



International
Labour
Organization

EMPLOYMENT AND EQUITY

Edited by
Berrin Ceylan-Ataman and Risa L. Lieberwitz





International
Labour
Organization

Employment and Equity

Edited by

Berrin Ceylan-Ataman and Risa L. Lieberwitz

Copyright © International Labour Organization 2015
First published 2015

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit www.ifrro.org to find the reproduction rights organization in your country.

ILO Cataloguing in Publication Data

Ceylan-Ataman, Berrin; Lieberwitz, Risa L.

Employment and equity / edited by Berrin Ceylan-Ataman and Risa L. Lieberwitz ; International Labour Organization ; ILO Office for Turkey. - Ankara: ILO, 2015

ISBN: 9789221306832; 9789221306849 (web pdf)

International Labour Organization; ILO Office for Turkey

employment / equal rights / labour market / youth employment / entry into working life / social protection / wages / outsourcing / social dialogue / Lithuania / Turkey

13.01.3

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and digital products can be obtained through major booksellers and digital distribution platforms, or ordered directly from ilo@turpin-distribution.com. For more information, visit our website: www.ilo.org/publns or contact ilopubs@ilo.org.

Printed in Turkey

Foreword

Growing inequalities in many countries over the last few decades had led to increasing attention at the global governance. While social and political consequences of inequality are known for a rather long time, it is relatively recent that the **direct effect of income inequality on economy and growth** is accorded more space and attention. *The Global Wage Report 2014/15: Wages and Income Inequality*¹ published by the International Labour Organization in 2015 shows that **inequalities are on the rise** in all countries but more so in developing countries. In other words, the process known as the rich getting richer while the poor getting poorer is a common trend for both advanced and developing countries albeit some exceptions.

Deep and ever-increasing inequalities start to constitute barriers to “equal opportunities” and constrain social mobility. In cases where inequalities are deep, economic advantage is **inherited rather than being gained or attained**. This situation inhibits individuals’ efforts, damages the conception of fairness and undermines social cohesion. Similarly, while the **relationship between inequality and economic growth** is a complex one, recent studies show that inequalities harm economic growth as well. According to a study by the IMF, for example, inequality reduces the pace and sustenance of growth while according to the OECD high level of social and economic inclusiveness is directly associated with stronger and long-breathed economic growth (Ostry, Berg and Tsangarides, 2014² ; see also OECD, 2014³). Again, inequality is stressed as a factor increasing the risk of economic crisis and also pointed out as one of the causes of the crisis breaking out in the US in 2008.

As rightly argued in the Global Wage Report 2014/15, income inequality is a phenomenon **starting out in the labour market and employment**. In both advanced and developing countries, wages constitute the largest share of income of households. Indeed, wages make up for 70-80% of household income in developed countries and 50-60% in developing ones. Thus, recent trends in the distribution of wages and paid employment come to the fore as the lead actor in increasing inequalities.

In such countries as Spain and the US where inequalities are much more pronounced, it is known that the underlying reason is losses in employment and decline in wages (ILO, 2015). Several ILO reports have pointed out that labour market are still in a state of disarray in many countries, and that the global job deficit is worse than before the onset of the global financial and economic crisis in 2008.

1 ILO (International Labour Office). 2015. Global Wage Report 2014/15: Wages and Income Inequality (Geneva, ILO).

2 Ostry, J.D.; Berg, A.; Tsangarides, C.G. 2014 cited in ILO (International Labour Office). 2015. Global Wage Report 2014/15: Wages and Income Inequality (Geneva, ILO).

3 OECD (Organisation for Economic Co-operation and Development). 2014. All on board: Making inclusive growth happen (Paris, OECD).

There are many studies suggesting that the **share of labour has been in decline** in advanced countries since the 80s. A large part of this decline was explained by a shift from labour-intensive to capital-intensive sectors. However, the falling trend observed after the 90s is related mainly to falling share of labour income in industry and manufacturing and increasing profitability in financial services. Studies suggest that the main reason was the combined effect of pressures for profit in financial markets, globalization of international trade, technological changes and erosion of labour markets' ability to adapt to changes. In fact, the fall in labour share takes place mostly in cases where **labour productivity increases faster than wages**. In other words, working people cannot get the share they deserve from rising productivity and economic growth. The steady fall in labour share may lead to **serious macroeconomic outcomes**. The mechanism may work as follows, for instance: fall in household income leading to lower levels of consumption; consequent fall in aggregate demand; the private sector discouraged to invest as a result of limited demand, slow down and stagnancy in economy (ILO, 2015:10-11).

The report also shows that in almost all countries studied in the report there are wage gaps between men and women as well as between national and migrant workers. One of the elements of overall level of total inequality lies in the wage gaps between different groups of workers. The Report gives a special attention to groups which often experience discrimination or different types of disadvantages in the labour market such as women, migrant and informal workers. The report shows that women, migrant and informal workers sometimes incur “wage penalties” for multiple and complex reasons that differ from one country to another (ILO, 2015:44).

What would be the policy recommendations to reduce income inequalities?

Classically, policies for reducing income inequalities mainly focus on **redistribution of income through fiscal policies which mainly includes policies** on taxation and social transfers. It is estimated that in developed countries income inequalities can be reduced by **one-third or one-fourth** by employing fiscal policies. This is confirmed by rapidly falling rates of poverty after social transfers. In developing countries, however, the effect of fiscal policies in reducing inequalities is not so strong given low levels of tax revenues and social transfers. Moreover, rising inequalities in labour markets increase the burden on taxation and social transfers to further reduce the effect of such policies.

Hence, what we have at hand are policies that **affect wage distribution directly or indirectly** as strongly argued by the ILO. Recently, many developing countries have started to focus on the problem of low wages and wage inequalities a part of their policies to combat poverty and inequality. Concerns about shortfall in aggregate demand caused by insufficient household consumption also helped wage levels to come to the fore in some developed countries as well. Three policy tools are of particular importance in regulating wage distribution in labour market: **minimum wage**, collective **bargaining** and **job creation**.

Studies show that when correctly used minimum wage policies contribute seriously to reducing inequalities and supporting low wage workers. Further, some reliable studies recently conducted indicate that relationship between the level of minimum wage and the level of employment is extremely weak. In order to reap the most effective outcomes from any minimum wage policy, however, there is a need to set the levels of minimum wage thoughtfully and in a way to observe the correct balance between the needs of working people and families and economic factors. In fact this is the principle enshrined in the **ILO Minimum Wage Fixing Convention No. 131 (1970)** and the **Minimum Wage Fixing Recommendation No. 135 (1970)**.

The other tool which is directly effective is collective bargaining. Collective bargaining and collective bargaining agreements are considered as one of the most important instruments in reducing inequalities in general and wage inequalities in particular. The **ILO Convention No. 98 on the Right to Organize and Collective Bargaining** (1949) has been presenting governments and workers' and employers' organizations an overall framework for the implementation of collective bargaining. The fact is that wage inequalities are lower in countries where the majority of workers is covered by collective agreements. However, whether unionization and collective bargaining can actually affect wage distribution depends on whether the collective bargaining system **is comprehensive or narrow** in scope. In countries like the US and Turkey where the coverage is limited, smaller number of workers is covered and the margin between the highest and lowest wage gets larger. Therefore, governments can enlarge the coverage of collective bargaining agreements so as to include non-unionized workers as well and thus enhance the effects of agreements that contribute to equality.

It is also observed that scaling up minimum wage provisions and collective bargaining agreements so as to cover **low wage sections** of population is quite instrumental in reducing inequalities within women, migrants and disadvantaged groups. It is of course true that these two policy tools alone will not be sufficient to eliminate all inequalities and wage gaps in labour markets. For example, eliminating gender wage gaps requires combating against discriminatory practices and gender based prejudices on women's employment, effective maternal and paternal leaves and equal share of family responsibilities.

Job creation, access to or loss of paid employment can also be a key determinant of income inequality. As underlined in the report, job losses which disproportionately affect low-income workers contribute to increasing inequality whereas creation of paid employment for those at the bottom contributes to reducing inequalities in emerging and developing countries. In this regard, full employment policies through promotion of sustainable enterprises is an important aspect of reducing in equality.

However, whatever policies are pursued to target inequalities, there is a strong need to develop **holistic and coordinated macroeconomic policies** at international level as well as a common approach to wages, employment and social protection policies. When individual countries try to maximize their economic growth by putting

a pressure on wages and boosting exports, this may be beneficial for few countries, but at the global level it would reduce aggregate demand and thus harm other countries rather than improving welfare of all.

Academic debate which is constructive, critical and forward looking has a special role in shaping the policies and programmes both at the global and national level. In this sense, it is my hope that this book will be instrumental and meaningful for the constituents and policy makers in designing policies and programmes that combines increased economic growth with decreased income inequality and advances social justice for all. I would like to thank to the editors Ms. Berrin C. Ataman and Ms. Risa L. Lieberwitz for their sincere and valuable efforts in bringing both international and national academicians as well as the representatives of the constituents to discuss and develop policy recommendations addressing wages and inequalities.

Numan Özcan

Director

ILO Office for Turkey

Contents

Foreword from Director of ILO Office for Turkey: Numan Özcan	iii
<i>List of tables</i>	vii
<i>List of abbreviations</i>	xii
<i>Acknowledgements</i>	xv
<i>Notes on contributors</i>	xvii
1. Introduction: A framework for employment and equity	
Risa L. Lieberwitz and Berrin Ceylan-Ataman	1
2. Inter-regional income distribution in Turkey: Divergence dynamics	
Berrin Ceylan Ataman-Sinan Borluk	11
3. Lithuanian youth integration into labour market: Problems and solutions	
Ausra Repeckiene and Renata Zvireliene	27
4. Lithuanian women's situation in the labour market: Employment, career motives and obstacles	
Brigitta Stanikuniene and Nida Kvedaraitė	45
5. The relationship between collective and individual rights to achieve equity in employment	
Risa L. Lieberwitz	61
6. New social protection policies in Turkey: Reductive or reproductive of inequality?	
Şenay Gökbayrak	79
7. Seeking cheap labor: New trends and regulations in the Turkish labour market	
Serter Oran-İlkay Savcı	95
8. Portrait values of undergraduate students as prospective employees and their corresponding attitudes toward career and union.	
Özge Kantaş	119
9. An assessment on minimum wages in Turkey from an inequality perspective during the 2000s.	
Osman Tezgel	133

10. Sector switch and domestic outsourcing in the manufacturing industries of Turkey: The case of secondary cities during the 2000s	
Utku Balaban	151
11. The history of social dialogue in Turkey	
Cihan Serhat Kart	195
12. The question of agency in the making of a global society: Evaluation of the Turkish social partners	
Berrin C. Ataman, Melahat Güray, TİSK and Güven Savul.....	213

Charts, Figures, Graphs, Maps and Tables

Charts

Chart 10.1: Share of Turkey in Global GDP, 1960-2014.....	153
Chart 10.2: Share of Turkey in World's Population, Manufacturing Value Added, GDP, and Exports, 1970-2013	154
Chart 10.3: Manufacturing Value Added and Manufacturing Exports of Turkey, 2002-2013	155
Chart 10.4: Share of the Largest Manufacturing Exporter Sectors in 2014 in Turkey's Export Volume, 1996-2014.....	157
Chart 10.5: Share of the Largest Manufacturing Exporter Sectors in 2014 in Turkey's Export Volume, 1996: 100, 1996-2014.....	158
Chart 10.6: Employment of the Manufacturing Sectors by Energy-Intensiveness and Technology Level, 2001: 100, 2001-2012	159
Chart 10.7: Number of Workplaces of the Manufacturing Sectors by Energy-Intensiveness and Technology Level, 2001: 100, 2001-2012.....	160
Chart 10.8: Share of the Manufacturing Exports by Technology Level, 1996-2014....	161
Chart 10.9: Share of the Top Manufacturing Employer Cities by 2013 in Turkey's Manufacturing Workforce, 2001-2013.....	163
Chart 10.10: Share of the Top Five Exporter Cities by 2014 in Turkey's Exports by Technology Level, 2004: 100, 2004-2014	164
Chart 10.11: Share of the Top Five Exporter Cities by 2014 in Turkey's Exports by Resource-Intensiveness and Energy-Intensiveness, 2004: 100, 2004-2014	164
Chart 10.12: Share of the Largest Industrial Enterprises Located in the Top Five	

Exporting Cities by 2014 within the Total Net Sales, Value Added, Exports, and Employment of the First 1000 Industrial Enterprises of Turkey, 1997-2014	165
Chart 10.13: Share of the Largest Industrial Enterprises Located in the Top Five Exporting Cities by 2014 within the Total Net Sales, Value Added, Exports, and Employment of the First 1000 Industrial Enterprises of Turkey, 1997: 100, 1997-2014.....	166
Chart 10.14: Share of Denizli, Gaziantep, and Kayseri in Turkey's Export Volume, 2004-2014	167
Chart 10.15: Share of the Largest Manufacturing Exporter Sectors in 2013 Denizli's Export Volume, 2004-2013	168
Chart 10.16: Share of the Largest Manufacturing Exporter Sectors in 2013 Gaziantep's Export Volume, 2004-2013	169
Chart 10.17: Share of the Largest Manufacturing Exporter Sectors in 2013 Kayseri's Export Volume, 2004-2013	171
Chart 10.18: Share of Denizli, Gaziantep, and Kayseri in Turkey's Manufacturing Workplace Population, 2001-2013.....	172
Chart 10.19: Share of Denizli, Gaziantep, and Kayseri in Turkey's Manufacturing Workforce, 2001-2013	173
Chart 10.20: Employment per Manufacturing Workplace in Denizli, Gaziantep, Kayseri, and Turkey, 2001-2013	173
Chart 10.21: Denizli's Manufacturing Exports by Technology Level, 2004-2014.....	174
Chart 10.22: Gaziantep's Manufacturing Exports by Technology Level, 2004-2014.....	175
Chart 10.23: Kayseri's Manufacturing Exports by Technology Level, 2004-2014.....	175
Chart 10.24: Share of the Energy-Intensive Sectors in the Total Exports of Denizli, Gaziantep, Kayseri, and Turkey, 2004-2014.....	176
Chart 10.25: Share of the Resource-Based Sectors in the Total Exports of Denizli, Gaziantep, Kayseri, and Turkey, 2004-2014.....	177
Chart 10.26: Share of Largest Industrial Enterprises of Denizli, Gaziantep, Kayseri, and Turkey in Their Total Exports, 2004-2013	178
Chart 10.27: Share of Denizli's Large Industrial Enterprises within the Net Sales, Gross Value Added, Exports, and Number of Employees by Turkey's Largest 1000 Industrial Enterprises, 1997-2014	179
Chart 10.28: Share of Gaziantep's Large Industrial Enterprises within the Net Sales, Gross Value Added, Exports, and Number of Employees by Turkey's Largest 1000 Industrial Enterprises, 1997-2014.....	179
Chart 10.29: Share of Kayseri's Large Industrial Enterprises within the Net Sales, Gross Value Added, Exports, and Number of Employees by Turkey's Largest 1000 Industrial Enterprises, 1997-2014.....	180

Figures:

Figure 2.1. Formation of Convergence Clubs After 2004 and 8 Convergence Clubs in 2011.....	16
Figure 2.2. Regions in 20% Per Capita Income Classes for 2004 and 2011 (1998 Constant Prices)	16
Figure 2.3. Regions in 20% Population Density Classes for 2004 and 2011	17
Figure 3.1.Unemployment rate in 2011-2012 by quarters (per cent).....	32
Figure 3.2.Employment and participation in ALMP of young people (16-24) in 2008-2014 in Lithuania.....	34
Figure 3.3.Employment and participation in ALMP measures of young people (16-29) in 2011-2014 in Lithuania.....	34
Figure 7.1. Number of work permits given to foreigners by economic activity per year in Turkey	101
Figure 7.2. Do the Syrian Refugees decrease the employment opportunities for local population?	103
Figure 7.3. Convicts employed by private sector firms in prison workshops.....	105
Figure 7.4. Revenue according to collaboration with private sector firms and administration of workshop per year	106
Figure 8.1. The proposed structural equation model based on the multiple regressions.....	128
Figure 9.1: The proportion of minimum wage workers across European Union Countries	137
Figure 9.2: 2015 - Minimum Wage Levels in Selected Countries (Euro/per month).....	138
Figure 9.3: Comparison between Real Minimum Wage and Economic Growth.....	139
Figure 9.4: Employer Costs and the Gross and Net Minimum Wages 2000 - 2014.....	141
Figure 9.5: Net Minimum Wage, Poverty and Hunger Thresholds 2005–2012(TL).....	146

Graphs:

Graph 2.1. The Variance of Per Capita Income of 26 Regions (TR 26) in Period 2004-2011	15
Graph 2.2. Relation Between Distribution of Income and Population	19
Graph 2.3. Relation Between Distribution of Income and Capital Investment	20

Graph 2.4. Relation Between Distribution of Income and Per Capita Export.....	21
Graph 2.5. Inter Regional Income Distribution vs Dispersion of Employment Shares.....	22
Graph 2.6. Inter Regional Income Distribution vs Variance of Unemployment Rates.....	23

Map

Map 9.1: The Regional Socio – Economic Development Levels in Turkey - 2013.....	144
---	-----

Tables

Table 3.1. Employment indicators of Lithuanian youth and people of employable age (per cent)	31
Table 6.1. Social Security Coverage in Turkey (2003-2015 March) –Million	87
Table 6.2. Labour Force Participation Rates 2003-2013 (%)	89
Table 6.3. Unemployment Rates in the Period of 2004-2013 (%).....	90
Table 7.1. Rank of selected countries by prevalence of population in modern slavery (1=most severe problem, 167= least severe problem).....	99
Table 7.2. Turkish workers employed in international construction market.....	110
Table 8.1. Definitions of Individual-Level Value Types and Sample Items.....	122
Table 8.2: The Inter-correlations Between Variables	126
Table 9.1: The Deductions and Taxes on Minimum Wage	142
Table 9.2: The Calculation of Net Minimum Wage (TL/Month).....	142
Table 9.3: The Cost of Minimum Wage to the Employer (TL/ Month).....	143
Table 9.4: The Hunger and Poverty Thresholds of a 4 Person Family in Turkey (TL/Month)	146
Table 10.1: Manufacturing Exports in 2014	156
Table 10.2: Share of the Top Exporting Cities in Turkey's Exports, Manufacturing Workforce, Manufacturing Workplaces, and Population, 2013 and 2014	162
Table 11.1: Urban and rural population (source Turkstat, general census, www.tuik.gov.tr)	197

Abbreviations

ADA	Americans with Disabilities Act of 1990
ADEA	Age Discrimination in Employment Act of 1967
AGI	Minimum Subsistence Allowance
ALEC	American Legislative Exchange Council
ALMP	Active labour market policy
ASO	Ankara Chamber of Industry
CBA	Collective bargaining agreement
COWS	Careerist Orientation toward Work Scale
ÇSGB	The Ministry of Labor and Social Security
DİSK	Confederation of Progressive Trade Unions of Turkey
DWI	Department of Workshop Institution (İşyurtları Kurumu Dairesi)
EC	European Commission
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Grand Domestic Product
HAK-İŞ	Confederation of Turkish Real Trade Unions
HR	Human Resources
HUGO	University of Hacettepe, Migration and Politics Research Center
ILO	International Labour Organisation
IMF	International Monetary Fund
INVEGA	The guarantee institution UAB (Investicijų ir verslo garantijos)
INTES	The Turkish Employers' Association of Construction Industry
ISO	İstanbul Chamber of Industry (İstanbul Sanayi Odası)
ISO1000	The Top 1000 Largest Industrial Organizations List by the Istanbul Chamber of Industry
İŞKUR	Türkiye İş Kurumu (Turkish Employment Organisation)
MENA	Middle East-North Africa
MIPEX	Migrant Integration Policy Index

MİSK	National Confederation of Workers' Trade Unions
NATO	North Atlantic Treaty Organization
NEET	Young person who is not in Education, Employment or Training
NLRA	National Labor Relations Act
NLRB	National Labor Relations Board
NRP	National Reform Programme
NUTS	Nomenclature of Territorial Units for Statistical Units
OECD	Organisation for Economic Co-operation and Development
PWC	PricewaterhouseCoopers
PP	Percentage Points
PVQ	Portrait of Values Questionnaire
RMSEA	Root Mean-Square Error of Approximation
SAPs	Structural Adjustment Programmes'
SEM	Structural Equation Modeling
SMEs	Small and medium enterprises
TOBB	Türkiye Odalar ve Borsalar Birliği (Union of Chambers and Commodity Exchanges of Turkey)
TURKSTAT	Turkish Statistical Institute
TÜSİAD	Turkish Industry & Business Association
TÜRK-İŞ	Confederation of Turkish Trade Unions
TBMM	Türkiye Büyük Millet Meclisi (Turkish Grand National Assembly)
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
VAR	Variance
WFF	Walk Free Foundation

Acknowledgements

This publication is an output of the international “workshop on employment and equity” realized in Ankara University, in Faculty of Political Sciences on June 17-21, 2015. The articles in this book are the full text of the most of the presentations *discussed* during the workshop. Thus, this publication is comprised of reflections of the contributors rather than a conference book. The conference created a process for the work to develop and mature.

This workshop embarked upon a productive conversation with my colleague and friend Risa Lieberwitz, whom I had the opportunity to get to know during my visit to Cornell University. The workshop, which created the opportunity to produce this publication, was held in the Faculty of Political Science at Ankara University. As the oldest school of social sciences in Turkey, the Faculty of Political Science has been serving the scientific community since 1859. The Faculty granted teaching and research positions to many prominent social scientists throughout the 20th century. The Department of Labor Economics and Industrial Relations is the oldest department in its field in Turkey. The Department’s academic focus is social policy and its faculty members played a major role in the formation of major government agencies such as the Social Security Agency and the Ministry of Labor and Social Security. The Department works in close collaboration with the unions and employer associations. The affiliated Social Policy Center at the Faculty of Political Science regularly hosts conferences and grants scholarships for young scholars. In this context, I would like to thank Ankara University Rector Prof. Dr. Erkan İbiş and Dean of the Faculty of Political Sciences Prof. Dr. Serpil Sancar for their very valuable and sincere support for the workshop.

One of the main driving forces behind globalization is the internationalization of industrial relations, which contributes to the formation of a new socio-political architecture in which power and resistance are constantly redefined at a global level. The rapid transformation of the circumstances of employment and labor process requires collaboration among intellectuals familiar with the industrial dynamics of different geographies. In this regard, the Workshop on Employment and Equity has provided an opportunity for prominent scholars of industrial relations and social policy from Ankara University, Cornell University (US), Queen Mary University (UK), and Kaunas University of Technology (Lithuania) to share their research findings in an interdisciplinary context.

The Workshop’s overarching goal was to set the basis for long-term cooperation among scholars of social policy and industrial relations. To this end, PhD students’ and early career researchers’ participation, both from the host and guest institutions, have contributed to the efforts of their senior colleagues and reveal new potentials in comparative research. Thus, the innovative perspectives of early career researchers came together with senior researchers’ experiences.

Organizing such an intellectually comprehensive event that prepared the basis for this book required a great deal of work and coordination, which would not have been possible without the tireless efforts of the organizing committee. In this regard, I would like to thank Senay Gökbayrak, Osman Tezgel, Utku Balaban, Başak Bak Tezgel, as well as all other colleagues who supported the event. The Friedrich Ebert Foundation, in particular Cihan Hüröğlu, deserve special thanks for precious support to the workshop.

I owe special thanks to Serter Oran for his critical assistance and for having done all formatting of the book.

The aim of this workshop was to open a new and useful venue for future collaboration among academic and policy-making institutions, as well as among the participants. To further this purpose we decided to publish this event's contributions. The fact that the ILO has published this book can be regarded as an indicator of the value given to the subject. We are indeed very grateful to Director of ILO Office for Turkey Mr. Numan Özcan and Programme and Administrative Officer Ms. Özge Berber Agtaş for their very valuable academic support they have given to this book and to the event.

**On behalf of the organizing committee
of the workshop on employment and equity
Berrin C. Ataman**

Notes on contributors

Berrin C. Ataman is a Professor at the University of Ankara, in the department of Labour Economics and Industrial Relations. She completed her bachelor's degree in Economics at the University of Strasbourg and her Ph.D. at the Hacettepe University. She has written articles and books on Labour Economics, Unemployment, EU Social Policies and Income Distribution.

