

Carleton University

**A Neoliberal Assault Through Employment Relations: Turkish Labour Market
Flexibilization**

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in partial fulfilment of
the requirements for the degree of
Master of Arts**

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Abstract

Giving an account of the neo-liberal labour market developments in Turkey since 1980, this thesis posits that flexibilization of employment relations has shifted the balance of power between the capitalist class and the working class in favour of the former. After a brief examination of the development of capitalism in Turkey and the present situation of the labour market, this thesis questions the neo-liberal argument that the Turkish labour market is too rigid to create employment as claimed by the flexibility advocates in the country. From a Marxist political economy perspective, it is argued that flexibility practices within employment relations have impoverished the working class materially, ideologically and politically. The downward pressure on wages over the last three decades together with the spread of loose contractual relations and a-typical forms of work has become a source of insecurity for labour. With the legalization of the ideology of flexibility, the social and political character of labour has been undermined.

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The tables and figures in this research are mainly provided from the following two resources: World Bank Report, released in 2006, titled 'Turkey: Labour Market Study' and Household Labour Force Survey released in 2005 by the State Institute of Statistics of Turkey.

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CHAPTER 1: INTRODUCTION

My interest in this thesis topic stems from the observation that much of the working population in Turkey has gradually been alienated from their jobs and thus detached from the objective of bettering their society. As the lives of the working population have been organized, to a considerable extent, by labour market processes, I decided to explore labour market developments over the last three decades. Since the 1980s work, which retains its centrality in everyone's lives and minds, has been radically transformed in Turkey. One of the major processes that challenges the nature of work is the introduction of 'flexibility' in the labour market. With its far reaching implications, flexibility transforms the socio-economic structures and political reconfiguration in the country. The object of inquiry in this thesis is the process of flexibilization in the Turkish labour market. Labour market developments since 1980s will be investigated, posing the question: flexible for whom?

Globalization is one of the main forces behind labour market restructuring in Turkey. The political and economic transformation in the country since 1980s has been conducted in the name of integration with the world economy. Those who subscribe to the neoclassical paradigm argue that structural adjustment policies will increase employment and consequently reduce poverty as long as there are no labour market 'distortions' (Krueger, 1981; Edwards, 1988). According to this discourse, labour unions, minimum wage legislation, severance payments are 'distortions' that limit the flexible adjustment capability of labour markets.

The Turkish government started implementing a Structural Adjustment Program in 1980 whose main objective was the integration with global capitalism. One of the main

requirements of the Program has been to achieve 'equilibrium' in the labour market. The labour market regulations of 1960s and 1970s (i.e. employment relationships, social security schemes, wage setting mechanisms and some working arrangements) were seen as causing rigidities and thus as obstacles to economic growth and employment creation in 1980s and 1990s. Within the highly competitive global economy, employers have echoed international institutions in demanding that these regulations be removed in order to augment their competitive power and survive the crisis without lay offs.

Outward oriented production has become the major goal shaping domestic demand for labour and thus has had a big impact on the organization of labour processes. Within the context of an export-oriented model of development, the integration of the commodity markets was said to require flexible labour in domestic markets. In that respect, the Turkish government was required to flexibilize and to deregulate wages and employment relations in line with the demands of the domestic capital and international institutions.

In light of these issues, my research question is: How has the introduction of flexibility into employment relations transformed the nature of the Turkish labour within the wider economic and political realm? By examining the flexibility agenda in the country, I aim to understand the change in the economic, social and political life of working people. For this purpose, based on the organic linkage between the realm of production and the social life, a political economy analysis of the country will be developed, with a focus on labour market flexibility.

Flexibility in the labour market, in general, is deployed to describe two different yet complementary processes in relation to the post-1970s restructuring. First, it is used

to describe the transformation in the production processes¹. It refers to the rise of an innovation driven production system known as flexible specialization and includes practices such as numerical flexibility (i.e. measures used by employers to change the size of the workforce depending on market fluctuations or to shift employment related responsibilities such as the provision of benefits), functional flexibility (i.e. practices that require workers capable of performing multiple tasks), time and pay flexibility. As opposed to ‘mass production’ (i.e. production of standard products in large volumes with highly specialized machinery) as the dominant form of production in the post-war period, flexible specialization is based on network organizations of loosely integrated units embedded in industrial districts of dynamic interdependent small firms or larger federal corporate structures (Piore and Sabel, 1984).

The other description of flexibility to which this study will subscribe is the flexibility in employment relations. Given the specific context of Turkey, the concept ‘labour market flexibility’ usually did not imply reorganization of production or a shift of the production norms. Rather, developing in a neoliberal context, flexibility was described as a way to avoid the limitations of employment contracts and labour protective measures. In line with this, employers have adopted flexibility into their agenda ‘as cost and risk reducing practices in order to be able to adjust to the market fluctuations and to increase their competitive power in the global market’(TISK, 1999). In that sense, flexibility, throughout this thesis goes hand in hand with ‘deregulation’. Deterioration of labour market regulations such as declining wages, erosion of social benefits (i.e.

¹ The shift in the production process is the so-called transition from a Fordist type of accumulation to a post-Fordist one. This issue of post-1970s’ transformation of capitalism and the following restructuring has been subject to serious debate. This discussion, however, is out of the limits of this thesis considering the specific country, Turkey, in question and thus the focus of the study.

employment safety, job security, health coverage) and spread of atypical forms of work (i.e. temporary employment, part-time jobs, home-working) are the main flexibility practices to be dealt within the Turkish labour market.

'Misreading' the reality of the Turkish economy and drawing from the industrialized country experiences, international institutions and the capital in the country put forward flexibility as a solution to recover and improve the Turkish labour market. An examination of the labour market developments over the last three decades, however, questions their argument that the Turkish labour market is too rigid to achieve growth or to create employment. On the contrary, certain flexibilities (i.e. downward flexibility on wages) in the labour market have functioned to support the integration of the country into the global economy.

The central claim of the thesis is that within the context of the neoliberal transformation over the past three decades, the relative power of capital over labour has strengthened in Turkey as the flexibilization of employment relations has impoverished labour materially, ideologically and politically.

Neoliberalism in Turkey took the form of a political economic governance to protect and to restore the dominance of private business and investors in the economy as well as in broader society. Numerous policy thrusts, backed up by the military government between 1980-1983, were consistent with this general goal at the expense of the labour in the country. The International Monetary Fund (IMF) suggested version of export oriented growth model represented an abandonment of industrialization priorities and tried to raise exports based on low wages. Yet, based on the requirements of competition in global trade, lowering the cost of the labour or concentrating on labour

intensive strategies did not prevent high unemployment rates throughout 1980s and 1990s. The economic growth attained after the 1980s did not improve the conditions of the labour due to the unequal configuration of distribution relations. Concerning the regulatory mechanisms developed within this period, deregulation and flexibilization of work relations delivered precariousness into the labour market and thus pushed labour into an endemic insecurity. The already weak institutional structure of the labour market has further deteriorated with the legalization of the ideology of flexibility. The shift from collective bargaining to individual bargaining led to the deterioration of labour solidarity and thus undermined the trade unions.

Therefore, giving an account of the neoliberal labour market developments since 1980, this thesis argues that flexibilization of the employment relations has shifted the balance of power between the capitalist class and the working class in favour of the former. Given the fragility of the economy, the structural position of private business in the country is evidently stronger. Apart from their material gains over all that time, the elites in the country made a big step in introducing the neoliberal ideology into the political and legal system. In line with the requirements of the contemporary form of capital accumulation, the priority earlier given to industrialization in Turkey was replaced by that of deeper integration with the global market.

The working class has become worse off in many respects. The widespread adoption of the neoliberal market policies resulted in socially unacceptable employment relations and contradictory living standards for most of the population. They caused the dissolution of the politico-legal rights of the working class and thus dislocated them from the wider political, social realm.

The thesis begins by setting out the theoretical framework for an appropriate labour market analysis. The underlying reasons and the consequences of the flexibilization of the Turkish labour market will be examined through the lenses of Marxist political economy. Starting from the post-war period, a brief historical overview of political economy developments will also be given to contextualize the development of ‘flexibility’ within the employment relations. Given that ‘flexibility’ is an elusive concept that takes form according to the specific conditions of the labour market in question, the particular notion of flexibility that has been implemented in the Turkish labour market will be discussed in detail.

Chapter 3 aims to distinguish the Turkish labour market by presenting its characteristics and tendencies. This chapter will provide the reader with a basis for contextualizing the process of flexibilization specifically within the reality of the country.

Chapter 4 lays out the different stakes at issue. The first part introduces the involvement of the international institutions as ‘midwives’ of the neoliberal restructuring. They have been playing a significant role in shaping the flexibility agenda in Turkey. The second part illustrates the claims and concerns of the Turkish capital and labour by drawing upon the documents of both Employers’ and Employees’ Associations in Turkey. Two differing views in this chapter leave us with the question of ‘flexibility for whom?’

Following this, Chapter 5 examines the changing mode of production together with the production relations since 1980s with a particular focus on the labour market developments. Reviewing the macroeconomic history over the last three decades, this

chapter illustrates the processes through which flexibility has carried to the political economic agenda and also tries to delineate its consequences.

Finally, the changing institutional setup of the Turkish labour market will be examined in Chapter 6. The penetration of the ideology of flexibility into the legal structure and trade union structures will be analyzed in terms of their implications over the Turkish labour. Recent developments (i.e. 2003 New Labour Act) will be given particular attention.

CHAPTER 2: FRAMING ‘LABOUR / MARKET / FLEXIBILITY’ and the TURKISH LABOUR MARKET

Labour market analyses vary depending on their theoretical assumptions and ideological attachments. In the late 1970s, the synthesis of classical and Keynesian analysis began to fall apart. A revised neoclassical paradigm, which prioritizes microeconomics over macroeconomics, has become the dominant discourse for understanding and thus regulating the social world. The sets of ideas around this paradigm have facilitated a shift in class power in favour of capital; rationalizing compatible strategies and institutions; and establishing certain mechanisms of capitalist social control (McLennan, 1996). Challenging the neoclassical paradigm, this study will set out some alternative analytical and theoretical tools for a political economic approach to labour market analysis. First, some of the key concepts and phenomenon will be briefly examined.

Conceptualizations:

Specificity of Labour and the Labour Market:

Within orthodox economics, the core point of departure for labour market analysis is the perception of ‘labour’ as a commodity. The commodification of ‘land, labour and capital’ in 18th century is the turning point in the transformation of social relations into a capitalist form. Labour, which is not inherently a commodity and thus not subordinated to the production and accumulation processes, is a problematic unit of analysis in orthodox economics that assumes the social relations as relations between commodities (Ercan and Ozar, 2000: 30). The categorization of the labour as a commodity necessarily determines the way in which the labour market is analyzed.

A 'labour market', involving the exchange of labour, operates on the basis of the laws of demand and supply for labour or deviations from them in the case of market imperfections (i.e. trade union interventions). The labourer who supplies its labour power is regarded as a rational agent aware of the market circumstances. While the supply of the labour depends on labourer's preference between leisure time and work; the demand side is determined mainly by the capitalist who aims for profit maximization upon the principle of 'marginal efficiency'. A capitalist labour market is regarded as being immune from social relations and based merely on the allocation (i.e. relative scarcity and fluidity). The operations and the actors within the market are assumed to be realized according to a particular sets of rules, which are, indeed, formed through capitalist relations of production. Therefore, orthodox economics ignores that societies are embedded with unequal relations. It excludes class structures out of the labour market theory.

In simplest terms, 'labour', is the actual exercise of human productive powers to change the use value of, and add value to, commodities (Bottomore, 1991). Marx (1976) distinguishes between labour and labour-power, the latter being the capacity to work from which the former inseparably follows. While the products of labour can be bought and sold as commodities, the labourer itself is not (except under slavery). Yet, in a capitalist system, the power of the labour is bought and sold by the capitalist to the extent that the labourer accepts the commodification of its labour power in the market. The inherent subordination in capital-labour relations at the workplace is constituted by the authorization of the 'labour contract'. 'The notion of 'contract' implies a legality, and

consequential validity, and a non-contested, non-coercive character to many relations that scarcely deserve to be construed in that way' (Standing, 1999: 28).

The inseparability of labour-power from the labourer and the need for the social reproduction of the latter differentiate labour from other commodities (Fine, 1998). The requirement of social reproduction stems from the 'consciousness' of the labourer. In a capitalist market, unlike other commodities (i.e. goods, services), labour has a say in the purchase of its power. The labourer is necessarily involved directly in its exchange since it is the activity of working that is the subject of exchange and this is attached to the worker. Therefore, as opposed to other commodities in the market, labour essentially stands as an active agent in shaping the terms of its life through the exchange process. It is the particular historical development of capitalism that transformed labour into a commodity form. This is very much consolidated with the theories of orthodox economics.

As mentioned above, labour is treated as a commodity in capitalism which is maintained through the wage relation. This, indeed, lies at the heart of the constant conflict between the capital and labour. As the worker has a capacity to resist oppressive conditions of work, the allocation and control of labour has definitive limitations (Vosko, 2000: 17). These limitations have historically been regulated by the state. Some politico-legal rights of labour provided through the state determines the degree of labour's freedom in the wage relation. The more rights that the labourer has, the more freedom s/he attains. These rights gained as a result of the historical struggle of labour, as Vosko (2000: 14-21) states, relatively neutralize the commodity status of labour.

Having evolved throughout the history, these rights can be said to reach their peak in the post-war period, in the era of Keynesian welfarism. The institutions of unemployment insurance, minimum wage, social protection mechanisms, employment safety, union rights, collective bargaining are some of the rights that open room for labour to realize its existence as an 'agency' instead of a commodity. For that reason, there is an historical tendency among the working class to keep and further improve these rights. Seeing them as an interruption to the accumulation process, the capitalist class, historically tend to minimize or deteriorate the politico-legal rights of the labour. That is why neoclassical economics defines these rights as market imperfections that need to be eliminated to attain an undistorted market equilibrium.

Based on the specificity of the labour, labour markets are not to be analyzed as if they are 'markets for labour'. As opposed to the neoclassical understanding, the forces that operate within the labour markets are far from interacting harmoniously or efficiently to reach at equilibrium of employment levels or associated conditions of work (Fine, 1998). Since the labourer is forced to sell its power for a wage by virtue of its historical separation from the means of production and since the labourer is required to produce more than its own subsistence (surplus value), capital is a coercive social relation (Marx, 1976). Given the command of capital over labour, the changing dynamics of capital-labour relation and that of surplus value creation leads to transformation within the labour markets.

Labour Market and Social Reproduction

Defining the labour market merely in terms of its allocation, neoclassical economics treats social reproduction as a mere adjunct to economic analysis. As

mentioned above, however, what distinguishes labour from other commodities is its process of reproduction and consciousness, which is necessarily material and social and follows historically established social norms. This is common to all of the capitalist labour markets.

The accumulation of capital introduced a separation between the process of production and social reproduction of the labouring population (Picchio, 1992: 9). Yet, this separation occurred only at the level of organization as these processes are organically interconnected: commodities could not be produced without labour, workers could not survive without wages. The labourer was separated from the means of realizing its labour power. It was left only with its labour power to be sold in the market which secured a particular mode of production.

The very existence of 'wage' mediates the labourer's access to the means of production and thus guarantees social control over labour through the general dependence on wages for subsistence. The separation was neither simultaneous nor impersonal as it was conducted by the state, through law, regulations and particular social practices. In a capitalist system, since the survival of the labouring population is dependent on the sale of its labour power, the social reproduction of the labouring population is subordinated to the requirements of profit accumulation. This implies the necessity of a social regulation or a control mechanism over labour on capitalist's part. In that respect, the exchange of labour power in the labour market necessarily determines the reproduction of the labourer in a particular way.

An analysis that takes into account the relation between production and reproduction helps to clarify the restructuring of the Turkish labour market. The study of

'flexibilization' cannot be considered merely as a technical economic change; it essentially challenges the existing social relations of production. In other words, 'labour market flexibility' that has restructured the labour market in a certain form exerts a strong command over labour. This command has to be guaranteed either by forms of direct repression or by an internalization of command which is attainable only through a general, though not homogenous, social insecurity (Picchio, 1992: 142). In that respect, 'flexibility' goes beyond a simple technique or organization of work and turns into an influential instrument of social regulation as a particular form of social reproduction. Therefore, in this study, flexibility within the Turkish labour market will be investigated not only with respect to the technical or administrative changes but also the ideological and social reconfigurations within the society which legitimize these changes.

