the economy and to eliminate budgetary problems (World Bank 1990).

The introduction of the unemployment insurance program can be seen as central to achieving both of these pro-market policy goals. If “properly designed”, the

unemployment insurance program was seen as one of the main liberal arrangements by the Bank that would assist in accelerating the privatization of state economic enterprises by offering a social safety net and in providing labour market mobility (World Bank 1990, 101). Motivated by these two goals, the World Bank supported the establishment of an unemployment insurance scheme in the transition countries of Eastern Europe and Central Asia. In the early 1990s, all countries in Eastern Europe “enacted legislation for the provision of income support for the unemployed, using the West as their blueprint” (Vodopivec et al. 2003, 13). Since Turkey was located in the Bank’s Eastern Europe and Central Asia region, it was also influenced by these developments.

In the process that led to the introduction of unemployment insurance in Turkey, the World Bank played an important role. Together with the Turkish economic bureaucracy, the Bank helped to diffuse the OECD’s prescription of labour market flexibility into the Turkish context. In fact the World Bank and the OECD held similar positions regarding the design and function of unemployment insurance. This was apparent in the OECD’s publications on Turkey. For instance, the OECD's Economic Survey of Turkey 1992-1993 stated that:

An unemployment insurance scheme typically draws on contributions from employers, employees, and the government. Whether such a system is successful in alleviating the hardship which unemployment causes, and at the same time in minimizing its potential disincentives to work as well as limiting the drain on the government budget depends – of course – on its concrete design. Experience in other OECD countries suggests that in this respect three aspects are of particular importance. A first consideration is to avoid unemployment benefit or income support which is open ended, in order not to create long-term dependency, which would discourage the full development of the unemployed persons' potential. Secondly, unemployment assistance should be subjected to stringent work availability and search tests to increase the efficiency of job search and to avoid the abuse of the scheme. And thirdly, the design of a benefit scheme should avoid

the emergence of implicit high marginal taxation of labour income in case a benefit recipient takes up work again (OECD 1993, 65-66).

As part of the pro-market advocacy coalition, the World Bank and the Turkish economic bureaucracy, who shared similar liberal ideas, began to advocate for the establishment of the program in the early 1990s. Yet the paradigm shift in the transnational knowledge networks was first felt within the echelons of the Turkish economic bureaucracy in the early 1980s. In that period, the Turkish economic bureaucracy was re-structured as part of the transition to the export-oriented growth model. The Prime Minister of the right-wing ANAP (Motherland Party) government, Turgut Özal, was especially influential with regards to the adoption of the liberal and pro-market travelling ideas within the departments of the Turkish economic bureaucracy. Before his political career, Özal had worked as the Undersecretary of the State Planning Organization during the 1970s and he later spent two years at the World Bank in Washington. When he came back from the United States, he filled various management positions within the private sector in Turkey until 1979 (Öniş 2004, 5). During the military regime, he was a deputy prime minister in charge of economic affairs, during which he championed the stabilization program of 1980, which later paved the way for the replacement of the import-substitution model with the export-oriented growth model (Heper and Sancar 1998, 151). When the ANAP came into power after the first set of elections after the military coup of 1980, as prime minister, Özal continued to pursue the liberalization project initiated under the military regime. In so doing, he was careful to select certain agencies within the bureaucracy and avoid those elements of the Turkish bureaucracy that retained statist tendencies (Heper and Sancar 1998, 151). As Öniş has argued:

Given his natural confrontation with the *étatiste* mind set of classical bureaucracy, Özal tried to implement the reform process in a top-down bureaucracy. Özal tried to implement reform process in a top-down fashion.....One major benefit associated with Özal's bureaucratic restructuring involved the inflow of a select group of young highly trained and internationally oriented bureaucrats to the high echelons of economic bureaucracy. Often referred as 'Özal's princes' in popular discourse, this new elite possessed the kind of expertise needed in the age of financial globalization and injected a considerable degree of dynamism into the bureaucratic decision-making process (2004, 121).

For instance, Özal appointed many employees, trained predominantly in American universities, to high-ranking positions in key government departments such as the State Planning Organization, the Under-secretariat of Treasury and the Foreign Trade and Central Bank (Heper and Sancar 1998, 156). They were in a position to assist him in developing relations with international financial organizations, such as the International Monetary Fund and the World Bank in pursuit of his goal to “fully integrat[e] the Turkish economy with Western economies” (Heper and Sancar 1998, 152). Özal was successful: under the ANAP government, the Turkish economic bureaucracy developed communication and collaboration with the transnational financial community which supported the pro-market ideas (Öniş 2004).

One of the repercussions of the re-structuring of the Turkish economic bureaucracy was the close cooperation between it and the World Bank in regards to Turkish social and labour market policies in the late 1980s. This began with the formation of a “High Commission of Human Resource Development” by the State Planning Organization, and the World Bank, which was responsible for directing 13 research projects that aimed to promote the coordination between employment and vocational training policies in Turkey (Devlet Planlama Teşkilatı 1990a). The findings of the research projects were summarized in a strategy document draft that was discussed in

a seminar organized by the State Planning Organization. In collaboration with the World Bank, the High Commission finalized the strategy document and the action plan, *Human Resources and Employment Development Systems Policy Document: Strategy Analysis and Action Plan (1990)*. The strategy document was later submitted by the State Planning Organization to the World Bank as part of a loan project focused on employment and training (Devlet Planlama Teşkilatı 1990a, 47).

The strategy document reflected the assumptions of travelling idea of flexibility in its emphasis on labour market mobility and flexibility. One of the recommendations was the re-structuring of the Job and Labour Finding Agency, because the organization was seen to lack capacity to mediate the concerns of workers and employers in the private sector and to re-train the private sector workers (Devlet Planlama Teşkilatı 1990b, 7). This was closely associated with the fact that the main function of the Agency had always been the placement of public sector workers in the State Economic Enterprises or various public organizations. Furthermore, the İİBK lacked a reliable data collection and analysis system, which, in turn, prevented any accurate assessment of the situation of workers in the labour market and the dissemination of this information to the people who sought employment, and to the firms which sought potential employees (Devlet Planlama Teşkilatı 1990a, 8).

Another set of recommendations concerned labour legislation. In line with its pro-market approach, the document criticized existing labour legislation for creating high costs for the employers, thus discouraging them from staying in the formal sector. The high costs created obstacles to labour market mobility (firing and hiring), and inhibited labour market efficiency. According to the document, severance payments were one of

the most serious impediments to labour market mobility. On the one hand, severance payments prevented the structural adjustment of the economy in response to international trade, because of the cost they imposed on dismissals. On the other hand, severance pay was seen to inhibit workers from finding highly productive and well paid jobs. It is thus not surprising that, instead of a severance payment program, the strategy document recommended the introduction of an unemployment insurance program that would provide income support while ensuring labour market flexibility (Devlet Planlama Teşkilatı 1990a, 54). To establish the unemployment insurance program, the strategy recommended (1) the formation of an expert team (to be discussed below) that would assess the social and fiscal impacts of different alternatives for the unemployment insurance program, and (2) the assessment of the possible consequences of the unification of the severance payment program and the unemployment insurance scheme (Devlet Planlama Teşkilatı 1990a, 54). In that regard, as an alternative income support program, the document explicitly supported the layering of the unemployment insurance program on the top of existing severance payment program in order to weaken or replace severance pay.

Following the publication of the strategy document, two members of the pro-market advocacy coalition –the World Bank and the Job and Labour Finding Agency (İİBK) – prepared a project entitled *Employment and Training Project (1992)*, which aimed to increase the İİBK's capacity to implement unemployment insurance, job placement, and re-training programs. It concentrated on pro-active labour market policies that were aimed at strengthening and re-structuring the İİBK: the improvement of the role of the İİBK as a mediator between employees and employers; the elimination of the

shortcomings of the İİBK's infrastructure; and the development of training services for qualified workers (İİBK 1993, 5; World Bank 1993, 7; World Bank 1992). All these components were designed to increase the İİBK's organizational capacity to deal with unemployment, and to administer the new unemployment insurance program (İİBK 1993; World Bank 1992, 17; Interview 1).

The introduction of the unemployment insurance program appealed to the World Bank and the Turkish economic bureaucracy for another reason: to accelerate the privatization of the State Economic Enterprises. Even though the unemployment insurance program seemed to have a pro-labour connotation, it was embraced in the Turkish case because it was compatible with a neo-liberal principle of privatization. Throughout the 1980s, the Bank supported the reform of the SEEs in Turkey including "improving (their) short term financial structure, redirecting investment programs and financing them from non-budget sources, and changing the role of the SEEs to support the private sector" (Öniş 1991, 165). The privatization of the SEEs did not appear on the Bank's agenda during the 1980s (Öniş 1991, 165) but it changed its policy regarding state economic enterprises in the early 1990s, as the state economic enterprises were now seen to contribute to macro-economic instability and high budget deficits (World Bank 1994, 1).

The World Bank⁵ initiated the privatization of the SEEs with a project called *Privatization Implementation Assistance and Social Safety Net* in 1994. The project justified the privatization on the grounds that it would promote efficiency in the economy "by severing the link between the Government and SEEs, depoliticizing the operating environment of SEEs (including pricing and hiring decisions) and making private

resources available to fund expansion in all sectors” (World Bank 1994, 7). Furthermore, privatization was seen as a way to mitigate the financial burden created by the SEEs, to establish financial control, and to eliminate government subsidized firms operating inefficiently from the market (World Bank 1994, 7).

The Bank was aware of opposition to the privatizations of the SEEs that could slow down or even cease the process. For instance, the coalition government’s left-wing partner, the Social Democratic People’s Party (SHP), claimed that the privatizations were unconstitutional. The trade unions were also against the privatizations, “particularly in sectors with substantial overstaffing such as steel, textiles, and electricity” (World Bank 1994, 15). Therefore, the Bank incorporated a social safety net into the project to undermine any resistance to the privatizations. As stated in the report, “achieving some early privatization successes and providing effective social safety net measures for workers will lend credibility to the Government's program, and provide an impetus to proceed with efficacy and speed” (World Bank 1994, ii).

The social safety aspect of the project was composed of “temporary income support programs” and a “labour adjustment program”. The temporary income support programs aimed to satisfy the basic needs of the dismissed workers and their families during the transition period (World Bank 1994, 20). There were various alternatives to the temporary income support programs such as early retirement, the severance payment program, and the unemployment insurance program. The early retirement option was not fully supported by the World Bank and the Turkish economic bureaucracy because it became evident that the early retirement legislation, enacted in 1992, had aggravated existing cash deficits in the social security system (Interview 4). This deficit led the

World Bank and the economic bureaucracy to initiate studies on how to reform the social security system in order to make it more sustainable⁶.

The unemployment insurance program was another option. Nevertheless, the Bank was aware that the enactment of the appropriate legislation and the establishment of the “requisite institutional capacity to administer the system efficiently” would take time. The deadlock in the domestic politics, as well as technical difficulties, contributed to the legislative delay (This will be discussed in more detail in the next section). Even after the program’s introduction, the workers would have had to wait for two years “to qualify for insurance benefits” (World Bank 1994, 21). While the enactment of the unemployment insurance program was pending, severance pay would ensure income support for the workers who would be “displaced in the privatization/restructuring process” (World Bank 1994, 21). Although the Bank pragmatically accepted the use of severance pay in this case, it continued to support the enactment of an unemployment insurance program that would ultimately replace the severance payment program. This was because the unemployment insurance scheme was compatible with the labour market adjustment component of the social safety net that aimed to “shorten the period of unemployment” through “training, counselling and placement, support for small businesses, and labour-intensive employment programs” (World Bank 1994, 20). In other words, in the case of social safety net for the privatizations, the Bank and the Turkish economic bureaucracy continued to support the layering of unemployment insurance program as an alternative to the severance payment program.

Similar concerns were shared by the OECD. In its publication of the Economic Survey of Turkey 1995-1996, OECD argued that:

the planned introduction of an unemployment insurance scheme is particularly concern.....OECD experience has underscored the need for caution when attempting to introduce unemployment insurance. Among member countries, there are few (if any) examples of unemployment insurance schemes that are actuarially neutral. Two separate objectives for introducing such a scheme in Turkey have been cited. First, the scheme is seen as a way of reducing the political resistance to structural reform by workers - especially in SEEs - who are likely to be adversely affected by it. Although compensation of these workers may indeed be politically expedient, it should be done so as not to burden Turkey permanently with an expensive programme addressing what is essentially a temporary adjustment problem.....The second objective would be to enhance the general scope of the social safety net, of which unemployment insurance could be an important part (OECD 1996, 98).

With the shocks of the economic crisis of 1994, the World Bank and the Turkish economic bureaucracy turned their attention from the introduction of the unemployment insurance program and the privatization of the state economic enterprises to the reform of social security systems. It was felt that the social security system created massive budget deficits that weakened the economy. In an interview, one of the former bureaucrats in the Treasury Board, who later became the vice-president of the Social Security Institution stated that “in the aftermath of the economic crisis of 1994, we [the economic bureaucracy and the World Bank] realized that the deficit created by the State Economic Enterprises was nothing compared to the deficits of the social security system. Also, no one was willing to buy the State Economic Enterprises” (Interview 4). This view was also apparent in the World Bank document which stated that “pension deficits.....potentially threaten macroeconomic stabilization objectives, hamper Government efforts to privatize the SEEs, and constrain budgetary choices in other ways” (World Bank 1994, 24).