Utku Balaban is a faculty member of the Department of Labor Economics and Industrial Relations at Faculty of Political Science, Ankara University. He obtained his B.A. degrees in Political Science & International Relations and Sociology from Boğaziçi University in 2002 and his Ph.D. in Sociology from SUNY Binghamton in 2011. Dr. Balaban's areas of expertise are industrial relations and urban transformation.

Sinan Borluk has been a senior expert at Ministry of Science, Industry and Technology since 2012. Before that, he was a productivity expert in National Productivity Centre of Turkey for over 10 years. He holds double bachelor's degrees on Economics and International Finance from İstanbul Bilgi University and a master's degree on Public Economics from Ankara University. Dr. Borluk completed his doctoral studies in 2014 with his thesis on "Inter-regional Income Distribution" from Ankara University Department of Labor Economics and Industrial Relations. Dr. Borluk has several publications including 5 books and 2 papers mainly on productivity and current macroeconomic issues. He is currently living in Ankara/ Turkey.

Şenay Gökbayrak graduated from Ankara University, Faculty of Political Science in 1999. She began work as a research assistant at Ankara University, Faculty of Political Science, Department of Labour Relations and Industrial Relationship in 2001. She received a master's degree with her thesis titled "The privatization of Municipal Services and Effects on Labour Relations" in 2002. She received her Ph.d. with her thesis titled "High Skilled Labour Migration and Policies: An Assessment on Turkish Engineers Living Abroad," in 2006. In 2012, she received her associate professor degree in social policy field. Now, she is working in Ankara University, Faculty of Political Science, Department of Labour Economics and Industrial Relations. Her main fields of interest are transformation of welfare state and social security; comparative welfare regimes; risk groups in social policy and international labour migration.

Melahat Güray graduated from METU with a Bachelor of Science degree in Political Sciences and Public Administration in 2004. She was awarded the scholarship of Jean Monnet and received the degree of Master of Economic Science in the University College of Dublin in 2008. She has been studying precarity and solidarity for her Ph.D. in sociology in METU. After working in the EU Affairs Department Ministry of Labour and Social Security in 2004-2015 as an EU Expert, she started working in UNDP in the social policy field in 2015.

Özge Kantaş, PhD candidate and MS in Social Psychology, from Middle East Technical University (METU). Received the Master's Thesis of the Year Award of 2013-2014 from METU. Research assistant in Ankara University, Faculty of Political Sciences, since 2012. Receiving FEPTO (Federation of European Psychodrama Training Organizations)-certified supervision as a "psychodrama-therapist" since 2011.

Cihan Serhat Kart is a research assistant and Ph.D. candidate at Ankara University, Faculty of Political Science, Department of Labor Economics and Industrial Relations. He studies social policy, social dialogue and European Union. He is writing a thesis on comparison of social dialogue mechanisms in Turkey and in European Union.

Nida Kvedaraitė is Associate Professor and Head of Department of Economics and Business at Kaunas University of Technology (Lithuania). In 2009 she completed her Ph.D. in Educational Sciences from Šiauliai University (Lithuania). Her research interests lie in the areas of self-directed learning, youth mobility and employability.

Risa L. Lieberwitz is a Professor of Labor and Employment Law in the Cornell University School of Industrial and Labor Relations (ILR) and an Associate of the Worker Institute at Cornell. Her research and publications address issues of employment discrimination, labor law, and academic freedom.

Serter Oran is a Research Fellow at University of Ankara and a Ph.D. candidate in Sociology of Work. He graduated from the Department of Labour Economics & Industrial Relations at Faculty of Political Sciences, University of Ankara in 2007. His work focuses on social policy, sociology of work, class and class conflict, waste pickers and waste picking activities.

Ausra Repeckiene Academic degree and name: Doctor of Technological Sciences (Chemical Engineering) Workplace and position: Assoc. professor at Kaunas University of Technology, Panevezys Faculty of Technologies and Business Department of Economics and Business (Lithuania) Research interests: youth employment, mobility, volunteering, human resource management, cross-cultural studies. Author and co-author of 31 scientific articles and 6 study literature.

İlkay Savcı is a Professor at University of Ankara. She was graduated from the Department of Sociology at University of Hacettepe in 1976. She received her Ph.D. degree from the Department of Sociology at University of Hacettepe. Her work focuses on sociology of work, prison labour, human resources management and new industrial relations, technology – innovation and gender studies.

Güven Savul received his bachelor's degree in the field of Management from Atılım University. Savul who received his M.Sc. degree in the field of Labor Economics and Industrial Relations from Ankara University with the thesis entitled "Precarious Employment, Organizational Transformation and its Effects on Work", has been engaged in his PhD. Studies in the same field. He has been working at the Confederation of Turkish Trade Union (TÜRK-İŞ) as researcher since Fall 2009.

Brigita Stanikūnienė is Associate Professor of the Department of Economics and Business at Kaunas University of Technologies (Lithuania) and also currently works as Vice-dean for Studies. In 2007 she received her PhD in Educational Sciences from the same university. Her research interests focus on competence development, leadership in education and reflective learning.

Osman Tezgel is a research fellow in Ankara University Faculty of Political Science, Department of Labor Economics and Industrial Relations. He graduated from Ankara University Faculty of Political Science. After graduation he completed his MA degree in 2004 and his PhD degree in 2010. His area of interests are labor economics, labor market analyses, social policy, wage policies, labor history and income distribution.

Renata Zvireliene Academic degree and name: Doctor of Social Sciences (Management and Administration). Workplace and position: Associate professor at Kaunas University of Technology, Panevezys Faculty of Technologies and Business Department of Economics and Business (Lithuania). Research interests: marketing, relationship marketing, human resource management, youth employment, mobility. Author and co-author of 23 scientific articles and 4 study literature.

1 Introduction

A framework for employment and equity

Risa L. Lieberwitz – Berrin Ceylan-Ataman

This introductory chapter provides the theoretical framework of the employment and equity issues and presents the analytical concepts and the methodology of analysis.

Researchers across a range of disciplines in the field of social policy present their studies, findings, and analyses in this book. The authors present their work from multiple perspectives, including multi-disciplinary approaches and national and regional perspectives. The book seeks to bring these together in a holistic approach. The book will have achieved its purpose if it contributes to the production of scientific knowledge regarding the development of policies at the global level to solve problems of inequality.

Framing the issues of employment and equity

There is no simple definition of employment equity. Formulating a definition raises fundamental questions: What are the goals that should be set in defining equity in employment? Is equity synonymous with equality? Or is equity a broader concept? How should progress toward achieving the goals of employment equity and equality be measured? Should such goals be concerned primarily with equal treatment of individuals or should the goals encompass equality of results for groups who have been subject historically to discrimination? Should equity be defined in terms of eliminating certain types of discrimination or should equity seek a goal of more positive rights and benefits for all employees?

The most straightforward, but narrowest, definition of employment equity focuses on “formal equality,” or equal treatment, of groups subject to historical and current discrimination, including women, racial and ethnic minorities, disabled persons, and older people. Creating conditions of formal equality furthers the goal of expanding equal opportunity for women and minorities who meet the same employment criteria applied to majority group applicants (Fineman, 2005). As significant as such anti-discrimination measures are, their scope is limited by following a “negative rights” model that places only discrete restrictions on employer conduct. For example, under this model an employer is prohibited from refusing to hire a woman because of her gender, but is not required to take positive steps to increase its hiring of women.

Most importantly, the formal equality/negative rights model does not address systemic inequalities in social and economic conditions based on class, gender, race, ethnicity, and nationality. These systemic inequalities are pervasive at the local, national, and global levels, including persistent racial and gender occupational segregation, increasingly unequal distribution of wealth, and downward pressure on wages due to global capital mobility (Blau et al. 2013 Selmi, 2005 Spector, 2015). Added to these problems is the employment insecurity in the workforce, which is made up increasingly by precarious workers who are often drawn from the same groups needing protection from employment discrimination (Childs, 2000 Fudge, 2006). Redressing these social and economic inequalities entails more than extending formal equality to women and minorities.

Formal equality is, thus, an essential part of achieving employment equity by requiring equal treatment in hiring, firing, and other employment decisions and terms and conditions of employment. To address underlying social and economic conditions of inequality, however, a “substantive equality” model is needed to achieve employment equity at a systemic level. A substantive equality model would encompass positive measures to move toward greater equality of results rather than relying only on equal opportunity in employment.

Achieving a goal of substantive equality may include a range of positive rights and affirmative measures that move from primarily focusing on the individual to a focus on under-represented groups. Class action litigation against employers who engage in historical patterns of exclusionary hiring and promotions reveal that discrimination is a systemic problem rather than simply a series of individual discriminatory employment decisions. Further, the law can prohibit not only direct or intentional discrimination, but also “indirect discrimination,” by requiring employers to eliminate seemingly neutral employment practices that have a disproportionately negative effect on women and minority groups, unless the employer can prove that the practice is essential for the job (DeBurca, 2012 Shoben, 2004). Public policy can also go beyond “equal pay” to adopt requirements for “pay equity.” This “comparable worth” model seeks to eliminate gender or racial disparities resulting from the use of job evaluation systems that place a higher value on occupations held predominately by the majority group (Rutherglen, 1993).

Public policy supporting affirmative action also holds the potential for achieving substantive equality, as a positive means for increasing the inclusion of women and minorities in occupations where they are severely under-represented. Affirmative action programs are temporary measures to reduce occupational segregation by weighing minority group membership as a positive factor in hiring or promotions decisions. Proponents of affirmative action emphasize the need to take positive measures to eliminate the historical and systemic barriers to inclusion of under-represented groups in certain types of occupations. Using race or gender as a positive factor in employment decisions provides a means for overcoming conscious and unconscious bias against hiring or promoting qualified applicants from minority

groups. Proponents point to the benefits of diversity. Affirmative action programs in admissions to colleges and universities create a diverse student body, bringing together students from different backgrounds, with diverse experiences, and multiple perspectives (Baldwin, 2009). Affirmative action in employment has similar benefits, with a workforce that is enhanced by the diversity of the employees. By removing barriers to employment and bringing greater consciousness to the benefits of diversity, affirmative action programs expand the pool of qualified applicants and employees. Further, affirmative action contributes to progress toward a just and equitable society with institutions that are representative of all groups (Powell, 1997).

The “human resources” model of affirmative action focuses on “managing diversity.” While this model is concerned with underrepresentation of women and people of color in the workforce, it defines diversity management more broadly as an on-going process that creates an inclusive environment that maximizes the full potential of all employees. Diversity management maximizes the ability of all employees as instrumental to organizational goals (Human, 1996), which in the case of businesses focuses on enhancing the profitability and competitive advantage (Kreitz, 2007 and Thomas, 1999). This model seeks to manage conflicts that may arise by maintaining the two dimensions of unity and diversity in balanced tension (Rosado, 2006).

Social movements, including unionization, play an important role in promoting employment equity and achieving substantive equality for employees. Whether through their role in the political system or through collective bargaining, labor unions work to gain positive employment rights, including higher wages, benefits, and better working conditions. The labor movement can attempt to organize all kinds of workers – whether “regular” employees, precarious workers, or unemployed – to achieve universal rights for the working class. Further, as a social movement, unions may be equally concerned with social justice goals of workplace democracy as with negotiating higher wages and benefits (Turner and Hurd, 2001).

The multiple approaches for achieving formal and substantive equality provide a wide range of policies and practices for governments, employers, and labor unions to use to ensure employment equity. The potential for progress from adopting best practices – and learning from bad ones – can lead to the implementation of strong employment equity policy. This fundamental concept serves as the main axis of the book.

Methodology

This publication results from an international “workshop on employment and equity” realized in Ankara University, in Faculty of Political Sciences on June 17-21, 2015. The chapters in this book are the full text of most of the presentations discussed during the workshop. Thus, this publication is comprised of reflections of the contributors rather than a conference book. The conference presentations and discussions provided the venue for the authors to further develop their analyses.

This book's methodology comes from the workshop outcomes. The workshop was composed of a series of roundtables that served as a medium for scholars to share their latest research with a select audience of scholars and to exchange ideas with the invited representatives of labor unions, employer associations, and the related government agencies, including the ILO. The workshop forums facilitated detailed discussions about participants' work and developed the potential for future scholarly collaboration among the participants.

One of the main driving forces behind globalization is the internationalization of industrial relations, which contributes to the formation of a new socio-political architecture in which power and resistance are constantly redefined at a global level. The rapid transformation of the circumstances of the employment and labor process requires collaboration among intellectuals familiar with the industrial dynamics of different countries and regions. In this regard, the Workshop on Employment and Equity provided an opportunity for prominent scholars of industrial relations and social policy from Ankara University, Cornell University (US), Queen Mary University (UK), and Kaunas University of Technology (Lithuania) to share their research findings in an interdisciplinary context.

In this publication the participation of Ph.D. students and early career researchers have contributed to the efforts of their senior colleagues and reveal new potentials in comparative research. Thus, the innovative perspectives of the Ph.D. students and faculty members at early career stages came together with senior researcher's experiences, creating a particular and dynamic synergy. The range of theories, ideas, and experience is reflected in this publication. The book includes, as well, the contributions from the social partners such as the Ministry of Labour and Social Security, Confederation of Turkish Trade Unions and Turkish Confederation of employment association. Thus, the book presents a tripartite perspective. The ILO's decision to publish the book reflects the value placed on this concept.

The framework of the book is based on the following themes:

- Assessment of the Situation: Industrial Relations and Social Policy in the Making of a Global Economy
- Challenges for Social Protection: Changing Axes of Welfare Policies in the Making of a Global Polity
- Dynamics of Social Inclusion: A Discussion of the Role of Actors (governments, social partners and civil societies) in the Making of a Global Society
- Economic and Social Inequality: Growth and Social Welfare
- Labor Law and Social Policy: Collaboration and Effective Relationships of Social Partners

The outline of the book

This book analyzes issues of employment and equity from different perspectives.¹ The book comprises twelve chapters:

The introductory chapter, by Ataman and Lieberwitz, sets forth the theoretical and thematic framework, analytical concepts, and the methodology of analysis in the book. Within this framework, Chapter 2, co-authored by Ataman and Borluk, presents an economic perspective on income inequality. This chapter, entitled “Interregional Income Distribution in Turkey: Divergence Dynamics,” analyzes the changes in inter-regional income distribution in Turkey through the 2000s and the causes of these changes. The aim of this study is to determine the potency of inter-regional divergence dynamics in Turkey and to state the factors which affect income distribution. The study finds that inter-regional income distribution has deteriorated in Turkey during the period 2004-2011. As long as the divergence dynamics do not reverse with related region-based development policies, the divergence trend will tend to continue, which will cause the gap between regions to become permanent.

The next two chapters present analyses from a sociological perspective on inequality of specific groups. In this context Ausra Repeckiene and Renata Zvireliene, from the Lithuania Kaunas University of Technology, co-authored the third chapter “Lithuanian Youth Integration into Labour Market,” which examines the trends of youth participation in the Lithuanian labour market and institutional measures and initiatives to promote youth employment (e.g. entrepreneurship). Their chapter presents the findings of their empirical research and analysis of the obstacles that make it difficult for young people to become engaged in entrepreneurship. Brigita Stanikūnienė and Nida Kvedaraitė, from Lithuania Kaunas University of Technology, assess “Lithuanian Women’s Situation in the Labour Market: employment, career motives and obstacles,” in the fourth chapter. Their study reviews recent official national and international statistical data, academic literature and the empirical findings of research studies that reveal the attitudes on the motives and main obstacles for women’s careers in Lithuania. The statistical analysis and empirical findings indicate that regardless of the increasing female employment rates and the high level of educational attainment of women, Lithuania’s society continues to prioritise the traditional gender system and maintains traditional gender-role stereotypes. Men dominate in decision-making positions in business, educational institutions and politics, which creates serious historical and ongoing problems for implementation of measures to promote equal representation of women in Lithuania.

Subsequent chapters analyze inequality issues from the point of view of social protection and collective rights. Risa L. Lieberwitz from the USA, Cornell University, contributes to this discussion in Chapter 5, entitled “The Relationship between Collective and Individual Rights to Achieve Equity in Employment.” This chapter explores the interdependence of collective and individual rights for

1 The order of the chapters is defined according to the order of the discussions of the roundtables during the workshop.

creating employment equity at the individual and group levels. Collective rights provide the foundation for protecting individuals by spreading group gains to all workers, including better wages, benefits and working conditions. A labor movement that adopts a broad democratic agenda for race, gender, and class equality will also take collective action to redress historical inequalities against women and minority groups. These gains can be achieved through various means, but to be effective, the means must be collective, including labor movement engagement in the political process and in collective bargaining at specific workplaces.

In the sixth chapter, Şenay Gökbayrak, from Ankara University, raises a key issue about new social protection policies in Turkey with a questioning title, “*New Social Protection Policies in Turkey: Reductive or Reproductive of Inequality?*” This study analyzes welfare state transformation from an equalitarian perspective in the case of social security reforms in Turkey during the 2000’s. This study examines the way that global increases in social exclusion and inequality reveal themselves in the context of Turkey’s social security system. In Turkey, as a consequence of social security reforms during the 2000’s, labour market and employment patterns have become the main determinants of coverage and level of social protection and also the equalitarian character of the system. However, due to structural characteristics of the labour market and the influence of a workfare concept, new social policies that strengthen the relationship between work and social protection reproduce existing inequalities.

In Chapter 7 Serter Oran and İlkey Savcı, from Ankara University, analyse the issue of cheap labor in the Turkish labor market. Their chapter, “*Seeking Cheap Labor: New Trends And Regulations In The Turkish Labour Market,*” addresses the vital role of cheap labour in today’s global competitive economies to create huge profit opportunities for employers through two ways: Capital flows into undeveloped and developing countries for employing cheap labour; conversely, cheap labour from undeveloped countries moves to the developed and developing ones. Within this framework, Turkey is an example of the phenomenon of employing foreign workers as cheap labour in both national and international markets in relation to labour market restructuring and employment policies. While the Turkish labour market is treated as a cheap labour source by international firms, however, data from the Turkish Employment Organisation show that Turkish workers do not prefer low skilled and low wage jobs. In this chapter, Oran and Savcı examine three current examples related to seeking cheap labour in the Turkish labour market: migrants, especially Syrian refugees; Turkish prison labour usage by private sector firms; and employment preferences of Turkish construction firms in the international market.

The following four chapters present a comprehensive analysis of Turkey’s wage inequality. In Chapter 8, Özge Kantaş, from Ankara University, presents her research study, “*Portrait Values of Undergraduate Students as Prospective Employees and their Corresponding Attitudes towards Career and Union,*” which examines careerism and attitudes toward unions and human resources practices under the theoretical framework of values. Through value-portraits of 289 university students

from 28 universities as prospective employees the study investigated the relationships of values with careerism, attitudes toward unions, career activities in universities and human resources practices of organizations in general. The study analyzes how the undergraduates' values are associated with attitudes for and against labour unions, towards career advancement through non-performance-based means, and towards career seeking activities in universities. Among the key findings, the data indicate that career seeking activities are a form of vocational self-concept exploration triggered by security and conformity values, but are negatively associated with careerism. However, anti-union attitudes predicted careerism. The results suggest that career seeking activities can be considered as an adaptive social cognitive career behaviour.

In Chapter 9, Osman Tezgel, from Ankara University assesses "*The minimum wages in Turkey from an inequality perspective during the 2000s*". This study primarily presents a conceptual analysis of the minimum wage by evaluating the aspects, importance and objectives of the concept. The study evaluates minimum wage implementation in Turkey during 2000s, including the characteristics and basic indicators of the minimum wage and whether minimum wage implementation leads to social and economic inequalities. If the extent of the proportion of minimum wage workers to total employment is considered, the minimum wage is vitally important in Turkey. This study also aims to underline the problematic issues about minimum wage implementation in Turkey and to propose possible solutions.

In Chapter 10, Utku Balaban, from Ankara University analyzes low wage work and industrialization. His chapter, "*Sector Switch and Domestic Outsourcing in the Manufacturing Industries of Turkey: The Case of Secondary Cities during the 2000s,*" investigates the transformation of manufacturing industries in Turkey during the 2000s with a comparative assessment of the changing relationship between major exporting cities and the secondary cities of Turkey, i.e. the industrializing cities that minimally benefit from the spillover effects of the traditional centers of industry. The study illustrates two trends. First is the change from medium-high technology sectors to medium-low and low technology sectors in the second half of the 2000s. This transformation corresponds to an increasing share of the energy-intensive sectors in the country's export volume. Second is a particular type of domestic outsourcing both at the enterprise and city level. Among the secondary cities analyzed in this chapter, the most successful one (Gaziantep) expanded its manufacturing output due to the high performance of its low technology and energy-dependent sectors. Analysing these two trends together, Balaban argues that the outsourcing from North Atlantic to low- and middle-income countries such as Turkey took a new form since the late 1990s, resulting in a second wave of post-war globalization. In contrast to the first wave, which was marked by the outsourcing of the labor-intensive activities from the North Atlantic region, the second wave is based on the outsourcing of the energy- and resource-intensive activities to the to the low-income regions of the world. This geographical shift of such activities to Turkey accelerated after the financial crisis in 2008 and contributed to the spatial distribution of industrial sectors among Turkey's traditional industrial centers and its secondary cities.

The final chapters of the book are devoted to the dynamics of social inclusion. In this context Cihan Serhat Kart, from Ankara University, in Chapter 11, traces the main points of “*The History of Social Dialogue in Turkey*”. The aim of this study is to analyze the history of social dialogue in Turkey from an economic perspective. To achieve this aim, he presents a comprehensive analysis, beginning with the heritage of the Ottoman Empire and followed by a review of the sequence of stages of the Turkish Republic. In Chapter 12, the question of agency in the making of a global society is discussed from the vantage point of three key institutions in Turkey. This chapter contains an introduction written by Berrin C. Ataman, followed by the principal analyses from three contributors. The first presents the point of view of the Ministry of Labour and Social Security, as discussed and interpreted by EU expert Melahat Güray, who emphasizes the newest developments in social inclusion issues in Turkey. The Turkish Confederation of Employer Association (TISK) views regarding employment and equity are presented. Finally the concepts of social exclusion and social inclusion are discussed from labor’s perspective by Güven Savul, researcher in the Confederation of Turkish Trade Unions (TÜRK-İŞ).

References

- Baldwin, Bridgette., (2009), “Defining Race: Colorblind Diversity: The Changing Significance of ‘Race’ In the Post-Bakke Era,” *Albany Law Review*, Vol. 72, pp. 863-890.
- Blau, Francine D., Marianne A. Ferber, & Anne E. Winkler (2013), *The Economics of Women, Men, and Work*, 7th Ed. Upper Saddle River: Prentice Hall.
- Childs, Melissa., A. (2000), “*The Changing Face of Unions: What Women Want From Employers*,” *DePaul Business Law Journal*, Vol. 12, pp. 381-437.
- De Burca, Grainne., (2012), “The Trajectories of European and American Antidiscrimination Law --Introduction to the Special Issue on Antidiscrimination Law in Europe and North America,” *American Journal of Comparative Law*, Vol. 60, pp. 1-22.
- Fineman, Martha A., (2005), *The Autonomy Myth: A Theory of Dependency*, New York: New Press.
- Fudge, Judy., (2006), “The Legal Boundaries of the Employer, Precarious Workers and Labour Protection,” in *Boundaries and Frontiers of Labour Law: Goals and Means in the Regulation of Work*, First Ed., Guy Davidov & Brian Langille eds., Oxford: Hart Publishing, pp. 295-316.
- Human, Linda (1996), “Managing workforce diversity: a critique and example from South Africa”, *International Journal of Manpower*, Vol. 17 Iss:4/5, pp.46-64.

- Kreitz, Patricia A., (2007), Best Practices for Managing Organizational Diversity, SLAC-PUB-12499, <http://www.slac.stanford.edu/cgi-wrap/getdoc/slac-pub-12499.pdf> (Accessed on October 30, 2015).
- Powell, Cedric Merlin., (1997), "Blinded By Color: The New Equal Protection, the Second Deconstruction, and Affirmative Inaction," *51 University of Miami Law Review*, Vol. 51, pp. 191-271.
- Rosado, Caleb, (2006), *What Do We Mean By "Managing Diversity?"*, January 2006, Published by Ed. Change and the Multicultural Pavilion, http://www.edchange.org/multicultural/papers/rosado_managing_diversity.pdf (Accessed on 23 September 2015).
- Rutherglen, George (1993), "The Gender Gap in Compensation: The Theory of Comparable Worth as a Remedy for Discrimination," *Georgetown Law Journal*, Vol. 82, pp. 135-146.
- Selmi, Michael., (2005), "Sex Discrimination in the Nineties, Seventies Style: Case Studies in the Preservation of Male Workplace Norms," *Employee Rights & Employment Policy Journal*, Vol. 9, pp. 1- 50.
- Shoben, Elaine W., (2004), "Disparate Impact Theory in Employment Discrimination: What's Griggs Still Good For? What Not?," *Brandeis Law Journal*, Vol. 42, pp. 597-622.
- Spector, Rachel A., (2015), "'Dignified Jobs at Decent Wages': Reviving An Economic Equity Model of Employment Discrimination Law," *Berkeley Journal of Employment & Labor Law*, Vol. 36, pp. 123-168.
- Turner, Lowell & Richard Hurd., (2001), "Building Social Movement Unionism," in *Rekindling the Movement: Labor's Quest for Relevance in the 21st Century*, Lowell Turner, Harry Katz and Richard Hurd, eds., Ithaca: Cornell University Press, pp. 9-26.