Capitalism tries to isolate economic struggles and political struggles. This isolation has imprinted itself on the de-linking of analyses of labour, labour process and politics (Yucesan-Ozdemir, 2002). One of the main theoretical objectives behind this study is to set out the organic linkage between labour markets and the wider political, social realm. Therefore, this study will be built on the postulate of Marxist political economy that the particular way within which the relations of production are organized in a society determines the way social relations and associated formations are realized. In addition, considering the recent changes in the nature of employment and employment relationships, the broader goal of this study is to disclose the inherently social character of the labour market. As Boyer (1990) states, particular regulations in the labour market reflect and reinforce the broader political economic tendencies of the society. Therefore, by examining the labour market developments since 1980s in general, flexibility policies

in particular, I aim to denote the changing material conditions together with the transforming social, political positioning of Turkish labour.

Flexibility discussion:

Development of 'Flexibility' within the Industrialised Countries:

The post-war growth of Fordism in the industrialised countries had been sustained by a mode of regulation associated with Keynesian welfarism (Fine, 1998: 77). The idea was that economic growth could be stimulated through mass production and domestic mass consumption. Shaped by the principles of mass production and large-scale organisations, worker stability was regarded as the desirable norm for industrial society (Standing, 1999: 51) In this respect, 'full employment' was the main objective in order to maintain the society's consumption. Employment relationships were characterized by full-time, life-long, continuous contracts where the worker had one employer (Vosko, 2000: 24). Employees were also provided with adequate social benefits such as pensions, unemployment insurance and medical coverage that completed the social wage. As Rogers and Rogers (1989, cited in Vosko, 2000: 24) mention, the employment models in the post-war period provided a core of social stability to underpin economic growth as they offer a degree of regularity and durability by protecting workers from socially unacceptable practices and working conditions. For Standing (1999: 54), the fact that capital's tendency to increase profits at the expense of labour was constrained by the implicit distributional consensus underpinned the macroeconomic stability that prevailed in the era.

For welfare capitalism, the signs of crisis began to show in the late 1960s, and grew bigger during the 1970s. The post-war growth was replaced by a radical drop in

productivity rates. The severe increase in the oil prices after the first oil shock in 1973 made stagflation worse for the industrialised economies. The crisis could not be reversed in the short time; thus, high rates of unemployment and inflation turned out to be structural problems. In addition, massive changes were taking place within the international division of labour as the rising economies of Newly Industrialising Countries (NICs) and Japan began to challenge the existing patterns of competition. In terms of international trade, central economies had to deal with the increasing competitive power of these countries.

In this period, labour markets in particular came under close inspection. Neoclassical economics focused on the question of 'how labour markets ought to be?' The main concern has continued to be that of achieving market equilibrium. Yet, the focus shifted from 'how can the equilibrium be attained?' to 'what are the factors that distort the equilibrium?'

Within the context of the welfare state, real wages, minimum wage, unemployment security, employment safety and the role of the trade unions came under a serious threat. They were re-defined as labour market rigidities and thus obstacles to global economic growth. As Standing (1986: 59) states, sources of security were depicted as sources of rigidity in the neoliberal period. Too high and too rigid wages were blamed for causing unemployment. Therefore, it was proposed that powerful trade unions and collective bargaining arrangements be limited. Legally based labour rights were too extensive leading to high labour costs. Social security systems were blamed for causing voluntary unemployment and disincentive to work. Moreover, the state was held responsible for these 'excessive' legal and economic guarantees to labour. For

neoliberals, to achieve economic revival, a fundamental transformation in the relationship between the state and the labour market was required. The state had to restore the employment relations on the basis of market principles, limit the power of trade unions and give employers more freedom of action.

As a way out of the deepening crisis, the solution put forward by neoliberals was the ‘flexibilization of the labour markets’. In the context of ‘flexibility’, it was proposed to remove the ‘impediments’ to market adjustments governing wages and working conditions. In other words, flexibility is understood as allowing the market to function as freely as possible without interference by what are perceived to be nonmarket interventions, whether emanating from trade unions, customs or government regulation (Fine, 1998: 72). In that respect, there is a neoliberal ideological commitment to labour market flexibility. Statutory regulations of welfarism are loosened in order to promote the self-regulating free market ideology.

As opposed to the predetermined rules in Fordism, firms want production and consumption to become more customized. They conduct flexibilization by adjusting their production qualitatively (i.e. flexible form, small scale production) and quantitatively (i.e. production of a certain amount according to the demand); reorganizing employment relations (i.e. introducing atypical forms of contract, temporary work); and transforming labour (i.e. holding multitask workers). These were claimed to provide firms with a degree of resilience within the unstable, unpredictable conditions of the market.

Another important justification for the promotion of flexibility on employers’ part, in the post-1970 era, was the integration of the markets globally and thus the increasing necessity of ‘competitive power’. There was a shift from national dynamics to

the struggle for external competitiveness (Bulutay, 1995). In that regard, labour market flexibility was presented as residing at the cutting-edge of competitiveness (Fine, 1998: 77). It was perceived as such: the more flexible a firm is, the more competitive it is in the global market and the more likely it can survive the crisis. Therefore, 'flexibility' has become the political mantra of the day and the dominant norm from which the 'new' principles of work and production was derived.

Development of 'Flexibility' within the Specific Context of Turkey:

The notion of flexibility has come to dominate the agenda in Turkey especially in 1990s. In order to understand the context within which labour market flexibility has developed and finally has been injected into the political, economic and legal structures of the country, one has to understand the specific development of capitalism in Turkey.

As mentioned above, the labour market transformation cannot be conducted merely with the change in the mode of the production. As labour is not a pure commodity, the social reproduction of the labouring class has to be secured as part of an appropriate accumulation strategy. Transformation of wage labour cannot be detached from the accumulation process. Due to the historical contingency of the particular social relations, the articulation of certain modes of production with particular social relations of production result in different socioeconomic structures and political processes in different societies. In other words, the form and the consequence of a certain strategy of capital accumulation necessarily depends on the particular organization of the social and political relations in the country in question (Lipietz, 1987).

As a developing country, Turkey has had a large agricultural population that has been left largely outside the social relations of industrial capitalism (Ozdemir, 2004:

173). Importing Fordist organisation of production into the small, but expanding industrial sector after 1950s was not sufficient for the development of the conditions of the reproduction of capitalist relations. Even if a weak industrial labour force with partly Fordist socioeconomic structures was observable towards the end of 1970s, the Fordist model of development with a competitive level of productivity could not be attained in Turkey (Lipietz, 1987). The agricultural workforce was not suitable for attempts towards industrialisation and Fordist restructuring. As reproduction of society could not be achieved through industrialised compromises, the Turkish state resorted to either populist strategies (Boratav, 2003) or coercive ways (i.e. military coup) to conduct social transformations.

Labour market flexibility presented as a solution to the falling rates of profit in the central economies could hardly correspond to the existing form of social relations in Turkey. As the structural constraints (i.e. a big agrarian economy, large and growing informal sector) are still present and the industrial working class is still very small, labour market flexibility has been implemented through 'coercive' means. As the rights and freedoms of the working class were not secured sufficiently in the 1982 Constitution, the Turkish state has been capable in orienting the working population to flexible employment relations. Flexibilization in its neoliberal form has been occurring at the expense of the working class. Since flexibility has been injected into the socio-economic and legal structures in the country, the conditions of the reproduction of labour power have been worsening (Ozdemir, 2004).

Therefore, before conceptualising the notion of flexibility in the specific context of its labour market, a brief history of Turkish capitalist development together with its structural characteristics and particular social relations will be given in the following.

Development of ISI: 1950-1980

The regulatory mechanisms in central capitalist economies had a deep impact over periphery in the age of early import substitution (Lipietz, 1987). Turkey, characterised by peripheral processes of production, has a distinct material and social fabric. In that regard, both the Fordist model of growth and its crisis had particular implications for the Turkish society. Below, the transformation of the dynamics of accumulation in relation to the changing form of state, which has functioned to secure the rights of capital, will be investigated. The ideological and political effects of central capitalism will be taken into consideration as they significantly shape the domestic realm in Turkey.

At the beginning of 1950s, the capitalist formations in the developing world came into existence as a result of state aids (ie: Marshall Plan), credit conditions (i.e. IMF loans), proposals of international bodies (i.e. World Bank Development Programs) and the demands of the newly emerging bourgeoisie. Fordist structures were introduced to Turkey by elected governments and by way of military intervention. In order for the application of capitalist development strategies and democratisation programmes, capitalist units, such as collective contracts, trade union contracts, employer organisations were established (Ozdemir, 2004: 194).

With international support, from 1954 onwards, import substitution became the dominant regime of accumulation in the Turkish economy. Under this strategy, between

1950 and 1976, a relative growth in capital and consumption goods sectors was experienced (Yeldan, 2001). The growth in the first part of the 1950s, however, was based on an agrarian and primary exporting economy which was unlikely to be sustained in the long term (Onis, 1998). Due to the worsening conditions of primary exports, balance of payments difficulties started to emerge towards the 1960s. As the limits of the Import Substitution model began to appear, Turkey had to come to terms with the international creditors, namely IMF and the World Bank, through debt rescheduling.

Industrialisation efforts of the post-war Turkey resulted in the emergence of local capital, a sizeable middle class and a semiskilled working class (Ozdemir, 2004: 201). The reproduction of these classes was conducted through the norms of quasi-Fordist production and consumption. Due to the structural constraints of the dynamics of production, however, workers kept their ties to agricultural incomes (Ayata, 1990 cited in Ozdemir, 2004: 202). The large informal sector was, moreover, difficult to transform and thus to integrate into the formal economy. For these fundamental reasons, according to Ozdemir (2004: 202), a total Fordist wage labour relation had not been attained in Turkey. While central economies were expanding Fordist production of durable consumption goods, Turkey was dependent on international creditors to finance the purchase of primary products. Therefore, due to the unequal terms of international trade, Fordism could hardly be structured in the periphery as in the same way with the centre (Lipietz, 1987). Nevertheless, certain elements of Fordist production and wage labour relation were still partly observable in some sectors and regions whose institutions and practices were regulated upon the Fordist principles (i.e. bargaining on wages) in the Turkish labour market.

As the Fordist accumulation demanded the state to intervene in the industrial relations, during the import substitution period the Turkish state was very influential in the formation of Fordist type of institutions (i.e. trade unions, confederations, ministries) and enacting compatible legislations (i.e. worker protective provisions, health service, minimum wages). The 1960 coup that followed a period of internal turmoil resulted in the 1961 Constitution which, indeed, tried to secure the autonomy of the newly established socio-economic institutions. Individual rights in the realm of individual labour law were greatly improved. The rights to work, to fair working conditions, to rest, to demand a fair and equal pay, to establish trade unions, to collective agreement and strike, to social security became constitutional rights. As much as the extended rights strengthened the political involvement of the civil society, the increasing number of unions, confederations and interest groups resulted in an unstable and conflictual arena of politics (Cizre-Sakallioglu, 1992).

In the 1970s, organised labour movements made significant wage gains and reached a certain degree of job security within the industrial development (Boratav, 2003). 26 % of the civilian employment was unionized by 1978 (Petrol-Is, 1991: 258). The wage earners' consumption increased considerably that their dependency on the market became an important feature of the accumulation (Ozdemir, 2004: 210). The characteristics shared with the central Fordist economies extended within the Turkish society. Yet, the productivity gap between the industrialised West and the periphery remained. The ties of the working class with the agricultural income were still strong that their reproduction could hardly be achieved through proper Fordist institutionalised compromises (Ozdemir, 2004: 211).

Throughout 1970s, Turkey continued to get international credits to deepen import substitution. Turkish policy makers insisted depending on an integral economy whose components are produced within the same national economy. Yet, Turkey was still behind in implementing the Fordist production process as the capital and intermediate goods increasingly constituted the main items among imports. The manufacturing sector was heavily dependent on these imports. State expenditures in the capital and intermediate goods sectors and the volume of state owned enterprises played a central role (Boratav, 2003). As a result, Turkey suffered from a chronic budget deficit throughout the 1970s (Kazgan, 1999). Therefore, the 1970s was a period of deteriorating economic conditions. Thanks to the 1961 constitutional rights, the working class in the country was capable of protesting the worsening conditions and resisting the structural change policies which culminated into intensified class conflict and political instability in late 1970s.

As a way out of the crisis the government at the time tried to be responsive to the demands of the bourgeoisie. Yet, it was not capable of bypassing the legal discourse backed up with the institutions of the Fordist model of production (Ozdemir, 2004: 215). As the Turkish bourgeoisie was gradually losing its power to maintain control over labour, the form of the state required a structural change to re-regulate the terms and conditions of the capital-labour relation making it compatible with the requirements of internationalised capital.

Transition to export oriented industrialisation: 1980s-2000s

A detailed examination of 1980s macroeconomic policies will be dealt in Chapter 5. Below, the political developments that Turkey went through will be investigated.

Today, 'labour market flexibility' has become the political mantra that results in further deregulation of the employment relations. More and more people are pushed to earn their living in precarious conditions. The underlying reasons that enabled the rise of the flexibility agenda in 1990s and 2000s mostly lay in 1980s political economic processes.

As a solution to the aggravated problems of the import substitution model, the new government concluded a medium-term agreement with IMF in 1979. A programme of Structural Adjustment was announced on 24 January 1980 that symbolised the commitment of Turkey to neoliberal restructuring for the decades ahead. The programme aimed to reduce government involvement in productive activities, to increase reliance on market forces and to replace an inward-looking strategy with an export-oriented one for integration of the country with the global economy. The government agreed to implement a significant rise in interest rates that radically altered the income policy and income levels of wage earners and to restructure the employer-employee relations. As mentioned above, the existing industrial relations structure backed by the constitution, however, manifested significant resistance through strikes, mass demonstrations.

Then, on 12 September 1980, the military dissolved the Parliament and suspended all civilian political institutions, together with the legitimate, organised resistance. Trade unions were closed down; their leaders thrown in jail and tried by military courts. Hundreds of unionists and leftists were detained and tortured; some of them were given prison sentences. The following 1982 Constitution revoked many of the rights and freedoms secured by the 1961 Constitution. New labour laws enacted under the military regime deprived workers of even their most basic rights at the expense of contradicting with the International Labour Organisation (ILO) Conventions for a long time.

While the 1961 constitution provided a legal framework for the right to strike and to bargain collectively -as features of Fordist structural forms-, 1982 Constitution reflected the demands of the Turkish bourgeoisie -in conformity with the neoliberal discourse- seeking further commodification of labour (Ozdemir, 2004). After the military takeover, the compromise reached between 1950-1980, including collective bargaining, social insurance system, stable wages, certain degree of job security rapidly eroded. Since then, the main dynamic of growth, as will be examined in chapter 5, has become the ongoing deterioration of wages and conditions of the working class.

The 1982 constitution brought severe limitations on the exercise of democratic rights and freedoms of the working class resulting in the deterioration of their organizational capacity. The new Constitution was oriented towards the business community's need and objective of reversing the political and the economic gains of the labour movement acquired during the previous two decades. The labour legislation of the post-1980 era was 'promising' a more market-directed system of resource allocation (Ozdemir, 2004: 255). Therefore, in line with the neoliberal production discourse, the legal capacity of labour to get involved into the economic policy making processes of the state deteriorated.

The notion of flexibility within the specific context of Turkey:

Throughout 1990s, as significant progress has been made in terms of the integration with the global market, capital has accelerated its attempts for deregulating the Turkish labour market. In order to be more competitive in international trade and stronger in crisis periods, employers demand flexibilisation of labour relations that will

enable them to be more adjustable within the rapidly changing circumstances of the global economy.