The World Bank and the Turkish economic bureaucracy were thus keen to take measures to eliminate the problems associated with the social security system. Another former senior bureaucrat in the Treasury Board, Tuncay Teksöz, said that:

The Treasury Board began to inject pecuniary transfers to mitigate the deficits of the social security system in the mid-1990s. This led to establishment of the Department of the Social Security Department within its organization in the early 1994..... The Board organized seminars on social security system...The Treasury Board and the Ministry of Labour and Social Security implemented a Social Security Project conducted by the International Labour Office that aimed to calculate the actuarial balances in the Social Insurances Institution and Bağ-Kur. This project was financed through the World Bank loan...The Board also realized that there was a lack of knowledge within the bureaucracy about the actuarial calculations for the social security system. Therefore, as a capacity building goal, a group of bureaucrats were sent abroad to receive masters' degrees in actuarial studies (Interview 4).

More importantly, the Turkish economic bureaucracy and the World Bank argued for the necessity of a social security reform that would make the social security system sustainable by eliminating early retirement, increasing contribution rates, and introducing private pension funds. As a result of these new priorities, the introduction and layering of the unemployment insurance program was subordinated over the goal of social security reform starting in the mid-1990s. Yet as part of their pro-market agenda, these two actors continued to support the introduction of the unemployment insurance scheme. This was evident with the fact that these two actors did not object to the introduction of the program with social security reform in the late 1990s.

The Ministry of Labour

Interestingly, the Ministry of Labour, as a member of the pro-labour advocacy, also buttressed the creation of the unemployment insurance program. Motivated by a pro-labour agenda, the Ministry of Labour pushed for the introduction of the unemployment insurance scheme as a complement to the severance payment program and potential additional job security provisions in the early 1990s. Starting from the mid-1990s, the commitment to introduce the unemployment insurance program (usually with additional

job security) was also used by the Ministry of Labour to persuade the labour unions to enact social security reform, which was demanded by the Turkish economic bureaucracy and the World Bank. Yet the Ministry of Labour continued to support the creation of the program as part of its pro-labour agenda that also included the enactment of additional job security. In spite of the pro-labour agenda of the Ministry of Labour, the Job and Labour Finding Agency, an organization affiliated with the Ministry, prepared the unemployment insurance program draft with respect to the travelling idea of flexibility. This was because the expert team that was composed of bureaucrats from the Job and Labour Finding Agency was inspired by pro-market ideas as a result of their close collaboration with the World Bank since the late 1980s. That is, the Job and Labour Finding Agency was part of the pro-market advocacy coalition although it was under the authority of the Ministry of Labour. This section discusses the role of Ministry of Labour in bringing the unemployment insurance program into the national agenda and also examines how the expert team from the Job and Labour Finding Agency translated OECD's idea of flexibility while designing the unemployment insurance program.

The Ministry of Labour as a member of the pro-labour advocacy coalition played a key role in bringing the UI program to the political agenda during the early 1990s. This occurred when the right-wing government party, the Motherland Party (ANAP), began to lose its support due to the failure of its liberalization policies to solve high unemployment and the decrease in real wages. Increasing dissatisfaction was accompanied by massive strikes and demonstrations lead by the trade unions (Şenses 1994, 440). The ANAP government was defeated during the general elections and was replaced by a coalition of the True Path Party (DYP) and the Social Democratic People's Party (SHP). One of the

commitments of the new government was to establish an unemployment insurance program (TÜRK- İŞ 1992, 39).

TABLE 2: Unemployment and Real Wages in Turkey between the period of 1980 and 1989

	Unemployment Rate	Real Wages (At 1968 prices)
1980	8.1	1422
1981	7.1	1525
1982	7.0	1556
1983	7.7	1472
1984	7.6	1303
1985	7.1	1241
1986	7.9	1202
1987	8.3	1288
1988	8.4	1216

*Adopted from Bulutay, T. 1995. *Employment, unemployment and wages in Turkey*. Geneva: ILO Publications, pp. 262-306.

The center-left party (SHP) was allocated to the control of the Ministry of Labour and Social Security. Due to election commitments and the leftist position of the SHP, the Minister of Labour and Social Security, Mehmet Moğultay, declared that the Ministry would prepare a draft unemployment insurance program (Moğultay 1992). Interestingly, this was also compatible with the views of the members of the pro-market advocacy coalition of the World Bank and the Turkish economic bureaucracy (such as the State Planning Organization, the Job and Labour Finding Agency) concerning the initiation of the unemployment program to accelerate market-oriented reforms including the privatizations of the SEEs and policies aimed at increasing labour market flexibility.

The Ministry of Labour advocated for the initiation of the unemployment insurance program as part of its broader pro-labour reform agenda that included

improving collective rights (such as the right to strike, and collective bargaining), restructuring the Job and Labour Finding Agency, the enactment of job security, and the establishment of a severance payment fund (Moğultay 1992). Unlike the pro-market argument supported by the World Bank and the Turkish economic bureaucracy against labour market rigidities, the Ministry aimed to create job security, and to preserve workers' acquired rights to severance pay (though the program would be re-structured as a fund) and implement an unemployment insurance program. The Ministry advocated the co-existence of these three institutional components in the welfare-production regime to provide income and job security for the workers (Moğultay 1992).

In preparing the unemployment insurance program draft, the Minister of Labour appointed an expert team composed of bureaucrats (mainly economists) from the İİBK and an economics professor who was brought to the general director position of the İİBK (Interview 1). The predominance of the economists reflected the fact that the unemployment insurance program required actuarial calculations (such as the amount of benefit the program will provide, the duration of the program, eligibility criteria, and the burden of the program on national budget). Also, some of the members of the committee had written their doctoral theses on earlier studies of an unemployment insurance program and its feasibility in Turkey (Interview 1).

Interestingly, in preparing the draft bill, the expert group drew on the assumptions of the OECD's travelling idea of flexibility. As discussed above, this can be explained by increased interaction between the World Bank and the Turkish economic bureaucracy since the early 1980s. İİBK's adoption of the pro-market paradigm occurred at a time when the World Bank and the SPO were considering the preparation of the national

employment strategy as well as the initiation of the *Employment and Training Project*.

An interview with the General Director of the İİBK, Mete Törüner, in the early 1990s, states that:

From the beginning, the World Bank was involved in the preparation process of the unemployment insurance program....The preparation of the UI program draft and re-structuring of the İİBK was central for accelerating the privatizations of the state economic enterprises.....After the initiation of the World Bank's Employment and Training Loan Agreement, I was appointed to the İİBK as a general director to prepare the drafts for the design of UI program and re-structuring of the organization (Interview 1).

The expert group adopted a common structure of unemployment insurance program that was recognized by the OECD and the ILO. In parallel to the models of the ILO and the OECD, the structure of the unemployment insurance program was composed of income support and active labour market policy components. Yet the expert group designed the program in accordance with the flexibility idea of the OECD, which emphasized a limited benefit and eligibility structure. In other words, even though the rules of the program resembled the model promoted by the ILO and the OECD, the structure of the Turkish unemployment insurance program was informed by the OECD's idea of flexibility. Moreover, in the translation of the flexibility idea, the Turkish expert team formulated the unemployment insurance program with a very limited eligibility and benefit criteria relative to the OECD standards. The General Director of the İİBK and the leader of the expert team explained that "this was because we realized that generous unemployment insurance programs in the OECD countries were faced with fiscal difficulties in the 1970s and 1980s. We even tightened the eligibility criteria because there was a fear at that time that the unemployment insurance program would create another black hole in the budget". For example, a worker would be eligible for

unemployment compensation if s/he had paid his/her insurance premiums for at least 600 days over the last three years of employment. Those who had worked and paid the unemployment premiums for 600 days deserved the unemployment payment for 4 months; those who had worked and premiums for 900 days, obtained the unemployment payment for 6 months; and 1080 days merited unemployment compensation for 8 months. The benefit rate had to be at least 45 percent of daily wage but it could not be less than 50 percent of minimum wage (Çalışma ve Sosyal Güvenlik Bakanlığı 1992).

With the economic crisis of 1994, the two members of the pro-market advocacy coalition – the World Bank and the Turkish Economic bureaucracy – became more influential actors. A former bureaucrat in the Ministry of Labour, Tuncay Teksöz, stated that “we [The Ministry of Labour] started to lose our power in 1994 and 1995. The World Bank, the Undersecretariat of Treasury Board and Foreign Trade became more dominant in determining the social policy agenda. They turned their attention from the privatization of the state economic enterprises to the reform of social security system” (Interview 4).

Despite the increasing power of the pro-market advocacy coalition, the Ministry of Labour was, to some extent, able to incorporate its pro-labour agenda such as the introduction of the unemployment insurance program and job security. In fact, this was also an endeavour of the successive Ministers of Labour to keep the support of the labour groups whose votes the coalition governments ultimately depended on throughout the 1990s (Hall 1989, 12). On the one hand, subsequent Ministers of Labour tried to introduce social security reform in response to the increasing pressure of the Treasury Board, the International Monetary Fund (IMF), and the World Bank. On the other hand, they incorporated the unemployment insurance program and job security into social

security reform packages to mitigate the reactions of the labour confederations towards social security reform. In that sense, the agreement concerning the introduction of the unemployment insurance program between the members of the pro-labour and pro-market advocacy coalitions continued but this agreement also took a new form in which the program was used to achieve social security reform.

In 1995, the new Minister of Labour, Aydın Güven Gürkan, prepared a social security reform draft, which introduced a minimum retirement age (55 for women, 60 for men) and a minimum contribution rate (7200/9000 days of premium payment of men and women) (Çalışma ve Sosyal Güvenlik Bakanlığı 1995a, 4). Yet support was lacking from workers who saw the minimum retirement age as synonymous with “retirement in the tomb” (that is to say, the retirement age was too high) (TÜRK-İŞ April 1994, 4). To gain labour’s political support, the Ministry of Labour prepared a social security reform package that included the introduction of the unemployment insurance program and job security, as well as the re-structuring of the İİBK and the social security system. The new unemployment insurance program draft was similar to the previous one except for revisions to the eligibility criteria which further limited the benefit of employees in the program. With the earlier draft, workers could receive unemployment insurance if they paid at least 600 days over the last three years of their employment. In the new one, they were also required to have continuously worked and paid their premiums in the last 180 days of their employment (Çalışma ve Sosyal Güvenlik Bakanlığı 1995b, 3).

A similar strategy was followed by the next Minister of Labour. In 1996, the new Ministry of Labour prepared a social package composed of a new social security system and unemployment insurance program bills. The only revision made to the

unemployment insurance scheme was an amendment to coverage from 45 percent to 55 percent of the net amount of daily wages (Çalışma ve Sosyal Güvenlik Bakanlığı 1996, 8). Despite the efforts of the Ministry of Labour, the trade unions intensely resisted the social security packages because they perceived the reform as a threat to their acquired right of early retirement. The employer confederation TİSK was also against the reform because it would make employers pay more premiums to the Social Insurances Agency (SSK) (Baydur 2004, 107). The TİSK's opposition to the establishment of the unemployment insurance and job security was another obstacle for the realization of the reform.

The Introduction of the Unemployment Insurance Program

The introduction of an unemployment insurance program was the by-product of the pension reform in 1999. As discussed before, beginning from the mid-1990s the social security reform debate dominated the political agenda. The Ministry of Labour followed a policy broker role between the Turkish economic bureaucracy (also the World Bank and the IMF) and the labour unions. The Ministry prepared pension reform bills to fulfill the demands of the Turkish economic bureaucracy while at the same time it incorporated the unemployment insurance program into these bills to lessen the reaction of the labour unions. Combined with the efforts of the Ministry of Labour, the macro-economic crisis and the accession process to the European Union in the late 1990s set the conditions for the enactment of the social security reform bill that included the elimination of the early retirement and the introduction of unemployment insurance program. This section discusses how the unemployment insurance program, as part of the social security reform, was introduced.

Near the end of the 1990s, ongoing economic crises broke the impasse to social security reform and the establishment of an unemployment insurance program. In an agreement with the IMF, Turkey initiated a stabilization program designed to decrease inflation, restructure the social security system, and accelerate privatization in order to make the economy more efficient (European Commission 1998, 25). This occurred at a point when Turkey was negotiating with the EU over its acquisition of candidacy. Consequently, the European Union became another transnational source of influence on the social and labour market policy making process in Turkey. In its 1998 EU Progress Report on Turkey, the European Commission emphasized the need for the social security system to reform and support privatizations.

Under these conditions, social security reform became an urgent issue that needed to be addressed under the coalition government DSP-ANAP-MHP (Democratic Left Party- Motherland Party –Nationalist Movement Party) in the late 1990s. The Ministry of Labour prepared a social security reform draft which suggested a minimum retirement age of 58 for women and 60 for men and a minimum contribution rate of 8,300 days for the workers who would enter the labour force after the introduction of the social security law (Hürriyet Gazetesi 26 July 1999). The draft also introduced a transitioning period for the workers who were in the labour force before the establishment of the law:

TABLE 3: Transition Periods for Retirement in the Social Security Reform Draft June 1999

The Remaining Period for Retirement	The Retirement Age	Days of Paid Premiums/Contribution
Less than 1 year	40-45 years old	5360 days
Less than 2 years	43-47 years old	5720 days
Less than 3 years	46-49 years old	6080 days
Less than 4 years	49-51 years old	6440 days
Less than 5 years	52-53 years old	6800 days
Less than 6 years	52-54 years old	7160 days
Less than 7 years	53-55 years old	7520 days
Less than 8 years	54-56 years old	7880 days
Less than 9 years	55-57 years old	8240 days

Source: Koç, Y. 1999a. *Sosyal güvenlikteki kayıplar ve işsizlik sigortası*. Ankara: Türkiye İşçi Sendikaları Konfederasyonu, p. 33.