2 Interregional income distribution in Turkey

Divergence dynamics

Berrin C. Ataman and Sinan Borluk***

Abstract

In this chapter, the changes in inter-regional income distribution in Turkey through the 2000s and the causes of these changes have been analyzed. The aim of this study is to determine the potency of inter-regional divergence dynamics in Turkey and to state the factors which affect income distribution. The results of this study find that inter-regional income distribution has deteriorated in Turkey during the period 2004-2011. As long as the divergence dynamics are not reversed through related regional-based development policies, the divergence trend will tend to continue, which will cause the gap between regions to become permanent.

Keywords: Income Distribution, Regional Income, Convergence, Divergence, Growth

Introduction

Inter-regional income distribution is becoming one of the most important issues in the development process. As the economy grows and the income to be shared increases, justice in the shares of regions and the growth balance between regions determines both the future economic performance and the social well-being of the country.

This chapter analyzes the changes in inter-regional income distribution in Turkey through the 2000s and the causes of these changes¹. The aim of this study is to determine the potency of inter-regional divergence dynamics in Turkey and to identify the factors which affect income distribution. Analysis of the income distribution between regions in Turkey will consist of two parts. First, income distribution between regions in Turkey will be analyzed through the data set. Second, it will be analyzed through divergence/convergence dynamics, which consist of three

1 This chapter is based on the unpublished PhD Thesis, “**Income Distribution Between Regions of Turkey and Divergence Dynamics**,” by Sinan Borluk (2014), under the supervision of Prof. Dr. Berrin Ceylan-Ataman.

* Prof. Dr. University of Ankara, ataman@ankara.edu.tr

** PhD, University of Ankara graduated 2014. sinanborluk@gmail.com

subcategories: Demographic factors, which have an impact on the population and migration of the income distribution divergence, are discussed primarily. In the next phase, the relation between the differentiation between the income distribution and economic factors such as growth, level of investment, trade deficit is investigated, as well as differentiation between the region's income distribution and sectoral concentration. Finally, the effect of employment, such as socio-economic factors, on the inter-regional distribution of employment is investigated.

Literature findings

Income distribution literature is mainly built on methodological works of Barro (1996), Barro and Sala-i-Martin (1992) and Quah (1996). The common feature of these studies is the observation of the deterioration or recovery in the distribution of income. These works constitute the infrastructure of divergence analysis techniques of income. According to these studies, the relationship between factors may be reason for the divergence between the distributions of the income. The literature argues that the factors explaining the income distribution convergence and divergence between regions can be found in endogenous growth models. As a result of the receipt of the initial income levels as a benchmark, the general framework of analysis reveals the regions where factors affecting growth tend to grow faster. For instance, if a relatively low initial income level country or region grows faster than the relatively high initial income countries or regions, it is concluded that there exists a convergence of income between regions. Otherwise, emergence of divergence is identified.

According to Barro et al., productivity and investment directly affect capital growth, which also have an influence on the dynamics of convergence/divergence. Similarly, the volume of the population affects the work which is considered as a key factor affecting the dynamics of convergence/divergence. In other studies such as Tamura (1991), human capital is considered as a factor directly affecting the productivity of labor. Many similar studies have the same emphasis, for example, one of recent studies, by Wahiba (2014: 50), tests the impact of the increase in education spending in GDP for the period 2000-2012 in African countries.

According to the findings in general, productivity increases through investment and positively affects growth performance. For example, in his recent work, Mendez-Guerra (2014: 161-168) indicates that the divergence was greater all over the world, especially between most productive countries (such as Australia, Belgium, Netherlands, Norway and US) and least productive countries (such as Brundi, Ethiopia, Malawi, Mozambique and Zimbabwe), but due to the rebound in economic growth convergence was produced during the period 1980-2000 and was stabilized in the middle of the 2000s.

In studies of inter-regional income distribution analysis for Turkey, there exists a wide divergence of results in terms of inter-regional income distribution dynamics framework. Differences in public finance practice (Voyvoda, 2012), the

level of sectoral variations of regions (Özşabuncuoğlu, Direkçi, 2012), migration (Kirdar, Saracoglu, 2012), regional structural differences (Mutlu, 2012), the effect of general and regional growth policies (Yigdim, 2012), productivity differences (Tuncer, Özüğurlu, 2004) and public interventions/activities of public banks (Önder, Özyıldırım, 2012) have come to the fore as factors in these studies. In Tuncer, Özüğurlu (2004) NUTS I i.e. 12 regions were analyzed in general. For NUTS II level i.e. 26 regions, the literature is limited. Nevertheless, the literature of inter-regional distribution of income between regions for Turkey includes, in addition to the studies mentioned above, Karaca (2004), Altınbaş et al. (2002) and Berber et al. (2000) and is seen as more of σ -convergence analysis as used in their works. Especially Karaca (2004) in his analysis, for a 25-year period covering the years 1975 to 2000, carried out at the provincial level σ -convergence analysis and revealed an approximately 33 per cent divergence in the level of inter-provincial income.

Methodology

The most important constraint encountered in the divergence analysis in inter-regional income distribution in Turkey is the data constraint for quantitative analysis. The latest data on income per capita at the regional level, published by TurkStat, was in 2011. So, the analysis will cover the period 2004-2011. In this regard, quantitative analysis cannot be carried out through the current time. But this lack of data will be solved by the qualitative analysis which will permits explanation of today's trends, since characteristics of the income distribution changes are of a long-term nature.²

In the literature of convergence/divergence analysis, β -convergence analysis is the main focus, but up to a certain point. Afterwards σ -convergence analysis is widely used. Fischer and Serra's (1996) and Slaughter's (1997) works are pioneering in using σ -convergence technique.

Two methods for interregional income distribution analysis techniques come to the fore. **The first method is the β -convergence analysis** which is based on linear regression analysis between the initial log of income of regions and growth of those regions. When in a low-income region revenue grows faster relative to the high-income regions, convergence occurs. In similar types of research, as in Ben David (1997), Johnson (1999), and many others, the basic techniques used are mainly derived from the pioneering work of Barro and Sala-i Martin (1992) with the equation below:

$$\frac{1}{T} \log\left(\frac{y_{it}}{y_{i,t-T}}\right) = \alpha - \left[\frac{1 - e^{-\beta T}}{T}\right] \cdot \log(y_{i,t-T}) + u_{i,t}$$

² TurkStat making regular "Income and Living Conditions Survey" (TurkStat, 2014) which submit the data for the present calculations, however these surveys do not constitute an indicator for inter-regional income distribution because analysis is done through dedicated groups according to income of the population.

According to this equation, there should be a negative and statistically significant β coefficient to conclude a β convergence, i.e. there should be a negative relation between initial income levels and growth rates for state of convergence. **The second method is known as σ -convergence** which simply examines the variance of per capita incomes of regions. According to this approach, as variance of per capita incomes of regions decrease, there exists an σ -convergence. **Technically β -convergence is a necessary but not sufficient condition.** It means that to show that there is a convergence in the distribution of inter-regional income, to prove β -convergence is necessary but not sufficient; then, proving σ -convergence should be the essence of the analysis. This is why this work chooses σ -convergence as the technique chosen for the analyses. The σ -convergence analysis, different from β -convergence analysis, simply analyzes the standard deviation or variance of per capita income between regions. Since this technique is free of certain assumptions, it is widely accepted that more robust results are acquired by σ -convergence analysis. Thus, through σ -convergence analyses, the deterioration of income distribution between regions can be analyzed in more detail.

Divergence can simply be concluded after analysis of variance of per capita income of regions as:

$\text{VAR}(B1,t; B2,t; B3,t; \dots ; Bn,t)$: is the variance of per capita income at time t with regions $B1, B2 \dots Bn$ and equals to K_t ;

$\text{VAR}(B1,t+1; B2,t+1; B3,t+1; \dots ; Bn,t+1)$: is the variance of per capita income at time $t+1$ with regions $B1, B2 \dots Bn$ and equals to K_{t+1}

If $K_{t+1} < K_t$ it should be concluded that there exists a convergence and in case of $K_{t+1} > K_t$ it should be concluded that there exists a divergence.

Besides examining convergence, if it exists, cases of club convergence and polarization should be tested. To perform these more detailed analyses, paired comparisons should be performed. With this method, ratio of per capita incomes of two regions at the beginning of the analysis period is compared to the same ratio at the end of the period. With this analysis, “polarization” phenomena could be detected, if it exists. Such detection will also prove a condition where there exists more than one steady state level between regions. In the next step a variance analysis between groups of regions should be made and in case of detection of higher variance coefficient between groups than the variance within groups, this will be the proof of within group convergence.

Determining the effects of factors on income distribution is as important as determining the changes in income distribution. Even though multiple regression analysis is the widely used technique, it could not be used due to data limitations in this study. Therefore, in this study factors affecting the income distribution will be analyzed by using the correlation technique.³ In determining a high correlation between variations

3 For general frame of the correlation technique used in this work and for detailed calculations see Borluk 2014: 115-126.

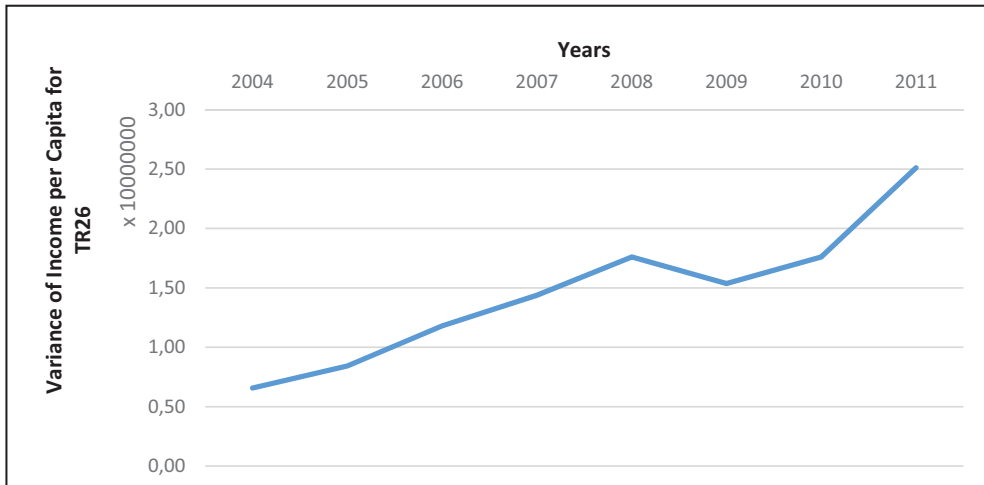
in parameters and variations in income distribution, a cause-and-effect relationship will be concluded.

Income distribution between regions in Turkey: Analysis through the data set

β -convergence analysis for Turkey proves a case of β -divergence. The linear regression model, with logarithms of 2004 per capita income levels of regions as dependent variable and average growth rates of regions as independent variable, shows that there exists a statistically significant and negative β coefficient for the period 2004-2011.

According to the σ analysis conducted for the 2004-2011 period in Turkey , a deterioration of inter-regional income distribution in Turkey for the period 2004-2011 is detected as shown in the Graph 2.1. Consequently, both β -convergence and σ -convergence analyses prove the deterioration of inter-regional income distribution in Turkey for the period 2004-2011.

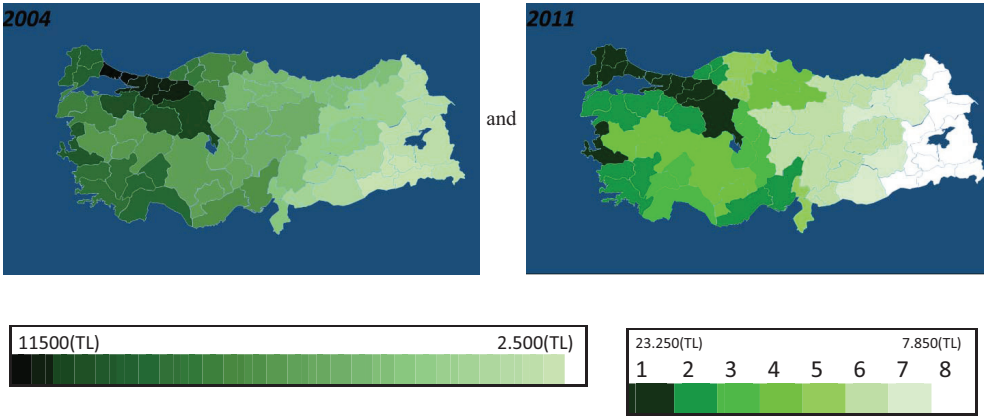
Graph 2.1. The variance of per capita income of 26 regions(TR 26) in period 2004-2011



Source: Calculated from TurkStat data.

As the variance of per capita income increases after 2004, it is also detected that 26 regions group under 8 “convergence clubs” in the analysis period 2004-2011 (Borluk, 2014: 106-111). As shown in Figure 2.1 there are eight sub-groups according to their level of income. Income distributions converge between the sub-group members; while they diverge between subgroups.

Figure 2.1. Formation of convergence clubs after 2004 and 8 convergence clubs in 2011

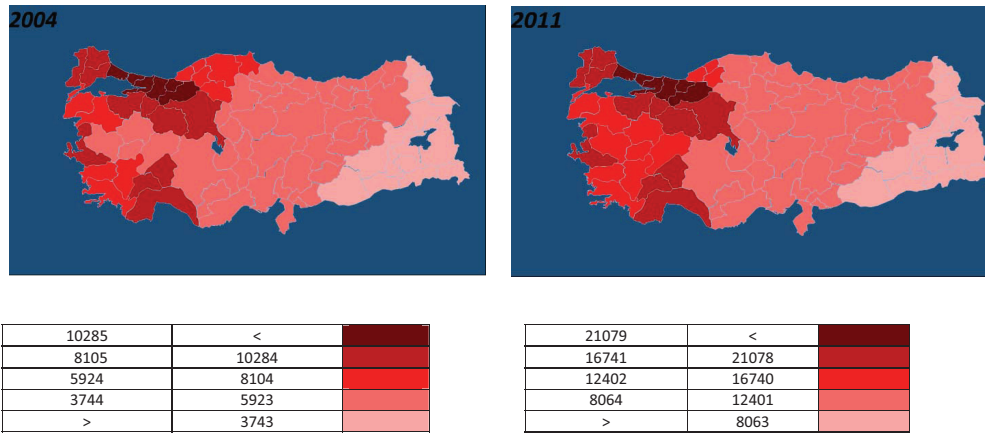


Source: Calculated from TurkStat data

Through the 2004-2011 period, it is observed that the convergence clubs at the top and bottom of the income scale diverge from each other, which shows a state of polarization. Another important observation is through the “north west-south east axis”, convergence clubs’ average incomes decrease (regions are poorer through this axis). To have such convergence clubs and polarization through the north west-south east axis is the evidence of fast deterioration in income distribution.

A geographical observation of income distribution is important to understand the divergence dynamics regarding the inter-regional income distribution. Classes of 20 per cent of per capita income scale for the period 2004-2011 for Turkey, are mapped in Figure 2.2:

Figure 2.2. Regions in 20% per capita income classes for 2004 and 2011 (1998 constant prices)

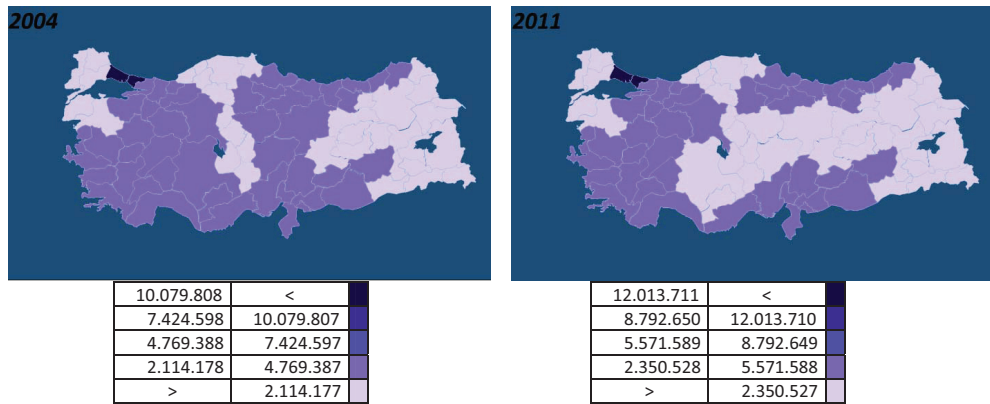


Source: Calculated from TurkStat data

According to maps shown in Figure 2.2, income has moved from mid-Black sea regions to inner Aegean (inner west Anatolia) regions. Some mid-Black sea regions which are in 3rd income class⁴ in 2004, have fallen to 4th income class in 2011, while some inner Aegean regions which are in 4th income class in 2004 end up in 3rd income class in 2011.

It can be considered that such a movement of income could be a result of movement of income generating factors. The movement of population should be examined likely and the related maps occur as in the Figure 2.3:

Figure 2.3. Regions in 20% population density classes for 2004 and 2011



Source: Calculated from TurkStat data

There has also been a change in population densities of regions in the analysis period 2004-2011. Mainly the population densities of mid-Anatolian regions seem to diminish. From this observation it can be concluded that there has been a population movement to the west. However, unlike income movement analyses, no regions move to the upper class. Both movements of income and population are in east to west direction.

Income distribution between regions in Turkey: Examination of the divergence/convergence dynamics

There are significant and fundamental geographic and structural differences between regions of Turkey. Geographically Turkey is surrounded by Europe in the North West, Asia in the East, and Middle East in the South West. Even Turkey is geographically a peninsula with long coasts in the South, West and North, historically; sea trade is concentrated on the West coast. In the north, Turkey is close to Russia, one of the most

4 Income classes are determined by dividing income scale to 5 equal levels and distributing 26 regions to consequent levels, according to their per capita income.

powerful economies of Asia. South and South East borders of Turkey are gates to the Middle East, which is the center of political instabilities. Structural characteristics of regions of Turkey are shaped by the closest cross-border neighbors. In the west, on the one hand, there are more investor, competitor and dynamic regions; on the other hand to the south east, there are there are more agricultural regions. Characteristics of the regions are shaped by their geographical position (Acemoğlu et al, 2001).

For Turkey, as analyses state an inter-regional income divergence between years 2004-2011, new questions about the reasons for this divergence arise. For these questions, the literature mainly refers to some factors that can be grouped as demographic, economic and socio-economic factors.

Demographic factors

The impact of such demographic factors as population movements on the distribution of income appears in two ways. The first impact will obviously be on per capita income. As population increases, *ceteris paribus*, income per capita decreases. So, if the population of the region with low income increases, convergence will occur in the distribution of income.

But according to Barro (1996), Chen and Fleisher (1996) and Sala-i-Martin (2002), emphasizing the generative effect of income of the population, if the income level grows faster than the population, *ceteris paribus*, per capita income will increase. This will reproduce a divergence between the inter-regional income distributions.⁵ These findings may be tested with correlations analysis:

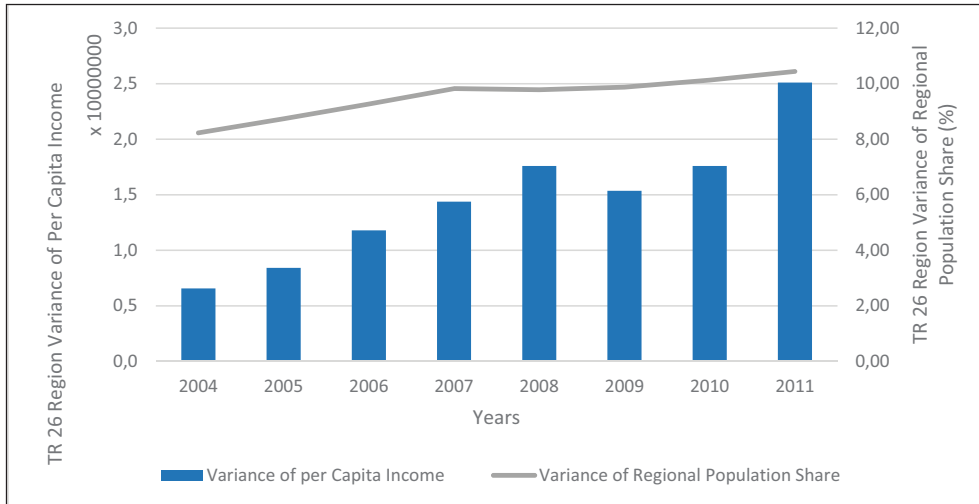
First, there exists a strong correlation, around 93.6 per cent, between distribution of income and distribution of population between regions (Borluk, 2014: 117).

Second, the correlation between inter-regional distribution of income and regional migration share is weak and is around 18.1 per cent (Borluk, 2014: 117).

5 With the acceptance of the general admission that states the migration directed by search for better living conditions and higher income, a migration flow to the high income regions is also an expected situation. This indicates that migration is a divergence dynamic on distribution of income. As one of the demographic factors, in this chapter, migration is not as important as considered in the literature. This is because the main migration flows in Turkey occurred in 1945-2000 period. The reasons for migration may differ from time to time but the results were always the same from the perspective of income distribution. In the years of main migration flows, per capita income of the region first decreases as migration is received. Afterwards, per capita income rapidly increases as the new part of the population contributes to the economy of the region. With the acceptance of higher income regions are the targets of migration flows: migration first improves the distribution of income between regions and then rapidly deteriorates. Since the focus of this chapter is the 2004-2011 period, the impact of migration is relatively smaller than it was in the period 1945-2000.

As can easily be observed in Graph 2.2., there is a very strong relation between income distribution and regional population shares.

Graph 2.2. Relation between distribution of income and population



Source: Calculated from TurkStat data

Economic factors

One of main concerns of the literature is the effect of macro-economic issues on distribution of income. According to Kuznetz (1955), distribution of income deteriorates at the beginning of the growth process while it improves in further phases. But it is hard to determine the “beginning point”. It can only be defined when fundamental changes occur in the economic structure, as when ex-soviet economies turned into liberal economies in the early 1990s.

The correlation analysis between economic growth and distribution of income also reveals that there is no strong relation between macro-economic performance and distribution of income. The correlation coefficient for the period 2004-2011 is -0.14. According to this coefficient the relation between growth performance and distribution of income is weak.

However these two parameters are not entirely unrelated. Significant deteriorations have been observed in consecutive years of great stagnation. In Turkey, after the biggest stagnation years 1980-1994-2009, distribution of income deteriorated 5, 15 and 15 per cent respectively. No such relationships are observed after the great years of stagnation or even years of growth (Borluk, 2014:124 - 126).

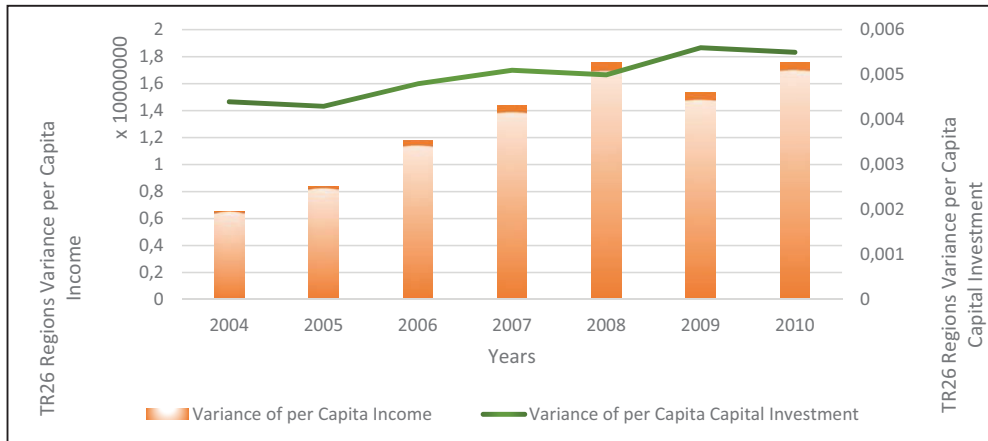
However, an important work of Fields et al. (2015), combines macro-economic performance, convergence and income class polarization. In their work on three Latin American countries, it is observed that as the economy stagnates, higher income classes lose less than other classes. Also as the economy performs at higher growth rates, again higher classes earn more than other classes (Fields et al. 2015: 103–128).