In addition, Turkish employers, with an essential support from certain international institutions (i.e. Bretton Woods Institutions), have been complaining about the rigidity of the labour legislation and labour market practices as obstacles to economic growth and employment creation. Similar to the industrialised countries, wage determining mechanisms, terms and conditions of labour contracts, social protection provisions were depicted as sources of rigidity in the neoliberal period. Therefore, capital has advocated the regulation of all these processes on the basis of free market principles that will further secure their control over the labour.

‘Flexibilization’ in the Turkish labour market is mostly used to describe the practices that lower the cost of the labour and eliminate labour protective regulations. The publications on flexibility released by the capital representatives (TUSIAD, 1997; TISK, 1999) focus on the following types of flexibility to be implemented in the Turkish labour market: i) External numerical flexibility meaning that employers decide how many employees they want at any given time-hire and fire at will. This type of flexibility is achieved through the spread of fixed-term contracts, subcontracting activities, homeworking contracts, part-time and on-call work. ii) Internal numerical flexibility meaning that working hours and shifts will be decided according to the employers’ needs. iii) Externalization of the workforce via various forms of subcontracting and temporary work relations are another type emphasized by the Turkish employers. iv) Wage flexibility refers to the adjustment of the wages according to the performance and productivity of the firm.

According to Taymaz (1995: 712), what has been implemented within the Turkish labour market in the name of flexibility, as in other developing countries, is a passive strategy of flexibility. Passive strategy focuses on the flexibilization within the employment contracts, working conditions and wages, which are likely to lead to loss of employment/job safety and a decrease in real wages. With this particular strategy, the welfare of the population is likely to deteriorate and a strong pattern of industrialization is unlikely to be attained. For this reason, flexibility practices so far in Turkey mostly result in precarious employment, weak unions, low real wages and erosion of labour laws.

Aside from the passive strategy, industrialized countries implement active strategy of flexibility in line with their production discourses. Active strategy of flexibility refers to the usage of flexible production techniques, employment of flexible/high skilled workforce in order to adopt to the changing circumstances and to enhance competitive power (Taymaz, 1995: 712).

After the crisis of Fordism, central economies have experienced a radical transformation that resulted in new categorizations such as new forms of production, of state (i.e. workfare state), of capital and of labour. The concerns for productivity in an emerging workfare state came to dominate in labour policies. States' function of securing capital's right to control labour was established in exchange for its function to support labour in a new format (Ozdemir, 2004: 333). The emergence of new types of work led to the revision of legal forms existing in the industrialised world. The fact that the state invests in the new form of labour and develops new mechanisms along with it, is a distinguishing feature of the central economies. In that respect, beyond deregulation,

labour market flexibility in these countries implies the development of new production organizations and working arrangements.

Whereas in Turkey, the subordination of social policy to the demands of the economic policy in the neoliberal period resulted in the withdrawal of the state from investing in labour or developing solid labour market policies. Instead of developing a long term strategy to improve their competitive power, Turkish capitalists have chosen to implement flexibility in order to lower their costs and avoid production risks.

Unlike the industrialised countries, flexibility has not been introduced with the idea of reaching higher levels of productivity within the context of labour intensive technologies (Ozdemir, 2004: 270). Within the limits of its capitalist structures and particular social formations, Turkey can hardly be said to experience the post-1970s' reorganization of production mainly originated from the industrialized economies². The low levels of national productivity at the end of 1970s did not cause a radical break with the old patterns of production norms (Ozdemir, Yucesan-Ozdemir, 2005: 65; Taymaz, 1995). Therefore, certain aspects of the labour process remained mainly intact.

Turkish capital, however, has carried on pursuing mostly short term policies in the name of flexibility. These policies based on the idea of reducing labour costs and avoiding production risks are far from being a solid development strategy to achieve growth or generate employment. Yet, flexibilization of employment relations and transformation of the legal framework accordingly have expanded capital's control over

² The flexible forms of production that have developed within the industrial economies after Fordism are mainly based on high-tech design, high-skilled labour force, and network organizations of loosely integrated units of small firms or larger corporate structures (Piore and Sabel, 1984). The development of these types of flexible production (i.e. lean production, just-in time production, flexible specialization) has been very limited in Turkey that it did not cause a radical break with the old norms of production. Only a few firms within certain sectors (i.e. textile, automotive sectors), that are relatively more integrated with the global market, have adopted these forms of production.

labour in Turkey. Under the banner of flexibility, the risks of redistribution in the neoliberal era are taken away from the state and capital; and placed on the individual worker (Ozdemir, 2004: 224).

Finally, from the theoretical reasoning above, the conceptualization of flexibility in this study comes into clear view. The notion of flexibility in the Turkish case refers to the complex process of change in the employment relations (i.e. labour law, trade union movement) that are compatible with the dynamics of competition in international sphere and the crisis of global accumulation of capital. 'Labour market flexibility' in its neoliberal form, within the Turkish context, has resulted in the erosion of the historically gained rights of the labour. Considering the analysis above, the removal of labour's politico-legal rights has intensified the commodity status of labour. The room for labour to realize its social and political existence has gradually been destroyed. In the name of integrating with the global economy, the flexibility agenda in Turkey has enabled the capitalist class to conduct deregulatory practices through the state and thus legitimized the neoliberal assault on the labour class. In that regard, the issue of flexibility will be conceptualized as a site of class struggle. So far as this study challenges the economic understandings of the labour process, Turkish labour will be taken as an active agent shaping the process of flexibility through its resistance or compliance.

CHAPTER 3: MAIN CHARACTERISTICS of the TURKISH LABOUR MARKET

This chapter will outline the salient features of the Turkish labour market and examine the major changes since 1980 when the neoliberal program was launched in the country. Although suffering from a number of shortcomings, the Household Statistics (HLFS) of the State Institute of Statistics (SIS) provide the most reliable source of information on the labour market. The latest World Bank Report on Turkish Labour Market (2006) is another source to be used in the following.

The aim of this chapter is to bring out the structural characteristics of the Turkish labour market at the forefront as they seem to be undermined by some of the international institutions (i.e. IMF, Anne Krueger's speech, 2005), employers (i.e. Turkish Confederation of Employers Association, TISK, 1999) and scholars (i.e. Sural, 2005). The common fallacy among the protagonists of flexibility in Turkey is that they draw their conclusions from the experiences of the industrialized countries. Looking at the flexibility practices in Western Europe, Japan, USA or Canada, they argue that it is the rigidities (such as rigid working hours, high severance payments, indefinite employment contracts and etc.) in the Turkish labour market that constitute an obstacle to economic growth or employment creation. One has, however, to recognize the particular characteristics and specific problems of the Turkish economy as a developing country characterized by peripheral production and then argue the validity of flexibility in its labour market as a remedy.

Turkish Labour Market with Main Indicators:

In Turkey, there is a large population with a high rate of population growth that generates a substantial flow of potential entrants into the labour market. The working age

population is growing particularly rapidly due to the growth in younger age ranges. From 1980 to 2003, while the share of 15 to 24 year olds has fallen from around 36 % to 30 %, the total increase in working age population was 20.5 million persons (World Bank Report, 2006: 4). Yet, the absorption of the young population into the productive employment remains quite difficult.

Urbanization:

The increasing population has been accompanied by an increasing urbanization in Turkey. The share of Turkey's urban population rose from around 20 % in 1950 to 64 % currently and is expected to reach around 80 % by 2050 (World Bank Report, 2006: 7). Considering the low productivity levels in the agricultural sector that still carries the significant bulk of the employment, the rural population has been worse off in the last decades.

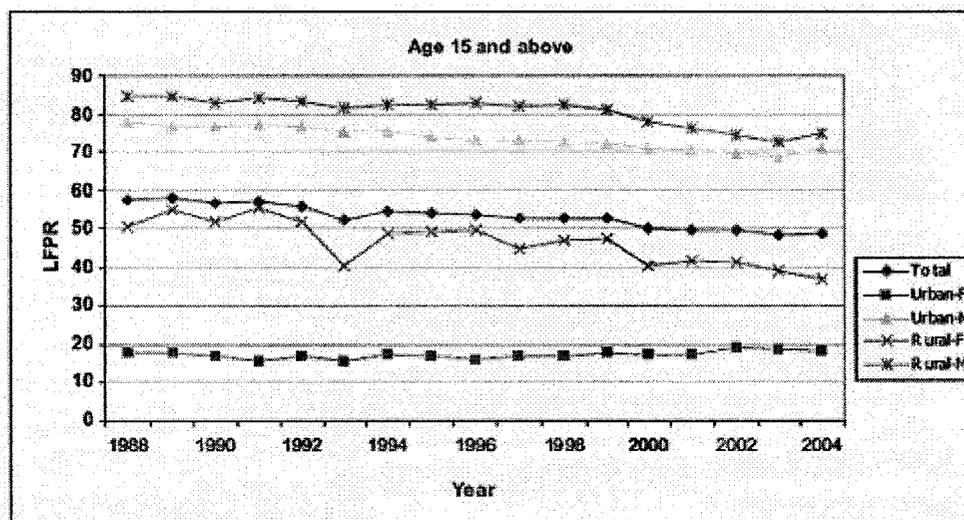
Structural Adjustment Programs that have been implemented since 1980 aimed at the radical transformation of the rural agrarian society into an urban industrial one. In this respect, the gradual elimination of subsidized prices and subvention payments in agriculture led the rural population to immigrate to the cities. Industrial growth since 1980s and the pace of employment creation, however, have not been efficient enough to accommodate this rural population in cities leading to serious problems of urbanization. Lacking security and industrial skills, the rural population (especially women) has turned out to be an informal market. Urbanization as one of the major dynamics of industrialization can hardly be said to develop in a healthy way in the Turkish context.

Labour force participation:

Labour force participation in Turkey has been in a steady decline since 1988, with the total rate falling 8.8 points, from 57.5 % to 48.7 %. This declining pattern is mostly linked to the transformation of agriculture away from small-family farming which is characterized by labour-intensive technology and very high participation, and the emergence of an urban economy where participation has been much more difficult (especially for women), mostly because of limited employment creation.

Urban female employment rates exhibit constantly low levels. Aside from the structural economic factors, educational attainment and the reductions in fertility seemed to be the most important factors shaping urban female labour force participation. The decline in the participation of rural women is mostly associated with the developments in agriculture and specifically the decline of small-family farming.

Figure 1: Labour Force Participation Rates: 1988-2004



Source: World Bank Report, 2006, *Turkey: Labor Market Study*, 36.

Formal labour force participation in Turkey is still exceptionally low by international standards (World Bank Report, 2006: 9). The overall participation rate of 48.7 % in 2004 was the lowest in the OECD³ and 21.4 % points below the OECD average. Participation and employment rates differ significantly with respect to gender and location. Rural participation rates are higher than urban and men's are higher than women's. Women's labour force participation in urban areas is exceptionally low, at only 18.3 %. For the economy overall, the male participation rate (72.3 %) is nearly three times the female rate (25.4 %). In urban areas, it is even more than three times as high: 70.8 % versus 18.3 %.

Table 1: Labour force participation and Employment, 2004

	Population 15+ (Thousands)	Labour force (Thousands)	Employment (Thousands)	Participation rate (Percent)	Employment rate (Percent)
Total	49.906	24.290	21.791	48.7	43.7
Female	25.150	6.388	5.768	25.4	22.9
Male	24.756	17.902	16.023	72.3	64.7
Urban	30.813	13.714	11.844	44.5	38.4
Female	15.450	2.832	2.325	18.3	15.0
Male	15.363	10.882	9.519	70.8	62.0
Rural	19.093	10.576	9.948	55.4	52.1
Female	9.700	3.556	3.443	36.7	35.5
Male	9.393	7.020	6.505	74.7	69.3
OECD Total				70.1	65.3

Source: World Bank Report, 2006, *Turkey: Labor Market Study*, 10.

³ OECD: Organisation for Economic Co-operation and Development

Education :

Over the last decade, educational opportunities have expanded in Turkey⁴. In line with this, the labour force seems to become more educated and skilled in the last decade. Education levels, however, are still comparatively low by OECD or European Union (EU) standards, which signifies that new policies or regulations are required to improve the skills and the education of the Turkish labour force (Ozsuca, 2003:57). Tunali and Ercan (1997) state that, registration in higher education brought significant gains particularly to women as there seems a strong correlation between women's level of education and their entrance into the labour market. In other words, as far as women are educated or skilled, their employment becomes much easier (Ozsuca, 2003:59).

Table 2: Educational Attainment, 1988 and 2004

	<i>Percent of Population</i>					
	Population		Men		Women	
	1988	2003	1988	2003	1988	2003
Illiterate	22.9	11.7	11.6	4.3	33.9	18.9
No diploma	9.1	4.4	9.6	4.0	8.6	4.8
Primary	47.2		51.8	48.7	42.8	
Lower secondary	49.6		10.5		50.6	
Lower Secondary	8.1	9.8	12.9		5.7	6.8
vocational	0.7	0.1	1.0	0.1	0.5	0.1
Upper secondary	6.0		7.1	13.1	5.0	9.1
Upper Secondary	11.1		3.8	8.3	1.7	4.4
vocational	2.7	6.4	4.7	8.6	1.8	5.2
Tertiary	3.2	6.9				

Source: World Bank Report, 2006, *Turkey: Labor Market Study*, 11.

⁴ The public primary and secondary education has been improved and compulsory schooling was raised from five to eight years. The opportunities of higher education also grew in 1990s through new universities and expanding facilities. In the last decade, the share of illiterates and those without basic education are in decline while those with primary education remain almost constant. Though still small, the share of those with higher education has been increasing.

According to the World Bank Report (2006), however, unemployment rates are high for the young and educated. Younger workers are more likely to report that they are unemployed than older workers, independent of their level of education. Based on the same report, unemployment rates are especially high for university graduates, where 38 % are unemployed right after graduation.

Table 3: Unemployment Rates are High for the Young and Educated (2003)

Age group	Illiterate	No diploma	Primary Education	Secondary Education	Tertiary Education
15-19	18.0	27.7	13.7	29.5	0.0
20-24	17.0	37.5	16.1	23.4	38.5
25-29	16.3	14.8	12.2	12.2	14.8
30-34	13.3	16.7	10.3	7.1	5.3
35-39	11.4	16.7	8.1	5.4	4.1
40-49	7.5	9.5	7.8	4.6	2.5
50-59	5.0	4.9	5.9	5.7	2.2
60-	1.6	1.5	1.4	4.0	0.0

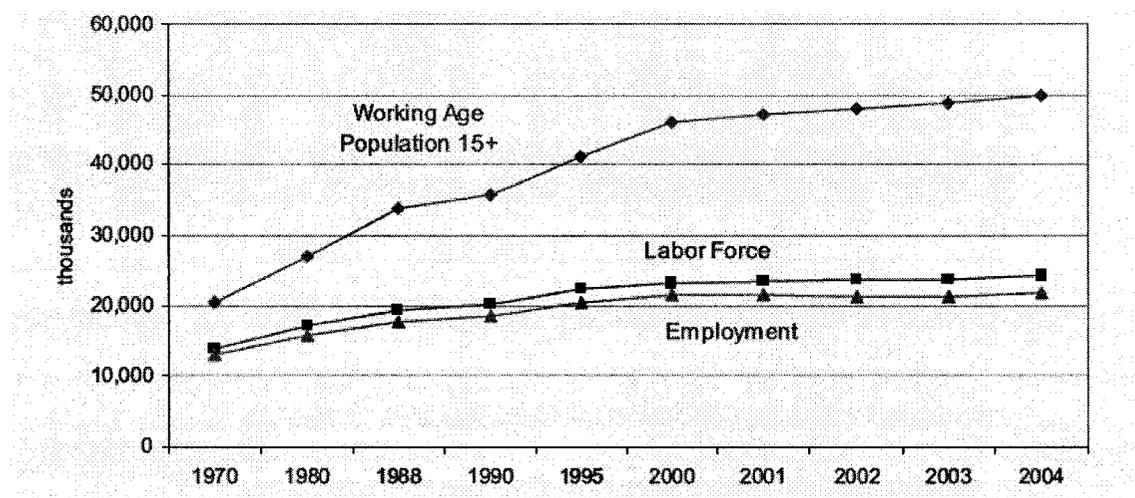
Source: World Bank Report, 2006, Turkey: Labor Market Study, 11.