Union and employer confederations both opposed the legislation draft. The labour confederations TÜRK- İŞ, HAK- İŞ, and DİSK prepared an alternative draft in July 1999. Their alternative proposal suggested that: (1) the minimum retirement age should be 53 for women and 58 for men, and there should be a minimum 5000 days of contribution for employees who started working soon after the introduction of the law; and (2) if the employees paid 9000 days of contribution, then they would be automatically eligible for retirement regardless of their age. In addition, if employees were covered by the insurance between 10 and 15 years, then they would be eligible to retire at the age of 43-48, while if they were only covered by insurance between 5 and 10 years, then they would be eligible for retirement between 45 to 50 years old. If the employees had been covered less than 5 years, then they would be eligible to retirement at the age of 47-52. The labour confederations also suggested a draft for the establishment of job security

provisions (Koç 1999a, 18), and they supported the creation of the unemployment insurance program (Hürriyet Gazetesi 6 July 1999, 11).

Unlike the unions, the TİSK's main concern was about contribution rates that employers were supposed to pay. It was thus not surprising that the employer confederation TİSK suggested the minimum retirement age of 58/60 for women/men and a minimum contribution rate of 5000 days. Moreover, (a) if the employee was under the coverage of the insurance between 10 and 15 years, she/he would be eligible to retire at the age of 49-51, (b) if the employee was under the coverage of the insurance between 5 and 10 years, she/he would be eligible to retire at the age of 52-54, (c) if the employee was under the coverage of the insurance less than 5 years, then he/she would be eligible to retirement at the age of 55-57 (Hürriyet Gazetesi 6 July 1999, 11).

The labour and employer confederations gathered together on July 6th 1999 to try to find a common point, which would enable them to unite against the draft suggested by the Ministry of Labour. They failed to reach an agreement, however, due to their conflicting views on the introduction of job security and the unemployment insurance program with social security reform (Hürriyet Gazetesi 6 July 1999, 11). On the sixteenth of July 1999, the parties reached an agreement because TİSK accepted most of the demands of the labour confederations about social security reform in return for the removal of the job security draft (Koç 1999a, 21).

In July 1999, the unions organized massive demonstrations and launched slowdown strikes against the government's social security reform. In response, the Ministry of Labour altered some articles of the draft legislation, reducing the contribution

days from 8300 to 7000 days. It did not, however, change the minimum retirement age of 58/60 for the workers who would enter the labour force after the passage of the social security law (Hürriyet Gazetesi 26 July 1999). There were also some revisions to the transitioning period:

TABLE 4: Transition Periods for Retirement in the Social Security Reform Draft July 1999

The Remaining Period for Retirement	The Retirement Age	Days of Paid Premiums/Contribution
Less than 1 year	38-43 years old	5000 days
Less than 2 years	38-43 years old	5000 days
Less than 3 years	41-45 years old	5000 days
Less than 4 years	43-46 years old	5000 days
Less than 5 years	45-48 years old	5000 days
Less than 6 years	47-50 years old	5150 days
Less than 7 years	48-51 years old	5300 days
Less than 8 years	49-52 years old	5450 days
Less than 9 years	50-53 years old	5600 days

Source: Koç, Y. 1999a. Sosyal güvenlikteki kayıplar ve işsizlik sigortası. Ankara: Türkiye İşçi Sendikaları Konfederasyonu, p. 35.

In addition, the Ministry included once again unemployment insurance in its social security reform package. According to the General Director of the Job and Labour Finding Agency, Necdet Kenar, “the establishment of the unemployment insurance program was a ‘sweetener’ for the social security reform”. In other words, the program was introduced as a way of undercutting negative reactions from the labour confederations (Interview 2).

The unemployment insurance program, introduced as part of the social security reform package in 1999, was involved in another set of revisions. The Ministry of Labour

appointed a senior bureaucrat from the Treasury Board as the General Director of Job and Labour Finding Agency in 1999 to revise the existing unemployment insurance program draft and to ensure the effective implementation of the program after its introduction. In an interview with the General Directorate of the Job and Labour Finding Agency, Necdet Kenar, states, “as a Treasury Board bureaucrat I was waiting for the signature of the decree that I was appointed to the OECD Permanent Representative Office in France. But then, I was informed that the Minister of Labour appointed me as the General Director of Job and Labour Finding Agency” (Interview 2).

Along with the bureaucrats in the Job and Labour Finding Agency, the new General Director examined OECD papers on unemployment insurance schemes, and then revised the unemployment insurance program draft (Interview 2). According to those revisions, workers would be eligible for unemployment compensation if they had paid their insurance premiums for at least 600 days in the last three years of employment, and had paid them in the last 120 days of their employment. Those who worked and paid the unemployment premiums for (a) 600 days deserved the unemployment payment for 6 months, (b) 900 days obtained the unemployment payment for 8 months, and (c) 1080 days merited unemployment compensation for 10 months (Çalışma ve Sosyal Güvenlik Bakanlığı 1999). The benefit rate was set at 50 percent of the daily wage. These amendments retained the limited eligibility and coverage structure of the previous drafts as the Turkish economic bureaucracy was concerned with the possibility of a deficit that the UI program could create in the budget.

Despite the objections from the labour confederations, the Social Security Law No. 4447 was legislated in August 1999. The establishment of the unemployment

insurance program intensified debates between workers and employers over the introduction of new components (job security and flexibility arrangements) and the restructuring of the severance payment program. This was because the introduction of the unemployment insurance program created a layering on top of the existing severance payment program. The employer confederation TISK argued that the severance payment program had to be re-structured due to the introduction of the unemployment insurance program as an additional income support program, while the labour confederations supported the introduction of additional job security provisions because they asserted that without additional job security provisions the unemployment insurance program would encourage employers to dismiss workers too easily. Yet as opposed to the main assumption of layering-, the introduction of the unemployment insurance program did not weaken the vested interests behind the severance payment program; therefore, it did not lead to re-structuring or the replacement of the severance payment program. This can partly be explained by the fact that the unemployment insurance program had a very tight eligibility structure, which in turn prevented the strengthening of the program against severance pay. According to World Bank's *Turkey Labour Market Study*, less than 4 percent of unemployed can benefit from the unemployment insurance program (2006, 91). As the program had a very small number of beneficiaries, it was not strong enough to siphon off the generous severance payment program. Nevertheless, the impact of the program should not only be measured quantitatively because, after its introduction, the program has been used successfully by the employers as a discursive tool to challenge the old institutions such as Labour Act No. 1475 and the severance payment. Interestingly, it has also been used by the labour confederations to achieve the introduction of job

security provisions. That is to say, the program influenced the Turkish welfare-production regime by introducing the idea of flexibility, and extending the discursive and political space for both employer and labour confederations. In the next chapter, we will focus on this process by examining the reform debate over the severance pay and Labour Law No. 1475 after the introduction of the unemployment insurance program.

Conclusion

As argued in the introduction, Turkey's adoption of an unemployment insurance program constitutes an interesting case study because the program is located at the nexus of the welfare-production regime. On the one hand, the program brought a new idea of flexibility to the Turkish welfare-production regime. On the other hand, the program was used to undercut the basis for maintaining programs such as severance payment and early retirement schemes. In particular, the program was "layered" on top of the existing severance payment institution. Thus the introduction of the unemployment insurance program can be seen as a good starting point for understanding the challenges of this program to the existing job security ideas and its institutions in the Turkish welfare-production regime.

This chapter has shown that macro-structural, institutional, and politico-ideational factors played important roles in the establishment of the Turkish unemployment insurance program. Since the emergence of the idea for adopting an unemployment insurance program in the 1960s and 1970s, there has been ongoing collaboration between transnational and national actors. This occurred when the Turkish economic bureaucracy and consultants from international organizations conducted several studies for the

introduction of the unemployment insurance program. Hall (1989, 9) pointed out that external experts and/or consultants can be influential in the policy making process if public authorities are open to advice and staff from outside organizations have an expertise unique to the issue at hand. This applies to the Turkish case as the Turkish bureaucracy did not have sufficient expertise to design and implement an unemployment insurance program. This led them to seek assistance from the experts of various international organizations.

Despite the extensive research conducted by the Turkish bureaucracy and transnational actors for the establishment of the unemployment insurance program over the years, it was not introduced until the 2000s. This can be attributable to two main factors: the logic of import-substitution strategy and the institutional factors that influenced the politics of the introducing the unemployment insurance program. This picture changed with the transition from import-substitution industrialization to the export-oriented growth model.

Two key domestic actors who are the members of the pro-labour and pro-market advocacy coalitions, the Turkish economic bureaucracy (together with the World Bank) and the Ministry of Labour, played an important role in bringing the unemployment insurance program onto the political agenda in the early 1990s. Although these two groups had different political agendas, the ambiguous characteristic of the unemployment insurance program was in line with the interests of both of these actors. Carson states that “the process of institutionalization does not require all actors who press for the implementation of specific paradigmatic ideas to buy the whole package.....Diverse actors may joint together to press for particular policies while motivated by quite

different goals or ideals.....[and]...even while they continue to vehemently disagree in broader philosophical terms” (2008, 13). The World Bank and the Turkish economic bureaucracy, who are the members of the pro-market advocacy coalition, supported the unemployment insurance program to accelerate the privatizations and to ensure labour market mobility and flexibility. Yet the Ministry of Labour, which is a member of the pro-labour advocacy coalition, advocated the initiation of the unemployment insurance program as part of its broader pro-labour reform agenda that included improving the collective rights (such as the right to strike, and collective bargaining), re-structuring the Job and Labour Finding Agency, the enactment of the job security, and the establishment of the severance payment fund.

In the early 1990s, the Minister of Labour assigned a scientific commission – composed of bureaucrats from the İİBK, and an economics professor – to prepare the unemployment insurance program. The scientific commission adopted the internationally accepted unemployment insurance model of the OECD and the ILO that was composed of “temporary income support” and “active labour market policy” components. Yet in designing the program, they were inspired by the OECD’s conception of flexibility that stressed a limited benefit and eligibility structure and an active labour market policy component. Moreover, the scientific commission designed the eligibility and benefit criteria of the program in a very limited way, even in OECD standards, because of their concern that the program would otherwise create a budget deficit. With some minor revisions, the UI draft prepared by the scientific commission came into the agenda various times throughout the 1990s.

Starting from the mid-1990s, the pro-market advocacy coalition of the World Bank and the Turkish economic bureaucracy increased its influence on the social policy agenda setting. They began to argue for the reform of the social security system, as the system contributed to the outbreak of the economic crises by generating massive budget deficits. While trying to respond to the demands of the coalition, however, the Ministry of Labour also made the unemployment insurance program part of the broader social security package to mitigate the reactions of the labour confederations. It was thus not surprising that unemployment insurance program was introduced as part of the social security reform package in the late 1990s. The introduction of the program contributed to the unsettling of the Turkish welfare-production regime because the program is informed by the idea of flexibility, which is different from the job security idea behind the existing institutions of the welfare-production regime.

The establishment of the unemployment insurance program constituted the starting point for the institutionalization of the travelling idea of flexibility within the Turkish welfare-production regime. Although the program challenged the severance payment program, it has yet to succeed in bringing about the re-structuring or replacement of the severance payment program. This was because the program had a very limited eligibility criterion, which prevented the program from getting stronger against the severance payment program. This is especially more evident in the following reform process which focused on the introduction of flexibility and job security. In the next chapter, we will discuss the introductory process of flexibility and job security provisions which created more ideational variegation and hybridization within the nexus of the welfare-production regime.

CHAPTER FIVE

THE TRANSLATION OF FLEXIBILITY AND JOB SECURITY PRINCIPLES

Following the introduction of the unemployment insurance program, the path-shifting labour market reforms continued with the incorporation of the flexibility and job security principles into Labour Law No. 1475, which led to the conversion of the Act. In the case of institutional conversion, the existing institution is “redirected to new goals, functions, or purposes” through political compromises and contestations among the domestic actors (Thelen and Streeck 2005, 26). The chapter argues that the change brought by the conversion of Labour Act No. 1475 was the result of political compromises and struggles between the competing pro-market and pro-labour advocacy coalitions. This institutional conversion process had more incremental but transformative implications for the Turkish welfare-production regime.

To understand the implications of this incremental change, it is necessary to identify the travelling idea that informed the amendments in Labour Act No. 1475. At the ideational-institutional level, conversion refers to the institutionalization of a travelling idea, which has the effect of transforming the goals and functions of the original institution. This chapter argues that the new design of the original labour law was inspired by the idea of flexicurity, which originated from the EU and the ILO. Unlike the translation of the unemployment insurance program model into the Turkish context, in this case, however, path-dependency proved stronger than it had in the case of unemployment insurance. That is, change was limited to modest incremental adjustment

because societal actors and the scientific commission of labour law professors took an active part in the translation of the flexicurity idea into Labour Act No. 1475.

The chapter begins with a discussion of the politics surrounding the earlier labour law institutions by showing how the existing institutional structure has shaped the strategies of the labour and employer confederations since the establishment of the Republic. The chapter then discusses how the macro-structural changes, notably the replacement of the import-substitution model by an export-oriented growth strategy, opened the window for the emergence of a debate over the labour legislation reform in the 1990s. However, it was not until the early 2000s that the reforms to Labour Act No. 1475 were actually implemented. Similar to the process surrounding the introduction of the unemployment insurance program, the two core features of the Turkish labour market policy making proved influential on the enactment of the new Labour Law No. 4857 which included the flexibility and job security provisions: (a) the fact that the government, especially the Ministers of Labour, was always very keen to reach consensus with the members of the pro-labour and pro-market advocacy coalitions (especially between the employer and labour confederations), and (b) the systematic incorporation of expert commissions into the policy process.