The relation which cannot be observed between macro-economic performance and distribution of income among regions can be observed between income generating factors such as capital and labor. Since inter-regional capital accumulation per capita can only be increased by new investments, inter-regional distribution of total investment within the country should be included in the analyses. Further, with productivity enhancement effects of the investments, it could be possible to reach multiple results with one main parameter analysis.

In the period on which this study is focused, the correlation between variance of shares from total investments (per capita) of regions and variance of per capita incomes accounted as 87.5 per cent, which shows a strong relation (Borluk, 2014: 117).

In Graph 2.3 the relation between distribution of income among regions and distribution of total capital investment is shown. For income, per capita income parameter is used. For distribution of capital investment, regions' per capita capital investment is used as a relative parameter.

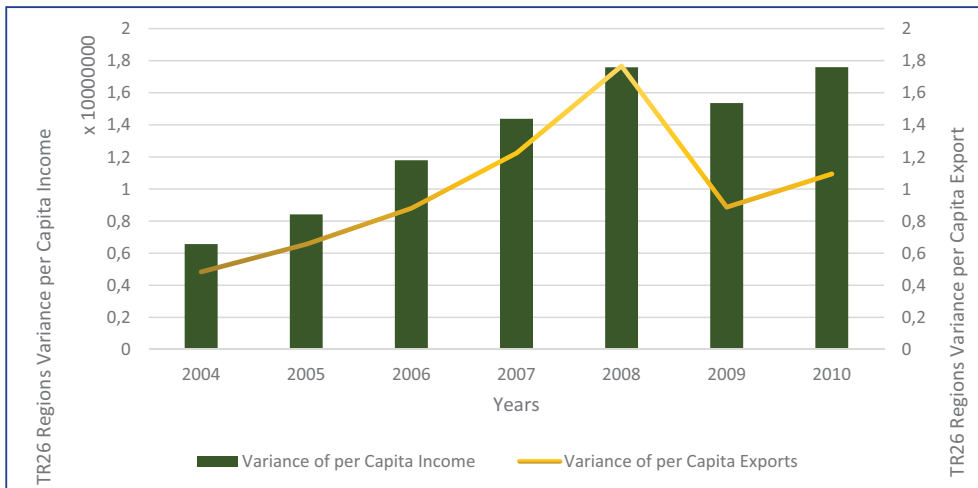
Graph 2.3. Relation between distribution of income and capital investment



Source: Calculated from TurkStat data

In the process of income generation, the motive to earn income and circumstances of the income generation process are as important as possessing income generating factors. A region's openness to international trade forces that region to be more competitive and thus productive. This gives advantage to the region. From this point of view, it would be accurate to accept the openness to international trade as one of the dynamics of distribution of income. Baldwin et al (1998), Barro (1996) and Slaughter (1997), in their work, underlined the importance of openness to international trade on distribution of income in favor of related regions. Consistent with these works and other related literature, for Turkey in the 2004-2011 period, one of the most important factors that affect inter-regional distribution of income is the region-based export per capita parameter. The correlation between variance of per capita income and variance of per capita export value is calculated as 82.5 per cent. The relation between income distribution and foreign trade is shown in Graph 2.4. To represent openness to foreign trade, regions' per capita export parameter is used as a relative parameter.

Graph 2.4. Relation between distribution of income and per capita export



Source: Calculated from TurkStat data

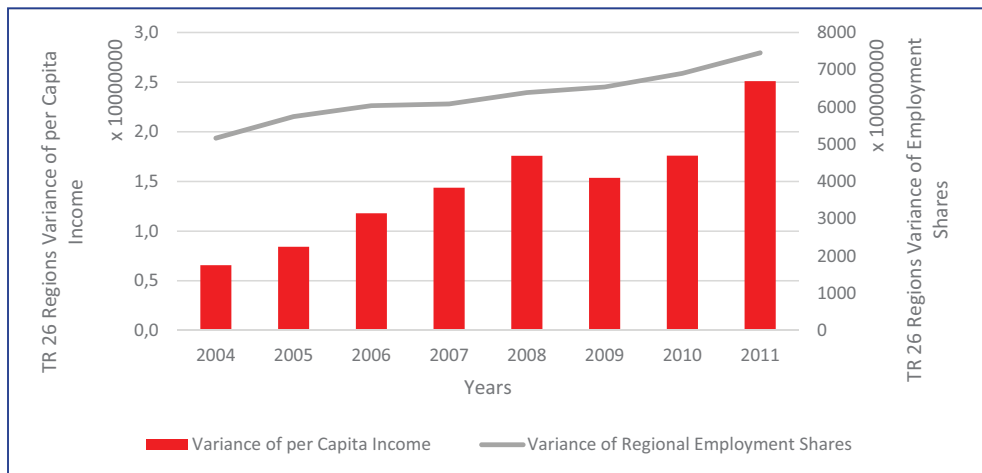
The sectoral share affects the level of income. The agricultural sector, which is also referred to as a traditional sector, generates the lowest value added per unit cost. Then follows industrial and service sectors. The difference between sectoral concentrations of regions has a determinative effect on inter-regional distribution of income. The same correlation analyses were made on regions' overall industrial and service 'sectoral share dispersion' with regions' shares in total value added and resulted with a high correlation coefficient. However, correlation between regions' shares in total value added and agricultural sector share dispersion among regions resulted in a negative and weak coefficient.

Inter-regional distribution of income convergence/divergence analyses reaches a conclusion that the primary factor that affects distribution of income is the ‘capacity of value added generation’ of the sector which is concentrated in the region. As the sectors which generate relatively high value added concentrate in one region, that region’s per capita income tends to increase. With sectoral concentration, distribution of income is deteriorating in favor of urban areas over rural areas. With the acceptance that initial income levels in urban areas are higher than income levels in rural areas, sectoral concentration is a divergence dynamics. Also analyses conclude that income effect of agricultural sector concentration is too low.

Socio-economic factors

Employment and unemployment are the foremost important socio-economic factors that affect inter-regional distribution of income. The correlation between variance of per capita income and dispersion of employment shares of regions is very high, with a coefficient of 92.9 per cent⁶. This correlation coefficient shows that the employment shares of the regions have a very important role in inter-regional distribution of income. As it can be observed from Graph 2.5 inter-regional income is strongly affected by employment shares of regions.

Graph 2.5. Inter regional income distribution vs. dispersion of employment shares



Source: Calculated from TurkStat data

If such an analysis is made for unemployment, consistent results emerge. However, these results need to be examined more carefully. Unemployment, as opposed to other factors, has other dynamics. First of all, unemployment rates are

⁶ For the frame of this analysis, see Borluk 2014: 115-119.

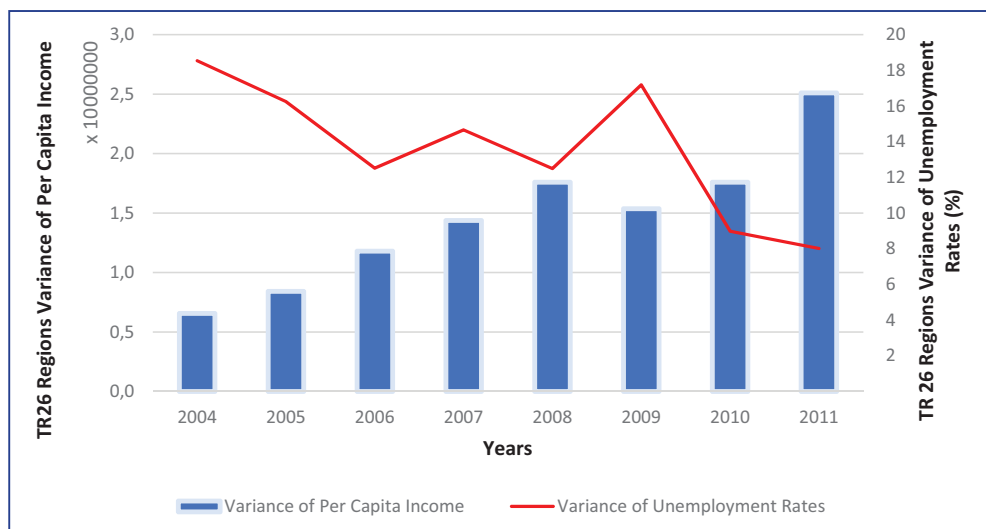
expected to be higher in immigration inflow regions. This is because immigration is motivated by higher income expectations. However, immigrants are at great disadvantage as they first arrive in a new region. Since, in general, immigrants have lower human capital; they run a higher risk of unemployment. Immigration flow is expected towards regions with high income levels and wide employment areas. However, in regions where value added production capacity is high, physical capital productivity is also high. This diminishes the demand for labor with lower human capital and increases the demand for labor with higher human capital. Such a situation will significantly limit the migrants' employment opportunities.

It is hard to state general rules for unemployment and distribution of income analyses. It should be underlined that a lower unemployment rate does not lead to higher income levels and also higher unemployment rates do not mean lower income levels. This is same for the case of Turkey as well. The analyses of correlation between variance of inter-regional unemployment rates and variance of per capita income, results in a -81 per cent coefficient. This means as distribution of income deteriorates, unemployment rates of regions become closer to each other.

The convergence of unemployment rates of regions may slow the deterioration of distribution of income. It may also be a disadvantage for the lower income regions. As unemployment rates in lower income regions converge to unemployment rates of higher income regions the income divergence process goes faster.

In Graph 2.6 it is obvious that in period 2004-2011, variance of per capita income and variance of unemployment rates of regions move opposite direction. For most years, as per capita income diverges, unemployment rates converge.

Graph 2.6. Inter regional income distribution vs. variance of unemployment rates



Source: Calculated from TurkStat data

From the graph it can easily be observed that as unemployment rates converge among regions, per capita income levels diverge. As unemployment rates converge the effects of other factors diminish and distribution of income deteriorates in favor of regions with higher initial income and higher population.

For example, consider a hypothetical case of two regions with similar unemployment rates, but with a ratio of 1:10 of the population. The volume of employment will be 10 times higher in the populous region, which will lead to divergence in income distribution in favor of populous region.

Conclusion

In this study, convergence/divergence of inter-regional income distribution is analyzed in Turkey for the period 2004-2011. In a manner consistent with the literature and for the given period, first β convergence is proven and then the analysis performed via σ divergence showed that the distribution of inter-regional income in Turkey is significantly and quickly distorted. Thus, a divergence in income distribution is detected in Turkey. Factors affecting the distribution of income between regions in Turkey are examined by the method of the correlations. Under every title, the correlation analysis shows a strong relation between inter-regional income distribution and the determined dynamics.

Examination of divergence dynamics built on paired correlation analyses. Correlation between the change of the inter-regional distribution of the population and the change of the inter-regional income distribution is calculated as 96 per cent, which means that the population is one of the most important determinants of inter-regional income distribution. Similarly, correlation between the two parameters, as inter-regional per capita investment with foreign trade volume and interregional distribution of income is also up over 80 per cent. This correlation coefficient shows a strong relation between inter-regional income distribution and openness to foreign trade. The correlation between the interregional differentiation of income and interregional differentiation of employment is detected at the level of 92 per cent, which also means that like population, employment is one of the most important determinants of inter-regional income distribution.

For the improvement of inter-regional income distribution, unemployment rates should be lower in low income regions. However, the analysis performed shows that the unemployment rates for the period 2004-2011 are approaching each other and thus, is accelerating the divergence phenomenon.

Income distribution in agricultural regions, producing low value added, are disadvantageous compared to income distribution in industrial and services regions producing high value-added services. According to endogenous growth models, income generating factors are shifting to the West with increase of the population. Thus, income distribution is deteriorated on the West-East axis. Westward movements of the population and the income generating factors have revealed the polarization

phenomenon in income distribution, which creates a divergence on Northern West-South-East axis. The divergence is due to the different level of success of regional economic policies. For example, regions that develop with a trade port grow faster than regions that do not have this advantage. Ceteris paribus, the higher the region's initial income per capita, the higher the growth performance. In this study it is found that inter-regional income distribution in Turkey has diverged during the period 2004-2011. As long as divergence dynamics do not reverse, further deterioration of the income distribution can be predictable.

References

- Acemoğlu, D., Johnson, S. Robinson, J.A., (2001), "Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution", *NBER WORKING PAPER SERIES* 8460.
- Altınbaş, S., Doğruel, F., and Güneş, M., (2002), "Türkiye'de bölgesel yakınsama: Kalkınmada öncelikli iller politikası başarılı mı?" *VI. ODTÜ Uluslararası Ekonomi Kongresi*, 11-14 Eylül, Ankara.
- Barro, R.J., Sala-i Martin, X., (1992), "Economic Growth and Convergence Across States and Regions", *NBER Working Paper Series*, 3410.
- Barro, R.J., (1996), "Determinants of Economic Growth: A Cross-Country Empirical Study", *NBER Working Paper Series*, 5698.
- Baldwin, R.E., Martin, P., Ottaviano, G.I.P., (1998), "Global Income Divergence, Trade and Industrialization: The Geography of Growth Take-offs", *NBER Working Paper Series*, 6458.
- Ben-David, Dan, (1997), "Convergence Clubs and Subsistence Economies," *CEPR Discussion Papers* 1745.
- Berber, M. Yamak, R. and Artan, S., (2000), "Türkiye'de Yakınlaşma Hipotezinin Bölgeler Bazında Geçerliliği Üzerine Ampirik Bir Çalışma: 1975-1997.", *9. Ulusal Bölge Bilimi ve Bölge Planlama Kongresi Bildiriler Kitabı*.
- Borluk, Sinan., (2014), *Interregional Income Distribution in Turkey: Convergence/Divergence Dynamics*, Unpublished PhD Thesis, Advisor: Prof. Dr. Berrin Ceylan ATAMAN, Ankara, Turkey.
- Mendez-Guerra, Carlos, (2014), "On the World Productivity Distribution: Recent Convergence and Divergence Patterns", *MPRA Paper* No.59811, <http://mpra.ub.uni-muenchen.de/59811/> (Accessed on 20/04/2015).
- Chen, J. and Fleisher, B.M., (1996), "Regional Income Inequality and Economic Growth in China", *Journal of Comparative Economics*, 22.

- Fields, Gary et al., (2015), Earnings mobility, inequality, and economic growth in Argentina, Mexico, and Venezuela”, *Journal of Economic Inequality* 13.
- Fischer, R.D., and Serra, P.J.,(1996), “Income Convergence Within and Between Countries”, *International Economic Review*, Vol.37, No.3.
- Johnson, P.A.,(1999), “A nonparametric analysis of income convergence across the US States”, *Economics Letters*, 69.
- Karaca, O., (2004), “Türkiye’de Bölgelerarası Gelir Farklılıkları: Yakınsama Var Mı?”, *Türkiye Ekonomi Kurumu Tartışma Metni*, No:2004/7.
- Kuznets, S.,(1955), “Economic Growth and Income Inequality”, *American Economic Review*, pp.1-28.
- Kırdar, M., Saraçoğlu, Ş., (2012), “İç Göç, Bölgesel Yakınsama Sorunu ve Ekonomik Büyüme: Türkiye Örneği”, *Türkiye Ekonomi Kurumu Tartışma Metni*, No:2012/75.
- Mutlu, S., (2012), “Bölgesel Farklılaşmanın Nedenleri ve Türkiye Bağlamında Bölgesel Geliştirme Stratejileri”, *Tartışma*, TEK, No. 2012/56.
- Özsabuncuoğlu, İ.H., Direkçi, T. (2012), “Seçilmiş Bazı Makro Ekonomik Değişkenlerin Türkiye’de Bölgesel İstihdama Etkisi”, *Tartışma*, TEK, No. 2012/86.
- Önder, Z., Özyıldırım, S., (2012), “Role of Bank Credit on Local Growth: Do Politics and Crisis Matter”, *Journal of Financial Stability*, No.9.
- Sala-i Martin, X.X., (2002), “ The Disturbing “Rise” of World Income Inequality”, *NBER Working Paper*:8904.
- Slaughter, M.J., (1997), “Per Capita Income Coverage and the Role of International Trade”, *American Economic Review*, Vol.87, No.2.
- Quah, D.T., (1996), “Growth and Convergence in Models of Distribution Dynamics”, *The Economic Journal*, Vol. 106, No. 437.
- Tamura, R., (1991), “Income Convergence in an Endogeneous Growth Model”, *Journal of Political Economy*, Vol. 99, No. 3.
- Tuncer, İ., Özügürlü, Y., (2004), “Türkiye Ekonomisinde Büyüme ve Sektörel Üretkenlik Analizleri: Bölgesel Karşılaştırmalar, 1980-2000”, *Tartışma*, TEK, No. 2004/24.
- TurkStat,(2014), Income and Living Conditions Survey, 2013, <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=16083> (Accessed on 26/05/2015).
- Voyvoda, E., (2012), “Türkiye Ekonomisinde Kamu Maliye Politikaları ve Büyüme İlişkisi Üzerine Bir Değerlendirme”, www.econstor.eu, (Accessed 10/12 2013).
- Wahiba, Nasfi Fkili, (2015),“Convergence And Divergence Among Countries”, *Asian Economic and Financial Review*, 5(3): 510-520: <http://www.aessweb.com/journals/5002> (Accessed on 15/09/2015).

3 Lithuanian youth integration into labour market

Problems and solutions

Ausra Repeckiene and Renata Zvireliene***

Abstract

The labour market situation in recent years showed an increasing scope of youth unemployment that exceeds the overall unemployment level; however it varies from one region of the world to another. In the last years, the youth unemployment rate in the European Union and Lithuania has been unacceptably high; increasing long-term unemployment of the youth is a particular cause for concern. In Lithuania, the problem of youth involvement in the labour market has been analysed since the restoration of independence, as the market situation has been deteriorating and unemployment increasing yearly. The youth unemployment problem became especially acute in the years of recession, when in 2011 every tenth individual aged 15-24 was unemployed. The paper examines the trends of the youth situation in the Lithuanian labour market and measures and initiatives applied by various institutions of the country to promote youth employment (e.g. entrepreneurship), and presents the findings of the empirical research carried out to analyse the obstacles for the young people to become engaged in entrepreneurship.

Keywords: youth, unemployment, integration to labour market, entrepreneurship, Lithuania.

Introduction

The issues of youth integration in the labour market have always been an object of scientific and political debates; however they have gained special significance in the recent decades, when the decreasing trend of the youth participation in the labour market has been observed and it has been taking longer for the young people to find jobs after completing training or graduation or they have been finding it more difficult to find permanent and well paid jobs.

* Assoc. Prof. Dr. Kaunas University of Technology, ausra.repeckiene@ktu.lt

** Assoc. Prof. Dr. Kaunas University of Technology, renata.zvireliene@ktu.lt

The economic crisis that started as a financial crisis (in 2007–08) and the ensuing recession affected the economies of countries globally and the productivity and employment of the labour force. In particular the impact of the crisis was felt among the weakest segment of the labour force – young people¹, whose employment prior to the crisis (2002–07) displayed the globally decreasing trends of youth unemployment. In many countries of the world, youth unemployment remained many times higher than that of other age groups. As global statistical data show, in 2010 youth unemployment reached the level of 2005–12.7 per cent, and in 2011 it was 12.6 per cent; in the meantime, the overall and adult unemployment level was substantially lower, i.e. 4.6 per cent and 6.1 per cent in 2010 and 4.5 per cent and 6.0 per cent in 2011 respectively (ILO, 2012: 33). The youth unemployment rate in 2012 was estimated at 18.1 per cent and represented the highest level in advanced economies in the past two decades (ILO, 2013: 10). The global level of youth unemployment does not tend to decrease and it is forecast that it would remain high until 2018 (in 2015–17, 12.7 per cent; in 2018, 12.8 per cent) (ILO, 2015: 107).

In the European Union, youth unemployment had already reached a critical level. In 2008–12, the highest level of unemployment over the last decade was recorded in at least ten of the EU countries, including the Euro zone. According to the data provided by Eurostat, the highest rate of unemployment among young people in 2011 was recorded in Spain at 46.4 per cent, followed by Greece – 44.4 per cent, Slovak Republic – 33.5 per cent, and Lithuania – 32.9 per cent. In the neighbouring countries of the Baltic Sea region, the youth unemployment rates were as follows: Latvia – 31.1 per cent, Estonia – 22.3 per cent, and Poland – 28.8 per cent. In 2011, more than 50 per cent of the young unemployed in the Czech Republic, Spain, Slovenia, Estonia and in other EU member states could not find jobs longer than 6 months. In the second quarter of 2012, more than half of the economically active youth population in Greece and Spain were unemployed (ILO, 2013: 11).

Although the EU labour market seems to be recovering, the newly created jobs are not sufficient, while the youth unemployment rate remains high and often exceeds the adult or overall unemployment rate. The youth unemployment rate that had been rising since the beginning of crisis decreased to 22.2 per cent in EU-28, and to 19.3 per cent in Lithuania in 2014; however it still remained rather high compared to the period of 2005–2007, when the youth unemployment had reached the minimal level of 15.2 per cent (Eurostat, 2015). Thus the risk associated with youth unemployment remains high, seeing as this group is defined as the most insecure group that is sensitive to labour market segmentation, may experience long-term unemployment or belong to the most vulnerable NEET social group, that is, neither in Education, Employment, or Training (European Commission, 2012a).

Youth unemployment has a considerable negative economic and social impact on both the public and young people (their careers and quality of living, job

¹ According to Eurostat, young people are considered to be those aged 15–24.

satisfaction), and eventually limits economic growth opportunities of the country and region. In order to remain competitive, Europe should increase the share of qualified labour; therefore, its welfare largely depends on its youth.

Seeking to retain the potential of economic growth and to neutralise the negative demographic and social changes, as well as in consideration of the recommendations of the Council of the European Union, Lithuania must solve problems associated with the labour market, which includes: reducing the high level of poorly qualified employees and long-term unemployment; changing legislation pertaining to employment law and the social benefits system that impedes the growth of employment; enhancing the possibilities for young people to find jobs through improvement of implementation and effectiveness of apprenticeship schemes; and solving the constant mismatch of the demand and supply of competencies (European Commission, 2014: 9; European Commission, 2012b).

In consideration of the fact that youth unemployment remains rather high in Lithuania, whereas the Council of the European Union, after assessing the national reform programmes of Lithuania for 2012–15, recommended for Lithuania to strengthen the integration of able-bodied young people into the labour market, the authors of this chapter analyse the trends of the youth position in the Lithuanian labour market. This chapter examines the measures and initiatives employed by various institutions of the country to promote youth occupation (e.g. entrepreneurship) and present the findings of the empirical research analysing the obstacles for the young people to engage in entrepreneurship.

Trends of the youth position in the Lithuanian labour market

Research into the problem of unemployment in Lithuania commenced only after the country regained its independence (1990), as the number of unemployed individuals started growing each year and the national economy faced consequences of the transition from a planned to a market economy responding to challenges of both internal and external environment: collapse of the Soviet economic system; Russia's financial crisis; requirements for integration into the common market of the EU, etc. (Pocius, Okunevičiūtė-Neveauskienė, 2005: 30; Kuodis, 2008: 97).

In the countries of Central and Eastern Europe, which have undergone changes, the impact of the transition changed two main labour market outcomes: the level and structure of employment, and the level and distribution of wages (Rashid, et al., 2005: 61). During the transition period, unemployment rates were high (usually exceeding 10 per cent and in some cases reaching 20 per cent) and persistent in transition countries, particularly in Poland, Bulgaria, the Slovak Republic, and Lithuania. According to statistical data, the average yearly registered unemployment rate was 3.8 per cent in 1994, and in 2001 it increased to 12.5 per cent (Statistics Lithuania, 2004).

The deteriorating condition of the labour market revealed a burning issue: growing unemployment among youth, i.e. employable people aged 15–24. In 2003, the youth unemployment rate amounted to 24.8 per cent and was almost twice as high as the general unemployment rate in the country (see Table 3.1) (Statistics Lithuania, 2004). In their analysis of the development of the Lithuanian labour market, Pocius and Okunevičiūtė-Neverauskienė (2005: 31) identified the main causes of unemployment: lack of qualification and work experience, rapid change in the economic infrastructure, low labour compensation, increased requirements for product quality, company bankruptcies, imperfect legal framework, etc. This prompted many young people to move to the Western European countries seeking illegal employment (before Lithuania's accession to the EU in 2004).