Employment creation and Sectoral distribution:

Population growth has outpaced employment growth for the last three decades in Turkey. From 1980 to 2004, the working age population grew by 23 million, but only 6 million net jobs were created. As a result, the employment rate (the percentage of working age population that is employed) in 2004, at 43.7 %, is one of the lowest in the world (World Bank Report, 2006: 12).

The labour force (the working age population that is either working or looking for work) has been rising at a much slower pace than the adult population, reflecting the falling labour force participation for women. In parallel with this, employment rates for women have been decreasing.

Figure 2: Labour Force Participation and Employment has trailed Population Growth



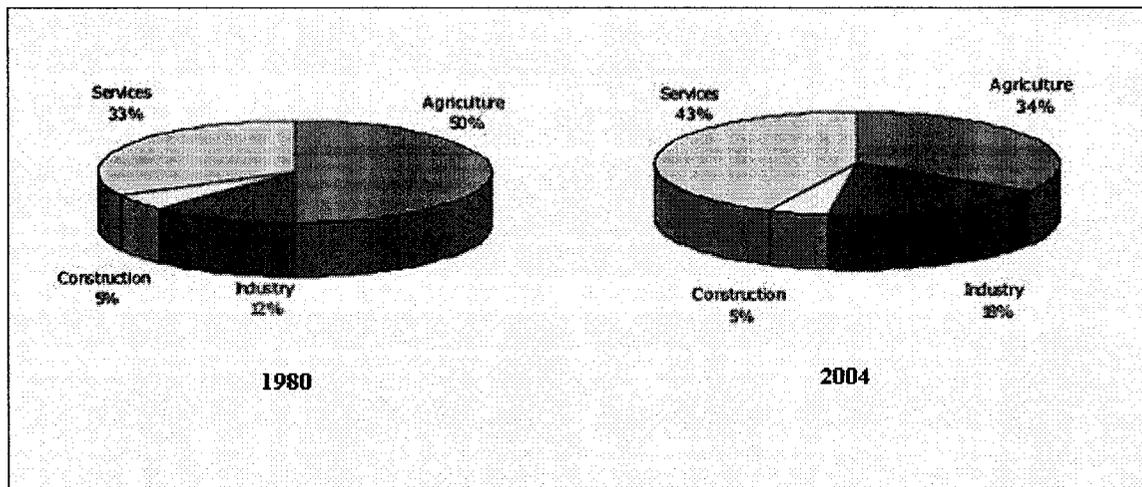
Source: World Bank Report, 2006, Turkey: *Labour Market Study*, 12.

As in many other developing countries, the labour market in Turkey exhibits a clear segmentation. Employment is mainly composed of three sectors: agriculture, industry and the services (including construction). The most striking feature is the prevailing dominance of the agricultural sector. Agriculture was the largest employer in 1980, accounting almost for 50 % of the total employment. By 2004, agricultural employment had declined to 34 % of total employment. The fact that only 13.5 % of the GDP comes from the agricultural production reflects the low productivity level in this sector. The industrial sector that occupied 12 % of overall employment in 1980 rose to 18 % in 2004 (see Figure 3).

This slight increase in industrial employment suggests that the export-oriented industrialization strategy adopted in 1980 was limited in generating industrial employment. That is to say, the growth achieved through the expansion of exports since 1980s can hardly be said to have created sufficient jobs or transformed the agrarian economy into an industrial one. The service sector did, however, record a significant

growth with an employment rising from 5.9 million to 9.4 million. The share of services employment rose from 38 % in 1980 up to 48 % in 2004. Given its labour-intensive nature, tourism services, in particular, seemed to expand significantly.

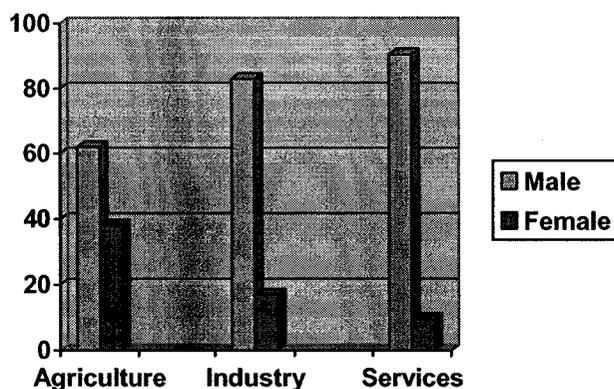
Figure 3: Employment Shares, 1980 and 2004



Source: World Bank Report, 2006, *Turkey: Labor Market Study*, 8.

Gender differences in sectoral employment patterns (see Figure 4) are also worth considering as the structural trends have had different implications for male and female employment. Both men and women hold roughly equal shares of agricultural employment, but men dominate in all other sectors, accounting for around 80 % in industry and services and over 95 % in construction. Therefore the changes in agriculture have affected both men and women almost equally. In other sectors, however, women in Turkey seem to be disadvantaged to the extent that their placement in industrial and service sectors is relatively more difficult.

Figure 4: Gender differences in Employment by Sector, 2004



Source: SIS,2005, Household Labour Force Surveys

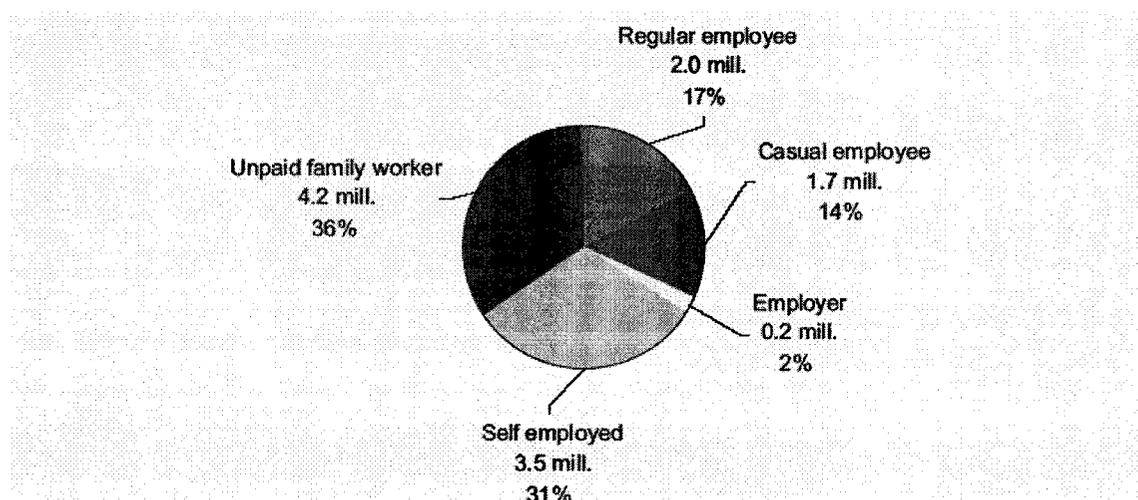
The high share of agriculture and services in total employment is reflected in the status of labour force which indicates a heavy concentration in non-wage employment categories (see Table 4). In 2004, ‘unpaid family workers’, ‘self employed’, and ‘casual employees’(compromising mainly the seasonal and temporary employment) accounted 19.7 %, 24.7 %, and 8.3 % of total employment respectively while regular wage and salary earners represented 50.8 % of the total.

The figure below (see figure 5) shows that significant bulk of the employees working without a social security coverage come from the non-wage employment categories. That is, 81 % of the workers without social security are either unpaid family workers or self-employed or casual employees. The rise of non-wage employers in Turkey, then, points out the unhealthy development of employment so far as they are doomed to work in insecure jobs without social protection.

Table 4: Employed Labour Force by Employment Status, 2004

Employment status	in thousands	% distribution	Agriculture %	Industry %	Services %
All wage/salary employees	11.079	50.8	5.1	71.2	80.1
-Regular employee	9.279	42.6	2.1	65.1	62.2
-Casual employee	1.800	8.3	3.0	6.1	17.9
Employer	1.020	4.7	1.6	9.6	7.0
Self employed	5.388	24.7	38.3	9.5	10.7
Unpaid family workers	4.303	19.7	55.0	9.7	2.2
Total employed workforce	21.790	100.0	100.0	100.0	100.0

Source: SIS, 2005, Household Labour Force Surveys

Figure 5: Employment Status of the Employed Labour Force without Social Security Coverage, 2004

Source: World Bank Report, 2006, Turkey: Labour Study, 68

Informal sector:

Apart from that, the weight of the informal sector is striking in Turkish labour market. Although the data is limited in terms of accuracy, most observers are in agreement about the heterogeneity and dynamism of the Turkish informal sector. According to 2001 Household Statistics, the informal sector represents 13.5 % of the total employment in Turkey. Based on the same statistics, 40 % of the self-employed and the employers operate in the informal sector and 60 % of these people are not registered in any form of social security (Ozsuca, 2003: 61). It is estimated that 13 % of the non-agricultural population, 11 % of the urban population and 20 % of the rural population are employed in the informal sector (Ozsuca, 2003: 61). Besides, the high share of self-employed and casual workers in total employment (28.6 %) in the service sector may be taken as an indicator of the importance of the informal sector (Senses, 1996: 69).

The informal sector is characterized by a quite flexible structure. And the significant size of the informal sector necessarily has an impact on the formal sector in terms of flexibility (Ansal et. al., 2000:46). In other words, the presence of a flexible large informal market flexibilizes the formal sector to a great extent. In addition, the share of the employment without any form of social security or unemployment insurance stands as another factor to make the Turkish formal sector more flexible.

Conclusion:

All in all, there are three main dynamics to be primarily considered with regards to the Turkish labour market. First, even if it is likely to decline, the share of agriculture in total employment is still very high. Second, the employment rate is low. A substantial increase in employment creation is required especially for urban women. Considering

that the share of young people will remain quite high, the Turkish economy has to create more jobs in order to absorb this young population.

Third, the informal sector still occupies a significant portion being a source of low-quality, low-wage jobs. It provides a room for survival for huge numbers of small and medium-sized enterprises that enjoy flexibility practices, and avoid paying taxes or insurance payments. Therefore, the informal sector helps to curb the pressures on employment, but at the same time hinders the generation of better jobs by the formal sector (Taymaz and Ozler, 2005: 23).

To reiterate, the segmented structure of the Turkish labour market with big portions of the agricultural sector and the informal sector needs to be underlined. This part, which constitutes almost half of the whole population, is not provided with a certain system of social security, employment safety or unemployment insurance; and they are not guaranteed certain wages. In this sense, by all definitions, this part of the population is already flexible (Senses, 1995: 999). Considering this, IMF's and the employer's view that the Turkish labour market conditions are too rigid to achieve economic growth and to create more employment is not necessarily a valid condition. With their demands for more flexibility they seem to neglect half of the working population in the Turkish labour market. The policies developed with this reasoning could hardly address the problems of the Turkish economy in general and the labour market in particular.

Their intention for more flexibility, however, addresses the 'paid workers in the formal sector' representing the other half of employment. In line with the neoliberal project, their existing socioeconomic rights are seen extensive and thus aimed to be dissolved. Having certain securities and safeties, this part of the population tried to be

made more flexible in order to expand the employers' ability to adjust to changing market circumstances. Even this so-called rigid portion of the economy, however, seemed to present a flexible structure since 1980s to be examined in chapter 5.

CHAPTER 4: FLEXIBILITY from DIFFERENT PERSPECTIVES

Developed mainly within the context of industrialized countries, ‘flexibilization of the labour markets’ has been discussed in the agenda of developing countries mainly throughout the 1990s. International institutions had incorporated the notion of flexibility into their agendas in 1970s. Their interpretations and policy proposals with regards to flexibility have had both similarities and differences depending on the nature and operations of the specific institution. IMF, World Bank, EU, ILO and OECD are the most salient institutions that have been carrying through flexibility into the agendas of individual countries within their reach.

Below, in the first part, will be examined the approaches of the above mentioned institutions with respect to the issue of labour market flexibility. As Turkey is a part of these institutions through agreements and/or binding relationships, Turkish policy makers incorporate the agenda of these institutions in their policy formulations.

The politics of Bretton Woods Institutions have always been crucial in capitalist structuring of Turkey through Structural Adjustment and Stabilisation Programs. Since 1980, IMF designed macroeconomic programmes, in particular, have played a pivotal role in the neoliberal transformation of the society. EU-Turkey relations started officially in 1956. With the acceleration of the Accession process in 1990s, the EU has become a significant source in many spheres of the national legislation. ILO influenced the capitalist relations significantly by setting the universal rules for an international labour law. Upon the condition of ratification, ILO Conventions became a basis for national legislation in Turkey. Even if the form of the legal texts were determined by the ILO, the content of the articles, sanctions and orders were modified according to the dynamics of

Turkish domestic politics. Below, the impact of these institutions on Turkey will be discussed in relation to the flexibility agenda. While all of these institutions recognize labour market flexibility as a requirement to increase competitiveness and adaptability of firms to economic change, since the beginning of 1990s, ILO and EU have adopted an understanding of flexibility that embraces worker security. As certain policies of flexibilization led to a significant erosion of workers' rights in their employment and working conditions, the ILO and EU try to develop flexibility strategies that do not undermine worker security.

In the second part, the stances of different actors within Turkey will be analyzed. Flexibility is a controversial issue between the employers and employees in the country. Strikingly enough, the demands of the employers are almost in full compliance with the Bretton Woods institutions. In other words, flexibility advocates in Turkey are in an organic collaboration with their foreign counterparts.

Midwives of the flexibility agenda:

The institutions below are listed in a particular way depending on their level of influence over the Turkish policy making processes. Based on that, Bretton Woods Institutions having a central impact on macroeconomic policies and European Union with the transformative power of the Community Acquis will be analysed first.

International Monetary Fund (IMF):

The IMF incorporated the labour market policies as a significant part of the Structural Adjustment Programs especially after 1990s. As part of the neoliberal program, state regulated labour market policies tried to be replaced by the market

regulated ones. For the IMF, state regulations in Turkey create structural rigidities that perpetuate the high unemployment and result in sluggish growth.

It is strongly emphasized that enhancing wage and price flexibility would facilitate more rapid and sustained growth; help raise real incomes; and help reduce poverty. In a recent talk on Turkish economy, Anne Krueger, First Deputy Managing Director of the IMF in 2005, states that:

[...] [E]vidence suggests that once employers are free to fire workers, they start hiring them. Changes in labour market regulation would greatly improve the business climate, and could do much to foster growth in new areas of economic activity. And by helping to reduce unemployment, labour market reforms could build greater recognition that economic reforms bring tangible rewards [...] They will help Turkey converge more closely with the EU and other industrial countries, and so promote the objective of Turkish membership of the European Union as an added bonus (Krueger, 2005).

As clearly mentioned in the talk, labour market developments, namely the attempts for flexibility, are well integrated into the overall conduct of the Turkish economy and thus the development of the country. Labour market flexibility is put at the very core of the policy papers as well, as a priority to catch up with the industrialized world.

World Bank:

The main theme of the 1995 World Development Report entitled 'Workers in an Integrating World' is the restructuring of the economies through labour market policies (World Bank Report, 1995). It devotes a considerable space to the issue of labour market flexibility. Thus, it extends the scope of the Structural Adjustment Programs so as to transform the labour markets in a more flexible and efficient way. Flexibility of the labour markets is seen as being related to the restructuring of the economies. That is to say, after financial and trade liberalizations in the neoliberal era, labour market policies

have turned out to be the third step of the liberalization policies. Labour market policies are claimed to facilitate restructuring by encouraging wage flexibility and labour mobility and by adopting certain measures to create employment.

Moreover, within the context of industrializing countries, the flexibility agenda was incorporated into the policies of development and industrialization. According to the Report (1995: 60), the countries that have gained the most from an export-led development strategy over long periods are those that have responded flexibly to changing circumstances. As they were also more likely to adopt productivity raising innovations relating to technological change, changing product mix and reorganization of work, developing countries that flexibilised their labour markets made the best use of open trade over the past three decades (World Bank Report, 1995: 80).