The Ministry of Labour played an especially important broker role in the paving the way for the reform by persuading the labour and employer confederations to support the flexibility and job security provisions. Accordingly, the social partners agreed to delegate their authority to the scientific commission which prepared these provisions. The final section of this chapter examines how the members of the scientific commission translated the idea of flexicurity. Here it will become clear that, despite the initial

commitment of the labour and employer confederations to accept the reform bill, the social partners successfully initiated action to secure modifications to the draft during the legislation process.

The Politics of Earlier Labour Legislation in Turkey:

Thelen and Steinmo succinctly argue that “the institutions....can shape and constrain political strategies in important ways” (1992, 10). It is thus important to understand how socio-economic forces such as classes emerge and define their goals, strategies, and relations with other political actors within a given national context; that is, how the existence and development of social classes are “reinforced and reified through state and societal institutions” (Thelen and Steinmo 1992, 11). Thus, the main purpose of this section is to examine the way the earlier political and institutional context in Turkey shaped the strategies of the societal actors who would later play key roles in the enactment of new Labour Act No. 4857.

The Turkish state has played an especially pivotal role in shaping the emergence and evolution of social classes. The protectionist labour legislation introduced in the early republican period has proved particularly important in this regard. When the first Labour Act No. 3008 was introduced in 1936, Turkish politics was dominated by a single party, the Republican People’s Party, which adopted a top-down approach to nation-building and industrialization. It was thus not surprising that the earlier labour legislation did not have tolerated the emergence of organized social classes. Together with the Law of Associations (1938), the Labour Act No. 3008 (1936) banned the establishment of class-

based organizations and placed restrictions on strikes (Dereli 2006, 36; Cizre-Sakallıoğlu 1992, 712).

Interestingly, the political elite of the Republican People's Party adopted a more protective and paternalistic tone regarding individual labour relations in the Labour Act No. 3008. In fact, as Bronstein rightly argues, this paternalistic tone was motivated by the political consideration that, as a "Bismarkian message for the workers, they should look to the State and not to the unions to defend their interests" (1997, 8) since class-based organizations were seen as a threat to the nation-building project. Economically, the political elite of the Republican Party supported state-engineering inward-development. As noted in chapter two, this contributed to the emergence of protective individual labour legislation because the state-led industrialization policy necessitated a continuous labour force as well as a strengthened private sector. In the absence of an adequate supply of labour, industrialization would not be achieved. In such a context "it seemed only logical that the state should offer workers social protection as it was symmetrical with the economic protection enjoyed by the industry" (Bronstein 1997, 8).

During World War II, the Republican People's Party's top-down approach encountered serious challenges from peasants, workers, and the newly emerged business class. Initially the government shifted its policies from protecting peasants to supporting urban populations who were experiencing high inflation and food scarcity, while the wartime taxes on farmers worsened their situation. Many workers were also discontented with the party's wartime measures because the state's paternalistic approach had been replaced by despotic measures. As Boratav and Özügürü point out "many of the articles of the labour law protecting workers were suspended. A system of compulsory labour and

heavy penalties for non-compliance was implemented” (2006, 169). Finally, the business class, which had begun to emerge as a result of the state-led industrialization policy and the period of war economy, began to resist RPP policies after the war in order to “attain autonomy from the close control of the political authority” (Keyder 1987, 40).

The dissatisfaction of different societal groups with the RPP’s policies opened the way for the emergence of an alternative party, the Democratic Party, which was created by a group of liberal members within the RPP. Once the Democratic Party was established, its party program gained considerable support from both business class and market-oriented farmers (Boratav and Özügurlu 2006, 172) as both groups believed that liberalization of trade would increase the scope of the private sector in the economy and would give priority to agriculture as well as other sectors (Boratav 2003, 94). The de facto alliance between these groups played a pivotal role in the Democratic Party’s victory in the 1950, 1953, and 1957 elections.

The entrance of the Democratic Party into politics in turn contributed to the development of Turkish labour legislation. Competition between the RPP and DP for votes resulted in the elimination of the ban on the establishment of trade unions. Nevertheless, trade unions were not allowed to participate in politics or to pursue their economic interests when there was a conflict surrounding national interest (Dereli 2006, 36). This was because the political elite from both the Republican Peoples’ Party and Democratic Party aimed to “to keep a tight control on the form and substance of the Turkish Trade Unionism so as to make it subservient to the overall policy goals of the state” (Cizre-Sakallıoğlu 1992, 713-714). For instance, the Democratic Party controlled the activities of the newly created Confederation of Turkish Trade Unions (TÜRK- İŞ)

and in return, the TÜRK- İŞ and its affiliated trade unions obtained wage increments in public enterprises (Koç 2003, 92).

Furthermore, the political elite of Democratic Party extended the paternalistic and protectionist policies for labour previously codified in Labour Act No. 3008. This included the enactment of laws regarding lunch breaks and annual paid vacations, the extension of the scope of severance payments by decreasing the eligibility criterion from five years of employment to three years of employment, and the provision of “health services, housing....tax exemptions, bonuses, and minimum wages for the workers” (Cizre-Sakallıoğlu 1992, 716). On the one hand, these improvements were enacted to support the state-led industrialization strategy; on the other hand, they served to keep labour unions out of politics.

With the adoption of the constitution in the aftermath of military coup of 1961, Turkey experienced pluralist democracy for the first time. On the one hand, the new constitution extended the power of unions by recognizing the right to collective bargaining, the right to strike, and the right to participate in politics. These rights were also strengthened with the legislation of the Labour Code of 1963. On the other hand, the Constitution introduced a planned economy model based on the principle of import-substitution industrialization in order to “guide an orderly development of the capitalist economy” (Keyder 1987, 47).

During the first elections in 1963 after the coup, the Republican People’s Party won the majority in the Parliament. Yet the RPP did not stay in power very long. The Justice Party (JP), the successor to the Democratic Party, won the general elections of

1965 and remained in power until the military intervention of 1971 with the support of various societal groups. All fractions of the business class supported the JP against the RPP because of their fear that the RPP and the traditional bureaucratic elite would try to control the economy as in the 1930s (Barkey 1984, 53-54), whereas the Justice Party, “in conjunction with the private sector, argued for a form of planning that would promote the interests of the private investors” (Eralp 1990, 227). The Justice Party also had the support of the rural areas as well as the workers (Barkey 1984, 54).

With regard to labour, thanks to the economic boom in the 1960s the Justice Party was able to increase the wages in the public enterprises and introduced progressive welfare legislation including “social security payments in the form of retirement pensions and benefits for health, family, children, and housing” (Cizre-Sakallıoğlu 1992, 718). More importantly, a new Labour Code No. 1475 adopted in 1967, which replaced the previous labour law No. 3008. The new law expanded the scope of the legislation to include white-collar workers as well as blue collar workers, and sought to involve “all establishments even those employing only one worker” (Dereli 2006, 39). Nevertheless, “the great bulk of agricultural workers, workers employed by small artisans and the like...were still excluded from its coverage” (Dereli 2006, 39). The Act remained in force until the passage of the new Labour Law No. 4857 that introduced flexibility and job security arrangements in 2003.

The Justice Party governments used these paternalistic policies and legislation “to restrict labour’s capacity to participate in decision-making....despite provisions in the new Constitution that promised to grant labour significant organizational power” (Waldner 1999, 65). It continued to placate the labour confederation TÜRK- İŞ by

improving social and labour market policies and offering TÜRK- İŞ a privileged position. Yet the dependence of TÜRK- İŞ on the state, however, was criticized by a group of trade unions that went on to establish the socialist Confederation of Progressive Trade Unions (DİSK) in 1967. DİSK`'s formation fragmented the union movement with TÜRK- İŞ largely representing workers in public sector and DİSK private sector workers. Due to its ideology and its membership profile, DİSK gained more autonomy from the state than TÜRK- İŞ as was evident in “the events of May 15-16, 1970, when a massive march in İstanbul (was) organized by DİSK to protest the proposed changes in the laws governing strikes” (Barkey 1984, 54). These events in turn set the ground for the military intervention of 1971 which interrupted civilian rule until the 1973 elections.

The period of 1974-1980 was primarily characterized by the short-lived and unstable coalition governments. Growing conflict between different fractions of business and the working class can explain the reason behind the division of seats among many parties in the Parliament (Cizre-Sakallıođlu 1992, 723). As for the employers, the fragmentation between different groups such as divisions between small and medium producers and large firms, the industrial and commercial bourgeoisie became more apparent with the deepening problems of the import-substitution model which were exacerbated by the external oil shocks in the 1970s (Barkey 1984, 53).

Despite labour movement`'s fragmentation, unions became more radicalized and stronger. Despite conflicting interests among the different business groups noted above, a growing solidarity began to emerge among employer associations in response to the growing power of labour. This manifested itself with the “realignment of various interest associations around the hard-line Confederation of Turkish Employers Union (TİSK)”

(Cizre-Sakallıođlu (1992, 723). TİSK was especially opposed to rising wages and the increasing number of strikes in the aftermath of the 1971 military intervention.

Although TİSK demanded that the governments take measures against labour; nevertheless, none of the governments “were strong enough to impose further state controls on labour to avert and contain the growing militancy of a politicized and polarized labour movement, especially in the socialist DİSK” (Cizre-Sakallıođlu 1992, 724). In this period, the government’s unwillingness to stem the rise of wages and curtail strike action can be partly explained by the ongoing economic crisis the government needed labour’s support to re-stabilize the economy (Cizre-Sakallıođlu 1992, 724).

In fact, in the 1970s successive governments resorted to introducing pro-labour legislation. The amendments made in the provisions of Labour Act No. 1475 regarding the severance payment program in 1975 were the most important of these initiatives, but it also introduced controversial changes to labour legislation. One of these was the extension of the scope of contract termination, as eligibility criterion for the severance payment program was decreased from three to one year of employment. Another adjustment was related to the amount of severance payment which increased from fifteen days wages to a monthly wage for each year of employment (Dereli 2006, 40). The policy-makers justified these amendments on the basis that Turkey lacked job security and unemployment insurance arrangements⁷. Nevertheless, the introduction of these changes led to an intensification of tensions between labour and business in the late 1970s. As Dereli argues, this was because “the [severance payment] levels set by the Labour Act were automatically exceeded by collective bargaining arrangements” (2006,

40): in most instances, in collective bargaining the unions were able to increase the monthly wage for each year of employment to 45 days.

The labour movement's heyday in Turkey ended with the transition from the import-substitution industrialization to the export-oriented growth model in the early 1980s under the military regime. The new development strategy stressed the necessity to improve international competitiveness, productivity, and labour market flexibility. Therefore, powerful trade unions and protective individual labour market legislation came to be seen as obstacles to economic productivity and growth. Accordingly the military junta prohibited the activities of all trade unions, closed the socialist confederation DİSK⁸, and enacted new labour laws No. 2821 and 2822, which "further restricted strikes, expanded the scope of compulsory arbitration, imposed certain limitations on union membership, and instituted heavier penalties for violators" (Dereli 2006, 43). Furthermore, the unions lost their power in wage determination settlements as collective bargaining was not allowed between 1980 and 1984 (Şenses 1996, 434). Under the military regime the severance pay benefits were limited with the introduction of a ceiling equal to the annual amount of pension paid to the highest rank civil servants. All these limitations on collective and individual labour rights served the interests of the pro-market advocacy coalition (employer associations and TİSK) which had vociferously demanded the elimination of these so-called rigidities in order to maximize profits and minimize labour costs.

The right-wing Motherland Party government, established after the first general elections in the early 1980s, gave priority to the macro-economic measures (including stabilization, balance-of-payments adjustment, liberalization of trade and capital

accounts) of the new export-oriented growth model rather than labour law reform. Nevertheless, its neo-liberal policies precipitated serious issues such as “the distributional losses of wage and salary earners and the recession in domestic economy” (Şenses 1994, 440). As a result, the government was confronted with growing dissatisfaction against its neo-liberal policies that ultimately led to the party’s defeat in the local government elections of 1989. At the same time, the trade union movement revived in response to increasing domestic dissatisfaction with neo-liberal policies. The trade unions reacted to these neo-liberal policies with massive strikes and demonstrations. Increasing union power was fuelled by Turkey’s re-application for membership in the European Economic Community (EEC) because the EEC saw the abolition of the bans on unions as necessary to the reinstatement of Turkish democracy (Şenses 1994, 440).

The history of the earlier politics of the labour legislation, on the one hand, provides insights into the way the social classes respond to the reform debates in the later periods; on the other hand, it defines the institutional context within which these actors, their interests, strategies, and their relations with other actors take place. Having specified the historical dynamics of the politics of labour legislation in Turkey, we can now focus on how the factors (such as the transition from the ISI model to export-oriented growth model, the conflict between the pro-market and pro-labour advocacy coalitions, and the existing institutional context) discussed above opened the window for the introduction of flexibility and job security provisions in the early 2000s.

The Emergence of Debate over the Introduction of the Flexibility and Job Security Provisions

Turkey's macro-structural transition from import-substitution to export-oriented growth model brought about two contradictory trends in the early 1990s: the implementation of structural adjustment policies and the return to plural democracy in which the labour organizations re-gained their right to participate in politics. One of the important repercussions of these two trends was that the introduction of job security and flexibility provisions were both placed on the national agenda. While the job security provisions were brought onto the national agenda by the pro-labour advocacy coalition in the early 1990s, the pro-market advocacy coalition pushed for the enactment of flexibility provisions, including the re-structuring of severance payments,. Yet these efforts did not succeed in the 1990s due to the opposition of labour and employer confederations to each other's propositions. This is closely related to the fact that the industrial relations systems of Southern European and Latin American countries, which Turkey resembles, tend to be generally characterised by adversarial industrial conflict between labour and employer organizations and this only intensified after the transition to democracy (Karamessini 2008, 6-7). This section discusses the emergence of the debate in Turkey over the introduction of these contradictory job security and flexibility provisions.