In 1997–2003, after more than 100,000 young people of employable age left the country's labour market, the activity of youth in the labour market dropped from 49 per cent (1997) to 30 per cent (2003) (Statistics Lithuania, 2000; 2004). Such reduction in the labour force was (and remains until now) detrimental for the Lithuanian labour market.

Lithuania's economy was consolidating after the country became a full-fledged Member State of the EU and started to receive financial support from the Community: in 2004–07 the national GDP grew on an average by 8 per cent annually, while inflation was relatively low at 3.3 per cent (Kuodis, 2008: 103). At the stage of the economic upturn, the rapidly growing Lithuanian economy formed favourable conditions for boosting employment and reducing the unemployment rate of young people (see Table 3.1). The youth employment rate was 21.1 per cent in 2005 and increased to 26.7 per cent in 2008 (Statistics Lithuania, 2007).

In 2003–07, with the country's economy rapidly recovering and continuing emigration for employment and education purposes, the number of vacant jobs was increasingly growing, while the number of unemployed individuals and the rate of unemployment were decreasing. The unemployment rate decreased from 12.5 per cent in 2003 to 4.4 per cent in 2007 (Statistics Lithuania, 2008), although the youth unemployment rate exceeded the general level (see Table 3.1). Since many young people emigrated from Lithuania during the period under consideration, their unemployment rate dropped to 8.2 per cent in 2007, while in 2009 it reached 9.8 per cent and 24.8 per cent in 2003 (Statistics Lithuania, 2008).

Table 3.1 Employment indicators of Lithuanian youth and people of employable age (per cent)

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Aged 15–24															
Activity rate	36.3	32.6	30.7	30.0	26.2	25.0	26.3	27.4	30.8	30.3	29.6	29.4	29.3	31.5	34.2
Unemployment rate	30.0	31.1	23.0	24.8	22.5	15.7	9.8	8.2	13.4	29.2	35.1	32.9	26.7	21.9	19.3
Employment rate	25.4	22.5	23.6	22.6	20.3	21.1	23.7	25.2	26.7	21.5	19.2	19.7	21.5	24.6	27.6
Aged 15–64															
Activity rate	70.5	69.4	69.3	69.7	69.0	68.3	67.4	67.9	68.4	69.8	70.5	72.0	71.8	72.4	73.7
Unemployment rate	16.7	17.6	14.0	12.5	11.5	8.4	5.7	4.4	5.9	13.9	18.1	15.6	13.6	12.0	10.9
Employment rate	58.7	57.2	59.6	60.9	61.1	62.6	63.6	64.9	64.3	60.1	57.8	60.7	62.0	63.7	52.6

Source : Statistics Lithuania

The national economy was exposed to new threats, including the real estate bubble that burst in 2008, aggravation of the situation in the energy sector, budget crisis, and the global economic crisis (Kuodis, 2008: 104). The last months of 2008 were characterised by sharp and rapid unemployment growth, causing a decrease in the employment rate of all age groups, with the employment rate among young people dropping below the employment rate of the older population (Lithuanian Labour Exchange, 2008). The employment rate of people aged 15–24 decreased from 26.7 per cent (in 2008) to 21.5 per cent (in 2009), while the employment rate of people aged 15–64 dropped by 4.2 percentage points in 2009 (Statistics Lithuania, 2009).

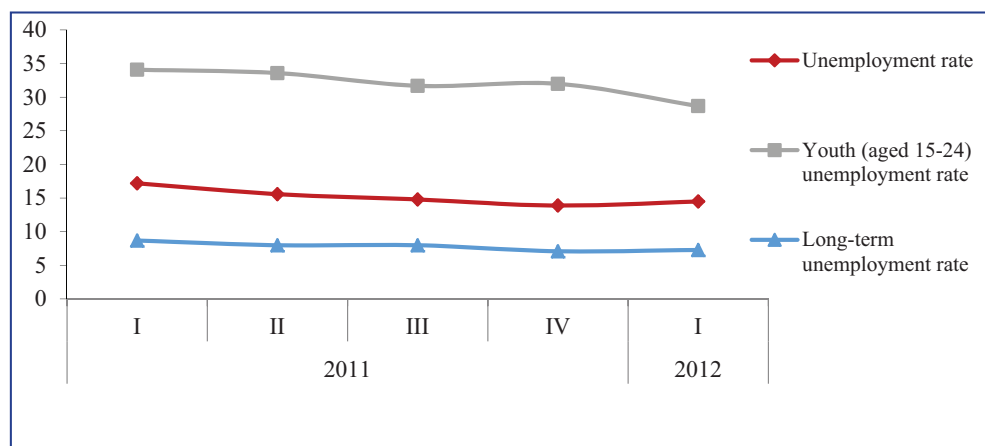
In 2009, every twelfth person at the age of 15–74 was unemployed. The unemployment rate increased to 13.7 per cent in 2009 and was 2.4 times higher than that in 2008. Finding a job became an increasingly difficult task for young people without working experience; which in turn contributed to the increase in the unemployment rate which reached 29.2 per cent. In 2009, every eleventh young person was unemployed, while in 2008 the same applied to every twenty-fourth person (Statistics Lithuania, 2010).

In 2010 the employment rate of the population was dropping, the numbers of employed people decreased. In 2010 the youth employment rate was 19.2 per cent (57.8 per cent and 48.6 per cent among the groups of people aged 15–64 and 55–64, respectively), and decreased by 2.3 percentage points over a year (Statistics Lithuania, 2011).

In 2011 statistics showed a high youth unemployment rate, which amounted to 32.9 per cent (compared to the general unemployment rate of 15.4 per cent for the country's population at the age of 15 and above). The unemployment rate among young men of this age group reached 34.6 per cent, and for young women was 30.4 per cent. In rural areas, the unemployment rate of people at the age of 15–24 was higher than in urban areas and amounted to 40.9 per cent (compared to 27.6 per cent in urban areas).

Pursuant to the data of the Statistics Lithuania, the number of people at the age of 15–24 employed in the national economy in the first quarter of 2012 was 88,900, which indicates that the numbers dropped by 900 compared to the fourth quarter of 2011. In the first quarter of 2012, the youth employment rate amounted to 19.8 per cent, i.e. over a quarter it increased by 0.4 per cent. In the first quarter of 2012, every fifth person aged 15–24 was employed. Youth unemployment rate in the country decreased by 3.3 per cent, compared to the fourth quarter of 2011, and amounted to 28.7 per cent (see Figure 3.1).

Figure 3.1. Unemployment rate in 2011-2012 by quarters (per cent) in Lithuania



Source: Statistics Lithuania

In the first quarter of 2012 there were 359,000 unemployed persons aged 15–24. Compared to the fourth quarter of 2011, their number decreased by 6,300 (14.9 per cent). Therefore, each thirteenth person was unemployed. Over that quarter 324,900 (72.2 per cent) of young people were economically inactive. Out of them, 92.4 per cent were studying in a higher, professional, or general education institution (Statistics Lithuania, 2013).

In recent years, youth unemployment has been decreasing, and in 2013 registered unemployed people of this age group represented 21.9 per cent, i.e. less by 4.8 per cent compared to 2012. In 2014, youth unemployment has been further decreasing – 19.3 per cent of employable people aged 15–24 had no jobs. In 2014, every fifteenth, and in 2013 – every fourteenth individual aged 15–24 were unemployed (Statistics Lithuania, 2015).

Measures and initiatives reducing youth unemployment in Lithuania

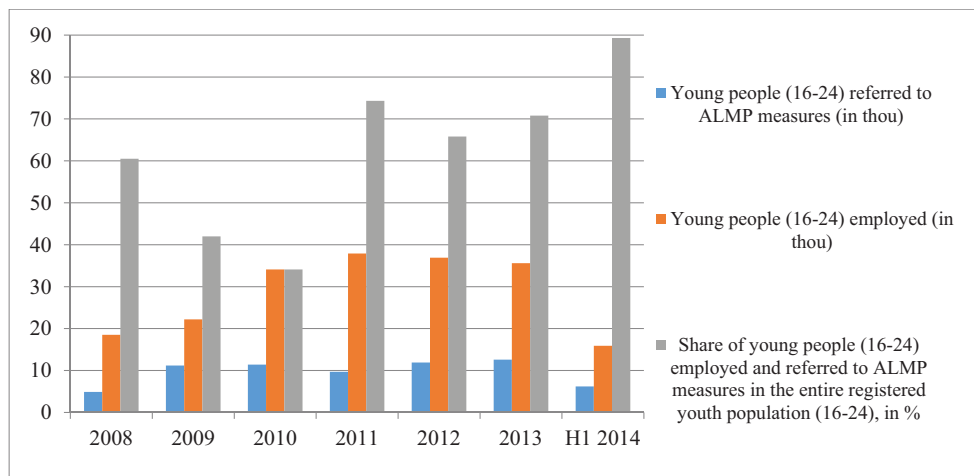
To increase the employment of youth and reduce youth unemployment caused by the economic crisis in Lithuania, implementation of various measures and initiatives was started and coordinated during the crisis and afterwards by various institutions of the country, such as the Government of the Republic of Lithuania and Lithuanian Labour Exchange, and public enterprises (for example, Enterprise Lithuania), organisations of business employers and non-governmental organisations.

In March 2012, the Government of the Republic of Lithuania approved measures to promote youth employment, focusing on how to reach the balance between the supply of the education system and the demand in the labour market; develop working skills of young people in the education system; support young people to start a business; effectively use active labour market measures; and more flexibly regulate industrial relations and cooperation between public institutions and NGOs in boosting youth employment (European Parliament, 2013).

In response to the recession gaining momentum in the country, amendments to the Law on Support to Employment were adopted in 2009, paying much attention to the employment policy instrument – measures of active labour market policy (ALMP). At that time, no special ALMP measures were planned for the young people of Lithuania as a target group as was done in some of the European countries (e.g. UK, Malta, Iceland, Belgium, Netherlands and Austria) (European Commission, 2011: 18). Despite this, the Lithuanian Labour Exchange provides for all people of working age, including youth, various labour market services (provision of information and counselling, and employment mediation) and implements labour market active policy programmes, such as: vocational training (as well re-training or skills improvement programmes); supported employment (for example, public works); subsidised employment; support for the acquisition of professional skills; support for job creation; promotion of subsidised employment; and support for self-employment (Lithuanian Labour Exchange, 2010).

The dynamics of youth employment and participation in the active measures of the labour market are presented in Figures 3.2 and 3.3. As shown by the statistical data of Lithuania, as of 2009, twice as many young people have been referred to the measures of active labour market than in 2008 (11,200 and 4,900 respectively in 2009 and 2008). It is evident that the youth involvement in the programmes coordinated by the Lithuanian Labour Exchange increases yearly.

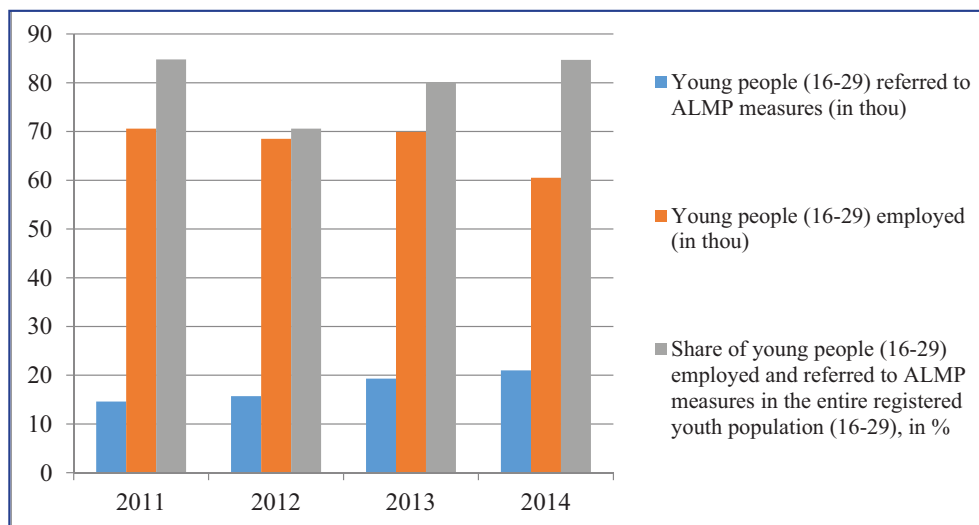
Figure 3.2. Employment and participation in ALMP of young people (16-24) in 2008-2014 in Lithuania



Source: Lithuanian Labour Exchange

In 2011, 9,700 young people under 25 were referred to the measures of active labour market, in 2012 – 11,900 and in 2013 – 12,600 (Lithuanian Labour Exchange, 2014).

Figure 3.3. Employment and participation in ALMP measures of young people (16-29) in 2011-2014 in Lithuania



Source: Lithuanian Labour Exchange

Seeking to utilise the youth potential more actively and to help young people join and establish themselves in the labour market, youth unemployment reduction was declared to be one of the priorities of the Government of the Republic of

Lithuania for 2014. During 2014, 21,000 young unemployed people under 29 were referred to ALMP programmes (19,300 in 2013); 13,000 were under 25 (12,600 in 2013). Most of the young people under 29 are employed through grants and they also take an active part in other ALMP programmes, i.e. measures for promotion of vocational training or acquisition of working skills. From the analysis of self-employment of youth in recent years, it can be seen that mostly young people engage in individual activities under a business license. In 2014, 7,500 unemployed young people under the age of 29 obtained business licenses, in 2013 – 6,500; among them, those younger than 25 comprised 4,800 (4,200 in 2013) (Lithuanian Labour Exchange, 2015). Although in 2014 the number of young people aged 16-29 who were referred to the ALMP measures went up to 21,000 (14,600 in 2011), the number of the employed young people (16–29) decreased: in 2011, 70,600 young people found jobs, in 2014 – 60,500. Nonetheless, the share of the young people (ages 16–29) employed and referred to the ALMP measures within the total registered population aged 16–29 remained very similar and comprised 84.8 per cent in 2011 and 84.7 per cent in 2014 respectively.

Lithuania also runs EU funded projects to help young people gain necessary skills in a workplace, provides assistance for the first job, and subsidised employment. One of these is a project titled “Be Active in the Labour Market” that was successfully implemented from 15 July 2010 until 31 January 2012 by the Lithuanian Labour Exchange. Within the framework of this project, almost 3,000 people were sent to participate in the measure supporting the acquisition of working skills and over 3,000 young people were employed under the subsidised employment measure² (European Parliament, 2013).

Another project titled “Boosting Youth Employment” was launched on 1 August 2012. Funded by the European Social Fund, the project was aimed at strengthening the competitiveness of young people in the labour market, as well as promoting employment by compensating employers for a part of the costs incurred when employing young people. The project encompasses subsidised employment and support for working skills acquisition. Employers who employ young people for the purpose of acquiring working skills receive a subsidy to compensate for the wages paid to each employed person and the insurer’s compulsory state social insurance contributions calculated from these wages (European Parliament, 2013).

The other measure, which lasted from 1 July 2010 until 31 July 2012, supported employers hiring young people employed under a contract for the first time, including reduction of social insurance contributions from 31 per cent to 7.7 per cent and exemptions from pension insurance premiums. As of 1 August 2012, a new form of support was introduced, in which compensation for a part of wages is paid. This means that employers have to pay all social insurance contributions, including

² Over 5,000 people or 83 per cent of project participants were employed under the first measure. Around 6,000,000 euros of the European Social Fund was used to run the project.

pension insurance premiums, for their employees but they receive compensation for a fixed share of wages paid (European Parliament, 2013).

To improve young people's access to the labour market, Lithuania also applies high quality industrial placements and traineeships during education and enables learning in the workplace (Seimas of the Republic of Lithuania, 2014).

It is important to note that in 2013 the National Youth Policy Development Programme 2011–19 was implemented. This step is important for creating a harmonious environment as well as preconditions for the development of continuing youth policy in Lithuania. Further, the Plan Implementing the Youth Guarantee was also approved in 2013. It aims to ensure that all young people, up to age 29, who are capable and willing to work receive an offer of employment, continued education, including the vocational training form of apprenticeship, traineeship or work placement for the purposes of acquisition of professional skills in the workplace within four months of leaving school or becoming unemployed (Ministry of Social Security and Labour, 2014: 14). The main objectives implementing the Youth Guarantees are to ensure that the education system prepares the necessary specialists and employees for the labour market, to encourage young people to choose professions that are in demand in the labour market, and to ensure that the curricula and certificates comply with the international standards. Seeking to implement this initiative as effectively as possible, a partner network was built; on 14 January 2014, representatives of ministries, business, and employer, employee and youth organizations signed a memorandum of cooperation. It is expected that the fruits of this cooperation will be seen within a few years.

Entrepreneurship promotion as the way to reduce youth unemployment

Becoming especially acute during and after the crisis, the Lithuanian youth unemployment problem impelled the Lithuanian employment policymakers to jointly search for ways to solve this problem. Regardless of various measures being implemented, from vocational guidance to tax exemptions for the creation of new jobs, in the opinion of many experts, encouraging young people to engage in business and thus create jobs for themselves and others is a more effective way to ensure the creation of new jobs. Entrepreneurship training and promotion policy is implemented through the priority action direction of the Lithuanian National Reform Programme (NRP) to improve conditions for business, individual work, and new job creation and to promote job creation and demand for labour (Gruzevskis and Blaziene, 2013: 15).

More than 100 million euros have been used for the implementation of entrepreneurship promotion projects in Lithuania over the financing period 2007–13 with EU structural funds. The biggest share of the EU funds (70 million euros) was used to support development of businesses started by young people. Another 14.5 million euros were allocated to the development of competencies ascribed to

entrepreneurship; slightly more than 6 million euros were spent on tax exemptions; 6.3 million euros were used to finance the starting costs of businesses; entrepreneurship development through theoretical trainings cost about 5 million euros and practical trainings cost 4.8 million euros, while the consulting and assistance to start up a company received 4.5 million euros (Verslo Žinios, 2013).

To promote entrepreneurship in Lithuania, the Entrepreneurship Promotion Fund was established by the Ministry of Social Security and Labour, the Ministry of Finance and the private company UAB “Investicijų ir verslo garantijos” (INVEGA). The objective of this measure is to enable micro and small businesses and individuals to launch their start-ups with support of a soft loan (up to 25,000 euros) for training and consulting as well as for drafting and implementing a business plan (European Parliament, 2013). As many 661 representatives of small businesses received loans from the Entrepreneurship Promotion Fund during the period of 30 July 2010 – 31 December 2013; 3,699 people (1,959 men and 1,740 women) took part in trainings and 1,423 new jobs were created through 31 December 2013 (Ministry of Economy of the Republic of Lithuania, 2014). Retail and wholesale, public catering, beauty services, short-term rent of machinery, leisure organisation and advertising companies were the most active in receiving loans from the fund. Compared to other target groups, young people use this type of assistance actively.

Since 1 September 2012, a new form of legal entity – a small partnership – has been established which is very convenient and attractive for small and family businesses, start-ups, and anyone who was previously hesitant to create a start-up due to fear of high costs and complicated procedures relating to starting a venture. According to the Centre of Registers, 1,208 small partnerships were set up in September-December 2012 (European Parliament, 2013).

Implementation of 13 European Union structural measures (for example, Intellect LT, Intellect LT+, Inoklaster LT+, E-Commerce LT, Invest LT+, Invest LT-2, Assistant -3 etc.) led to creation of new jobs and keeping old ones. As of 16 January 2013 the projects implemented in this framework led to the creation of 1,641 new jobs (European Parliament, 2013). With regard to the EU funds used for the youth entrepreneurship promotion, structural measures of Intelektas LT+ (€46,2 million), “Integration of job seekers in the labour market” (€20,8 million), Invest LT-2 (15.1 million euros), and Asistentas-3 (€12,2 million) were used the most frequently (Verslo Žinios, 2013).

Another of the actively used initiatives in Lithuania includes the events promoting entrepreneurship that are organised annually by Enterprise Lithuania, which attract a large number of participants, especially 15–29 year olds. The aim of these events is to develop a positive public approach to business, develop youth entrepreneurship skills, encourage start-ups and expand corporate activities. In 2012, 64 events were held in five Lithuanian cities (Kaunas, Klaipėda, Panevezys, Alytus and Vilnius) and were attended by almost 15,000 people with nearly 70,000 watching live broadcasts on the Internet. Participants in the entrepreneurship promotion

events receive first business year baskets, which include consultations and training in marketing, strategic management, negotiating, financing and accountancy, and office services. In 2012, 1,088 baskets were distributed and 734 companies were set up (European Parliament, 2013; European Commission, 2013; Ministry of Economy of the Republic of Lithuania, 2014; European Commission, 2014).

As can be seen, in recent years particular attention has been given in Lithuania to entrepreneurship promotion, especially targeting youth. Unfortunately, in 2012 the Global Entrepreneurship Monitor revealed that people in Lithuania do not have sufficient experience to start and run a new and rapidly growing business; they are incapable of responding quickly and organising the necessary resources for the business. Moreover, 6 out of 10 residents state that they do not have sufficient knowledge, skills and experience to set up a new business (Ministry of Economy of the Republic of Lithuania, 2014). Young people of Lithuania are among the most proactive in the European Union in terms of dreams or willingness to start up a business. This is also illustrated by international research data: the entrepreneurship level in Lithuania is one of the highest in Europe, especially in the youngest (18–24) age category. However, in reality not a lot of young people start their own business and it is, therefore, important to analyse the obstacles to young people starting a business.

Obstacles for the young people of Lithuania to get engaged in entrepreneurship

The roots of entrepreneurship lie within the individual as well as the social culture, and the decision to start up a business is determined by rather diverse motives (Stripeikis, 2008: 167). Some of them pertain to the necessity to establish a business due to negative developments of circumstances (e.g. unemployment), while others concern the emergence of a business opportunity. Furthermore, the motivation to engage in business is affected by business initiatives and such factors as the wish to become rich, striving to be independent, willingness to show one's abilities, to create a job for oneself and to implement one's ideas, and the need for self-realisation (Pruskus, 2003: 224).

When analysing the post-crisis period, the young people of Lithuania were forced to start their own businesses by the high youth unemployment rate and were encouraged by various entrepreneurship promotion programmes and measures. Moreover, in recent years the possibilities to start a business in Lithuania were assessed as better than average. Nonetheless, young people still find themselves in a worse situation in terms of entrepreneurship than the remaining part of the society; young residents of the country are not overly willing to engage in business, and after starting it they constantly encounter obstacles.

Seeking to determine the obstacles for the young people of Lithuania to engage in entrepreneurship, in 2013, the authors of this chapter carried out research³ on the subject, “Experience of youth involvement/participation in entrepreneurship,” aimed at discovering the categories of internal and external factors that created barriers for young people to get engaged in entrepreneurship. The research sample consisted of 1,311 respondents. The target group of the research involved young people aged 21–24 from 28 higher education institutions of Lithuania, who were final-year students at the time of research. A survey questionnaire was selected as the method for the collection of data, and an instrument was compiled – a questionnaire comprising 19 indicators encoding positive and 6 encoding negative meanings, which were evaluated by the research participants based on their experience.

The research revealed that respondents aged 21–24 who started or developed their own business had comprised just 6.9 per cent of all employed participants who took part in the survey. Men tended to start their own business more frequently than women. It was established that the majority of the young people (72 per cent) who participated in the survey had never tried to develop their business and as a result never encountered obstacles, while those who intended to create or created a business had experienced difficulties and their number comprised approximately 7 per cent.

The major obstacle when starting/creating a business is fear determined by internal factors (fears of cultural-psychological origin, lack of entrepreneurship and business traditions) and external factors (fear of financial risk, obstacles to information dissemination, expensive infrastructure), which hinder young people from attaining their objectives and form the inactive behaviour model of the young people. The lack of self-sufficiency and the lack of the need for self-realisation of the young people manifest as an irrational force (fear), changing their inner state and external behaviour – they are not willing to take over the family business or start their own business. Another important group of obstacles is associated with rationality – fear of financial risk and information dissemination. Low possibilities and high costs of obtaining credit for starting a business or credit not being granted were identified as the factors hindering from starting or developing a business. Moreover, the young people still noted the lack of information about starting a business and potential business financing sources as significant obstacles when developing business. Thus, the measures focused on youth entrepreneurship promotion are not used effectively, although they are being identified as the strongest element in the entrepreneurship support system (OECD, 2015: 8; PWC, 2012: 91).