European Union (EU):

The EU tries to develop employment strategies combining flexibility with worker security. The current European Employment Guidelines aim to improve quality and productivity of work by reconciling flexibility and security (Wilthagen, 2004). Flexicurity strategies are defined as trade-offs between degrees and modes of flexibility and security (Wilthagen, 2004). According to this view, depending on the specific circumstances, certain types of security (i.e. job security, employment security, income security) or certain types of flexibility (i.e. functional flexibility, internal numerical flexibility, external numerical flexibility, wage flexibility) can be sacrificed in order to attain a socially sensitive and efficient employment strategy.

EU Accession stands as a significant process transforming Turkey's labour market especially after 1990s. The Accession Partnership signed after the Helsinki

Summit (10-11 December 1999) was the basic document to outline the Community Acquis. The adoption of the Acquis brings radical changes in the functioning of the labour market in Turkey⁵.

The Council Directives on employment, in particular, are worth considering. Directive 93/104 concerning certain aspects of the organization of working time is one of the main directives regulating working conditions. It lays down minimum safety and health requirements for the organization of working time, and applies to minimum periods of daily rest, weekly rest and annual leave, to breaks and maximum weekly working time, and certain aspects of night work, shift work and patterns of work. Directives 97/81 and 99/70 facilitate the development of part-time and fixed-term work on a voluntary basis and thus contribute to the flexible organization of working time by providing measures for the removal of discrimination against part-time and fixed-time workers and by improving the quality of part-time and fixed-time work (Taymaz and Ozler, 2005: 10).

In terms of employment strategies, the EU states that it would encourage candidate countries to define their employment policies and adjust their institutions and legislations accordingly⁶ (Taymaz and Ozler, 2005:17). Furthermore, the financial support for accession would be directed towards employment policy priorities within a coordination process. The cooperation of the Commission with Turkey at this level is at such an early stage that it is hard to identify its implications. Even if the existing Labour

⁵ The adoption of the employment Acquis is broad regulating work and employment conditions, issues like child labour, discrimination, social protection. Yet, for the sake of preciseness, I will be focusing on employment protection and labour market flexibility issues in this paper.

⁶ Even if the relationship of the EU and Turkey does not result in 'full membership', the process of accession is very important in terms of the transformation of the country. For instance, the conditions, funds and binding agreements play important roles in the restructuring of the labour market along the

Law enacted in 2003 in Turkey (to be examined in chapter 6) does not completely comply with these directives, it provides flexibility, according to the OECD definition, for temporary employment in the labour market.

Apart from that, Turkey's membership in the EU is a highly contested issue among those at the labour front. The question whether the membership in the EU would better or worse off the Turkish labour is at the centre of the debates. Given the fact that the European social and economic rights are significantly advanced, proEuropeans argue that the membership of Turkey would improve the living and working conditions of labour (Celik, 2004). As opposed to this, Eurosceptics claim that it is methodologically mistaken to see the existing social and economic rights of the working population as an outcome of the European integration process. Instead of seeing labour rights as being granted by the EU, some scholars tend to perceive them as the historical gains derived from the relative autonomy of the working class itself (Independent Social Scientists: 2005). Besides European labour is not immune from the neoliberal assault since 1980s as the indicators for the working population (i.e. unemployment, unionization) over the last two decades are not very favourable (Akkaya, 2004). That is to say, EU itself seems to have difficulty in generating employment and keeping those social and economic rights.

International Labour Organisation (ILO):

ILO incorporated the flexibility issue into its agenda in late 1980s. In one of ILO publications, *Negotiating Flexibility* (1999), edited by Muneto Ozaki, the ILO makes its position clear about flexibility. From the ILO's perspective:

'Economic globalization and technological innovation are now exposing enterprises, [...], to harsh competitive pressures. The competitiveness of an

standards of the EU. The fact that EU prioritizes particular strategies for employment necessarily shapes the policy processes and legislations in Turkey.

enterprise or economy in the globalized market depends largely on its ability to adopt changes in markets and to take advantage of the latest technological innovations. It is widely believed that, to enhance its ability, the labour market must be made more flexible' (Ozaki, 1999: 1).

Labour market flexibility, according to ILO, refers to the ability of an enterprise i) to adjust the level and timing of labour inputs to changes in demand; ii) to vary the level of wages according to productivity and ability to pay; and iii) to deploy workers between tasks to meet changes in demand (Ozaki, 1999: 2). These objectives can be achieved by introducing changes in contracts of employment, working time, pay systems and work organization.

Accompanied with flexibility, the ILO stresses the importance of security. The ILO's approach, 'flexicurity', is used to describe practices of flexibilization that ensure a balance between labour market flexibility and job security. These practices allow flexibilization for firms while ensuring income and broader social security to workers at the societal level (ILO:2004). Within this context, more flexible contracts are required to include a minimum of employment protection at the company level, a decent level of easily accessible income and social protection (ILO:2004). With this approach, flexibilization attempts of the firms are compromised with the national labour market institutions, such as the unemployment benefits schemes, the wage setting institutions and etc.

Standing (1986; 1999), in his ILO publications, criticizes the neoliberal formulations of flexibility that disregards the broader social implications of the issue. The premise of a labour market reform, for Standing (1986: 141), should be the need to enhance flexibility while providing income security for all and greater equity between the privileged core and the labour periphery. Hence, he adds that a flexible, efficient labour

process is viable to the extent that it is devised by a social security system that minimises labour market insecurities.

In order to relate flexibility with security, the ILO puts an emphasis on ‘collective bargaining’ and ‘the nonactive involvement of the State’ as the means of introducing flexibility. That is to say, acknowledging the inevitability of ‘flexibility’ in labour markets as a requirement of contemporary capitalism, ILO supports the introduction of flexibility on mutual basis instead of the unilateral action of employers.

Organisation of Economic Co-operation and Development (OECD):

Labour market policies have usually been at the top of the OECD country discussions. In response to the increasing unemployment of 1970s in the industrialized world, OECD has promoted labour market flexibility as a remedy. In the report, the OECD Jobs Study: Evidence and Explanations (OECD, 1994), the OECD recommended a variety of measures to increase labour market flexibility, among them are reducing nonwage labour costs, reassessing the role of minimum wages as an instrument for income redistribution, reforming employment security provisions, and reforming employment security and related benefit systems.

Concerning the flexibilization of the Turkish labour market, however, the OECD has had reservations (OECD, 1996: 92-94). Before introducing flexibility into its labour market, it was recommended that Turkey deepen the structural adjustment policies by reducing the public sector and promoting the private sector. For this purpose, OECD recommended that Turkey reduces employment in state economic enterprises, decreases severance payments and non-wage labour costs; and promotes high skilled jobs and workers.

Perspectives from inside:*Employers' view:*

Employers, as the capital owners, have been the driving force and advocates for labour market flexibility in Turkey. The structural power of Turkish capital has increased significantly in the neoliberal period that extended its ability to control labour power. Throughout the 1990s, claiming that the cost of hiring-firing, unemployment insurance, the existing form of contracts, the regulations regarding the duration of work, working time and part-time work have become sources of rigidity in the labour market, they raised their demands for the introduction of flexibility into the labour market. The motivations and the means by which employers advocate and follow flexibility vary depending on the occupation, sector and etc. Yet, their conceptualizations and intentions with respect to the process are alike.

TISK (Turkish Confederation of Employers' Association) is one of the biggest nationwide organizations that represent the unions of employers from various sectors and occupations. It was established by the founders of TUSIAD (Turkish Industrialists' and Businessmen's Association) as the biggest and most powerful representative of capital in the country. TISK, however, is not under the complete control of TUSIAD as it includes employers other than the members of the TUSIAD.

By organizing several conferences, meetings and releasing significant publications, TISK promoted the notion of flexibility as an essential reform in order to integrate with the global economy. According to TISK, flexibility mainly refers to 'adjustability' to changing market conditions that emanate from the altering economic, social and technological developments (TISK, 1999: 5). The recent techniques of

production, technological advancements, increasing global competition, global and regional crisis have required a radical change in working life. Apart from these, the oil shocks, increasing unemployment, financial difficulties in the field of social security throughout 1970s had put forward flexibilization as inevitable.

Turkish employers perceive flexibility as a form of 'deregulation' so far as the regulations in the field of working conditions, wage determination, social and economic rights of the workers are expected to come to an end. For instance, TISK (1999: 27) stresses that the removal of the rigid laws of working life will provide employers and employees with a space in which they can negotiate the terms and conditions of the work. Instead of state-determined regulations, employers are in favour of working arrangements in which both themselves and workers can bargain in the 'free' environment of market and reach agreements contingently.

TISK (1999) supports flexibility on the following grounds: After flexibilization, more jobs will be generated and thus more people will be employed. Flexibility will promote efficiency as only the required amount of people will be employed for a required time period. Instead of being limited by rigid rules, flexibility will give way to negotiations based on the mutual consent of both sides. The working hours, for instance, will be determined on the basis of the employers' needs and employees' conditions. TISK aims to minimize the cost for the firm by flexibilizing the hiring-firing practices, reducing severance payments. TISK also emphasizes that firms must be able to determine their wage levels and structures according to labour market conditions by keeping the performance and motivation of their employees' high enough. Hence, firms will be able to survive the crisis without firing workers.

Apart from these, by certain training mechanisms TISK aims to achieve quantitative and qualitative adjustability for employees to changing technological developments and production processes. Employers aim to gain the ability to shift their workers among different positions within the same firm, same production chain. Finally by flexibility practices, firms are expected to restructure their services or productions in a way to enable the collaboration of other firms such as outsourcing.

Within the context of the flexibility agenda, Turkish employers demand the flexibilization of labour contracts by insisting on the removal of the job protective legislations, by promoting part-time, seasonal or temporary forms of work. In addition they demand that hiring-firing practices become easier. Arguing that firms would continue to be reluctant to hire workers that they cannot easily get rid of, they call for the flexibilization of firing restrictions and provisions on job security. They demand that notice periods be shorter, and severance payments be lower. According to the employers, a competitive firm that is responsive to the market conditions is attainable only through flexibility. In that respect, they try to create their inner, firm-specific, flexible labour market conditions (Kostekli, 1999: 837).

One of the methods firms use to get the support of their workers for flexibility practices is redefining them as an integral part to the firm. 'Total quality management', 'quality circles', 'conflict resolution team', 'self-managing team' are some of the techniques developed for this purpose. Employers generally connect their attempts for flexibility to the requirements of the competitive global economy and the need to catch up with modern techniques of production. It seems it is the firm, for which the employee works, that needs further flexibilization. By detaching the reason from themselves,

employers socialize the firm's interests to the employees. In this process, the mutuality of the interests of the employee and the employer is strongly emphasized. The focus of collective bargaining has moved towards enterprise level. It is no longer the collectivity of the workers, but that of the firm or enterprise that is discussed during the negotiations. Firms try to develop an organization of work in which workers themselves feel they belong to the firm, thus, define their interests along the interests of the firm (Kostekli, 1999). This is an influential social regulation of the worker (Ozdemir and Yucesan-Ozdemir, 2005) so far as the workers are prevented from resisting the new modalities of employment or processes of production.

In a nutshell, employers support the flexibilization of employment relations as an inevitable condition for their adaptability to the new working conditions and production processes emerging in the highly competitive global economy. In this regard, they demand the new conditions to be determined not by the rules or regulations of the political authority, but rather by market principles and mutual negotiations (TISK, 1999). Considered within the terms of the market rationality, employers have more 'market power' than workers. To the extent that the legal context (i.e. Labour Law) is modified according to their objective, employers are more likely to get their demands accomplished at the expense of the working population.

Employees' view:

Turkish employees failed to react to the flexibilization agenda appropriately. That is, labour departments in general, trade unions in particular were late to develop alternative policies. Flexible organizations of work were firstly mentioned in 1980s' policy papers. Yet, considering the specific context of Turkey, they were not put into

action before 1990's. Besides, the deterioration of the trade union movement starting with the military takeover in 1980 continued with the austerity programs and the financial crisis in 1990s. Before 1980, during the period of import-substitution, trade unionism was considered as the legitimate expression of free will of workers that needed to be taken into consideration in the policy making processes (Koc, 1997:237). Whereas in the neoliberal period, trade unions were redefined as creating rigidities by leading high costs for the employers. As Yalman (2002) states, post-1980s' politics transformed the union movement in a way that the existence of the unions would not generate counter-hegemonic strategies in Turkey. The wide constitutional rights provided by the 1961 Constitution eroded with the 1982 Constitution. The dismantling of the welfare provisions, privatizations, financial crisis and thus the deterioration of the wages and the working conditions of the labour throughout the 1990s have weakened the trade unions significantly. Therefore, the unions' agenda have been occupied with certain problems such as loss of their members, restructuring their organizations, declining access to policy making processes and disputes in collective bargaining. These prior difficulties for unions delayed them in developing a solid response towards labour market flexibility.

There are only a few Turkish trade unions that have taken flexibility into their agenda. The researches, conferences conducted in this regard were quite limited that the alternative policies developed by the labour side have not been influential. While the demands and policy proposals of the employers are at the forefront, the demands of the trade unions could hardly be incorporated into the flexibility agenda.

TURK-IS (Confederation of the Trade Unions of Turkey, 1999), one of the biggest confederations of the trade unions, is a heterogeneous organization that

compromises the whole range of the political spectrum in Turkey (Koc, 1997:235). They outline their principle policy proposals towards flexibility as such: The implications of flexibility practices on work and workers must be observed through comprehensive research in detail. The impact of flexibility on unionization and collective bargaining must be identified clearly. The practices of flexibility that seem to prevent the unions from collaborating both on national and international levels should not be accepted. Also, the flexibility practices that make organic unionization more difficult by disintegrating the interests of the workers and by fragmenting them should not be permitted. Unions must collectively agree on common flexibility policies regarding collective agreements that prioritize the worker and job protective regulations. The 158th Article of ILO Convention, 'employment safety' must be recognized. In this respect, the informal sector must be formalized and all of the working populations must be provided with social security. Flexibility must be modified in a way to facilitate union activities in decision making processes and strengthen workers' relations with their unions.

Unlike TURK-IS, which has a compromising attitude, the DISK (Revolutionary Workers' Unions Confederation) strongly opposes flexibility on the following grounds: According to DISK (1999), flexible organization of work is an essential part of the neoliberal restructuring of the economies since 1970s. The new international division of labour fosters the imperialist hegemony of the Multinational Corporations (MNCs). As a response to the falling rates of profit in 1970s, MNCs developed flexible organizations of work and management strategies. In line with these, they transform the domestic legislations of the countries in a way to deepen the hegemony of the capital. In other words, by flexibility practices, capital tries to restructure the political, social and

economic rights of the workers along the requirements of the present strategy of capital accumulation (DISK, 1999). DISK (1999) states that the ultimate objective of flexibility practices is the removal of the hard gained rights of workers by fragmenting their collective interests and by individuating their relations of work. In addition, these new modalities of work and employment will intensify the hegemony of the capital over labour.

KESK (Confederation of the Public Employees' Unions), representing the significant amount of public employees is cautious about the flexibility practices brought into the public sector. The recently enacted 'Public Administration Reform' in 2005 introduces flexible working arrangements to public employees which used to be known with certain social and economic rights, high level of job security and employment safety. With the aim of reducing public sector, however, the permanent staff is being diminished and replaced by contractual staff. Atypical forms of employment within the state are recognized. This restructuring for a more 'efficient' sector of public administration, for KESK, aims to fragment and thus to deunionise the public employees (KESK, 1999: 915).

Overall, employees in Turkey oppose the flexibilization attempts in the labour market. They tend to see the flexibility practices as an extension of the neoliberal restructuring since 1980s. Within the specific context of Turkey, they believe that it is simply 'flexibilization for employers' but not necessarily for themselves. The justification of the employers that the highly competitive global economy requires the flexibilization of the employment relations is not valid according to employees. A growth

strategy in which workers are paid low wages and pushed into insecurity -due to the lack of social and economic rights- is not acceptable for them.