The introduction of the additional job security provisions came for the first time onto the national political agenda in the early 1990s. Despite the populist politics of the Motherland Party, it was defeated during the general elections of October 20th 1991, opening the way to the formation of a coalition government constituted by the center-

right True Path Party (DYP) and center-left Social Democratic Populist Party (SHP). As discussed in the previous chapter, the Minister of Labour (who was the member of SHP) in the new government adopted a pro-labour agenda and began preparing several labour law drafts on collective rights, the re-structuring of the Job and Labour Finding Agency, job security, as well as unemployment insurance program. Yet the attempt to introduce unemployment insurance program and job security was opposed by the employer confederation, which complained about the additional costs that these would entail. In return for the introduction of the unemployment insurance program and job security, the employer confederation (TİSK) demanded the re-structuring of the severance payment program.

Aware of the employers' resistance to the introduction of unemployment insurance program and job security, the Minister of Labour, Mehmet Moğultay, focused his efforts on the ratification of the ILO Conventions as a way of by-passing the employers' opposition. In the late 1980s, Turkey was endeavouring to boost its image before the international community (especially the ILO and the EU). Consequently, the Minister of Labour used this opening to send six ILO Conventions to Parliament: Convention No. 87 of 1948 on "Freedom of Association and Protection of the Right to Organize, Convention No. 135 of 1971 on Workers' Representatives, Convention No. 151 of 1978 on Labour Relations in the Public Service, Convention No. 142 of 1975 on Human Resource Development, Convention No. 144 of 1976 on Tripartite Consultation (International Labour Standards), and Convention No. 158 of 1982 on Termination of Employment (referred also as the Convention on Job Security). Five were ratified by the Turkish Grand National Assembly, though at the time "proposed ratification of

Convention No. 158....was vetoed by the President” (Dereli 2006, 48). It was later ratified in 1994, with implications for both the design and enactment of job security arrangements in the new labour Act.

Once Convention 158 had been ratified, Turkey was obliged to incorporate job security principles: recall that when a member state ratifies an ILO Convention, the Convention becomes binding for the state, and is subject to a regular review by the ILO. Despite the ratification of the Convention, the employers were able to delay the legislation of job security until the early 2000s. Nevertheless, as we shall see, the ratification of the Convention came up again in the reform debate in the early 2000s as a strategy used by the labour confederations to force the government enact job security provisions in line with the Convention.

While the debate over the job security provisions was taking place, the employers’ confederation (TISK) and various business organizations brought the notion of flexibility arrangements onto the national political agenda. Dramatic wage increases in the late 1980s, and SHP’s attempt to introduce the job security and unemployment insurance program in 1992 prompted a renewed effort by the employers to push for the introduction of flexibility arrangements, including widening the scope for atypical contracts and the re-structuring of severance. The economic crises of 1994 and 1999 also contributed to the employer’s dissatisfaction with rigid individual labour legislation. Last but not least, Turkey’s membership in the Customs Union (1995) also fuelled the employers’ interest in the enactment of flexibility provisions (Şenses 1996, 694). They continued to face strong opposition from employees however throughout the 1990s.

Translation of the Flexibility and Job Security Provisions

In the early 2000s, the social parties to the pro-labour and pro-market advocacy coalitions increased their respective efforts to introduce job security and flexibility provisions (including the re-structuring of the severance payment program). Without doubt, the twin economic crises in November 2000 and February 2001 increased the power of pro-market advocacy coalition that favored further liberalization in the Turkish economy and flexibilization of the labour market (Öniş and Şenses 2009, 2). Nevertheless, this does not imply that the pro-labour advocacy coalition totally lost its power in resisting pro-market reforms. While the employer confederation pressed for a more flexible labour market, the labour confederations continued to agitate for the introduction of job security provisions. The labour confederations developed strategies (especially through scale-jumping⁷) to counterbalance the demands of the employer confederation.

Despite the ongoing conflict between the labour and employer confederations over the introduction of job security and flexibility provisions, the parties reached an agreement over the incorporation of these provisions into the Labour Act No. 1475. The Ministry of Labour especially played a crucial role as a policy broker between employers and labour through its suggestion to create a scientific commission that would prepare the flexibility and job security arrangements (Sabatier 1988). In this section, the discussion will focus on the developments in the early 2000s in order to analyze how the societal

⁷ When the actors are faced with blockade to achieve their political goals at nation scale, they may try to achieve them through the strategy of operating at different scales (scale-jumping strategy) (Smith 1984).

members of pro-labour and pro-market advocacy coalition reached a compromise over the enactment of these provisions.

After the enactment of the unemployment insurance program in the late 1990s, the debate between the employer and labour confederations over the job security and flexibility provisions intensified. The employer confederation criticized the introduction of the unemployment insurance program on the grounds that, in combination with the severance payment program, it would increase social costs, discourage entrepreneurship, and encourage the expansion of the informal economy (TİSK 2000; Baydur 2004). It argued instead that there was a need for the enactment of flexibility provisions, including the re-structuring of the severance payment program (Baydur 2004). The outbreak of economic crises in 2000 and 2001 increased employers' pressure on the government to introduce these flexibility arrangements.

Unlike the employer confederation, the labour confederations – TÜRK- İŞ, HAK- İŞ, and DİSK – supported the establishment of the unemployment insurance program; however, they asserted that the introduction of the unemployment insurance program could lead to mass dismissals. To preempt such action, job security restricting employers from dismissing workers without “valid reasons”, needed to be introduced (Uslu 2000, 22; Meral 2000, 30).

To increase their pressure on the government the labour confederations adopted a “scale-jumping” strategy in which the labour confederation TÜRK- İŞ pursued support at the transnational scale for the establishment of job security. Since Turkey signed the ILO's job security Convention No. 158 in 1994, the TÜRK- İŞ was able to complain to

the ILO about Turkey's lack of legislation following its ratification of the Convention (Interview 5; ILO 1997). In other words, TÜRK- İŞ lobbied for the introduction of job security at the transnational scale when it realized that, without the support of the ILO, the enactment of job security would likely be blocked at the national level by the employers and the right-wing party of the coalition government.

Such a "scale-jumping" (Smith 1984) from the national to the transnational scale created a "boomerang effect" (Keck and Sikkink 1998) in favour of the introduction of job security. As a result of the efforts of TÜRK- İŞ, in 2001 the ILO Application Committee decided to inquire why Turkey had not enacted Job Security following its ratification of Convention No. 158 in 1994 (Centel 2002, 40). Consequently, the Minister of Labour and Social Security had to make a commitment that the government would legislate the Act as soon as possible. In that regard, the ILO can be seen as having facilitated the enactment of the job security provisions. The organization became involved in national policymaking at the behest of national actors when the labour confederations realized that they needed the ILO's support to achieve the reform of job security provisions (see Chapter Three).

Another important factor that assisted the labour confederations in pressing their demands for job security was the existence of a pro-labour party within the coalition government. The coalition government's Prime Minister, who was a member of Democratic Left Party (DSP), favored the legislation of social security provisions. At the same time, however, the Minister of Labour was a member of the right-wing coalition partner (Motherland Party) of the Government; and had to respond to the flexibility

demands of the employer confederation, especially in the period of ongoing economic crises.

Aware of the historical ongoing conflict between the labour and employer confederations, the Minister of Labour adopted an innovative strategy to secure consensus between them on the introduction of both flexibility and job security provisions. He proposed the establishment of a scientific commission elected by the employers, employees, and the state to prepare job security, flexibility, and severance pay legislation (Baydur 2004; Süral 2005). Three members would be elected by the labour confederations (HAK- İŞ, TÜRK- İŞ, and DİSK), three by the employer confederation (TİSK) and the last three by the state. In other words, the Ministry of Labour undertook the role of “policy broker” in ensuring the compromise between the members of competing pro-labour advocacy coalition (labour confederations) and pro-market advocacy coalition (employer confederation) through its suggestion of creating a scientific commission that would prepare the flexibility and job security provisions (Sabatier 1988).

The protocol signed by the representatives of the employer and labour confederations to form the scientific commission sought to achieve a balanced approach between the claims of the employees and employers. It highlighted the necessity to promote both labour standards and economic competition. Furthermore, the protocol stated that “the decisions taken unanimously by the scientific committee would be considered as “approved” by the three parties. In the absence of unanimity, each party would have a right to object and declare their concerns” (DİSK and HAK- İŞ and TÜRK- İŞ and TİSK and Çalışma ve Sosyal Güvenlik Bakanlığı 2001). The protocol thus aimed

to obviate any possible disagreement between the social parties in the case of consensus among the labour law professors.

In addition to the commission's potential as a conciliation mechanism, the Ministry of Labour supported the formation of scientific commission because the Ministry lacked the expertise to design these provisions. Hall argues that the scientific commissions influence the policy-making process when the public agencies are open to "advice and personnel from centers of academy" due to lack of sufficient technical knowledge in that policy field (Hall 1989, 9). As the former bureaucrat in the Ministry of Labour, İsmail Bayer, stated "the Ministry of Labour has always been a small ministry with a limited number of qualified personnel. The qualified personnel were generally employed in the "General Directorate of the Turkish Workers Abroad" under the Ministry of Labour. The General Directorate of Labour which was supposed to prepare labour law drafts did not have such technical expertise" (Interview 6). Therefore, it was not surprising that previous job security drafts had always been designed by the labour law professors⁹.

Despite the Minister of Labour's promise to secure a balanced solution, the Ministry only introduced the job security provisions in 2002. Following the formation of scientific commission, the Minister of Labour requested from the scientific commission to prepare a separate draft of job security provisions (Interview 3). This request followed the coalition government's loss of popular support during the economic crisis of 2001. The Minister of Labour hastened the passage of the job security provisions to regain the public's support in the upcoming elections. Consequently, the Job Security Act No. 4773 was passed by Parliament before the general elections of 2002, and became effective on

March 15th, 2003¹⁰ (TISK's reaction to this development, however, contributed to the postponement of the date the job security Act would come into effect. The postponement gave sufficient time to the next government of Justice and Development Party, AKP, after the elections of 2002 to enact the other components of new labour law).

Notwithstanding the efforts of the coalition government, it was defeated in the general elections of 2001 and a newly established right-wing party, the Justice and Development Party (AKP), came to power. The new government favored the enactment of the flexibility arrangements encompassing atypical contracts and the re-structuring of the severance payment program. Therefore, it called for the scientific commission to prepare the flexibility provisions, as well as to integrate the job security provisions of Act No. 4773 into the new labour law draft. Once the scientific commission finalized its work; job security provisions and flexibility arrangements were enacted as part of new Labour Law Act No. 4857 in May 2003.

The incorporation of the job security and flexibility provisions into the Labour Act No. 1475 can be seen as an example of institutional conversion in which the old labour Act was "redirected to new goals, functions, or purposes" through the political compromises and contestations (Thelen and Streeck 2005, 26). To fully explain this process of conversion, it is important to analyze the adoption and translation of the idea of flexicurity which informed the design of the job security and flexibility provisions (excluding the severance payment). Grinvalds rightly argues that travelling ideas "cannot be....used or applied by policymakers" without being "reinterpreted, modified, and negotiated in ways that depend on local context and players" (2008, 188). The thesis argues that, unlike the translation of unemployment insurance program model into the

Turkish context, in the case of the reform of Labour Act No. 1475, path-dependency proved stronger; that is, change was limited to more incremental adjustments because the pro-market advocacy coalition and the members of the pro-labour advocacy coalition – i.e. those with vested interest in the previous arrangements - were involved in the designing process of the reform draft.

The Scientific Commission

The scientific commission of labour law professors undertook an important role in the selection and translation of the travelling idea of the flexicurity. Weyland (2007) argues that scientific commissions can play a critical role in the selection and adoption of certain ideas over others. While selecting these ideas, they tend to rely on their connections with transnational knowledge networks that share similar set of normative and causal beliefs. In this case, the scientific commission was inspired by the principles of the EU and the ILO. At the same time, although scientific commissions may pick up ideas produced elsewhere, they generally articulate these ideas with respect to the normative and causal assumptions of domestic advocacy coalitions of which they are the members. This section will discuss how the members of the scientific commission chose and interpreted the idea of flexicurity that informed the design of the flexibility and job security provisions.

The scientific commission was composed of various labour law and industrial relations professors – Prof. Münir Ekonomi, Prof. Toker Dereli, Prof. Şavaş Taşkent, Prof. Öner Eğrenci, Prof. Metin Kutal, Prof. Devrim Ulucan, Prof. Algun Çifter, Prof. Sarper Süzek, and Prof. Teoman Akünal – from various universities in Turkey, who were

well-known scholars in the fields of labour law and industrial relations, and had a nuanced understanding of flexibility. All members supported the introduction of flexibility arrangements but at the same time felt that flexibility did not imply the deregulation of labour market. Rather, flexibility had to be balanced by security provisions that would protect labour (Süzek 2001; Centel 2001; Dereli 2001; Ekonomi 1997; Kutal 2002; Kutal 2003a; Kutal 2003b). Yet the labour law scholars who were part of the pro-market advocacy coalition put more emphasis on flexibility, while the others who belonged to the pro-labour advocacy coalition stressed security and protection more than flexibility.