In the media, an opinion often prevails that personal qualities, skills, competencies and nature of the beginning entrepreneur have more impact on business start-up than the environmental factors. It turns out that the entrepreneurship of the Lithuanian youth is “blocked” not just by the lack of entrepreneurship skills and

3 Research was carried out under the project “Research of employment mobility of students” and financed by the Research Council of Lithuania (Contract No. SIN-12/2012).

knowledge, but also by the lack of business traditions in the country⁴. This shows that the development of entrepreneurship culture among the young people is particularly important when seeking to help them better understand the role of business people and to form a positive attitude towards business and entrepreneurship.

However, as the research showed, environmental factors are often the ones that disrupt and hinder young people from starting the business. Unstable financial and regulatory policies of the state and lack of information about business establishment remain the major “external brakes” impeding the business creation and development by the young people of Lithuania. As long as these are not eliminated, other forms of entrepreneurship promotion remain a secondary matter.

In summary, it can be stated that in Lithuania the all-encompassing approach to the development, promotion of and support to the youth entrepreneurship is lacking. Youth entrepreneurship falls within the scope of two areas of state intervention – youth policy and entrepreneurship policy – and simultaneously within the field of activities and interests of several state institutions; as a result, uncertainties and problems of coordinated action arise. Consequently, institutions in charge of this area should strive for effectiveness enhancement, and improvement of measurement and monitoring, while defining and monitoring the indicators that reflect the effectiveness of the youth entrepreneurship projects, measures and measure combinations in terms of quality; they should also apply and combine various measures in different stages of youth entrepreneurship development and use more advanced measures that have proved their effectiveness in other countries.

Conclusions

Youth unemployment is an acute problem in Lithuania as well as in the European Union as a whole. Young people, who due to the lack of knowledge, competencies, financial and social capital, and professional experience find themselves in a worse position in terms of inclusion in the labour market than the remaining part of the society, constitute one of the most sensitive groups. Seeking to use the youth potential more actively and to help young people join and establish themselves in the labour market, many measures and initiatives for youth unemployment reduction are being implemented in Lithuania, ranging from vocational guidance to tax exemptions and the promotion of young people to engage in business and create a job for themselves and others, thus directly contributing to the solution of the unemployment problem. Youth entrepreneurship promotion remains one of the priority activity directions of Lithuania and funds are allocated for that purpose, with the major share of them representing EU structural aid. After assessing the effectiveness of entrepreneurship measures being applied, coordination of actions, alignment of entrepreneurship

4 This results from forced membership of Lithuania in the Soviet Union that lasted for 50 years, ineffective planned economy and absence of a private sector.

promotion measures and well-directed focus on promotion of and support for youth entrepreneurship are required by all of the involved institutions of the country.

References

- European Commission (2011), European Employment Observatory Review Youth employment measures, 2010 (Luxemburg). <http://ec.europa.eu/>
- European Commission (2012a), Employment and Social Situation Quarterly Review, 2012, June. <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1389&furtherNews=yes> (20.07.2015).
- European Commission (2012b), “Assessment of the 2012 national reform programme and convergence programme for Lithuania”, http://ec.europa.eu/europe2020/pdf/nd/swd2012_lithuania_en.pdf (15.07.2015).
- European Commission (2013), Lithuania: National Reform Programme 2013 (Vilnius). http://ec.europa.eu/europe2020/pdf/nd/nrp2013_lithuania_en.pdf (30.07.2015).
- European Commission (2014), Lithuania: National Reform Programme 2014 (Vilnius). http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_lithuania_en.pdf (25.07.2015).
- European Parliament (2013), http://www.europarl.europa.eu/webnp/webdav/site/myjahiasite/users/malfons/public/week_per_cent202013/EMPL_per_cent20meeting_per_cent20file.pdf (15.07.2015).
- Eurostat (2015), http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics (30.07.2015).
- Gruzevskis, Boguslavas and Blaziene, Inga (2013), *Social and employment situation in Lithuania. Note*, (Brussels: European Union).
- ILO (2012), Global Employment Trends 2012. Preventing a Deeper Job Crisis (Geneva).
- ILO (2013), Global Employment Trends for Youth 2013. A Generation at Risk (Geneva).
- ILO (2014). Global Employment Trends 2014. Risk of a Jobless Recovery? (Geneva).
- ILO (2015), Global Employment Trends for Youth 2015 (Geneva).
- Kuodis, Raimondas (2008), “Lietuvos ekonomikos transformacija 1990-2008 metais: etapai ir pagrindinės ekonominės politikos klaidos” [Lithuanian Economic Transformation in 1990-2008: Stages and the Main Economic Policy Mistakes], *Pinigų studijos*, 2, 97-105.

Lithuanian Labour Exchange, (2010). Annual Report, 2010 (Vilnius).

Lithuanian Labour Exchange, (2014), http://www.ldb.lt/Informacija/DarboRinka/Publikacijos/Attachments/2958/Jaunimo_per_cent20situacijos_per_cent20darbo_per_cent20rinkoje_per_cent20apzvalga_per_cent202014_per_cent20m_per_cent20I_per_cent20pusmetis.pdf (29.07.2015).

Lithuanian Labour Exchange, (2015). http://www.ldb.lt/Informacija/DarboRinka/Publikacijos/Attachments/2966/Jaunimo_per_cent20situacija_2014.pdf (29.07.2015).

Lithuanian Labour Exchange under the Ministry of Social Security and Labour (2008). Labour Market Tendencies in 2008 (Vilnius).

Ministry of Economy of the Republic of Lithuania (2014), Lietuvos Verslumo Veiksmų 2014-2020 Metų Planas [Lithuania's Entrepreneurship Action Plan in 2014-2020], http://www.ukmin.lt/uploads/documents/Verslumo_veiksm_per_centC5_per_centB3_planas_2014-2020_1.pdf (25.07.2015).

Ministry of Social Security and Labour (2014), The Social Report 2013-2014 (Vilnius).

OECD (2015), Supporting youth entrepreneurship in Lithuania. A review policies and programmes (Paris: OECD).

Pocius, Arūnas and Okunevičiūtė-Neverauskienė, Laima (2005), "Ekonomikos Nuostolio Dėl Lietuvos Darbo Rinkos Pokyčių Įvertinimas" [Evaluation of the Economical Loss Caused by Changes of Lithuanian Labour Market], *P pinigų studijos*, 2: 30-46.

Pruskus, Valdas (2003), *Verslo Etika: Laiko Iššūkiai Ir Atsako Galimybės* (Vilnius: Enciklopedija).

PWC (2012), Lietuvos Respublikos Finansų Ministerija. Jaunimo Verslumą Skatinančių Priemonių Vertinimas. Galutinė Ataskaita [The Ministry of Finance of the Republic of Lithuania. Measures to Promote Youth Entrepreneurship Assessment. Final Report (Vilnius). http://www.esparama.lt/es_parama_pletra (25.07.2015).

Rashid, Mansoor, Rutkowski, Jan and Fretwell, David (2005), "Labor Market", Nicholas Barr, *Labor Markets and Social Policy in Central and Eastern Europe: the Accession and Beyond*, (Washington, D. C.: The World Bank): 59-79.

Seimas of the Republic of Lithuania (2014). Lietuvos užimtumo rėmimo įstatymas No. X-694, 2014-07-23 [The Law on Support for Employment]. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=478633 (29.07.2015).

- Statistics Lithuania (2000), Lietuvos Statistikos Metraštis, 2000 [Statistical Yearbook of Lithuania 2000] (Vilnius).
- Statistics Lithuania (2004), Darbo Jėga, Užimtumas Ir Nedarbas, 1998-2003 [Labour Force, Employment and Unemployment 1998-2003] (Vilnius).
- Statistics Lithuania (2007), Darbo Jėga, Užimtumas Ir Nedarbas, 2000-2006 [Labour Force, Employment and Unemployment 2000-2006] (Vilnius).
- Statistics Lithuania (2008), Darbo Jėga, Užimtumas Ir Nedarbas, 2003-2007 [Labour Force, Employment and Unemployment 2003-2007] (Vilnius).
- Statistics Lithuania (2009), Darbo jėga, užimtumas ir nedarbas, 2004-2008 [Labour Force, Employment and Unemployment 2004-2008] (Vilnius).
- Statistics Lithuania (2010), Darbo Jėga, Užimtumas Ir Nedarbas, 2009 [Labour Force, Employment and Unemployment 2009] (Vilnius).
- Statistics Lithuania (2011), Darbo Jėga, Užimtumas Ir Nedarbas, 2010 [Labour Force, Employment and Unemployment 2010] (Vilnius).
- Statistics Lithuania (2013), <http://osp.stat.gov.lt/informaciniai-pranesimai?articleId=652792> (24.09.2013).
- Statistics Lithuania (2015), <https://osp.stat.gov.lt/informaciniai-pranesimai?articleId=3193867> (13.02.2015)
- Stripeikis, Osvaldas (2008), “Antrepreneriškumo formavimas Lietuvos smulkaus ir vidutinio verslo įmonėse” [Entrepreneurship Formation in Lithuanian Small and Medium-Sized Business], *Vadybos Mokslas Ir Studijos – Kaimo Verslų Ir Jų Infrastruktūros Plėtrai. Mokslo Darbai*, 15 (4): 165-174.
- Verslo Žinios (2013), <http://vz.lt/archive/article/2013/2/7/cv-lt-jaunimo-verslumo-skatinimo-priemones-nedarbone-pazaboja> (24.07.2015).

4 Lithuanian women's situation in the labour market

Employment, career motives and obstacles

Brigita Stanikūnienė and Nida Kvedaraite***

Abstract

After gaining its independence in 1990, Lithuania made commitments to the European Union strategies for gender equality. The authors of this paper aim to give the overview on Lithuanian women's situation in the labour market by depicting their employment rate in different areas of activity-education, politics and business – areas that focus on occupational segregation and gender pay gap. These are important indicators of gender equality in labour market. The article reviews recent official national and international statistical data, the academic literature and empirical findings of some research studies. The latter revealed the attitudes about motives and the main obstacles to female careers in Lithuania. The statistical analysis and empirical findings indicate that regardless of the increasing female employment rates and the high level of educational attainment of women, Lithuania's society still continues to prioritise a traditional gender system and maintain traditional gender-role stereotypes. Men dominate in decision-making positions in businesses, educational institutions and politics, so there are many issues to be discussed and changes to be implemented to achieve equal representation of women in Lithuania in the future.

Keywords: female employment, gender equality, occupational segregation, women career motives and obstacles

* Assoc. Prof. Dr. Kaunas University of Technology, brigita.stanikuniene@ktu.lt

** Assoc. Prof. Dr. Kaunas University of Technology, nida.kvedaraite@ktu.lt

Introduction

Lithuania, as a young democratic state that restored its independence in 1990 and transitioned to a market economy, has committed to the universal values of democracy, including a priority on gender equality, which is an important indicator of national culture and civilisation. Women's situation in the labour market, specifically, their employment, income level, career perspectives and obstacles are measured and addressed with special emphasis on gender equality. As Reigardienė (2004) claims, gender equality in Lithuania has been perceived as one of the main principles of democracy based on equality in rights, responsibilities and opportunities in various life spheres and equal treatment of both sexes. The policy of gender equity formally aims at achieving an equal share of influence in economics, public life and decision-making processes.

In Lithuania the development of gender equality policy was accelerated by the active growth of public women's organizations (Lithuanian Women Society founded in 1990; Women's Information Center founded in 1996) and the commitment to the European Union (EU) strategies for equality. Lithuania was one of the first post-Soviet countries to make significant progress in implementing legislation on equal opportunities between women and men. In 1998 the Law on Equal Opportunities between Women and Men came into force in Lithuania. In 1999 the Office of the Equal Opportunities Ombudsmen was established. It has a broad mandate in implementing gender equality principles, investigating causes and consequences of gender discrimination, and providing recommendations for legislative improvements to the state institutions.

The principle of equality between women and men has been reflected in governmental actions in a variety of fields, particularly in employment and labour, social protection, education and science, and culture. Increasingly much attention is given to ensuring equal opportunities of women and men through different programmes, public initiatives, projects, etc. The most significant national programmes were approved by the Government of the Republic of Lithuania: the first National Programme of Equal Opportunities of Women and Men was implemented in 2003-2004, the second – in 2005-2009 and the third – 2010-2014 periods. The latter aims to address problems of gender equality in the following areas of priority: employment, education and science, health-care, environmental protection, national defence, decision-making, and implementation of EU and international commitments for gender equality. These successful actions led to the establishment of the European Institute for Gender Equality in 2010 in Lithuania.

In recent years positive trends in female employment have been observed: the number of employed women has increased, the enrolment of Lithuanian women in higher education is higher than the average in the EU, and the number of women entrepreneurs has been increasing. However, statistical data and surveys (Dromantaitė – Stančikienė and Gineitienė, 2010:70) indicate that Lithuanian women are not sufficiently represented in decision-making processes, especially at the municipal

level, and their skills and leadership (managerial) competences are underestimated for their potential to make an impact on the country's finances, business and politics. Moreover, the patriarchal stereotypes that housework and raising children are better done by women are still strong in Lithuanian society. Occupational segregation in labour market and the gender pay gap indicate the inconsistencies between formal and substantive gender equality in Lithuania.

This paper aims to highlight Lithuanian women's situation in the labour market by analysing statistical data on their employment rates in different areas of activity: education and science, decision – making in political management and business. The analysis of possible female career obstacles and motives is based on a number of recent empirical findings.

Lithuanian women's participation in the labour market

In the following section we provide an overview of the current situation of female employment in Lithuania in comparison to male employment and the overall EU situation in 2014, more specifically the EU-28 average. It should be noted that at the beginning of 2015 the estimated number of women in Lithuania was 1,575 million, that of men – 1,463 million. The number of women exceeded that of men by 228.7 thousand. Women made up 54 per cent of the total population.

According to data from the Lithuanian Department of Statistics (2014), women and men are almost equally represented in the labour market. 64.9 per cent of women and 66.5 per cent of men are employed in 2014. Women's employment rate in Lithuania is higher, if compared with many EU member states: in 2014 the average EU-28 rate was 59.5 per cent. Over a five year period there has been a positive increase in female employment since the economic recovery after the global financial and economic crisis in 2008. The employment rate of women in 2010 stood at 58.7 per cent, in 2011 – 60.2, in 2012 – 61.8, in 2013 – 62.8 per cent.

The activity rate of women aged 15 – 64 stood at 71.6, with that of men at 76.0 per cent. The number of women working part-time made up 10.6 per cent of all employed women and that of men at 6.5 per cent of all employed men in 2014. The rate of female employees working part-time is substantially below the EU-28 average, which is 32.2 per cent.

But if we go back to the 2008-2010 period of economic crisis, the situation was quite different: the GDP of Lithuania shrank by 14.7 per cent and the unemployment rate was one of the highest in the EU. According to the statistics, in 2008-2010 women's unemployment rose from 5.6 to 14.4 per cent, whereas men's unemployment rate increased from 6.1 to 21.2 per cent. On one hand, as Jankauskaitė (2013) notices, the gender employment gap was narrowed since men's participation in the labour market was severely affected in male-dominated export sectors, such as transportation and manufacturing; on the other hand, women's conditions in labour

market were highly affected by reduced funding for social programs, insecurity at their jobs and psychological stress. The research presented by Šidlauskienė (2010) proved that employers still consider women as primary caregivers responsible for family issues; therefore, they often prefer to recruit men.

Currently, the female unemployment rate stands at 9.2 per cent, while that of men is 12.2 per cent. In a one year period female unemployment decreased by 1.3 percentage points (pp) and that of men – 0.9 pp. The general unemployment rate of women in Lithuania is below the EU-28 average, which is 10.3 per cent. Long term unemployment for Lithuanian women in 2014 stood at 4.2 per cent, as compared with 5.1 per cent of the EU-28 average.

Overall, 71.6 per cent of all Lithuanian women participate (employment and unemployment rate) in the labour market, higher than the average participation rate of women in the EU-28, which ranges at 66.5 per cent in 2014.

Women's participation in education and science

After gaining its independence, Lithuania has been involved in a number of reforms in the fields of education and science. One of the major achievements is a significant increase in the number of students in higher education institutions. About 70 per cent of high school graduates decide to study at college or university and this is one of the highest indicators globally.

The positive development is that upper secondary education and college/university attainment of Lithuanian women has improved (Lithuanian Department of Statistics, 2014). According to the data of Lithuanian Department of Statistics, the rate of women having completed at least upper secondary education stood at 92.8 per cent. The value also remained above the EU-28 average of 84.7 per cent and exceeded it by 8.1 pp in 2014. In comparison to men who completed upper secondary education (90.0 per cent in 2014), women exceeded their share with a difference of 2.8 pp.

Among all Lithuanian students enrolled in tertiary education in 2014 women amounted to 68.6 per cent and 47.6 per cent of men. The most active women (aged at 30-34) in the labour market have completed a degree in tertiary education: they make up 62.7 per cent, respectively the EU-28 average is 42.0 per cent. Additionally, the most popular study fields women choose in higher education institutions are as follows: education, healthcare and welfare, humanities and social sciences. This engagement in typically female fields of study creates preconditions for professional segregation in labour market. The researchers (Mikėnė, 2012; Purvaneckienė, 2008) believe that the main reason for this is embedded in gender stereotypes maintained by the teachers at general education schools. The survey data (Purvaneckienė, 2008) revealed that pupils internalize the stereotypes held by teachers that individuals with female traits usually are more suitable for services and subordinate positions, while

individuals with male traits are better leaders, managers and top level professionals. The survey of other Lithuanian scholars (Novelskaitė and Purvanekienė, 2011) on women's career in natural and technological sciences show that secondary school female graduates are less motivated to choose technical and natural sciences as their career path. This is because they usually devalue their own abilities and consider themselves incapable of studying technical and natural sciences.

Nevertheless, it is worth noting that in 2014 among Lithuanian university graduates 62.9 per cent of women received Bachelor degrees, 67 per cent earned Master's degrees and 59.4 per cent women were awarded PhD degrees. The majority (87.3 per cent) of teaching staff at general schools in 2014 were women. Women as teaching staff at universities stood at 52.4 per cent, in colleges – 68.6 per cent. In research fields women made up 55.1 per cent in 2014. Lithuanian women in research with a scientific degree amounted to 49.5 per cent. Male researchers with a scientific degree accounted for a larger proportion in technical (69.8 per cent) and physical (66.4 per cent) sciences, while female researchers with a scientific degree – in social sciences and humanities (61 and 59.1 per cent, respectively) and other biomedical (natural) sciences (55.9 per cent).

However, according to world report “She Figures 2012,” among those engaged in research activities only 2 per cent of women hold Grade A¹ in 2010. The biggest disproportions are observed in the fields of natural sciences, engineering and technologies where women as researchers with grade A made up only 5 – 11 per cent.

According to the rates of women and men involved in science and research, Lithuania is one of leading EU countries; however, the number of female scientists in top managerial and academic positions in Lithuania is disproportionately small. The survey commissioned by The Office for the Equal Opportunities Ombudsmen in 2013 (Žalėnienė et al., 2013) revealed that at Lithuanian universities men dominate among rectors, vice-rectors, senate members, faculty deans. They have occupied the positions of heads of departments, institute directors, faculty Council chairmen. Women, unfortunately, are mostly involved in administrative support staff positions. Respectively, among academic and research staff women mostly occupy the lowest positions: lecturers and assistants. Only in line-management positions – vice-deans, institute directors – the share of women are similar to that of men.

Overall, the presented data demonstrate essential differences of status between women and men in the Lithuanian academic community which have to be taken into account when shaping the national education and science policy.

1 In Lithuania a researcher with grade A is doctor habilis with the title of professor; doctor with the title of professor, or professor without scientific degree (She Figures 2012).

Women's participation in politics and decision-making

Women's participation in political decision-making is one of the priority areas of Lithuania's commitment to gender equality. In a democratic country all its citizens must take part in decision-making and interests of both genders must be equally represented. It is believed that balanced participation of women and men in policymaking and in political decision-making is an important indicator of the level of achievement of the principle of equality between women and men and non-discrimination on the grounds of sex.

The National Programme of Equal Opportunities of Women and Men 2010-2014 paid considerable attention to improving, supporting and making possible Lithuanian women's representation in political decision-making bodies. The Programme revealed that women's participation in political and economic decision-making was inadequate and that rural women, especially, are not engaged actively enough in the process of making decisions relevant to the local community.

Despite the Programme's awareness-raising campaigns and a number of projects aimed at promotion of women in politics and decision-making supported by European Social Fund, the engagement of women in political, economic, societal and public life has increased very slowly and in some areas has even decreased. For example, the representation of women members of the European Parliament for Lithuania is insufficient: in 2014 only one woman was elected among 11 representatives in the European Parliament of Lithuania.

Fortunately, a steady improvement of Lithuanian women's position in the national government has been observed. According to the data of Lithuanian Statistics Department, only 10.6 per cent of women were elected to the national Parliament (Seimas) in 2000; in 2004 their number increased to 20.6 per cent, in 2008, to 18.4 per cent, and in the last parliamentary elections (2012) 33 women (24 per cent) and 107 men (76 per cent) were elected to the Parliament of the Republic of Lithuania. Accordingly, the EU-28 average of women in the national parliament is slightly higher and stands at 29 per cent.

In 2009, Dalia Grybauskaitė was the country's first female elected President and the first woman re-elected in 2014 for a second term. The Speaker of the Parliament of Lithuania is also a woman. Currently, there are four women ministers in the 16th Government of the Republic of Lithuania. Four out of 15 parliamentary committee and two out of 11 parliamentary commissions are chaired by women. In the Government of Lithuania women comprise 30 per cent of all ministers, vice-ministers and advisors to ministers.

At the municipal level of management the situation of women looks less promising. In 2015 only five women (out of a total of 60 Mayors) became the Mayors of Lithuania's municipalities, 13 women were appointed in the position of Deputy Mayor, with 12 women appointed as municipal administration directors. In municipal elections in 2015, 365 women (22 per cent) and 1134 men were elected

to municipal councils. The latest data (in 2015) of the European Commission's database on women and men in decision-making indicates that this is below the EU-28 average: 36 per cent of women participate in local/municipal councils. The neighbouring Baltic countries Estonia and Latvia also have more favourable statistics on women in local and municipal councils.

When considering the problems of women's participation in politics, the important empirical findings by Lithuanian researchers (Moterų Informacijos Centras, 2009; Socialinių Inovacijų Fondas, 2014) have to be taken into account. They carried out several national studies in the period 1994 -2014 with the aim of identifying changes in the gender situation and attitudes in different life spheres. The research revealed that the significance of politics among Lithuanians (representative sample was 1000) is decreasing: in 1990, 13 per cent of women and 12 per cent of men declared politics as significant area of their lives; in 2014, only 2 per cent of women and 5 per cent of men indicated politics as a significant area of their lives. However, the same survey revealed a positive development. There is an increase in both men and women who believe women should participate more actively in political decision-making. Thus, the negative attitude towards women involved into political decision-making decreased in the male sample.

Women in business and entrepreneurship

Women's involvement in business and entrepreneurship has been globally recognised as an important potential for economic growth and societal welfare. Women entrepreneurs create new jobs for themselves and others. Women who occupy key positions in large financial institutions or on companies' management boards also make valuable input into economic decision-making. However, there is a lack of reliable and consistent statistical and research data on Lithuanian women who are self-employed with or without employees, own a small/medium business or take executive management positions in large companies and small and medium enterprises.

According to the European Commission database (2014) on women and men in key positions in financial institutions at European and national level and in large companies, Lithuanian women still do not reach the EU-28 average. In Lithuania women presidents of companies stood at 4 per cent as compared to 7 per cent of the EU-28 average. Lithuanian female members of the highest decision-making body in the company (i.e. chairperson, non-executive directors, senior executives, etc.) make up 17 per cent, while the EU-28 average is 20 per cent.

The official statistics (Lithuanian Department of Statistics) indicates a small increase in a number of self-employed women. In 2013 they made up 39.3 per cent and in 2014 – 41.7 per cent. The data of the statistical office of the European Union Eurostat confirmed that the percentage of self-employed women of total employment is increasing in Lithuania: in 2012 it stood at 8.9 per cent, in 2013 and 2014 they were 9.7 and 10.3 per cent, respectively. However, this is below the EU-28 average (11.7 per cent in 2014).

A more detailed examination of women's entrepreneurship in Lithuania is possible from the statistical overview in the document by the European Commission "Statistical Data on Women Entrepreneurs in Europe" (2014). This study (2014:7) defines entrepreneurs "as persons aged 15 years and older who work in their own business, farm or professional practice to make a profit, and spend time on the operation of a business, or are in the process of setting up a business. These entrepreneurs consider the running of their enterprises to be their main activity".