Conclusion :

The debate on the labour market issues in general, flexibility in particular has been introduced in Turkey mostly in conjunction with the international institutions. Parallel to the sharp increase in unemployment rates in OECD countries⁷, the debate in these countries since the late 1970s has largely centered on the need for deregulation in labour markets and the introduction of more flexible forms of work organization (Senses, 1996: 65). Being articulated with the global economy since 1980s, Turkey adopted the similar agenda under the influence of OECD, ILO, World Bank, IMF and EU. Given the differences in policy formulations of each institution, it is possible to observe a concerted attempt on the part of these organizations to incorporate deregulated (flexible) labour markets into the development program of the country as an essential component.

Considering the social, distributional impact of the issue, EU and ILO try to reconcile the flexibility agenda with the labour security. Instead of an uncontrolled deregulation, these two institutions try to flexibilize the labour relations with a social support system. Bretton Woods Institutions seem to have a more neoliberal understanding of flexibility as they rather prioritize the market forces in labour market operations. Looking at the last three decades, the involvement of the IMF and the World Bank has been dominant in Turkish policy making through Structural Adjustment and Stabilisation Programs. Throughout 1990s, labour market adjustment has come to be presented as the

⁷ According to the World Bank Figures, the number of unemployed in OECD countries increased from 8 million in 1970 to a massive 35 million in 1995, corresponding to 8 percent of the labour force (Senses, 1996: 65).

third step (aside from the liberalization of the goods and capital markets) for a successful process of structural adjustment and, thus, export oriented industrialization.

Not surprisingly, the motivations and the policy proposals of the Turkish employers are almost in full compliance with their foreign counterparts. Employers have their necessary conceptual and financial backup that enables them to conduct the required changes in the country. Employees, on the other hand, are weak in raising their voices. Being undermined significantly after the 1980 coup, trade unions have failed to develop alternative policies towards deregulation and flexibility. Employees' reactionary attitude towards the neoliberal adjustments is that they simply serve for the betterment of the employers at the expense of their well-being. Therefore, the question 'flexibility for whom?' will be one of the main concerns to be examined in the following chapters.

CHAPTER 5: CHANGING MODE of PRODUCTION and INTEGRATION with GLOBAL CAPITALISM:

This chapter will review the macroeconomic history of Turkey since 1980 with a particular focus on labour market developments. The change in real wages, as relatively a better indicator for the material wellbeing of the working class, will be given particular attention. The shift in the industrialization strategy and the following commitment to Structural Adjustment Policies brought significant structural changes in the country. Flexible working arrangements that drastically transform the life of the working population must be understood in light of these structural and ideological transformations.

Macroeconomic overview:

The first phase of integration to the global market: 1980-1989

The impact of the crisis of Fordism, experienced by the world capitalist economy, on Turkey was clearly felt in the late 1970s. The import-substitution model of development that had been underway since 1950s came to its limits in late 1970s. Like most other developing countries, Turkey suffered high inflation rates and large balance of payments deficits, resulting in poor or negative growth rates. As a way out of the crisis, Turkey opted for further integration with the world capitalist economy and started to implement the structural adjustment programs in close collaboration with the IMF and the World Bank.

The Structural Adjustment Program introduced in January 1980 represented a clear departure from the earlier import-substitution strategies to export-oriented policies. The longer term objectives of the program were to reduce the role of the state and to

promote the private sector in the industrialization process and to restructure the economy towards further integration with world markets (Ozar and Ercan, 2002:166). There was a series of reforms in the sphere of trade and financial liberalization.

In line with the requirements of the Structural Adjustment Program, the public sector investment was cut drastically. The share of public investment in overall manufacturing investment held at 37 % in 1980, and dropped to 4 % by 1996 (SIS, 2005). The withdrawal of the public sector from productive activities, according to Turel (1998 cited in Ozar and Ercan, 2002), resulted in the concentration of Turkish manufacturing industry in labour-intensive industries that utilize less capital and technology of lower complexity. This would eventually bring an end to the public sector investments.

The neoliberal program that envisions Turkey's articulation with the global economy argues that firms should invest in new technological developments in order to catch up with the standards of international competition with lower costs. Technological developments are expected to expand production and create more employment. As Ozar and Ercan (2002: 169) assert, however, the technological change effected in the period between 1985 and 1992 made no significant contribution to the international competitiveness of Turkey. The country did not attain competitive power in skilled-labour intensive and capital-intensive industries. Even if the technological change has an impact on the expansion of production and the rate of employment positively, it does not necessarily increase the international competitiveness of Turkish economy (Taymaz, 1997). 'Cost-competitiveness', however, is central in international trade and thus export-oriented strategy. As technological developments are limited in Turkey, employers resort to cost-reducing strategies by putting employment under risk and lowering wages.

The shift towards export orientation meant that domestic-demand led growth, fed also through real wage increases under the import substitution model, was no longer required. On the contrary, attaining short-term stability through domestic demand restraint as well as international competitiveness in labour intensive manufactured goods required a reduction in real wages (Senses, 1996: 72). Real wage reduction was also sought in order to promote exports by lessening the inflation and the exchange rate.

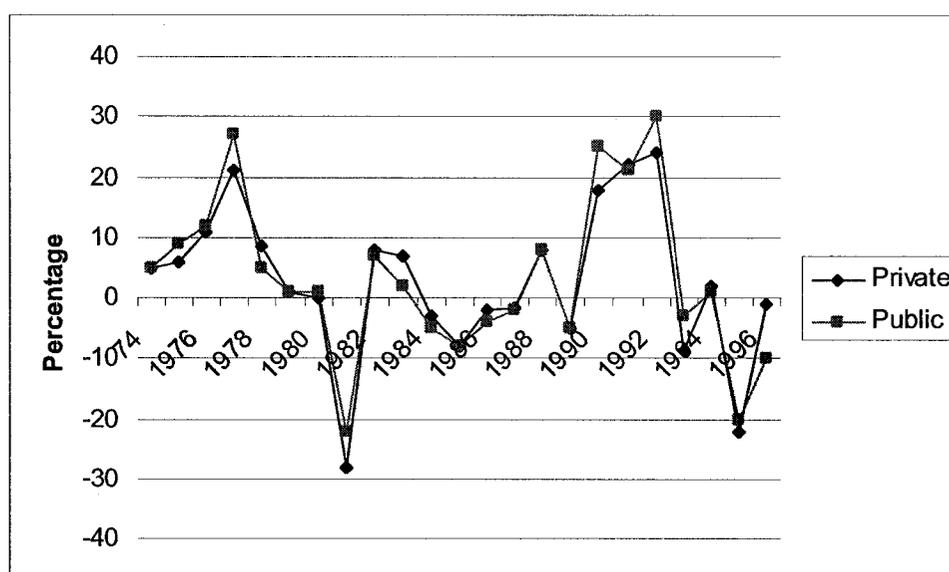
As a common tendency to be observed in the post-1970s' labour market transition, Turkish labour has been exposed to various types of political and economic repression. During the protectionist import-substituting period, Turkish labour had benefited from the relatively higher rates of real wages, as the main principle to keep the domestic demand high, and certain constitutional rights-such as collective agreement, employment safety- backed by strong trade unions. With the onset of 1980s policies, however, these conditions of the labour have gradually been worsened.

It is widely agreed that the period 1980-89 exhibited a severe repression of organized labour in Turkey. The capabilities of the labour as a potential societal force were taken away through reducing the real wage gains (Senses, 1996: 73; Ozdemir, Yucesan-Ozdemir, 2004). As mentioned before, the Structural Adjustment in Turkey was launched right after a military intervention took place. The suppression of the opposition during the military rule provided the initial smooth environment for the implementation of the radical policies of the Structural Adjustment (Yalman, 2002).

The significant drop in the real wages was one of the most restrictive policies at the time. In order to integrate with the global economy and thus to increase international competitiveness in labour-intensive manufactured goods, a reduction in real wages was

presented as inevitable. The index of real wages declined from 100.0 in 1980 to 89.3 in 1989 (Senses, 1994: 57) with severe distributional implications. The income policy was supportive of the capitalist class. According to Onaran (2002: 182), although input costs rose due to stabilization policies, and international competition was pressuring firms due to trade liberalization, profit margins in private manufacturing industry remained quite high throughout the 1980s because of wage declines.

Figure 6: Percentage change in Real Wages in manufacturing industry



Source: Onaran, O., 2002, *Adjusting the Economy through the Labour Market: The Myth of Rigidity in N., Balkan and S., Savran (eds.), The Ravages of Neo-Liberalism: Economy, Society and Gender in Turkey*, New York: Nova Science, 183

In other words, the first phase of Turkey's integration with the global market that resulted in the expansion of exports seemed to be conducted through a drastic downward flexibility of real wages. Hence, labour has borne the whole burden of the economy's structural adjustment to the export-oriented model (Onaran, 2002; Yeldan, 1998; Senses, 1996, Boratav, 2003).

Table 5: Real Labour Cost and Employment, 1980-1995

	Real Labour Cost (1980=100)	Production workers (a)	
		Number(1992=100)	Growth(%)
1980	100.0	-	-
1981	106.3	-	-
1982	100.5	-	-
1983	93.4	-	-
1984	88.5	-	-
1985	88.3	-	-
1986	85.6	116.6	-
1987	94.8	123.6	6.0
1988	89.3	132.8	7.4
1989	115.9	127.3	-4.1
1990	135.9	126.9	-0.3
1991	200.4	108.5	-14.5
1992	198.0	100.0	-7.8
1993	201.3	100.6	0.6
1994	158.2	93.4	-7.2
1995(b)	160.7	-	-

(a) figures refer to employment in private manufacturing sector

(b) provisional figures

Source: Senses, F., 1996, Structural Adjustment Policies and Employment in Turkey, New Perspectives on Turkey, Fall, 15, 90.

The second phase of integration: 1989-2000s

In 1989, the growth process that had mainly relied on wage suppression began to cause economic and socio-political conflicts. While the inflation rate rocketed to 75%, the rate of GDP growth was only 2.1 % in 1988 (Yeldan and Kose, 1998: 161). The export-oriented accumulation-distribution cycle was leading to discontent among society. The 1989 general elections prepared the ground for public sector to initiate an increase in the wages. Senses (1996: 74) remarks that, thanks to the gradual liberalization of political life, the trade union movement made a slow recovery that unions were relatively more

able to reassert themselves when compared to the authoritarian-military regime of 1980-83. Labour unions managed to express their demands for wage increases.

In view of these developments, a tendency of increasing wages is observable in the period 1989-1994. The increase in real wages in 1989, was 31.7 % in the private sector and 38.7 % in the public sector. In the next wage round in 1991, there was a major explosion in real wages which led to substantial real wage gains over and above even the 1980 levels.

In private manufacturing industry, the wage demands of labour unions were acceptable to employers for two reasons (Onaran, 2002: 183): Firstly, the increase in public expenditures was expected to lead to an increase in domestic demand that was likely to maintain a certain level of profit for employers. Secondly, the appreciation of domestic currency had resulted in a decline of non-labour input costs by which firms hoped to compensate the increasing costs of wages. Thus wages could be increased without undermining profits.

Yeldan and Kose (1998: 163) show that the abrupt increase in real wage costs in 1989 did not cause a squeeze of profit incomes in the private manufacturing sector. On the contrary manufacturing profits followed the upward trend in real wage costs and reached to an over time high of 47 % in 1994. Based on that, they (Yeldan and Kose, 1998: 162) concluded that during the 1990s the Turkish distribution processes displayed significant upward flexibility of profit margins (mark-up rates) against a period of increased wage costs.

The explosive increase in real wages in 1991 (Table 5) caused a concern that it might break the export competitiveness, make the public sector financing more difficult,

and still cause risks for the private sector. In order to alleviate the risks emanating from high wages, employers started searching for labour shedding activities. According to Senses (1996: 74), the increase in the subcontracting of certain services in the public sector to private firms and the decline of the index of production workers in the private manufacturing sector-which declined steadily from 132.8 in 1988 to 100.6 in 1993- are some of the outcomes of the employers' attempts to avoid high wage costs.

Another strategy developed by the employers is the introduction of new and flexible types of work organization. Employing part-time or temporary workers, engaging with subcontracting activities and avoiding trade unions were the most common strategies. It is of significance to recall that these developments were necessarily accompanied by calls for increased labour market flexibility and some deterioration of labour market institutions and protective legislation on a global scale. As mentioned above (in Chapter 4) the domestic supporters of the labour market flexibility such as TISK (Turkish Confederation of Employers Association) and even State Planning Institution were encouraged by the calls from ILO, World Bank and the IMF.

Among the flexibility agenda, there were policies of reducing public sector employment (i.e. State Economic Enterprises), removing welfare provisions, moving from centralized-collective bargaining to decentralized-individual/firm level bargaining and promoting intra-working class distribution (i.e. high-skilled/low-skilled; insiders/outside). These policies had devastating outcomes in the Turkish context as there was not a solid legal employment protection or unemployment insurance for the Turkish workers by then. Besides, considering that a small portion of the working

population belonged to formal sector; and informal forms of work were quite common, the Turkish labour market could hardly be said to require further flexibility.

As another step of its articulation with the global economy, Turkey deregulated all its capital movements and so completed the liberalization of its capital account in 1989. Since then, Turkish financial markets became highly sensitive to global capital flows. The monetary authorities were limited in managing the interest and exchange rates. Far from bringing a real economic growth or creating more employment, the inflow of hot money and export oriented policies rendered Turkish economy more dependent and vulnerable to the developments in the world market (Boratav, 2003). As a result, the Turkish Lira is observed to have appreciated significantly. Between 1991 and 1993, the Lira was overvalued by as much as 20 % in purchasing parity terms (Yeldan and Kose, 1998: 164). The financial crisis of 1994, in turn, achieved a considerable devaluation and led to a severe reduction in imports which revealed how fragile and unsustainable the growth performance of the economy was.

The post-1994 crisis management marked crucial shifts in income distribution and intensified the ongoing process of transfers of economic surplus from the wage earners and the industrial/real sectors towards financial sectors. The impact of depreciated exchange rate, increased interest rates, the acceleration of inflation and negative real rates of growth on labour was quite severe causing temporary lay-offs and a sharp fall in wages. Real wages fell rapidly by 25 % in just two years which signified that the mode of surplus extraction shifted from domestic economy towards exporting sectors (Yeldan and Kose, 1998 : 165).

Aside from that, the privatization attempts, as an important part of the neoliberal agenda, caused additional redundancies. As a measure of alleviation, a limited unemployment insurance scheme and certain training projects for alternative employment opportunities were proposed. Senses (1996: 76) states that these were not independent projects, rather they were designed to appease organized labour that would necessarily challenge privatization as an integral part of Structural Adjustment Policies.

In view of these macroeconomic developments, planners and policy makers working in collaboration with international institutions could hardly be said to succeed in developing policies of strong economic growth and feasible employment.

SAP and Employment performance after 1980s⁸:

The economic policies implemented after 1980s were basically shaped under the Structural Adjustment Policies. As initially aimed, they generated an export boom and generally high but unstable rates of economic growth. The 36.0 % share of manufactured exports in 1980 rose up to 84.9 % in 1994 (SIS, 2005). Employment performance, however, was poor. The creation of employment in nonagricultural sectors was very slow. The share of manufacturing in total employment, after a long period of industrialization, still accounted for only 14.9 % in 1994 (SIS, 2005).

Considering the outcomes, SAP has been characterized by fluctuating rates of economic growth, large and growing public deficits, high and variable inflation (Senses, 1996: 81). With capital account liberalization and privatization, high and systemic inflation in particular appeared to be a major problem. The real sector of the economy continued to operate under the imperatives of an unregulated financial economy. In this

respect, aside from high wages, strict labour market regulation is often presented as one of the obstacles to keeping the relative factor prices high. And this provided the basis for extending the structural adjustment through labour market deregulation. Minimum wage legislation, employment protection provisions, unemployment insurance and other welfare schemes and centralized wage bargaining processes are often presented as the main indicators of ‘rigidity’ in the labour market. Backed by international institutions, TISK (Turkish Confederation of Employers’ Association) has worked hard for the adoption of all forms of labour market flexibility.