The flexibility and job security provisions, which were prepared by the scientific commission, bore the imprint of the concept of flexicurity, which had come to enjoy increasing prominence in Europe. The idea of flexicurity stresses the necessity of finding a balance between labour market mobility and flexibility, on the one hand, and, on the other, social protection for those adversely affected by the challenges from the market economy and globalization, and maintaining social inclusion through the provision of equal treatment and opportunities for all workers (such as activation and training policies, and elimination of any discrimination against gender, race, ethnicity, and atypical workers). The scientific commission drew on transnational sources such as the EU flexibility directives and the ILO Convention No. 158 in the design of these new arrangements.

The members of the commission pioneered the introduction of flexibility principles into the Turkish labour law literature in the 1990s. Together with the employer confederation (TİSK) and employer associations, they had organized many conferences,

seminars and workshops on how flexibility could be achieved in the Turkish labour market, such as the “the Flexibility in Industrial Relations” conferences in 1994 and 1999. In addition, most of the members of the scientific commission had studied matters relating to the European Union directives on flexibility in the previous decade and sought to translate these into terms compatible with Turkish conditions in part by working as consultants for the employer confederation and associations (TİSK) (Interview 3). They were also familiar with the ILO’s international labour standards and conventions because most of the members of the scientific commission had actively participated in the ILO Annual Labour Conferences in the past as representatives of the employees, employers, and the state (Interview 3). This, in turn, enabled them to update their knowledge about new developments in international labour standards.

In addition, the commission’s selection of transnational sources from the EU and ILO corresponded to the demands of the labour and employer confederations. The labour confederations favored the usage of the ILO Convention No. 158 as the legislation of reference in the design of job security provisions, while the employer confederation asked for the adoption of EU directives for the formulation of the flexibility provisions. This was not surprising because, before the preparation of these new components, the members of the commission had worked as legal consultants on these issues for private firms (such as AYGAZ, İş Bankası, Sabancı Holding, and Akbank), employer associations (such as Metal Industrialists Association and Textile Employers’ Association), and trade unions and labour confederations (Interview 3).

In designing the flexibility provisions (excluding the severance payment scheme), the scientific commission took the EU’s concern with social protection into account by

incorporating the principles of equal treatment and non-discrimination. To begin with, they prepared the articles related to the fixed-term and part-time contracts (including the “on-call work”) in line with the EU Directive 99/70 and EU Directive 97/81 (Bilim Kurulu 2003, 18-20). The EU Directive 99/70 on fixed-term contracts aims to “enhance the competitiveness of Community economy” and “improve the quality of fixed-term work by ensuring the application of the principle of non-discrimination, and to constitute a framework to prevent abuse arising from the use of successive fixed-term contracts”. The non-discrimination principle accentuated that “fixed-term workers shall not be treated in a less favorable manner than comparable permanent workers solely because they have a fixed-contract or relation unless different treatment is justified on objective grounds”. To prevent the abuse of these contracts, the Directive made it obligatory for member states to introduce at least one of the protective measures such as the specification of objective reasons for the renewal of fixed-term contract, “the maximum duration of successive fixed-term employment contracts and relationships”, and “the number of renewals”. In line with this, the Turkish scientific commission adopted the criterion for the number of renewals of fixed-term contracts to prevent their abuse.

Similar to the EU Directive 99/70, the EU Directive 97/81 underlined the importance of non-discrimination against part-time workers: “part-time workers shall not be treated in a less favorable manner than comparable full-time workers solely because they work part-time”. The Directive explicitly states that employers have to consider the requests of their part-time employees concerning the “transfer from full-time to part-time work that becomes available in the establishment” , “transfer from part-time to full-time work or to increase their working time should the opportunity arise”, and “the provision

of timely information on the availability of part-time and full-time positions in the establishment in order to facilitate transfers from full-time to part-time or vice versa”. In a similar fashion, the creators of the Turkish labour law draft adopted the fulfilment of requests of part-time workers by the employers when an opportunity emerged for part-time workers “to transfer from part-time to full-time work or to increase their working time” (Bilim Kurulu 2003, 18-20).

The commission also benefited from the social protection measures of the EU Directive 93/104, EU Directive 91/383 and EU Directive 96/71 in the designs of “flexi-time” and “temporary employment relationship”. In accordance with the EU Directive 93/104, the scientific commission regulated the flexi-time arrangement by using the protective measure that specified a minimum 11 hours of daily rest. Accordingly, the working hours could be spread out unevenly throughout the week as long as 13 or more hours of daily rest was granted to the worker (Bilim Kurulu 2003, 38). Also, the scientific commission benefited from the protective measures of the EU Directive 91/383 and Directive 96/71 to improve the safety and health of employees with a temporary employment relationship⁸ (Bilim Kurulu 2003, 47).

In addition to the flexibility provisions, the commission devised the job security provisions compatible with ILO Convention No. 158. The job security articles prohibited

⁸ The draft established two types of temporary employment relationships: non-profit and for-profit. The non-profit temporary employment relationship relates to when “the employer, upon obtaining the worker’s written consent, may assign him to another establishment within the structure of the same holding company or the same group of companies or to another employer for a period not to exceed six months (which may be renewed twice) (article 7 *my emphasis*)” (Dereli 2004, 5). Both employers (transferee and transferor) are jointly responsible for the unpaid salaries of the worker and the social security premiums of the worker (Labour Law Draft Article 7 2003). The establishment of temporary employment agencies can be characterized as the for-profit temporary employment relationship, in which the temporary employment agency, upon the written consent of the worker, hires out the employee to an employer for a certain period of time (article 93).

the dismissal of workers by the employers for invalid reasons such as union membership, participation to union activities, pregnancy, “temporary absence from work” (due to injury and sickness), maternal leave, race, colour, sex, marital status, religion, political opinion, “recourse to judicial and administrative authorities against an employer” (Süral 2005, 254). Accordingly, an employer was only allowed to dismiss their workers in cases related to worker’s conduct and performance, the operational necessities of the establishment (or the job). The employer, moreover, was the party who needed to prove that the dismissal is based on valid reasons. If the employer could not prove the valid termination of the contract, then the employer was supposed to pay compensation to the worker (Süral 2005, 254).

Although the members of the scientific commission were inspired by the labour market policy legislation of the EU and the ILO, they also articulated this in ways compatible with the normative and causal assumptions of competing domestic advocacy coalitions of which they are the members (Sabatier 1988). Thus in an interview, Toker Dereli stated that “while preparing the draft, the members of the commission, on the one hand, tried to fulfill the demands of the party (employees, employers, and the state) they represented. On the other hand, they sought to find a ‘scientifically objective’ common ground” (Interview 3). Therefore, the final form of the draft was the outcome of the consensus reached by the members of the scientific commission from the pro-labour and pro-market advocacy coalitions.

First, the commission re-interpreted certain criteria laid out in the EU directives and the ILO Convention with respect to the specificities of national context. The ILO Convention No. 158 stated that some categories of workers may be excluded from the

scope of the job security if substantial problems existed relating to “the particular conditions of employment of the workers concerned or the size or nature of the undertaking that employs them”. The commission interpreted this article of the ILO as permitting limitations to the scope of job security to the employees (1) who are “employed in a workplace where at least ten workers are employed”; (2) “employed under an open-ended labour contract”; (3) “working at least six months at the concerned workplace”; (4) “not to be in the capacity of an employer’s representative” (Süral 2005, 254). These limitations of eligibility were designed to contribute to the establishment and development of small and medium enterprises (which employed less than ten workers) in the Turkish context (Eyrenci 2004, 33). Moreover, as discussed above, the EU Directive of 99/70 on fixed-term contracts states that the member states must introduce at least one of the protective measures to prevent the abuse of fixed-term contracts such as the number of renewal of these contracts, the duration of successive fixed-term contracts, and objective justification for the renewal of fixed-term contracts. The scientific commission articulated this statement of the directive by limiting the extension of fixed-term contracts to only one renewal. Accordingly, “if a fixed-term contract is renewed once, it is considered as open-ended (indeterminate) contract” (Bilim Kurulu 2003, 17).

Second, the scientific commission added social protection regulations into the related flexibility articles that are not stated in the EU directives. For instance, the scientific commission aimed to protect labour by making part-time contracts in written form (like all other new type of non-standard contracts and employment relations)

mandatory. Furthermore, the commission regulated “compensatory work⁹” by limiting it to 3 hours of daily work, and banning it during the days of rest (Dereli 2004, 10); it restricted the “on-call work” contracts to a minimum of at least successive four hours of work per day; and it provided income support through unemployment insurance program for the employee working under “working shorter”¹⁰ (Dereli 2004, 10).

Third, the commission aimed to introduce further flexibility in the Turkish labour market by re-structuring the severance payment draft. In the “General Reasons” section of the bill, the commission explicitly stated that severance pay should be considered in relation to job security and the unemployment insurance program (2003, 4). The severance payment program was the most controversial arrangement among the labour law professors. There was very little agreement among the members of the commission about how the severance payment should be re-structured (Interview 3), which manifested itself with the preparation of two alternative drafts for the severance payment program. The first suggested the establishment of a severance payment fund wherein employers would transfer the severance payment premium of the employees to this newly established fund, which in turn would operate as retirement payment for the employees (Interview 3). The fund would provide severance payment to the workers that had been employed for 10 years. The second alternative was based on a reinstatement of severance payment used in Turkey until the 1975 amendment (Interview 3). According to this

9 Compensatory work was introduced as a flexi-time arrangement to compensate the employer for “work stoppages due to force majeure, closing of the establishment before or after public holidays or granting the worker time off upon his request” (Dereli 2004, 10).

10 “Working shorter” is a flexi-time arrangement in which the employer could shorten the working periods of labour in the instances of work stoppages due to general economic crisis or force majeure (Dereli 2004, 10).

reason, severance payments would decrease from monthly wages to only a half- months wage for each year of employment (Interview 3). In the end, the scientific commission preferred the formation of a severance payment fund.

The Labour and Employer Confederations

The scientific commission was not the only group of actors involved in translating the flexicurity into terms compatible with the Turkish context. The societal actors – labour and employer groups – also took part in the adaptation of this idea through their struggles to change the design of new components in line with their material interests. As stated above, according to the protocol signed between employees and employers and the state, the parties had to accept the articles of the draft if there was unanimous agreement between the scientific committee members (DİSK and HAK- İŞ and TÜRK- İŞ and TISK and Çalışma ve Sosyal Güvenlik Bakanlığı 2001 2001). Nevertheless, labour and employer confederations did not comply with this once the draft had been finalized by the labour law professors. The labour confederations claimed that the draft prepared by the commission did not sufficiently protect labour, while the employer confederation asserted that the professors put too much regulation for flexibility provisions (Interview 3). This section discusses how the labour and employer confederations were able to modify (to some extent) the draft to reflect their political interests.

TÜRK- İŞ, HAK- İŞ, and DİSK prepared a joint document that included their suggestions for legislation. The labour confederations were adamantly opposed to the provisions relating to temporary employment relationships, transfer of employment contracts, the establishment of the severance payment fund, “working shorter” and

“working shorter payment”, temporary employment agencies, and the establishment of the severance payment fund. They maintained that these provisions would transform labour into a commodity; undermine unions and the collective rights of labour; and eliminate income security (DİSK and HAK- İŞ and TÜRK- İŞ 2003, 1-2). In addition, the labour confederations called for revisions to the articles on non-standard employment contracts and flexible time and organization of work (such as the formation of “work on call” contracts in written form, the restrictions on the usages of fixed-term and part-time contracts, and flexi-time arrangements) as they asserted that there was inadequate protection under these non-standard forms of employment and working time (DİSK and HAK- İŞ and TÜRK- İŞ 2003, 3-5). Lastly, the labour confederations requested the expansion of the coverage of the labour law draft to “the establishments in the agricultural and forestry sectors employing more than fifty workers” (Dereli 2004, 3). The agricultural and forestry establishments had not been included in the scope of the previous labour law Acts 3008 (1936) and Labour Law Act 1475 (1971).

In addition, despite the existence of the agreement on the provisions stated above, the socialist labour confederation DİSK also demanded the removal of the article relating to the establishment of the private employment agencies, the amendment of the “reference period” for the flexi-time, and the elimination of “force majeure” which was considered to be a reason for “compensatory work” (Interview 7; DİSK 2003). In response to the demands of the labour confederations, some provisions of the bill were either deleted or amended. These revisions included the extension of the draft to the agricultural and forestry workers, the removal of the article related to temporary

employment agencies, and the suspension of the establishment of the severance payment fund.

Like the labour confederations, TİSK called for amendments to the draft law. The employers complained that the flexibility arrangements were subject to too many limitations. For instance, TİSK was against the maximum 3 hours daily compensatory work and the ban on compensatory work in days of rest. Another proposition of the employers was the inclusion of “sectoral crisis” (as well as general economic crisis and force majeure) as a valid reason for the implementation of “working shorter” provision (TİSK, 2003). The employers also called for the extension of “reference period” for flexi-time (which stated that employees’ average working hour per week cannot exceed the normal working hours (45 hours in two months’ period) from two months to four months. The employers were unsuccessful however in persuading the employees and the Ministry of Labour about these suggestions.