According to the data of the European Commission, the percentage of entrepreneurs who are women in Lithuania stands at 40 per cent, and men make up 60 per cent of total entrepreneurs. This ratio is among the highest as compared to other EU countries. Lithuania takes third place after Liechtenstein and Latvia.

However, the entrepreneurship rate, which expresses the percentage of entrepreneurs in the total active labour force, indicates that Lithuania is below the EU-28 average. In these European countries the average is 10 per cent for women and 19 per cent for men, while in Lithuania this rate is 7 per cent for women and 13 per cent for men. The positive tendency is that in Lithuania the entrepreneurship rate of women increased slightly in the period 2008-2014.

The analysis of statistical data presented in "Statistical Data on Women Entrepreneurs in Europe" (2014) revealed some peculiarities of female entrepreneurship in Lithuania. In 2012 the percentage of part-time female entrepreneurs in Lithuania stood at 24 per cent, while that of men was only 13 per cent. The percentage of part-time female entrepreneurs in Lithuania is below the EU-28 average, but Lithuanian women work more hours per week: the average number of hours worked per week is 24.1 in Lithuania and 18.1 hour in EU-28. Lithuanian men more often than women (respectively 18.1 and 11 per cent) choose to run an enterprise as a second activity and maintain the main job as an employee. This is quite different from the EU-28 average, with 9 per cent of women and 6.9 per cent of men.

The differences are also observed in gender segregation in sectors and the level of earnings (gender pay gap). The sectors of "Wholesale and Retail Trade", "Real Estate Activities", and "Industry" are quite equally represented in the categories of gender. However, in some sectors there is a strong horizontal occupational segregation. The "Health and Social Work" sector, where women made up 85.5 per cent of all persons employed, remained the most feminine field of activity; in "Accommodation and Food Service" activities, women made up 80.9, in "Education" – 79.3 per cent in 2014. The most masculine fields of activity – "Construction" (where men made up 90.8 per cent of all persons employed) and "Transportation and Storage" (76.1 per cent) sectors.

According to annual earnings statistics, in 2014, the average gross monthly earnings of women in Lithuania were at the level of 85 per cent of those of men. The gender pay gap in the private sector was bigger than in the public one and stood at

16.4 per cent (in the public sector – 15.6 per cent). The largest gender pay gap was recorded in financial and insurance activities (39.9 per cent) and information and communication (28.8 per cent). Nevertheless, the data of Eurostat on the gender pay gap in unadjusted form indicate the positive changes in Lithuania since 2007. In 2007 the gender pay gap in Lithuania amounted to 22.6 per cent, and in 2013 it stood at 13.3 per cent.

The analysis of statistical data demonstrates that, despite Lithuania's rapid and progressive advances in entering the EU sphere, with regard to democracy-based commitments for gender equality and women's advancement at the legislative and institutional levels, and the national programs and strategies on equal opportunities for men and women, still many challenges have to be addressed. The empirical research findings help to better understand the roots and reasons of the female situation in the labour market and enrich the statistical overview with knowledge of societal attitudes and behaviour patterns related to gender equality.

Some research insights on Lithuanian women's career motives and obstacles

In this section we will give an overview of the recent studies and main empirical findings about Lithuanian women's career aspirations in modelling their career path and the obstacles they meet while entering/re-entering labour market or starting a business venture. Overall, the inconsistencies between men's and women's situations in the labour market and the reasons for unequal representation in different areas of activity are mainly related to the gender stereotypes and values that prevail in Lithuanian society, inefficient measures for reconciliation of work and private life, the attitudes women maintain towards their own capabilities to be effective in the labour market.

First, researchers (Urbonienė, Stanišauskienė, 2006) argue that women's involvement in the labour market and the modelling of their career path greatly depend on their career motives and expectations. The scientific inquiry, however, into female career motives in Lithuania is quite scarce and inconsistent. A number of studies (Činikienė, 2011; Gečienė, 2008) indicates that the most important career motives for women are the increase of financial capabilities both for them personally and for their family; second, self-realization and attainment of ambitious professional goals; and third, gaining independence and the sense of self-satisfaction. Research on women's entrepreneurship (Aidis et al, 2007; Andriuta and Kartašova, 2013) revealed a similar tendency: women in Lithuania decide to start their own business venture because of low income at the moment, the desire to gain independence from recent employers and the opportunities to better employ their competencies than just being an employee.

Since Lithuanian women are underrepresented in politics and decision-making, researchers focus more on their career barriers and not their motives. However, Stankevičius (2012) in her Phd thesis *"Lithuanian women in the Parliament: Access*

and participation in post-socialist politics” raises the question of why Lithuanian women decide to run for political office. Her findings from in-depth interviews with current and former women parliamentarians in 2011 highlight that one of the essential motives to actively participate in politics was *“Lithuania’s independence and desire to rebuild Lithuania and make it a better place for people to live and be proud”* (Stankevičius, 2012:44). This patriotism was influenced by enthusiasm and solidarity among Lithuanian citizens and a sense of trust these women experienced: *“People trusted my colleagues and me. This trust made me more passionate about what I was doing and I always tried to do the best job and do not disappoint people”* (Stankevičius, 2012:45).

The most recent research findings on the changes in men’s and women’s situations in different activity areas are presented in the report of a researchers’ team supported by the Social Innovation Fund² (Socialinių inovacijų fondas, 2014). Their survey results, obtained in 2014, were compared with the analogical research data in 1997, 2001 and 2009 carried out by the Women’s Issue Center³. This comparison of the data disclosed the changes in women’s work-related values: good salary for women remained the priority and, compared with the earlier periods, its importance has increased by 17 per cent. The number of women who consider the possibility of having a career at work to be important value also has increased. Moreover, as Šidlauskienė et al. (Socialinių inovacijų fondas, 2014) claim, this value held by women gained more importance than the value placed on communicating with people and assisting them. Fortunately, it is observed that both women and men more often emphasize the possibility of spending more time and attention to their families (29 per cent of women and 15 per cent of men in 1994; 57 per cent of women and 51 per cent of men in 2014). It implies that traditional gender stereotypes in Lithuania little by little have given way to a more modern, symmetrical family model where both partners work and share the workload at home. This positive tendency is observed by Činikienė (2011) in a survey with women entrepreneurs who assert that the spouse’s support, assistance with children and collaboration is the basis of their relationship in the family. Similarly, the study by Ališauskienė and Purvaneckienė (2009) claim that the belief about woman’s primary role and responsibility to give birth and raise children has decreased in both male and female samples.

Still, other traditional gender stereotypes remain strongly embedded in Lithuanian society and researchers (Bučaitė-Vilkė, 2012; Tereškinas 2010) identify the inconsistencies in the distribution of the roles within the family and sharing the workload at home. The surveys (Stankūnienė et al., 2013) on women’s disadvantaged

2 The Social Innovation Fund is a non-governmental organization, established in Lithuania in 1994 as a charity and support foundation. Website: <http://www.lpf.lt/>

3 The Women’s Issue Centre is a Lithuanian non – governmental organization working towards promotion of gender equality, fighting gender-based violence and creating innovative social awareness raising campaigns. Website: <http://www.womensissuescentre.com/>

position in labour market indicate that the Lithuanian population still highly values women's involvement in care work and strongly believes that mothers should devote themselves to child care during a child's first years.

Female employability has been increasing, but women still are responsible for the majority of work at home (Socialinių inovacijų fondas, 2014; Bučaitė-Vilkė, 2012). This current situation is similar to the one identified by Gečienė in 2006⁴ and Purvaneckienė in 2009. Gečienė presented the following empirical findings: the greatest share of homemaking is done by a woman; two-thirds of respondents claimed that men can find a job position more easily than women. 74.4 per cent of women respondents agreed that men could find job position easily. More than a half of respondents (both men and women) believed that women have to work harder to prove her talents/skills and gain the recognition or awards at workplace. Correspondingly, Purvaneckienė (2009) observed that 52 per cent of men believed that men should have priority over women to get job and women should better take care of the family. Women (61 per cent) disagree that men should be privileged over women in getting jobs. However, when asked about choosing between work or family, 39 per cent of women gave priority to family. Similarly, men expressed attitudes that they would prefer a family where women would not work (Purvaneckienė, 2009).

Researchers also support the idea that some obstacles for women career are internal, i.e. embedded in women's beliefs and behaviour patterns. They tend to underestimate themselves once they encounter difficulties in making a career, they lack tolerance for risk as well as self-confidence and specific, business-related knowledge and skills. Šidlauskienė (2009) asserts that in the political field Lithuanian women lack personal interest in active involvement, lack educational background in political sciences and the solidarity and consensus among women.

Pilinkaite-Sotirovic (2014: 8) comments that Lithuanian society imposes pressure on individuals through the construction of expectations about what is "feminine" and "masculine". Many studies have shown that people, in general view, entrepreneurship as masculine and perceive entrepreneurship to be a male domain (Dromantaitė –Stančikienė and Gineitienė, 2010). Similar perceptions prevail regarding women's involvement in "masculine" fields as such politics (Mikėnė, 2012; Stankevičius, 2012) or their choices for working in the natural and technological sciences (Novelskaitė, Purvaneckienė, 2011; Žalėnienė et al., 2013).

Along with the imbalance between female and male "domains" of activity, surveys (Dromantaitė –Stančikienė and Gineitienė, 2010; Gečienė, 2008; Šidlauskienė, 2009) on gender equality issues in Lithuania identify a number of other external obstacles for women's careers. Women experience a lack of support and encouragement from the family environment. Even at workplaces they encounter an unfriendly atmosphere: men who take managerial positions tend not to trust women's abilities

4 The survey results were published in 2008 (see references).

to lead; women receive fewer hours of on-the-job training than do men. Women experience discrimination in political party organizations: they are usually at the end of candidates' list on elections. However, the greatest challenge for women is reconciliation of work and family.

As Gečienė (2008) states, men more often than women indicate that women encounter difficulties in finding the right balance between family and work. Women agree that these difficulties exist, but claim that they are quite successful in matching these different spheres. In 2013, only 11.3 per cent of men took parental leave in comparison to 88.7 per cent of women. Women still continue in the role of primary care givers in the family. As Pilinkaitė-Sotirovic (2014:5) observes that the “demographic decline in Lithuania strengthened paternalistic attitudes towards care work that strove to protect motherhood by developing favourable child leave schemes and encouraging mothers to devote themselves to childcare”. Research (Tereškinas 2011; Šumskaitė, 2014) shows that there is a strong correlation of fatherhood and masculine identity. The role of breadwinner is highly internalised in Lithuanian men's perception of fatherhood.

Conclusions and future issues

The indicators of Lithuanian women's participation in the labour market reveal positive tendencies, but still there are a number of inconsistencies on gender equality in different spheres of activity – education and science, politics, businesses – to be addressed by means of active policies at the legislative and institutional levels, projects and special measures.

In general, the Lithuanian labour market could be characterized by the high level of women's participation and educational attainment. There is a slow positive development in the numbers of women in tertiary education; however, science and technology fields remain being male-dominated. Additionally, the share of women is the smallest at the top of the academic hierarchy and seniority level.

Despite the Lithuanian society's positive attitude towards women participating in politics, Lithuanian women are underrepresented in political decision-making. The most unfavourable situation is at the municipal level. Similarly, the rate of self-employed women and women in management positions indicate the necessity to take proactive means for encouraging parental leave, solving reconciliation of work and family life issues and facilitating women's return to the labour market after maternity leave.

The analysis of women's career motives and obstacles suggests that the implementation of different forms of training and consultation is necessary for developing women's entrepreneurship skills, self-confidence and convictions about paternalistic gender stereotypes. Further, women's competence and motivation to participate in the politics and top management positions in different organizations should be prioritised.

References

- Aidis, Ruta, Welter, F., Smallbone, D., and Isakova, N (2007), “Female Entrepreneurship in Transition Economies: The Case of Lithuania and Ukraine”, *Feminist Economics*, 13(2), 157-183.
- Ališauskienė, Rasa and Giedrė Purvaneckienė. (2009), „Moterys Politikoje: Ar Sulauksime Padaugėjimo?“ *Lyčių Studijos Ir Tyrimai*, 7: 6-16
- Andriuta, Xenia and Jekaterina Kartašova (2013), “Female Entrepreneurship Patterns: A Theoretical Comparative Study”, *Business Systems and Economics*, 3(2): 187-195.
- Bučaitė-Vilkė, Jurga. (2012), “Šeimos Tarpusavio Santykių Kokybė Ir Prokreaciniai Ketinimai”, *Lyčių Politika Ir Gimstamumo Ateitis*, (Kaunas: Vytauto Didžiojo Universiteto Leidykla): 153–175
- Činikienė, Rita. (2011), “Karjeros Moters Galios Išraiška Ir Pasiskirstymas Šeiminėje Veikloje” [Expression Of Career Woman's Power And Gender Roles In Family Activities], *Kultūra Ir Visuomenė: Socialinių Tyrimų Žurnalas*, 2(2): 75-94.
- Dromantaitė-Stancikienė, Aistė and Zina Gineitienė (2010), “Moterų Padėtis Lietuvoje, Siekiant Karjeros”, *Socialinių Mokslų Studijos*, 4(8): 69–88.
- European Commission, Directorate-General for Enterprise and Industry (2014), “Statistical Data on Women Entrepreneurs in Europe”, (Luxembourg: Publications Office of the European Union).
- Gečienė, Ingrida (2008), *Lyčių Vaidmenų Stereotipai Užimtumo Srityje* (Vilnius: Vilniaus Universiteto Leidykla).
- Jankauskaitė, Margarita (2013), *The Policy on Gender Equality in Lithuania* (Brussels: European Parliament).
- Lithuanian Department of Statistics (2013), *Moterys ir vyrai Lietuvoje* [Women and Men in Lithuania], (Vilnius).
- Lithuanian Department of Statistics (2014), *Moterys ir vyrai Lietuvoje* [Women and Men in Lithuania], (Vilnius).
- Mikėnė, Svajonė. (2012), “The Status of Women in Azerbaijan and Lithuania: The aspect of Gender Equality”, *Societal Studies*, 4(3): 973–990.
- Moterų Informacijos Centras (2009), *Moterys ir vyrai Lietuvos visuomenėje, 2009: Moterų Ir Vyrų Padėties Pokyčių Visose Srityse Išplėstinis Tyrimas Ir Vertinimas*, [Women and Men in Lithuanian Society in 2009: The Comparative Research and Evaluation of Women's and Men's Situation Changes], Research report, (Vilnius), http://www.bukstipri.lt/uploads/MV_padeties_pokyciai_2009.pdf

- Novelskaitė, Aurelija and Giedrė Purvaneckienė (Ed.), (2011), “*Moteris Fiziniuose Ir Technologijos Moksluose: Mokinė, Studentė, Mokslininkė*” [Women in Natural and Technology Sciences: Pupil, Student, and Scientist] (Vilnius: Vilniaus Universiteto Leidykla).
- Pilinkaitė-Sotirovic, Vilana, (2014), “Exchange of Good practices on gender equality: the role of men in gender equality”, http://ec.europa.eu/justice/genderequality/files/exchange_of_good_practice_fi/lt_comments_paper_fi_2014_en.pdf
- Purvaneckienė, Giedrė. (2008), “Mokslininkių Karjera Tiksluosiuose Moksluose Ir Šeima: Pasirinkimas Ar Dermė?” *Acta Paedagogica Vilnensia*, 21: 192-207.
- Purvaneckienė, Giedrė. (2009), Moterys ir vyrai Lietuvos visuomenėje, 2009: Tyrimo Ataskaita. [Men and Women in Lithuanian Society 2009: Research report], <http://www.socmin.lt/index.php?1606775163>
- Reingardienė, Jolanta. (2004), “Europos Lyčių Lygybės Strategija: Kintančios Lyčių Politikos Privalumai Ir Grėsmės”, *Sociologija. Mintis ir Veiksmas*, 3: 13-27.
- She Figures 2012: Gender in Research and Innovation (2012), http://ec.europa.eu/research/science-society/document_library/pdf_06/she-figures-2012_en.pdf
- Socialinių Inovacijų Fondas (2014), “Moterys Ir Vyrai Lietuvos Visuomenėje, 2014: Moterų Ir Vyrų Padėties Pokyčių Visose Srityse Išplėstinis Lyginamasis Poveikio Vertinimas”, [Women and Men in Lithuanian Society in 2014: the Comparative Research and Evaluation of Women’s and Men’s Situation Changes], Research Report, (Vilnius).
- Stankevičius, Simona (2012), “Lithuanian Women in the Parliament: Access and Participation in Post-Socialist Politics”, College of Liberal Arts & Social Sciences Theses and Dissertations”. <http://via.library.depaul.edu/etd/113>
- Stankūnienė, Vlada, Aušra Maslauskaitė and Marė Baublytė (2013), *Ar Lietuvos šeimos bus gausesnės?* (Vilnius: Lietuvos Socialinių Tyrimų Institutas).
- Šidlauskienė, Virginija. (2009), “Moterų Politinės Socializacijos Projekcijos Savivaldos Tarybų Rinkimuose” [Projections of Women’s Political Socialization in the Municipal Council Election], *Gender Studies and Research*, 7:17-33.
- Šidlauskienė, Virginija (2010), “What Does Assessment of Gender Equality in the Enterprises Show? How to Accept Challenges of Gender Equality at the Workplace?”, *Gender Studies and Research*, 8(8):32- 49.
- Šumskaitė, Lina (2014), “Norminis Vyriskumas Tėvystės Praktikoje”, [Normative Masculinities in Fathering Practices], *STEPP*, 8:33-50, <http://www.zurnalai.vu.lt/socialine-teorija-empirija-politika-ir-praktika/article/view/2663>

- Tereškinas, Artūras (2010), “Between The Egalitarian and Neotraditional Family: Gender Attitudes and Values in Contemporary Lithuania” *Kultūra ir Visuomenė* 1: 63-81.
- Tereškinas Artūras (2011), *Vyrų Pasaulis. Vyrų Ir Žaizdos Vyrškumas Lietuvoje*, [Men's World. Men and Hurt Masculinity in Lithuania], (Vilnius: Baltos lankos).
- Urbonienė, Aistė and Vilija Stanišauskienė (2006), “Karjeros Sampratos Erdvė: Lyčių Aspektas”, *Lyčių Studijos Ir Tyrimai*, 2: 97-102.
- Valstybinė Moterų Ir Vyrų Lygių Galimybių 2010-2014 Metų Programa, [The National Programme of Equal Opportunities of Women and Men 2010-2014], http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=372298&p_query=&p_tr2=
- Žalėnienė Inga, Ona Gražina Rakauskienė and Danguolė Grigolovičienė (2013), “Gender Equality in Lithuanian System of Education and Science”, *European Scientific Journal*, 9(17): 282-302.

5 The relationship between collective and individual rights to achieve equity in employment

Employment, career motives and obstacles

*Risa L. Lieberwitz**

Abstract

This chapter addresses the potential for law to promote employment equity, with a focus on US legislation and judicial and administrative agency interpretations of those laws. In the context of the US, labor rights legislation is essential to limit the broad power of employers under common law. Further, given the weak welfare state in the US, statutes that provide rights to unionize are essential to enable employees to improve their wages and working conditions through collective bargaining agreements. The chapter explores the interdependence of collective and individual rights for creating employment equity at the individual and group levels. Collective rights protect individuals by spreading group gains in wages and benefits to all workers, and can help redress historical inequalities against women and minority groups. Legislative actions and judicial interpretations of US law, however, reveal contradictory values and attitudes about collective action. While recognizing that labor law provides fundamental rights to unionize that benefit employees as a class and as individuals, courts have also interpreted the law in a way that restricts collective rights and views them, in some cases, as being in opposition to individual interests.

Keywords: labor law; unionization; employment discrimination; collective rights; individual rights.

* Professor of Labor and Employment Law, School of Industrial and Labor Relations, Cornell University., rl15@cornell.edu

Introduction

This chapter addresses the potential for law to promote employment equity, with a focus on US legislation and judicial and administrative agency interpretations of those laws. In the context of the US, labor rights legislation is essential to limit the broad power of employers under common law. Further, given the weak welfare state in the US, statutes that provide rights to unionize are essential to enable employees to improve their wages and working conditions through collective bargaining agreements.

In examining the law, the chapter explores the interdependence of collective and individual rights for creating employment equity at the individual and group levels. Collective rights provide the foundation for protecting individuals by spreading group gains to all workers, including better wages, benefits and working conditions. A labor movement that adopts a broad democratic agenda for race, gender, and class equality will also take collective action to redress historical inequalities against women and minority groups. Legislative actions and judicial interpretations of US law, however, reveal contradictory values and attitudes about collective action. While the courts recognize that labor law provides fundamental rights to unionize that benefit employees as a class and as individuals, they have also interpreted the law in a way that views collective rights in opposition to individual interests. Further, employment discrimination law, which should strengthen collective action to promote employment equity, is often treated as a means of individual career advancement. Such contradictions, which stem from ideological positions, must be overcome to make progress toward structural substantive equality.

Social and economic inequality in United States

Widening gap between rich and poor

The widening economic and political inequalities in the US have resulted in an elite holding the vast majority of wealth and power. In 2010, the top 10 percent in the U.S. controlled 77 percent of all wealth, leaving the bottom 90 percent with only 23 percent (Mishel et al., 2012: 376). Even with a start toward economic recovery that same year, 93 percent of the income gains went to the top 1 percent of Americans (Porter, 2012). Nor did wages improve, as typical employees earned roughly the same wage per hour in 2010 as in 2000 (173). Despite the 69 percent growth in productivity from 1979 to 2011, median hourly compensation (wages and benefits) grew only 7 percent (Mishel et al., 2012: 7). The growing inequality in wealth is exacerbated by the weak public welfare policy in the US, which has been described as a system of “private welfare” due to its dependence on the employment relationship rather than the state to provide for basic needs (Munger, 2004: 550-551). This amounts to a public policy that substitutes employment-related benefits for a governmental obligation to ensure that all individuals have a minimal level of food, housing, health care, paid sick leave, child care, and paid vacations.

The widening gulf between rich and poor is, of course, a global phenomenon with global causal factors. Increased capital mobility in the search for low-wage workers has shifted manufacturing facilities from high-wage industrialized countries to low-wage developing countries (Silver, 2003: 137-138, 154-155). In the US, the loss of these higher paid union jobs and the shift to a largely non-union service economy also means the loss of social protection through contractual benefits won in collective bargaining. Further, with the loss of the unionized industrial base, workers experience greater job insecurity, as employers restructure the employment relationship to expand the contingent or precarious workforce, including part-time employees, temporary employees “leased” through employment agencies, and independent contractors. (Lieberwitz, 2005: 328). The rate of contingent employment increased dramatically in the 1990s, with estimates that contingent employees now make up at least 25 to 30 percent of the workforce (de Haas, 1998; Rodgers, Horowitz, & Wuolo, 2014: 704).

As unemployment rates have grown along with the low-wage, non-union service economy, poverty rates have increased (Tavernise, 2011). Under the federal official poverty threshold, 15 percent of the US population is in poverty, comprising more than 46 million people (Mishel et al., 2012: 420). This rate increased from 12.5 percent in 2007, with a disproportionately negative impact on women and people of color. African Americans have the highest poverty rate of 27.4 percent, with Hispanics at 26.6 percent and whites at 9.9 percent (420). Further, many low-wage workers are poor but do not meet the government’s definition of poverty. Calculating the numbers in terms of inadequate income to meet basic needs, in 2011, 28 percent of workers earned poverty-level wages of \$11.06 or less an hour (432; Cauthen, 2007, 1). Women, Blacks, and Hispanics significantly more likely to earn low-wages, including poverty-level wages, than white men ¹ (Bernstein, Allegretto, and Mishel, 2006/2007, 9, 329).

The weakened labor movement

Central to explaining the steadily worsening employment conditions in the US is the loss of unionization, currently at under 7 percent in the private sector. After World War II, the 35% private sector unionization rate meant that the government could rely on the employment system to provide for good wages and benefits through collective bargaining (Kochan & Shulman, 2007 2). For example, unionized employees “are 18.3% more likely to have health insurance, 22.5% more likely to have pension coverage, and 3.2% more likely to have paid leave” than non-union workers (Mishel et al, 2012: 272-273). Further, a high level of union density placed pressure on non-union employers to provide these levels of wages and benefits to their employees

1 In 2011, nearly 25 percent male workers, nearly one-third of women workers, 23.4 percent of white workers, 36 percent of Black workers and 43.3 percent of Hispanic workers earned poverty-level wages. (Mishel et al., 2012: 193-194).