Conclusion:

Having outlined the salient features of the Turkish labour market and the macroeconomic history since 1980, one can interpret the implications of flexibility in the specific context of Turkey. It is of significance to realize that the notion of flexibility that has developed in the context of industrialized countries has caused dissimilar consequences in certain industrializing countries one of which is Turkey. Senses (1996: 83) rightfully remarks that,

[i]n Turkey [...] where wage employment accounts for less than one third of total employment and only 44 % of total employed persons and 75.8 % of wage-earners are covered by social security arrangements, low rates of trade unionization, and the agricultural as well as informal sectors dominated highly flexible work organization, so much emphasis on flexibility is misplaced. The objective should be to attain more rather than less rigidity.

Disregarding that Turkish labour market is structurally segmented and the wage employment occupies a small portion in the whole population, flexibility supporters in

⁸ The reasons behind the employment performance vary. As the post-1980s policies were mainly determined by the SAP, this paper will explore the underlying reasons of poor employment performance in Turkey within the context of SAP specifically in relation to labour market policies.

Turkey tend to put the blame for poor employment records on the existing labour market regulations and wage 'rigidities'.

Wages since 1980s exhibited a quite flexible pattern to the extent that the burden of the structural adjustment was mainly accommodated through the downward flexibility on wages (Yeldan and Kose, 1998: 165). Even if wages were perfectly flexible, according to Senses (1996: 83), productivity differentials among different sectors would remain, albeit at lower levels, mainly because the formal sector accounts for a small proportion of aggregate production.

Apart from that, although wages were considerably flexible in Turkey and have fallen in real terms, the expected increase in employment has not been realized. 'Profits' that came along with the export boom did not convert into investments. The low levels of investment and the pressure of international competition made it possible for employers to deregulate the labour conditions and to use cheap labour.

CHAPTER 6: CHANGING INSTITUTIONAL STRUCTURE of the TURKISH LABOUR MARKET

The institutional structure of the Turkish labour market, defined here to include the labour code, social security, unemployment insurance and trade unions, reveals significant details on the transformation of the social and economic lives of the working population. Introducing the ideology of flexibility to the institutional structure seems to have far reaching and hardly alterable implications for the workers.

Changing Labour Regulations:

As mentioned above, the 1980 military coup in Turkey marked the decisive moment for the neoliberal transformation of the constitutional, institutional and organizational structure of the country. A major shift in the relationship between capital, labour and the corporatist state had come into existence. Within the repressive atmosphere, policy makers started to reorganize these relations through the re-regulation of the collective labour law (Ozdemir and Yucesan-Ozdemir, 2005: 64). The constitution of 1982 and enactments of the Collective Labour Agreement, Strike and Lockout Law No.2822, on 7 May 1983, and of the Trade Union Law No.2821, on 5 May 1983, which are very restrictive compared to the previous Constitution (1960), came into effect as an outcome of the military period.

Aside from the real wage drops, trade union activities as part of the severe repression of all forms of organized opposition were banned. The ban on worker dismissals remained in force during 1980-1983. Interestingly, employment protection went hand in hand with severe repression of labour rights in the field of collective bargaining and industrial action as a peculiarity in Turkey (Senses, 1996). As a

consequence of the repressive military period, in line with the new right policies, the power of the parties within labour relations started to be determined on the basis of economic rationality of the market mechanism. That is, the more powerful party in the market had more leverage. Thus, collective labour law, which became a set of discursive practices operating on the dynamics of the market mechanism, lost its significance (Ozdemir and Yucesan-Ozdemir, 2005: 65).

Individual labour law regulates the wage relation as a relation of production. It generally comes to the fore when the concerns for productivity/accumulation intensify or when the need to increase surplus extraction emerges (Ozdemir, 2004). In Turkey, throughout the 1990s, the existing legal framework in general, and collective labour law in particular, have lost their function to facilitate the generation of surplus value to be extracted by the capital. They were no longer enabling for the further implementation of the neoliberal policies and the reproduction of social relations. Therefore, in conjunction with the intensified demands of the bourgeoisie for flexibilization, the state was determined to conduct a radical change within the terms and conditions of the sale of commodified labour (Ozdemir, 2004). In that respect, individual labour law seemed to be the first address to make the required change.

The 1994 economic crisis was a turning point in terms of the perception of the individual labour act. The Structural Adjustment Program proved to be a failure in terms of generating productive investment to utilize more labour in the country (Boratav, 2003; Yeldan, 2001). Moreover, Turkey was stuck in a serious domestic debt that has had a detrimental impact on the overall productivity of capital resulting in the lack of credibility in the international financial markets. Due to the weak international

competitiveness of the industry, the main dynamic of growth has become the ongoing reduction of wages and deterioration of the conditions of reproduction of collective labour power.

In that respect, since 1994, the blame for the failure of the neoliberal policies was put on the rigidities of the labour legislation. Thus, 'flexibilization' referring to the need to limit or abandon statutory protections for workers became the political mantra of the day (Ozdemir and Yucesan-Ozdemir, 2005: 66). This also overlapped with the intensified demand of the Turkish bourgeoisie for a flexible individual labour law (Yeldan, 2001). As mentioned above, 'deregulation' of industrial relations with a focus on the radical change of the individual labour law has been envisioned for a successful transition to an export-oriented industrialization to create more employment.

An Analysis of the New Labour Act (No.4857):

In the Turkish law, the Labour Act is the most basic and comprehensive statute regulating individual labour relations based on a labour contract. It includes the main components and limitations of labour contracts such as the form of labour contracts, the payment of wages, working hours, rest days, annual paid leave, the protection of children and pregnant women, workers' compensation and work rules. The first Labour Act (No. 3008) was legislated on 15 June 1937 in the 'statist' period when a distinct bourgeoisie and working class had not yet emerged in the country. The second Labour Act (No.1475) entered into force on 12 November 1970 and stayed in force up until 2003. As opposed to the previous one, it carried rather a 'social democratic' discourse. This Act was criticized mainly by the flexibility advocates because of regulating the employer-employee

relationship rigidly and allowing no space for the sides to conduct a simultaneous change according to the changing socio-economic circumstances (Ozsuca, 2003: 91).

Then on 22 May 2003, in conformity with the neo-liberal period, the Turkish Parliament passed a Labour Act (No.4857) that significantly changed employer-employee relations. The new provisions have well integrated the discourse of flexibility to bring about a change in the main conceptualizations of the individual labour law and a shift in the regulatory scope of a labour contract and different forms of contracts and work (Ozdemir and Yucesan-Ozdemir, 2005: 69). Particularly, atypical forms of work such as fixed term contracts, contract work, subcontracting and homeworking were legalized; and temporary employment relationships were promoted.

In the previous Labour Act (No. 1475), labour contracts were concluded for definite and indefinite periods. A contract for a definite period has a specified duration. As it expires automatically at the end of the mentioned duration, it leaves the employer without any duty to pay severance. In contrast, a contract for an indefinite period is open-ended. Its cancellation legally makes the employer pay severance. In order to prevent the employers from avoiding the severance payment by entering into successive contracts of definite period with the same worker, Turkish Court of Cassation had passed many verdicts to make the employer pay severance through court order. Similarly, the High Court's case law had forbidden the use of successive contracts of definite period and required them to be treated as a contract of indefinite period (Koc, 2003: 222).

The New Labour Act (No.4857), however, recognizes the conduct of subsequent labour contracts for a definite period. According to the third paragraph of Article 11, 'a series of fixed term contracts signed on the basis of a fundamental reason shall be

valid'. In this respect, the employer is given the right to develop a fundamental reason and thus to fire the worker without bearing the cost of severance payment. Apart from this, the first paragraph of Article 11 states that 'the cessation of a fixed-term contract can be formulated on the basis of an emergence of a certain event or a certain phenomenon'. This statement can well be translated into that an employer can formulate an agreement saying that the work relationship would survive until the emergence of a crisis (Ozdemir and Yucesan-Ozdemir, 2005: 71; Koc, 2003: 221). In that sense, worker and the contract -partly an indication of job security- seem to be sacrificial in any case.

Thanks to the fixed term contracts, employers seem to be given the capacity to avoid the protective measures provided by the ILO Convention and the EU *acquis communautaire*. These documents regulate mostly the contracts for an indefinite period. Considering that the New Labour Act promotes the fixed term contracts, and thus makes it a central form of employment relationship, the Turkish labour market is likely to be dominated by contracts of a definite period for which the protective measures are not fully applicable.

In August 2002, the Act of Employment Safety (No.4773) was legislated by the Turkish National Assembly. With the enactment of the new Labour Act, however, the Act of Employment Safety was almost invalidated (Koc, 2003: 219). Home workers, informal workers who are claimed to be over 5 million; workers with definite period of contracts, and the specified ones in the new Labour Act are excluded from the scope of the Employment Safety Act.

The complete elimination of the Article 24 of the previous Labour Act (No.1475) is another development in terms of the flexibilization attempts. Article 24 was a

protective measure for workers providing some form of a job safety. It had prohibited the employers from replacing a worker with a new one for 6 months in case of an emergency leave. As opposed to this, Article 29 of the new Labour Act permits the employers to conduct mass dismissals with a 30 day notice in case of a valid economic, technological, structural and/or managerial requirement. In conformity with the EU Directive 98/59, this change eased the firing practices in the Turkish Labour Market to the extent that the employers are allowed to conduct dismissals on the basis of not only economic crisis but also technological and managerial requirements (Ozsuca, 2003:100).

The subcontracting system was also defined as the relationship between the real employer and subcontractor by the 2nd article of the new Labour Act. In this article the requirements for the system of subcontracting were recognized; and some of the responsibilities and duties of the employers to the workers were described. It has been argued by the employers that subcontracting, similar to atypical forms of employment, would create additional hiring. Yet, in the Turkish case, it did not generate further employment. It rather corrupted the existing conditions of work by creating vacancies that would be filled by temporary workers or by workers provided by subcontractors (Ozdemir and Yucesan-Ozdemir, 2005: 72).

On-call work is also regulated by the new Labour Act (Article 14). On-call work is defined as part-time employment relying on a call to work upon emergence of a work undertaken by the worker. If the duration of the work is not specified, it will be assumed as twenty hours a week. In 1995, with the aim of providing workers with protection, the judiciary had included this type of work and entitled those working on the basis of work on call to demand severance payments. As Ozdemir and Yucesan-Ozdemir (2005: 75)

state, however, provisional Article 6 of the new Labour Act abolishes this judiciary's protective interpretation with the establishment of severance pay fund. Furthermore, just by its nature, work on call intensifies the asymmetry in the employment relationship as it leaves the worker in uncertainty, without knowing when s/he will be called to work. Considering the serious number of unemployed people in the country, employers' way to simply abuse many workers in need of a job anytime, anywhere was opened.

Homeworking is another type of employment legally recognized by the new Labour Act. A home worker is defined as undertaking vocational work either alone or with the help of the family in her/his own place (Sural, 2005: 416). Handicrafts such as weavers or carpet makers at home, or small artisans in the garment and footwear industries are counted in this type of work. The workers are mostly under paid on piece work. Even if their existence is acknowledged, home workers are not recognized by the state to the extent that they are not included in statistics and thus not covered by any social security.

Flexibilization of Working hours:

Stating the articles no. 35 and 61 of the previous labour act (No.1475) as rigid and limiting, employers demanded a change in the working hours. Previously, according to the Article No.61, the maximum number of hours to be worked weekly was 45. This total was distributed over the 5 or 6 workdays not exceeding 7.5 hours of work a day. Yet, this was criticized by the employers on the ground that it does not take the workload into consideration as it obliges the total working hours to be distributed equally over the week. Employers claimed this arrangement as limiting to the extent that it undermines the requirements of a specific operation in particular and the firm in general.

Article 35 of the previous Labour Act (No.1475) defined 'overtime work' as the work done exceeding the daily working hours (7.5 hours). It shall not exceed 3 hours and be paid at least 50 % over the normal wage. Article 62 states that the worker who is at the workplace and ready to work anytime-even if s/he is on break or on wait- shall always be included in the statutory hours of work. Employers, however, demanded a change concerning the overtime wages and the scope of statutory hours of work.

In line with employers' demands, Article 63 of the new Labour Act (No.4857) states that working time is 45 hours maximum weekly. Provided that the parties have so agreed, working time may be divided by the days of the week worked in different forms on condition that the daily working time must not exceed eleven hours. In this case, within a time period of two months, the average weekly working time of the employee shall not exceed normal weekly working time. This balancing (equalising) period may be increased up to four months by collective agreement. This allows the employers to conduct 'intensified working weeks'. By this way, an employer can demand that the worker work longer than the statutory working hours over a/some particular week/s. And in the following weeks, depending on the workload, employer can also demand the worker work less than the usual hours. With this arrangement, the employer is exempted from paying the overtime wage during the 'intensified working weeks'. The worker, on the other hand, is not being paid for overtime work with the new Law although s/he works more than the usual hours. In other words, this equalizing period allows the employer to get the worker to work for longer hours without remuneration during the high demand periods; and, in return, prevents the workers from being dismissed during the low demand periods.

Similarly, Article 41 of the New Labour Act(No.4857) states that, overtime work may be performed for purposes such as the country's interest, the nature of the operation or the need to increase output. And it defines the 'overtime work' as work which exceeds forty-five hours a week. In cases where the principle of balancing is applied in accordance with Article 63, work which exceeds a total of forty-five hours a week shall not be deemed overtime work, provided the average working time of the employee does not exceed the normal weekly working time. By this way, Act differentiates 'over work' and 'overtime work' (Ozsuca, 2003:102) which gives the employer the capacity to reorganize the payment arrangements for this kind of work. That is to say, while the overtime work would require an extra payment, 'over work', coming with the requirements of a task, may not entail payment upon the employer.

Social Security system in Turkey:

The lack of social protection in Turkey is a major issue that characterizes the labour market. Most of the workforce receives no protection from labour law, unions, and collective bargaining or from social security (i.e. unemployment insurance). Considering that the formal labour laws and social security are developed within the urban, industrial settings, most of the population in Turkey is denied access to social protection. As 45 % of the labour force is still in rural areas and 40 % is engaged in agriculture, this part of the population is not covered by the existing schemes of social security. Therefore, the reach of any labour market regulation (i.e. the new Labour Act, No.4857) will inherently be limited in Turkey excluding almost half of the employed workforce, namely the non-wage employees.

Table 6: Membership in Social Security Institutions, 2003

Membership status	Number of workers	Percent
Registered	10,205,000	48.3
Social Security Institution(SSK)	5,551,000	26.2
Retirement Fund (ES)	2,177,000	10.3
BAG KUR	2,455,000	11.6
Private Institutions	22,000	0.1
Not registered	10,944,000	51.7
Total Employed workforce	21,149,000	100.0

Source: SIS, 2005, *Household Labour Force Survey*

Apart from the private institutions which cover only 0.1 % of the total employed force, there are three main institutions that provide social security in Turkey: Social Security Institution(SSK), Retirement Fund(ES), and BAG-KUR. SSK is an insurance scheme for private sector employees and blue-collar public sector employees. Covering 26.2 % of the total employed workforce, SSK is the biggest security institution. ES, on the other hand, serves for the retired civil servants accounting for the 10.3 % of the workforce. The self-employed and unpaid family workers which account for 44.5 % of the whole population in Turkey are not necessarily provided with a security plan. The peculiar insurance scheme of Turkey for the self employed (including tradesmen, artisans, and those in agriculture), BAG-KUR, has almost 3 million members representing only a very small portion of the non-waged, non-salaried workforce⁹.

⁹ On these Household statistics conducted by the State Institute of Statistics, World Bank Report notes two points with regards to the coverage of these social security schemes (World Bank Report, 2006: 69). The registration rates are claimed to overstate the real level of compliance, since many registered workers are only partially covered. About 55 % of the employees enrolled in SSK are insured on the basis of minimum earnings level, suggesting that reporting partial salaries is a common practice.

Unemployment insurance:

The attempts to establish an institution of unemployment insurance had not commenced until 1999 in Turkey due to increasing rates of unemployment, growing informality, insufficient funding, high balance of budget deficits of the state and high rates of severance payment and employee benefits- claimed by the employers. Finally, with the passage of Law 4447, in March 2002, unemployment insurance was put into force with a very limited coverage.