The employer confederation, moreover, was against the establishment of the severance payment fund for several reasons. First, according to TİSK, the draft of the formation of the severance payment fund did not suggest any decrease in severance payments amounting to a monthly wage for each year of employment (Baydur 2004, 298). Second, even though the fund was designed as a retirement payment for the employees, it also enabled workers to obtain severance payment if they were employed for more than ten years (Baydur 2004, 298). The labour confederations also did not support the establishment of the severance payment fund as the draft limited the conditions for severance payment, lacked the provisions that would ensure employers’ fulfill their responsibilities regarding severance payment¹¹ (DİSK and HAK- İŞ and

TÜRK- İŞ 2003). Since all societal parties criticized the severance payment fund, the formation of the fund was postponed by the government party AKP (Justice and Development Party).

In addition, the employer confederation had some concerns over the scope of job security and compensation payment in the case of invalid dismissal of workers who were under the coverage of job security. During the legislation process the employers lobbied for narrowing the scope of job security. As a result, they were able to persuade AKP to alter the scope of job security from establishments having at least 10 workers to 30 workers (¹²Turkish Grand National Assembly 2003). This weakened the impact of the job security institution on the Turkish welfare-production regime system because “over 90 per cent of manufacturing sector establishments, not to mention enterprises in the trade and services sector operates below this level” (Ercan 2006). Moreover, the AKP government also changed the compensation to workers in the case of invalid dismissals. The scientific committee “had envisaged a compensation payment of six months’ to one year’s wage”; however, AKP reduced the compensation payment to four to eight months’ wage (Süral 2005, 254).

The introduction of the flexibility and job security provisions had important implications for the Turkish welfare-production regime. On the one hand the reform increased the flexibility of labour market in Turkey by incorporating atypical forms of employment into the labour law. As discussed in Chapter Four, the unemployment insurance program brought the idea of flexibility into the Turkish context with the introduction of the flexibility provisions. On the other hand, the idea of flexibility was balanced by the idea social protection, which manifested itself with the pro-labour

interpretation of flexibility provisions and the introduction of additional job security provisions.

Conclusion

This chapter has analyzed the liberalization reform process in the Turkish welfare-production regime which continued with the incorporation of the flexibility and job security provisions into the Labour Act No. 1475 after the establishment of the unemployment insurance program. This process can be considered an example of institutional conversion because these new provisions changed the function and goal of the Labour Act No. 1475.

The introduction of the job security and flexibility provisions came onto the national agenda in the early 1990s. This was the time when Turkey was experiencing problems related to the transition to the export-oriented growth model and also when the left-wing parties and union movement gained considerable power. It was thus not surprising that the debates over the introduction of these contradictory provisions emerged in the political agenda at the same time. Nevertheless, labour and employers were reluctant to reach an agreement for the enactment of both flexibility and job security provisions, which postponed their establishment until the early 2000s. The legislation of the unemployment insurance program in 1999 opened up a window for further reforms as it changed the institutional environment in the Turkish welfare-production regime. The employers reacted to the UI program because of their concern for increasing production costs and they demanded the enactment of the flexibility provisions (including the restructuring of the severance payment), while the labour unions pressed for the creation of

the job security as they claimed that the UI would increase dismissals in the absence of job security.

Similar to the unemployment insurance program, the transnational sources (more specifically the EU and ILO) also influenced the design of flexibility and job security provisions. The selection of the specific transnational sources partly related to the connections of the scientific commission to the EU and ILO. The labour law professors involved in the scientific commission of the labour law professors are involved in transnational knowledge networks, which have enabled them to update their knowledge on international labour standards. In addition, however the labour and employer confederations supported the ideas of the EU and ILO. Since Turkey's approval of the Customs Union of the EU, the employer confederation supported the EU's flexibility standards as the Turkish firms now compete with the European firms. The labour confederations could in turn employ a scale-jumping strategy to get around domestic opposition by advocating the enforcement of ILO standards for job security subsequent to Turkey's the ratification of the ILO Convention No. 158 in 1994.

With the efforts of the Minister of Labour in the early 2000s, the labour and employer confederations agreed for the formation of a scientific commission composed of labour law professors that would draft job security and flexibility provisions. During the preparation of the flexibility and job security provisions, the scientific commission articulated the principles of the EU and the ILO with respect to their ideational and material interests. Nevertheless, unlike the designing process of the Turkish unemployment insurance program, the labour and employer confederations were also involved to shape the job security and flexibility provisions with respect to their political

goals. They were successful in modifying and replacing some of the provisions. Due to the involvement of the members of both pro-labour and pro-market advocacy coalition, the translation of the flexibility and job security provisions reflected more of an incremental change when compared to the establishment of unemployment insurance program in Turkey.

The translation process of the job security and flexibility provisions, which resulted from the interaction of domestic and transnational actors, contributed to further modification of the corporatist welfare-production regime. On the one hand, the flexibility idea became more entrenched with the introduction of flexible forms of employment. On the other hand, the flexibility idea was balanced with protectionist interpretation of the flexibility provisions and the enactment of job security provisions.

CHAPTER SIX

CONCLUSION

The modern policymaking process may still be focused on centers of political authority, but networks of policy advice, advocacy, and activism now exhibit a precociously transnational reach, while policy decisions made in one jurisdiction increasingly echo and influence those made elsewhere (Peck 2009).

Although nation states still formulate policies, they do so in the context of an increasingly dense web of transnational networks, operating at different scales, with different, often overlapping mandates (Mahon and McBride 2009, 83).

This thesis makes a direct contribution to contemporary social policy literature by bridging the work of Kathleen Thelen and Wolfgang Streeck on institutional change processes – “layering” and “conversion” – and recent scholarship on “travelling ideas” and “translation”. On the one hand, the thesis examines the transnational sources that inspired the introduction of unemployment insurance and job security and flexibility provisions that led to the processes of conversion and layering. It thus analyzes how travelling ideas are carried and brought to the national political landscape. On the other hand, the thesis studies how these travelling ideas have been translated into the Turkish welfare-production regime by focusing on the role of national institutional context and struggles and compromises between pro-labour and pro-market advocacy coalitions.

This study has provided an account of the recent changes – the introduction of unemployment insurance program, flexibility and job security provisions – in the Turkish welfare-production regime. The thesis has argued that the layering of the unemployment insurance program onto the severance payment, and the conversion of Labour Act No. 1475 through the incorporation of the job security and flexibility provisions contributed to the modification of the Turkish welfare-production regime in a more liberal direction. On the one hand, the introduction of the unemployment insurance program and flexibility

provisions highlighted the increasing power of the members of the pro-market advocacy coalition in the Turkish context. On the other hand, the enactment of job security provisions underlined the fact that the labour confederations did not entirely lose its power in the labour market policy making process. It should however also be noted that the employer confederation proved successful in weakening these job security arrangements during the legislation process by limiting their scope to the establishments with more than thirty workers.

To analyze the impact of these layering and conversion processes on the Turkish welfare-production regime, the thesis has focused on how the travelling ideas, which informed the design of new components, have been adopted, carried, and translated by domestic actors. More specifically, the domestic actors – the scientific commissions, the unions and the employer's organisation - interpreted the ideas of the World Bank, the OECD, the ILO, and the EU in a way that reflected their own political strategies and national context (Grinvalds 2008).

The thesis has argued that the introduction of unemployment insurance program, and flexibility provisions contributed to the unsettling of the existing regime which had previously been modelled along conservative corporatist lines. Although the old regime continues to persist, these recent liberal innovations (excluding the job security provisions), introduced by the members of the pro-market advocacy coalition, have contributed to a shift in the path of the old welfare-production regime. Yet as we have seen, this shift has not been a smooth process. This is clear in the success of the pro-labour advocacy coalition (especially the labour confederations) in the introduction of job security provisions and the protectionist interpretation of the flexibility provisions.

In the remaining pages I develop the conclusion that Turkey's introduction of unemployment insurance program, job security and flexibility provisions – the product of the interaction of domestic and transnational actors – has contributed to a liberal transformation in the existing Turkish corporatist welfare-production regime. The old welfare-production regime has yet to be replaced but the new ideas (flexibility and flexicurity) and their institutions co-exist in tension with the old job security idea and its institutions. In that regard, it is too early to make a definitive judgement on whether these ideational and institutional changes will result in a substantial path shift in the welfare-production regime.

The thesis focused on the processes associated with the introduction and translation of the travelling ideas that informed the design of new institutional components. These processes involved different stages, such as the agenda-setting for the institutional components, the adoption of these ideas in the design of new institutional elements, and their translation by the members of the pro-labour and pro-market advocacy coalitions. These stages were not mutually exclusive; they often overlapped. Two characteristics of the Turkish labour market policy making played an important role in the introduction of the new institutional components: (a) the fact that the government, especially the Ministers of Labour, was always very keen to reach consensus with the members of the pro-labour and pro-market advocacy coalitions (especially between the employers and employees, and between the Turkish economic bureaucracy and the labour confederations), and (b) the systematic incorporation of expert commissions into the policy process.

The introduction of the unemployment insurance program and flexibility and job security provisions came into the agenda through the compromises between the members of competing pro-market and pro-labour advocacy coalitions. In the case of the unemployment insurance program, the pro-market Turkish economic bureaucracy and the World Bank and the pro-labour Ministry of Labour agreed on the introduction of unemployment insurance program despite their competing agendas. This outcome can be explained by the ambiguous characteristic of the unemployment insurance program, which can serve both pro-market and pro-labour goals.

The Ministry of Labour played the role of policy broker between the labour confederations and the Turkish economic bureaucracy (and the World Bank) in the introduction of the unemployment insurance program. Starting from the mid-1990s, pension reform became the priority in the social policy agenda. As a response to the increasing power of the pro-market advocacy coalition, the Ministry of Labour prepared social security reform packages which aimed to eliminate early retirement. While doing that, the Ministry incorporated the unemployment insurance program into the social security reform package to lessen the reactions of the labour confederations. Similarly the Ministry of Labour undertook a policy broker role between the employer and labour confederations in the incorporation of the flexibility and job security into Labour Act No. 1475. The Minister of Labour ensured the compromise between employers and labour in support of the establishment of a scientific commission to design the flexibility and job security provisions.

The next stage in the introduction of the new institutional components was the selection of their ideas that informed the design of the institutional components. In the

contemporary era, multiple travelling ideas influence the policy-making processes at national scales. Therefore, the policy changes in the welfare-production regimes are often the result of the interaction of transnational and national scales. Djelic and Sahlin-Andersson outline this process of change as “the reciprocal and mutually constitutive interplay of national and transnational institutional frames” (2006, 22). In a similar fashion, the thesis argued that the domestic actors chose certain travelling ideas favored by the international organizations in the design of new institutional elements.

These reforms to the Turkish welfare-production regime constitute an interesting case because various international organizations such as the OECD, the World Bank, the ILO, and the EU influenced the enactment of the new institutional components in the early 2000s. The EU, the World Bank, the OECD, and the ILO’s different perceptions’ of globalization have contributed to the diversification of the transnational ideational sources which could be drawn on by domestic actors seeking the redesign of Turkish institutions. For instance, the World Bank and the Turkish economic bureaucracy (including the State Planning Organization and İİBK) launched projects to liberalize the Turkish labour market policy in the late 1980s. As the scientific commission of the economists were mostly bureaucrats from the Job Finding Agency, their interaction with the World Bank on various previous projects proved influential in terms of their selection of the OECD’s idea of flexibility in preparing the unemployment insurance program draft.

Like the expert team of the economists, the scientific commission of the labour law professors also picked up ideas they were familiar with. During the 1980s and 1990s, some of the members of the commission attended Annual International Labour

Conferences as representatives of the state, labour, and employers. Also, the members organized many conferences, workshops, and seminars relating to the EU directives. Therefore, it was not surprising that they selected the ideas of the EU and the ILO in designing the flexibility and job security provisions. In addition, the demands of the labour and employer confederations were influential on the scientific commission's selection of the ideas of the ILO and the EU for the preparation of these arrangements. The employer confederation (TİSK) supported the flexibility directives of the EU as to improve competitiveness against the firms located in the EU countries. The labour confederations (TÜRK- İŞ, HAK- İŞ, and DİSK) advocated the ILO Convention No. 158 on job security as Turkey was obliged to incorporate the convention into its legislative jurisdiction after the ratification of the convention in 1995.

Last but not least, as Grinvalds pointed out, travelling ideas “cannot be immediately used or applied by policymakers” without being “reinterpreted, modified, and negotiated in ways that depend on local context and players” (Grinvalds 2008, 188). The re-articulation of these ideas has been visible in Turkey in the design of new institutions. For instance, even though the expert team of economists designed the unemployment insurance program with respect to the OECD's idea of flexibility, it established a tighter eligibility criterion compared to OECD standards, due to its fear that the program would aggravate already existing high budget deficits. Moreover, limited eligibility structure prevented the unemployment insurance program from being successful to weaken the vested interests behind the old institution of severance pay.

In chapter five, it was shown how the scientific commission of labour law professors reinterpreted some of the articles of flexibility and job security provisions. It

introduced the criterion that the establishments with at least ten workers are within the scope of job security. In so doing the committee aimed to protect the small enterprises against the costs (such as compensation for unjust dismissals) that would be generated through job security regulations. It also made it necessary for the non-standard contracts be made in written form. Furthermore, unlike the introductory process of the unemployment insurance program, the labour and employer confederations were involved in the interpretation of the flexibility and job security provisions. The employer confederation (TİSK) was successful in changing the scope of the job security from the establishments with at least 10 workers to 30 workers, while the labour confederations were able to (i) extend the scope of the draft to the agricultural and forestry workers, (ii) remove the article related to temporary employment agencies, and (iii) suspend the restructuring of the severance payment as a fund.

The translation of these ideas of the flexibility and flexicurity by the domestic actors resulted in a complex process of change in the Turkish welfare-production regime. The reform process introduced the liberal paradigm (flexibility and flexicurity ideas) into the Turkish context. The layering and conversion processes have contributed to the transformation of the Turkish welfare-production regime. Although the layering of the unemployment insurance program, as informed by the idea of flexibility, has yet to be successful in weakening the generous severance payment program, the introduction of the UI program opened up the political and discursive space for further reform debates in the Turkish labour market policy, especially through the incorporation of the flexibility and job security provisions into the Act. After the introduction of the unemployment insurance program, the employer confederation argued for the enactment of the flexibility

provisions and re-structuring of the severance payment. Combined with the macro-economic instability in Turkey, TISK was successful in introducing flexibility provisions with the notable exception of the re-structuring of the severance payment - to the Turkish labour legislation.

The introduction of the flexibility provisions in turn strengthened the liberal elements within the Turkish welfare-production regime. At the same time the establishment of job security provisions (albeit limited in scope due to the successful interventions of TISK) and the more protectionist interpretation of the flexibility provisions by the members of the pro-labour advocacy coalition (especially the labour confederations) reflected the persistence of important elements of the old paradigm and the vested interests behind them.

Implications for Further Research

The thesis contributes to the burgeoning literature concerned to analyze change in the welfare-production regimes of middle-income countries. It has benefited from the comparative welfare-production regime literature by positioning the Turkish case in terms of industrialization strategies, and the established relationship of the state and social classes, especially the institutions that shape the patterns of social protection and employment. The findings of this thesis provide in turn insights about future research that can be conducted in the field of comparative labour market policy. In particular, two areas of research seem especially promising.

Politics over the Design of Institutions in the Welfare-Production Regimes

The first area of future research relates to the importance of politics in the design of institutions. Bonoli and Palier (1998) underline that incremental regime change can be better understood by disaggregating the welfare-production regimes into their component institutions. This is consistent with Myles (1998) plea for a simultaneous examination of broad regime characteristics and particular features of institutional design. In a similar vein, the thesis has provided an analysis on how new institutional components – unemployment insurance program, flexibility, and job security provisions – injected important elements of change in the Turkish corporatist welfare-production regime.

In his assessment of welfare-production regime literature in developing countries, Hort highlights the need for more research on certain policy issues including the emergence of unemployment insurance, as well as employment policy and labour protection (2005, 16). The thesis has examined the introduction of the Turkish unemployment insurance program, and how it challenged the old income support institutions of the welfare-production regime. Yet Turkey is not alone in the late adoption of the unemployment insurance scheme. In Latin America, five out of six countries with unemployment insurance established the scheme in the last three decades: Uruguay (1981), Chile (1982), Brazil (1986), Venezuela (1989), and Argentina (1991) (Marshall 1997, 32; Mazza 2000).

As discussed before, there are many similarities between Latin American countries and Turkey in terms of the emergence and development of their welfare-production regimes. For instance, prior to the neo-liberal period they all pursued an import-substitution industrialization model, which provided more benefits and rights to formal sector workers in the form of generous severance payment programs and early

retirement schemes (Haggard and Kaufman 2008). As in Turkey, these severance payment programs and early retirement schemes fulfilled the function of income support prior to the introduction of the unemployment insurance program.

It was only during and after the transition from import-substitution industrialization to export-oriented industrialization that most of the Latin American countries created unemployment insurance programs. One of the main characteristics of these programs in Latin America, as in Turkey, however, is that they have limited eligibility criteria. For instance, when the Brazilian unemployment insurance program was first introduced, the employees were supposed to work at least “three out of the previous four years to be eligible for benefits” (Mazza 2000, 31). In Argentina, the eligibility for the unemployment insurance program is limited to a small section of the labour force, which excludes public sector workers, construction workers, domestic workers, and self-employed (Mazza 2000, 19). As mentioned throughout the thesis, these strict eligibility criteria were also found in the Turkish case.

Another similarity between Turkey and Latin America lies in the timing of the flexibility reforms, which similarly overlapped with the creation of the unemployment insurance program. As in Turkey, Argentina’s New Employment Law (1991) not only established the unemployment insurance program but also introduced atypical forms of employment contracts. Subsequently, the Argentinian Act of 1995 allowed for the creation of special employment contracts for small firms that enabled “mobility within the firm” and “termination of employment” (Bronstein 1997, 14-15). In Chile too, prior to the enactment of the unemployment insurance (1982), the reforms in 1978-1979 facilitated the termination of contracts without any major costs to the firm, and

introduced fixed-term contracts and flexitime arrangements (Bronstein 1997, 17-18). In 1998, the Brazilian government introduced “short-term employment, flexible work days, and flexible compensation” (Cook 2002, 19).

Interestingly, these liberalization reforms that have been introduced in certain Latin American countries and Turkey over the last three decades also generated some contradictory outcomes such as the introduction of social protectionist measures and the restoration of collective rights. Cook argues that “the sequencing of dual transitions to democracy and to a market economy shapes the process and outcome of labour law reform” (2002, 2). That is, the labour market reforms can be analyzed by not only focusing on economic changes (such as the transition from ISI to export-oriented growth industrialization) but also in terms of the political struggles of societal actors during the reform process.

The Turkish labour movement re-gained its collective rights in the early 1990s with the transition to democracy. One of the main manifestations of the unions’ increasing power was that they were able to prevent the introduction of labour market flexibility reforms throughout the 1990s. With the emergence of the economic crises in the early 2000s, Turkey’s labour movement lost considerable power *vis-à-vis* the employers. Yet they were still able to effectively resist by insisting on the enactment of job security provisions concomitant with the introductory process of the flexibility arrangements. Similarly, constitutional amendments of 1988 in Brazil introduced protective measures which “included extending the right to organize to workers in public administration, establishing job security for union leaders and candidates for union office.....reduc[ing] the maximum work from 48 to 44 hours, and increas[ing] the

minimum overtime pay from 20 to 50 percent” (Cook 2002, 9). Having stated the commonalities between Turkey and Latin American countries, further research is needed to analyze their distinctive characteristics such as the political strategies and/or the technical expertise of domestic actors which may have influenced the translation processes of new institutional components such as the unemployment insurance program, flexibility, and job security arrangements.

Travelling of Ideas across Multiple Scales

Another area of research is related to the role of travelling ideas to analyze change in the national welfare-production regimes. As mentioned above, transnationally travelling ideas may contribute to the reform process at the national scale. There is increasing scholarly interest in analyzing the impact of the international organizations’ ideas on national policy-making processes (see Deacon et al. 1997; Deacon and Hulse 1998; Radaelli 2003; Charnock 2006; Sanchez 2006; Grinvalds 2008; Sengupta 2009). The thesis has argued that four international actors – the OECD, the World Bank, the ILO, and the EU – were directly or indirectly involved in the liberalization reform process in Turkey, and that they influenced the design of new institutional components. This suggests one area of potential research - the analysis of national reform processes as these are informed (but not determined) by multiple transnational actors. In fact, the very diversity of such travelling ideas and their sources contributes to the complexity of the translation process at the national scale. As discussed in this dissertation, different domestic actors may select ideas of those international organizations that are most compatible with their non/material interests. The translation of such competing ideas may lead to a complex form of transformation in the welfare-production regime.

Finally, there is a need for further research that examines the impact of particular international organization(s) on policy outcomes of countries with similar characteristics. Post-communist countries are particularly interesting because all of them introduced their unemployment insurance program in the early 1990s “to protect incomes and lessen the shock of impending unemployment” during their “radical transitions from state to market-led economies” (Mazza 2000, 44). The World Bank and the OECD were influential actors in shaping the structure of the unemployment insurance programs. For instance, when the unemployment insurance programs were first introduced, they were open-ended and had generous benefits (Mazza 2000; Deacon and Hulse 1998), which was closely related to the policy-makers’ fear of high unemployment during the transition. Later, this form the unemployment insurance programs was criticized by the World Bank. For instance, the Bank recommended that Hungary “shorten the duration of the unemployment insurance program, [and]...reduce the benefits [of the program] for some”, while in Bulgaria the Bank suggested that the program should be “restricted to dismissed workers” after the privatizations of the state enterprises. In Lithuania and Ukraine, the Bank supported the elimination of benefits for new entrants (Deacon and Hulse 1998, 56).

All these suggestions were in line with the Bank’s understanding of properly designed unemployment insurance programs that would provide minimum social safety nets for dismissed workers after privatizations, and would ensure labour market flexibility. As Turkey was also part of the Eastern European and Central Asian region of the World Bank, these recommendations also proved influential in the design of Turkey’s unemployment insurance program. Meanwhile, most of the Eastern European countries

reformed their unemployment insurance programs through restricting the duration of the benefits, amount of the benefits, and eligibility criteria (Vodopivec et al. 2003, 16-18) that are in line with the Bank's suggestions. It may thus be beneficial to compare the impact of the World Bank on the politics of the unemployment insurance programs in Turkey and selected Eastern European countries.

Interview List

Interview 1	Mete Törüner, Former General Director of Job and Labour Finding Agency in the early 1990s
Interview 2	Necdet Kenar, Former Bureaucrat in Treasury Board, and also Former General Director of Job and Labour Finding Agency in the late 1990s
Interview 3	Toker Dereli, Former Representative of State at Annual ILO Conferences, and one of the members of the scientific commission that prepared flexibility and job security provisions in the early 2000s
Interview 4	Tuncay Teksöz, Former Bureaucrat in Treasury Board, and also Former Head of the Social Insurances Institution
Interview 5	Yıldırım Koç, Former Consultant of the Labour Confederation (TÜRK- İŞ), and also industrial relations professor.
Interview 6	İsmail Bayer, Former Senior Bureaucrat in the Ministry of Labour and Social Security in Turkey
Interview 7	Necdet Okcan, Director of Legal Office in the Labour Confederation (DİSK)
Interview 8	Walter Wolf, Policy Officer Social Inclusion, European Commission, Directorate General for Employment, Social Affairs and Equal Opportunities
Interview 9	Jan Behrens, Policy Officer, Employment Policy, Directorate General for Employment, Social Affairs and Equal Opportunities
Interview 10	Christos Makridis, EU Enlargement Turkey Team, Social Policy Officer
Interview 11	Zeynep Aydemir Koyuncu, Social Policy and Employment Sector Manager, Delegation of the European Commission to Turkey

Notes

¹ Koç, Y. 1999a. *Sosyal güvencelikteki kayıplar ve işsizlik sigortası (The unemployment insurance and the losses in the social security)*. Ankara: Türkiye İşçi Sendikaları Konfederasyonu. Koç, Y. 1999b. *İş güvencesi (Job Security)*. Ankara: Türkiye İşçi Sendikaları Konfederasyonu.

² These decisions included the provision of credit to the national private entrepreneurs and establishment of banks for giving these credits to private sector, land sale for the construction of industrial facilities, and the enactment of laws that provide incentive for private sector activities and protecting domestic producers from international competition (Keyder 1987; Yeşilay 2006, 120).

³ During this time, only telephone and communication equipment company TELETAS could be privatized (Öniş 1991).

⁴ See the World Bank Country Office website for a list of the World Bank Projects in Turkey between 1980 and 1989:

<http://www.worldbank.org.tr/external/default/main?menuPK=361747&pagePK=141143&piPK=399272&heSitePK=361712>.

⁵ In the Turkish context, the privatization efforts began in 1980s under the new-right government - ANAP. However, the privatization was very limited in scope because of the lack of legal and institutional framework and social support. As previously stated, the World Bank pursued a more cautious approach for the SEEs in the 1980s. The Bank supported the reform of the SEEs rather than their privatization at that period (Öniş 1991).

⁶ The Treasury Board began to inject pecuniary transfers to mitigate the deficits in the mid-1990s. In conjunction with this, the Treasury Board established the Department of Social Security under its organization (Interview 2 & Interview 4). The Treasury Board and the Ministry of Labour and Social Security implemented a Social Security Project which was conducted by the International Labour Office and was financed through a World Bank loan. It was also realized by the Treasury bureaucrats that the bureaucrats in the Ministry of Labour and Social Security lacked knowledge pertaining to actuarial calculations in the social security system. To train these bureaucrats, many conferences and seminars were organized. Additionally, bureaucrats from the Ministry of Labour and Social Security were sent abroad to receive masters' degrees in actuarial studies (Interview 2). This was also financed by the World Bank. The increasing role of the Treasury Board in the management of the social security system intensified the cooperation of the economic bureaucracy with the World Bank and the IMF on social security policies. This was at a time when the World Bank and the IMF became more influential on the direction of the reforms in the Turkish welfare-production regime.

⁷ In the late 1970s, the Ministry of Labour prepared drafts for job security and unemployment insurance program but they could not be legislated. At that time, the job security draft was designed by the prominent Turkish labour law professors (Interview 6).

⁸ The ban on DİSK was abolished in 1992.

⁹ To illustrate, the job security draft in 1992 was prepared by four university labour law professors – Devrim Ulucan, Öner Eğrenci, Savaş Taşkent, and Murat Demircioğlu (Interview 6). Three of these professors were also involved in the preparation of the flexibility and job security provisions in 2003.

¹⁰ Süral (2005: 267) pointed out that “in general, acts become effective on the day of their publication in the Official Gazette but due to the great extent of discussions both within and outside the Assembly, a later date, 15 March 2003, was envisaged as the effective date of the Act”. The reaction of the employer confederation (TİSK) was especially influential on postponement of the effective date of the Act. This postponement provided sufficient time for the successive government after the elections to enact the other components of new labour law.

¹¹ To illustrate, they argued that there was not sufficient regulation that would ensure the payment of the severance to the worker when his/her employer was unable to pay his/her severance (DİSK and HAK- İŞ and TÜRK- İŞ 2003).

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