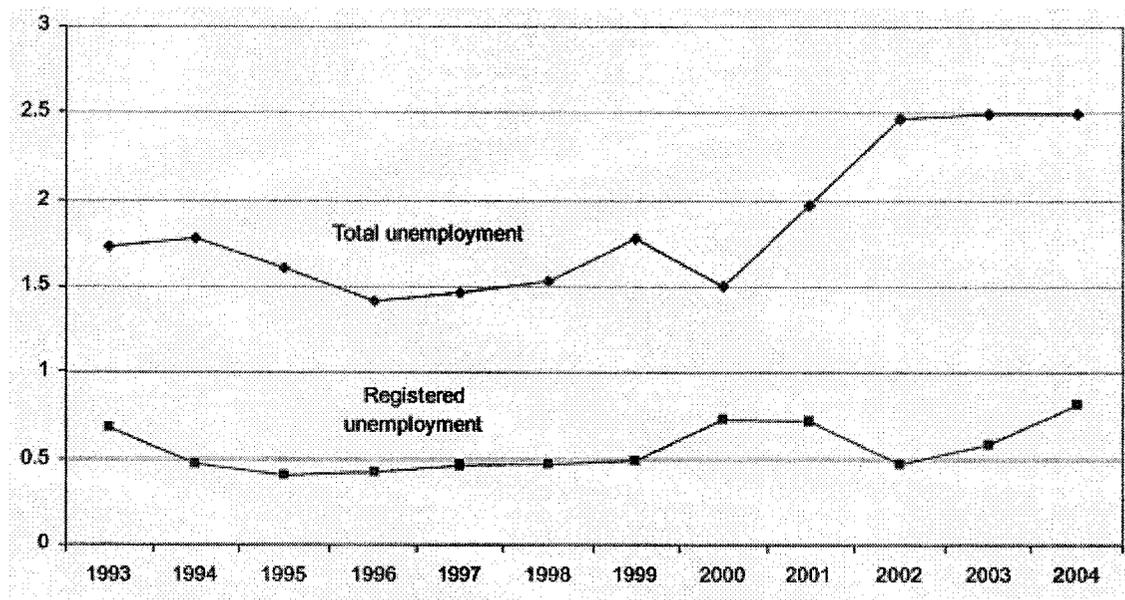
To qualify, the unemployed worker must have separated involuntarily; register at the local employment office; and have worked in covered employment continuously for 120 days preceding the termination of employment, and for 600 days in the preceding three year period. Beneficiaries lose their entitlement if they find a formal job; refuse training by ISKUR (Employment Agency) or fail to provide required documentation to ISKUR. In the Turkish context where informal economy is at serious levels and the administrative capacity is relatively weak, it is not very easy to follow the employees whether they fulfill the eligibility requirements (World Bank Report, 2006: 89). Unemployment benefits which are tax free are set at 50 % of net earnings. And the contribution rate has been set at 4 %; 2 % being paid by the employers, 1 % by the workers and 1 % by the government.

The system covers workers registered with SSK and does not include civil servants or the self-employed. According to the latest figures received by the World Bank, the number of beneficiaries is just over 90,000 which is less than 4 % of the total

unemployed workers (World Bank Report, 2006: 90)¹⁰. In addition to this, the gap between the registered and unregistered unemployment is very high in Turkey (See figure 7). According to World Bank figures, in 2004, for example, registered unemployment was 811, 949, while 2004 aggregate unemployment was 2.5 million. It is argued that workers reporting that they are unemployed may not have enough incentive to register unemployed mostly because they work in the informal sector or they don't perceive that they will benefit from registering (World Bank Report, 2006: 92). All in all, considering its marginally narrow application, it is not valid to argue that unemployment insurance is a source of rigidity in the Turkish Labour Market.

Figure 7: Total and Registered Unemployment (1993-2004)

(in millions)



Source: World Bank Report, 2006, *Turkey: Labor Study*, 92

¹⁰ 4 % of the total unemployment is radically lower than the OECD average which is between 25 to 75 % range and still lower than those of the developing countries (14 % for Korea, 8 % for Hong Kong) (World

Trade Unions in Turkey:

Unions in some of the industrialized countries have been quite influential in the policy making processes. With respect to the flexibility discussions, in particular, they have essentially been involved into the processes and thus managed to incorporate their demands into the policy formulations. In Turkey, on the other hand, especially after 1980s, due to the repressive measures, unions could hardly make their voices heard. As mentioned above, the 24 January 1980 austerity program and the ensuing military coup of September 12 constituted a turning point in the history of the trade union movement in Turkey.

The activities of trade unions were suspended by the martial law authorities. The leaders of the unions and some of the affiliated ones were tried at the military court; and many of them were given prison sentences. Until 1983, all kinds of union activities were either prohibited or closely scrutinized by the security forces. 'All strikes were forbidden; collective negotiations were replaced by the decisions of the government-dominated Supreme Board of Arbitrators, which repealed much of the gains of the previous two decades' (Koc, 1997: 236). The 1982 Constitution and the Act No.2821 concerning Trade Unions and Act No.2822 concerning Collective Agreements, Strikes and Lock-Outs violated the very basic trade union rights and freedoms.

Following the military period, in line with the neoliberal restructuring of the country, employers began to pursue anti-labour policies, questioning the legitimacy of unions, resorting union-weakening practices, dismantling the welfare state, avoiding protective labour legislation. There was a rapid impoverishment of the wage and salary earners, without any discrimination as to branches of industry, occupation, political

Bank Report, 2006: 91).

affiliation, ethnic origin or creed (Koc, 1997: 238)¹¹. There appeared an inability among the workers and the unions to adapt to the new socio-economic environment. Trade unions, which until 1980 had been quite successful in increasing the purchasing power of their members and improving their living and working conditions significantly, proved to be no longer effective. It is of significance to note that the individualist attempts to solve increasing problems were on rise. In other words, collective understanding among workers maintained by the trade unions were on the verge of extinction as the neoliberal ideology was gradually penetrating into the socio-economic relations.

In late 1980s, trade unions developed new strategies of struggle in the context of new conditions. The culmination of economic and social difficulties in 1989 gave way to mass demonstrations and protests all across the country. In the period between 1989-1993, unions gained strength, mobilized significant numbers for legitimate mass actions and managed to increase real wages. Then, following the 1994 crisis, the decline in the wages began and the previous gains simply melted away. The government at the time started on 5 April 1994 a new austerity and stabilization program mainly designed by the IMF and the World Bank. The policies offered by the program, however, resulted in further problems and deteriorated the trade union movement: Privatisation of state enterprises did not only cause mass dismissals but deprived working people of accessing basic needs. Promotion of contracting-out and sub-contracting activities has brought about precarious employment, weakened job security significantly and fed the informal sector.

¹¹ Before 1980s, the workers were divided along political, ethnic, religious or occupational lines. However, as the impoverishment experienced during the 1982-1988 period did not differentiate between the workers, the real wages of all sections of the working population decreased rapidly, all workers lost similar rights and freedoms. In this respect, trade union expert in Turkey Yildirim Koc (1997:242) states that this

Apart from this, pro-unionists agree on, taking advantage of the favourable environment, Turkish employers developed many strategies to further fragment the workers for de-unionization purposes (Koc, 1997; Ulhan, 2005; Ozsuca, 2003; Ongen, 1995; Koray, 1995). Flexible organization of work, temporary employment, atypical forms of contracts and home working activities are all seen among these strategies. Although there is not a legal obstacle to their unionization, part-time, casual and seasonal workers are discouraged from being affiliated to a trade union. As they neither stay at that workplace long enough nor work with the same group of people, workers' sense of fraternity and belonging are not likely to develop (Ulhan, 2005; Ongen, 1995). Apart from that, as the workers in subcontracting or outsourcing type of relationships are not counted as the core workforce in that particular workplace, they are prevented from engaging in union activities, going on strike or partaking in the collective bargaining processes. Besides, employers are encouraged to employ more and more subcontract or temporary workers instead of permanent ones as they cost and demand 'less'. As Ongen (1995: 841) states, it is relatively more difficult and thus a deterrent for a trade union to unionize the subcontract workers in a firm as the union has to come to terms not only with the subcontractor but also with the main employer and the union of the employers. Therefore, within those places with high number of subcontracting activities, the union activities happen significantly less.

Therefore, supported by the numbers below (see Table 7) the strategies of the employers in order to deteriorate the unions' power and workers unification seem to work throughout 1990s. The level of unionization decreased drastically in the last decade

common experience strengthened the tendency among the workers for joint actions; class fraternity dominated over political, ethnic and religious fraternity.

signifying that the working population in Turkey is reduced to a matter of cost for employers. In other words, having not much saying through unions-as the legal and legitimate organizations representing workers' social, political and economic beings, the working population has been incapacitated in determining the terms of their individual lives and of political realm.

Table 7: Level of unionization according to the wage/salary earners

Year	Total number of wage and salary workers(I)	Number of unionized workers(II)	Level of unionization(II/I)
1990	7.724.000	1.463.880	19.0
1991	7.195.000	1.433.867	19.9
1992	7.578.000	1.372.886	18.1
1993	7.636.000	1.305.970	17.1
1994	7.988.000	1.244.856	15.6
1995	8.341.000	1.205.261	14.4
1996	8.831.000	1.164.616	13.2
1997	9.202.000	1.122.942	12.2
1998	9.431.000	1.072.267	11.4
1999	9.487.000	1.030.024	10.9
2000	10.198.000	985.146	9.7
2001	9.907.000	936.826	9.5
2002	10.335.000	862.737	8.3

Source: Ulhan, B., 2005, Sendikal Orgutlenme Bunalimi ve Turkiye'deki Durum, Istanbul: Bilesim Matbaasi, 172

Neoliberals in Turkey tend to see the trade unions in Turkey simply as a source of unemployment with their 'costly' demands. Contrary to this argument, however, the employment growth rate was higher before 1980s during which the trade union movement was much stronger and more influential. In post- 1980s, on the other hand, where trade unions were repressed and the level of unionization dropped drastically, the rate of employment growth was much less than pre1980s' levels (Ansal et. al., 2000: 65). In this regard, cutting off the trade unions' voices does not seem to bring further employment but a silent dislocation of the working population from the political realm.

Conclusion:

Examining the institutional structure of the labour market since 1980s, this chapter aimed to realize the changing economic and social status of the labour in Turkey. Since then, labour market policies have been revolving around deregulation and flexibilization. The major purpose of industrialization and the main problem of under/unemployment are claimed to be achieved through restructuring of the labour market. Considering the particular Turkish context where almost half of the population has not been counted even within the formal employment -due to high level of agricultural employment, increasing informalization and etc.- the reach of labour market policies has been limited. Without touching upon the structural deficiencies of the export-oriented model, merely the policies of labour market would not bring solutions for Turkish society. As a matter of fact, the policies developed within this context, proved failure since the indicators of post-1980s (i.e. economic growth, employment creation) were not any better than those of pre1980s.

In addition, the new forms of contract and atypical employment relationships came along with the flexibility agenda brought a radical change regarding the social status of labour. The neoliberal conceptualization of labour power as a pure commodity is intensified (Vosko, 2000; Ozdemir and Yucesan-Ozdemir, 2005). The 'worker' is replaced with and reduced to 'worker's capacity' with the new conceptualizations. It is not the individual worker but 'workers' capacity to perform a task' taken into consideration in contracts. In that regard, labour law has come to be defined as the law regulating the relations between the employer and the worker on the basis of market relations (Ulucan, 2002). This definition again refers to labour as a pure commodity

having no collective identity against the individual capitalist, who represents just a fraction of the collective capital. Within this reasoning, in line with the neoliberal understanding, workers' capacity started to be perceived simply as burden, as a cost on the employer to be minimized in every possible occasion. In this regard, every protective measure favouring the labour was tried to be removed under the name of flexibilization and deregulation. Within this mentality, the changing Labour Act, social security system, trade union movement transformed in a way to keep the labour cost minimal.

CHAPTER 7: CONCLUSIONS

As integration into the process of global capital accumulation has deepened, the political economic structure of Turkey is pushed toward more liberalization and marketization through the introduction of market principles to the public sector, deregulations in the labour market, deterioration of the terms and conditions of employment and dismantling of the social protection mechanisms. Simply stated, this study has tried to give an analytical account of the neoliberal restructuring of Turkey since 1980 with a focus on two developments in its labour market: flexibility and deregulation.

As emphasized above, the circumstances within which flexibility has developed in Turkey have necessarily determined the particular policy formulations of labour market flexibility (i.e. passive strategy). Justifications for flexibility in the context of industrialized countries cannot be valid for the specific case of the Turkish labour market. Given its large agricultural population and informal sector; and already poor institutional structure, it cannot be further flexibilization what Turkish labour market needs.

In that regard, this study points out the flexibility literature's neglect to the specific context of developing countries. Except for a few empirical studies (i.e. World Bank studies on Brazilian, Mexican labour markets), the discussions of flexibility are deficient in terms of addressing the particular labour market problems of the developing countries. Having developed within the context of industrialized countries, the flexibility agenda with its neoliberal form can hardly be expected to support the development strategies and the labour class in these countries. The facts that developing countries are at a different stage in capitalist development; and have distinct conditions of social

reproduction should be taken into consideration, at first hand. In that respect, given their capitalist character, labour markets of the developing countries cannot be regarded similarly to those of the developed ones.

Aside from that, as opposed to the neoclassical argument that the rigidities in the Turkish labour market are being a hindrance to economic growth, a brief overview of the developments over the last three decades shows that the downward flexibility over the wages in Turkey was crucial in the adjustment of the economy to the rules of international competition. In other words, as labour consented to the low levels of wages, capitalist were able to keep their profit margins high enough in their integration to the global market.

The discourse of labour market rigidity conceals not only the high costs already paid by the working class but also the failure of the structural adjustment policies. As demonstrated above, neither the objectives of economic growth nor the levels of employment within the export-oriented model could be materialized since 1980. In spite of this, their discourse is strong enough to incorporate the flexibility agenda into the development strategy of Turkey.

Apparently, the underlying goal of the labour market policies developed within the neoliberal era has not been 'flexibility', so defined, as the ability to respond quickly and effectively to change. They have rather resulted in a more disciplined labour market at global level with employers better able to hire and fire as they wish, with workers who are committed to being compliant. Then, as Stanford and Vosko (2004) state, these policies exhibit a particular flexibility, but also grim rigidity. Neoliberal forms of flexibility are evidently one-sided. Labour markets are 'flexible for employers, for the

capital'. For the workers, the situation implies continuing insecurity and thus increasing inequality where they have to consent to precarious employment for basic levels of income.

Similarly, the loss of the Turkish labour due to deregulations and flexibilization is historically significant. Aside from the material loss (i.e. real wages) and dismantling of the social security mechanisms, the spread of loose contractual employment relations and a-typical forms of work has become a source of insecurity for the labour. This, in fact, promoted the precarious employment and fed the informal sector in the country. The recent regulations legalized the ideology of flexibility. With the new legislations both the public and private sector has gradually been transformed in a way to operate on the principles of flexibility. These developments, on the one hand, consolidate the hegemony of capital on all economic, political and legal respects. The working population, on the other hand, having no secure basis, is left to live within the contradictory and crisis prone environment of neoliberalism.

Besides, due to changes brought about with the neoliberal discourse of production, labour power has been re-accepted as a pure/simple commodity. The re-definitions of labour rights, protective provisions as labour market rigidities represent this change (Ozdemir, 2004: 284). The social and political character of the labour has been undermined. As opposed to welfare state period in which labour was seen as a significant source of policy making with its legitimate demands, neoliberal structures have reduced labour to a matter of cost to be minimised in every possible occasion.

Therefore, strengthening the power of capital over the labour, flexibilization of employment relations separated the workforce in Turkey from a kind of autonomy that

might potentially generate alternative strategies to deal with the class struggle (Ozdemir and Yucesan-Ozdemir, 2004). In other words, in line with the neoliberal project, Turkish labour was silenced, repressed through flexible forms of work.

Departing from the historical analysis above, one could conclude that any development model in general and labour market adjustment in particular must include the labour security and recognize labour rights to be part of them, not as 'rigidities'. Any development based on the workforce requires the consolidation of economic and politico-legal rights of the labour class.

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