(Charny, 1996: 1607). The steady decline in union density since the 1980s tracks the decline in wages and benefits to the working class. As the rate of unionization has fallen, inequality in the distribution of income has increased (Kimball & Mishel, 2015).

Economic inequality increased even in the financially flush period of first part of the 2000s (Cauthern, 2007: 7). Currently, 25% to 30% of the work force holds low-wage jobs that keep them in poverty level conditions, with almost half of minimum-wage jobs in the retail and hospitality industries (1, 9). Further, employers in the service economy, including retail stores, hospitals, nursing homes, hotels, and restaurants, have actively resisted employees' efforts to unionize. The growth in the contingent work force of part-time and temporary employees makes it even more difficult to unionize, as employers have created "second-class of subordinate workers" (Sukert, 2000: 448) in low-wage positions with the greatest level of job insecurity (Raday, 1999: 418-420).

The labor movement's role in reducing inequality in wealth and power

High union density is essential to reducing class-based inequalities of power and wealth. Collective bargaining agreements (CBAs) redistribute wealth and power through wage increases, benefits, improved working conditions and grievance procedures. At the same time, greater union density makes the labor movement a more powerful political force for legislation providing higher wages and benefits universally. The US labor movement has played an important role in the political process of enacting legislation that increases the floor of economic rights for all workers, such as minimum wage increases, health and safety protections, anti-discrimination laws, universal health care, and more recently, for immigrant rights (Garden & Leong, 2013: 1205-1207).

A strong labor movement enhances employees' collective and individual rights to equity in employment. Unionization creates collective power to improve wages and employment conditions for the working class through collective bargaining and legislation that spreads group gains to individual employees. A labor movement that adopts a broad democratic agenda for race, gender, and class equality will also take collective action to redress historical inequalities against women and minority groups. Additionally, unions' collective power protects individual employees from discriminatory or unfair treatment. Protections in CBAs such as seniority as a key criterion for job promotions and just cause for discharge and other discipline substitute objective standards for subjective power of the employer. Collective bargaining agreements often include anti-discrimination provisions that build on and extend beyond statutory protections against employment discrimination.

Just as a strong labor movement expands collective and individual rights of employees, a weak labor movement will lead to restrictions of those rights. As discussed above, the decline of union density since the 1980s in the US has been a central factor in the decline of the collective well-being of the working class and

individual employees. Reversing these trends will depend on strengthening the labor movement through multiple means, including grassroots organizing, political activity, and other forms of collective action. The law can also be a factor in supporting collective and individual rights that promote equity in employment. The remainder of this chapter will explore the potential of law in the US to achieve these goals. As the discussion will show, US law has a mixed and often contradictory history that simultaneously supports and restricts labor rights.

Legal tools and employment equity

The public/private distinction in US law

Although the Bill of Rights to the US Constitution may be well-known for protecting individual rights and liberties, the US Supreme Court has interpreted these provisions to exclude almost all rights of employees. This judicial interpretation flows from the contradictory treatment in liberal democracies of the public political and the private economic spheres. Political rights, including free speech, equal protection, privacy, and due process, restrict the power of government. By contrast, such constitutional provisions do not restrict the conduct of private parties, including employers in the private economic sphere (Lieberwitz, 1986: 620-38). Even public employees are not well protected in their constitutional rights due to the Supreme Court's deference to governmental employers' managerial authority over their employees.

The distinction between the public and private spheres also underlies the different treatment of political and economic rights. The U.S. Constitution obligates the government to respect fundamental political rights such as freedom of speech and due process, but not fundamental economic rights such as a living wage and health care (*DeShaney v. Winnebago County*, 1989). Thus, government is not obligated by the Constitution to provide for individuals' basic economic needs. Creation of such economic rights is left to the political will of the legislature or to private contracts.

The courts' use of the public/private distinction is driven by ideology rather than any inherent meaning of the Bill of Rights. Shielding private actors, including private employers, from constitutional obligations expresses an ideological view that private markets should be self-regulating, unencumbered by governmental requirements. This same logic is expressed through the common law doctrine of "employment-at-will," which has influenced US legislatures and courts since the at least the 19th century. Under an unlimited employment-at-will doctrine, an employer may make employment decisions such as hiring or discharge an individual for any reason at all. In other words, the employer is not required to make fair, equitable, or rational employment decisions (Player, 2013).

Excluded from constitutional protection and facing unilateral employer power under the common law doctrine of employment-at-will, employees must look to statutes and contracts as the primary legal sources for labor rights and employment benefits. While individual contracts could include provisions limiting employer unilateral power, most employees do not have individual employment contracts. As a result, statutes are especially important for creating employee rights that restrict the common law doctrine of employment-at-will. The National Labor Relations Act of 1935 (NLRA) has the greatest potential for expanding the collective power of labor as a countervailing force to employer control. The NLRA is the federal law that provides rights to unionize and collectively bargain to private sector employees. State public employees must rely on state laws to provide similar rights, with approximately 30 states having enacted public sector collective bargaining laws since 1960 (Herbert, 2013, 435-36). Federal and state anti-discrimination laws, which cover public and private employees, have added further restrictions on employer unilateral power. Federal anti-discrimination laws include Title VII of the Civil Rights Act of 1964, which prohibits employment discrimination on the basis of race, color, sex, religion and national origin; the Age Discrimination in Employment Act of 1967 (ADEA); and the Americans with Disabilities Act of 1990 (ADA).

The U.S. Supreme Court's contradictory interpretations of the NLRA

The NLRA, enacted in 1935, remains the fundamental law for private sector employees to unionize and collectively bargain over wages, hours and terms and conditions of employment. Several early Supreme Court decisions reveal the promise of the NLRA to provide employees with meaningful rights to act collectively in ways that would benefit all employees. In its decision upholding the constitutionality of the newly enacted NLRA, the Court stated that “the right of employees to self-organization and to select representatives of their own choosing for collective bargaining or other mutual protection without restraint or coercion by their employer... is a fundamental right” (National Labor Relations Board v. Jones & Laughlin Steel Corp., 1937). The Supreme Court recognized that collective bargaining carries with it a concept of equality among employees sharing in the benefits from union negotiations with the employer. In *J.I. Case* (1944), the Court stated that “[t]he practice and philosophy of collective bargaining looks with suspicion on...individual advantages” gained at the expense of mutual benefits through unionization (338). Thus, the Court found that the NLRA explicitly favored the collective good that spread negotiated wages and benefits among many individual employees, rather than having employees compete to gain advantages over each other.

Many examples can demonstrate the group and individual benefits from collective bargaining consistent with the Supreme Court's description in *J.I. Case*. The CBA agreement may contain a wide range of provisions, including economic matters such as wages, raises, paid sick leave and vacation, employer-paid insurance, pensions, and other benefits. Health and safety provisions and anti-discrimination provisions

may be negotiated as conditions of employment that build on the floor of statutory regulations. Due process protections take various forms in CBAs, incorporating criteria for transparency and objective criteria in decision-making, such as the use of seniority in determining the order of layoffs and recalls. Promotions clauses usually provide for open bidding processes that use the objective measure of seniority along with more subjective measures in judging qualifications. Also essential for protecting individual employee rights is the typical CBA provision requiring employers to use “just cause” in decisions about discipline or discharge of bargaining unit employees (Garden, C., & Leong, 2013: 1187-1188). If disputes over just cause or other CBA provisions are not settled informally, a grievance can go to an arbitration hearing before a third-party arbitrator or arbitration panel mutually selected by the union and employer. In arbitration, the employer bears the burden of proving “just cause” in discipline or discharge cases, which requires the employer to prove both procedural and substantive due process in carrying out the discipline or discharge.

CBA provisions can help to promote racial and gender equity, given the positive effects of unionization on wages and benefits. Further, unions can negotiate for affirmative action plans to increase employment and promotions of under-represented groups in jobs where there is occupational segregation. Collective bargaining can gain protections and benefits that re-structure the workplace to enable women to work and have families, such as flexible work schedules, paid family leave, child care subsidies, and safety issues (Grundy & Firestein, 1997; Drago & Fazioli, 2003). Given women’s continued primary caretaker role in the family, union contractual provisions can require employers to implement accommodations needed for substantive gender equality. Collective bargaining anti-discrimination clauses can go beyond categories of statutory protection to include sexual orientation and marital status.

In another early case, *Republic Aviation Corp. v. National Labor Relations Board* (1945), the Supreme Court recognized the importance of employees’ rights to communicate at the workplace concerning their collective interests. The Court held that an employer must yield some property rights in favor of employees’ rights to engage in communication about working conditions and the possibilities of unionizing. This early decision laid the foundation for current National Labor Relations Board (NLRB) decisions protecting employee rights under the NLRA to communicate through social media, including expressing opinions critical of employer labor policies or working conditions. For example, the NLRB held that an employer violated employees’ rights under the NLRA by adopting a “Courtesy” policy that prohibited employees from being “disrespectful” or using “profanity or any other language which injures the image or reputation” of the employer. This policy, which the employer used to discipline an employee for his Facebook post, unlawfully limited employees’ rights to discuss their terms and conditions of employment (Karl Knauz Motors, 2012). Whether talking face to face at the workplace, handing out leaflets to each other, or communicating on social media websites, the relationship between the collective and individual remains the same.

Individual employee rights to communicate with each other are essential to their ability to find common interests and decide whether they wish to engage in collective labor action.

Despite these decisions emphasizing the importance of collective rights, one of the Supreme Court's earliest decisions undermined the right to strike under the NLRA. In *National Labor Relations Board v. Mackay Radio* (1938), the Court held that employers could lawfully permanently replace economic strikers. With this decision, the Supreme Court provided assurance to employers that they would not face the full power of the economic weapon of workers to withhold their labor. The Court read into the NLRA an employer right to hire strikebreakers to take the place permanently of employees who engage in strikes to increase their power in collective bargaining. Thus, only three years after the enactment of the NLRA, the Court revealed its ideological commitment to values in contradiction with the most basic collective right of labor. As legal scholar Karl Klare (1978) observed, judicial imposition of capitalist ideology "de-radicalized" the radical potential of the Wagner Act. In a later case, the Court went so far as to favor the interests of strikebreakers suing employers for discharging them after the strike ended. In *Belknap, Inc. v. Hale* (1983), the Court held that the NLRA did not pre-empt permanent economic strike replacements from bringing breach of contract and misrepresentation claims in state court against an employer who discharged them to reinstate returning strikers. The Court described the strike replacements as injured "innocent third parties" rather than seeing them as actors making choices in a collective labor struggle.

Congressional amendments to the NLRA through the Taft-Hartley Act (Labor Management Relations Act, 1947) and the Landrum-Griffin Act (Labor Management Reporting and Disclosure Act, 1959), added provisions that weakened the fundamental nature of collective rights. Reflecting Congress's political hostility to unions and other forms of collective action seeking to redistribute wealth and power to labor, these legislative amendments prohibited certain types of strikes, such as secondary strikes and strikes to demand employer recognition of the union. The Taft-Hartley Act excluded supervisors from the definition of "employees" with rights under the NLRA. This change legislatively expands the employer's ranks and undermines the potential for labor solidarity between supervisors and employees who often share common interests. The exclusion of supervisors from the definition of "employee" provides an example, as well, of Congress denying individual rights to supervisors to choose whether to organize to further their collective interests through unionization. With the current shift to a service economy, the supervisory exclusion has a particularly strong impact on professional employees, such as nurses, where front line supervisors are denied the right to join with their colleagues to advance their collective professional interests. The Supreme Court has exacerbated this problem by defining "supervisors" in an overly broad manner that is inconsistent with the reality of class interests among professional employees (*National Labor Relations Board v. Health Care & Retirement Corp. of America*, 1994; Brudney, 1996, 1572-88).

Other Supreme Court decisions have limited the scope of collective bargaining by emphasizing employer control over managerial decisions. In *First National Maintenance Corp. v. National Labor Relations Board* (1981), the Court recognized that unions and employees have a significant interest in bargaining over the employer's decision to partially close a business. Yet the Court held that the employer had no duty to bargain about the decision. The Court concluded that the employer had unilateral managerial prerogative over a decision that was part of the "core of entrepreneurial control."

Recent National Labor Relations Board decisions favoring collective rights

Although the US Supreme Court is the ultimate arbiter of the meaning of federal statutes, Congress gave the five-member NLRB authority to make national policy by interpreting the NLRA. The NLRB's decisions reflect the political nature of its appointments, which are carried out through nominations by the US president with confirmation by the US Senate. Under Democratic administrations, such as the current Obama presidency, the NLRB's decisions will reflect a more liberal character. At the same time, though, the NLRB's independence and authority is constrained by the federal appellate courts, which may refuse to enforce the NLRB's decisions based on judicial disagreement with the Board's interpretation of the NLRA. In general, the circuit courts tend to be more politically conservative than the NLRB. When two or more circuit courts of appeals disagree over the NLRB's interpretation of a particular issue, it becomes more likely that the US Supreme Court will grant review of a case raising that legal issue.

Some recent NLRB decisions demonstrate the continued potential for reviving collective rights and expanding individual rights that are integral to concerted activity.

These decisions also reflect the NLRB's recognition of the importance of interpreting the NLRA in relation to the social and economic context. In *Browning-Ferris Industries of California* (2015), the NLRB revised its standard for determining joint-employer status to more accurately reflect the economic circumstances of current employment relationships, including the growing percentage of workers employed through temporary agencies. The NLRB will find that two or more entities are joint employers "if they are both employers within the meaning of the common law, and if they share or codetermine those matters governing the essential terms and conditions of employment." Joint employer status may be found where an employer exercises sufficient direct or indirect control over employees or where an employer reserves the authority to do so. The NLRB relied on both types of control to find that Browning-Ferris was a joint employer with the temporary agency that supplied employees to the company. Although the NLRB did not address the application of its standard to the franchisor/franchisee relationship, this question has been the subject of considerable speculation (Scheiber and Strom, 2015). Even prior to the Board's

decision in *Browning-Ferris*, the General Counsel of the NLRB began litigating multiple unfair labor practice complaints against McDonald's as joint employer with many of its franchisees (Scheiber and Strom, 2015).

The NLRB's re-interpretation of its standard for defining joint employers is appropriate in the global context of transnational corporations that engage extensively in franchising and subcontracting and that have multiple subsidiaries. The Board's decision determines joint employer status based on the actual or potential authority to control employment conditions. Application of the NLRB's new standard holds the potential for assigning legal responsibility at the highest corporate level where decisions are actually made. The NLRB's new standard also opens possibilities for broader union organizing campaigns in industries such as fast-food, retail, and apparel manufacturing, where collective bargaining can make significant improvements in living standards and fair workplace practices. Given the disproportionate representation of women and minority groups in these low wage industries, unionization would promote gender, racial, and class-based equity.

In *Purple Communications, Inc.* (2014), the NLRB strengthened individual employee rights to communicate with each other at workplace by expanding those rights to encompass modern forms of communication. The Board held that employees who are given access to the employer's email system have the right to use the system, on nonworking time, to discuss their terms and conditions of employment. An employer may place specific restrictions on employees' use of email only if there are special circumstances necessary to maintaining production or discipline.

Another NLRB decision interpreted the NLRA implications of employer-imposed mandatory arbitration agreements, which condition employment on the employee's waiver of the right to file legal claims against the employer through the courts. The US Supreme Court has held that such mandatory agreements to arbitrate employment-related disputes are enforceable in non-union workplaces (*Circuit City Stores, Inc. v. Adams*, 2001). In *D.R. Horton* (2012), the NLRB held that employers violate the NLRA by requiring employees to waive their right to file collective or class-based claims in all judicial or arbitration forums. This case provides an example of the interdependence of individual and collective rights. While recognizing that mandatory arbitration agreements are generally permissible in non-union workplaces, the NLRB concluded that barring employees from pursuing joint claims in any forum violates their rights under the NLRAs to engage in concerted activity.

Attacks on public sector collective bargaining

Since the 1960s, about two-thirds of US states have enacted public sector collective bargaining statutes (about 33 of the 50 states). As union density in the private sector has been steadily dropping, public sector unionization rates have risen to reach their current rate of 35.7% (Bureau of Labor Statistics, 2015). This higher level of public sector unionization has maintained overall union density in the U.S. at about 11%

(Bureau of Labor Statistics, Jan. 23, 2015). Having succeeded in weakening the power of unions in the private sector, corporations and right-wing politicians have turned their attention to undermining unions in the public sector through multiple tactics: privatization of public services; blaming public sector unions for financial crises in state government; attempts to divide the interests of union and non-union employees; and legal tactics. Particularly since 2010, supported and lobbied by right-wing organizations like the American Legislative Exchange Council (ALEC), Republican governors and legislatures have amended statutes and enacted new laws that seek to weaken public sector unions through restrictions of the scope of public sector collective bargaining (Dannin, 2012).

A recent legislative tactic of enacting new state “right to work” laws is designed to weaken unions as organizations. The symbolic value of such legislation is particularly important as highly unionized states such as Michigan and Wisconsin are added to existing “right to work” laws southern anti-union states. Currently, twenty-four states have right to work laws, including additions of Wisconsin, Michigan, and Indiana during the past two years (Fink, 2012; Slater, 2012). The impact of right to work laws on unions is both financial and symbolic. These laws prohibit unions and employers from negotiating union security clauses, including “agency shop” clauses, which require bargaining unit employees to pay to the union the amount of union dues, whether or not the employees are union members. Employees who are not members of the union who object to paying the full amount will be obligated to pay only the portion of the dues that covers union expenses related to collective bargaining. Thus, union security clauses avoid the “free rider” problem. Employees who are not union members, but who are represented by the union, are obligated to pay a fair share of the costs of collective bargaining for the benefits they receive in the CBA.

A case currently pending before the US Supreme Court seeks to overturn the Court’s precedent (*Abood v. Detroit Board of Education*, 1977) upholding the use of agency fee clauses in state public sector CBAs. Plaintiffs in *Friedrichs v. California Teachers Association* (2015) argue that agency fee requirements violate their constitutional rights to free speech and association by forcing them give financial support to collective bargaining.

This legal challenge seeks to paint collective action as being in opposition to individual rights. Those seeking to uphold the 1977 precedent argue that the Supreme Court has recognized that unions are legally obligated to represent the interests of all individuals in a bargaining unit, whether or not they are members of the union. Further, employees who are in the bargaining unit, but are not union members, receive all the benefits negotiated by the union. Those who are not union members and object to paying the full amount of union dues are required to pay only the costs associated with such negotiations. Therefore, the Court’s precedent balances the collective and individual interests in an equitable manner.

The relationship between labor law and anti-discrimination legislation

Where does employment discrimination law fit into this analysis of collective and individual rights? Understanding the relationships between the NLRA, Title VII of the Civil Rights Act, and other employment discrimination statutes provides the greatest potential for legal interpretations that expand the scope of collective and individual rights of employees. As legal scholar Michael Fischl (2007: 178) has observed, a cohesive understanding of the law is required to appreciate the integrated and overlapping nature of individual and collective actions in “oppositional activity [that] may escalate quite seamlessly” from individual to group actions through various means, including union organizing and multiple types of legal claims in which unions may assist employees in bringing litigation. For example, union organizing campaigns may focus on the need to remedy gender and racial inequalities through collective action. Issues of gender and racial equity may be central to campaign communications about ways that the union can help improve working conditions. Collective protests during the union campaign or in collective bargaining may address these same issues. Thus, collective and individual rights under the NLRA are intertwined with collective and individual rights under employment discrimination law.

A now well-established approach to the law, however, places NLRA in a category of “labor law” in contrast to employment discrimination law. These separate categories have taken hold in the way that workplace law is taught and in the way it is practiced. Attorneys specializing in employment discrimination law may have no interest in and little knowledge about the NLRA. Setting employment discrimination law apart from labor law has negative consequences, though, encouraging a view of these laws as protecting different types of rights. Labor law may be viewed as concerned only with the collective interest in unionizing, while employment discrimination law may be viewed as primarily concerned with individual employee rights to a non-discriminatory workplace. This risks ignoring the way that collective and individual rights intertwine in both areas of the law and the way that race, gender, and class are inter-related in the workplace and society, more generally.

Separating concepts of labor law and employment discrimination law is likely driven by the same ideological forces that reveal themselves in judicial decisions that envision collective and individual rights as separate or even in opposition. As legal scholars Michael Fischl and Cynthia Estlund have each observed, the central concept of the NLRA is collective self-governance toward workplace democracy (Fischl, 2007: 169; Estlund, 2002: 799). In contrast, employment discrimination law has been associated with protecting the individual; however, the individual is not viewed as an actor in gaining these rights that are mutually beneficial for the collective (Fischl, 2007: 169; Estlund, 2002: 799). With unionization a diminishing reality, this perspective can envision individual rights under employment discrimination laws as an alternative to collective action (Fischl, 2007: 201). Equal treatment of individuals under employment discrimination laws, however, largely excludes class-based equality. Instead, the focus on the individual serves narrower goals of equal

opportunity in hiring and individual upward mobility in the established hierarchy of the workplace.

Eliminating unequal treatment of individuals on the basis of gender and minority status is certainly an essential part of achieving employment equity. Focusing primarily on the individual, however, understates the importance of employment discrimination law as a means to eliminate group-based discrimination that impedes progress toward substantive equality and systemic change. Group-based litigation under laws such as Title VII of the Civil Rights Act include disparate impact claims employers to eliminate seemingly neutral employment practices that have a disproportionately negative effect on women and minority groups, unless the employer can prove that the practice is essential for the job (DeBurca 2012, Shoben 2004). The potential of disparate impact theory to achieve greater substantive equality has been best realized in cases of clearly defined objective requirements, such as height and weight requirements that have a negative impact on women. Women plaintiffs have faced an uphill battle, though, in challenging physical ability tests for jobs such as firefighter or police officer (e.g. Berkman v. City of New York, 1982). Further, the courts have not interpreted disparate impact doctrine to apply to such accepted practices as inflexible work schedules, long work days, or extensive travel, which disadvantage women due to their gender role as primary caretakers in the family (Frug, 1979; Lieberwitz, 2008). Class action claims alleging historical patterns of exclusionary hiring and promotions are another form of group-based litigation to addresses systemic discrimination. Like disparate impact claims, however, they are difficult to prove (Selmi, 2006: 735-39; Reinsch & Goltz, 2014).

Affirmative action also holds the potential for achieving substantive equality, as a positive means for increasing the inclusion of women and minorities across a range of occupations. The effectiveness of such programs, however, is limited by their use only as a voluntary, temporary measure by employers to address severe under-represented in particular occupations (e.g. Johnson v. Transportation Agency, 1987).

An artificial conceptual divide between labor law and employment discrimination also ignores the important role of unions for achieving positive rights for employment equity. One result of the weak welfare state in the US is the lack of legislation creating positive rights such as: paid maternity leave for childbirth; paid parental leave; paid or unpaid annual leave; paid sick leave; maximum lengths of the work week or caps on mandatory overtime; a required day off per week; publicly funded early childcare; and national health insurance (Heymann et al., 2004).² Unions have historically played a key role pressuring legislatures to enact such statutory protections. Given the difficulty of achieving these political ends, unionization and collective bargaining can gain such benefits, which will have a

2 The recent health care reform provides avenues for individuals to gain insurance coverage but does not alter the private system of health insurance. Affordable Care Act: Summary of Provisions Affecting Employer-Sponsored Insurance, UC Berkeley Labor Center (July 2011), available at <http://laborcenter.berkeley.edu/healthpolicy/ppaca10.pdf>

particularly strong impact in low-wage workplaces where employers are the least likely to provide them voluntarily.

Conclusion

Achieving equity in employment will succeed only through a social justice movement that defines its goals in terms of race, gender, and class equality. These goals, in turn, should describe a re-distribution of wealth and power from employers to employees – including gender and racial equality as central to this re-distribution. The law can be a tool that helps unions and their allies build this social justice movement. However, the law may also create obstacles to progress. In the US, the law is both a tool and an obstacle, expressing contradictory values about equality and equity. Although state laws have supported the growth of public employee unionization, public sector unions now face political attacks in state legislatures placing restrictions on the scope and content of collective bargaining. The NLRA, which creates rights to unionize and collectively bargain in the private sector, remains the fundamental law establishing collective rights that mutually benefit all employees. While recognizing that the law favors collective action to spread wage increases and benefits evenly, the Supreme Court has also interpreted the NLRA to limit the extent of its redistributive potential. Under more liberal political administrations, however, the NLRB has used its authority to interpret the law in a more expansive way, including more recent interpretations that seek to make the NLRA more effective in current social and economic conditions.

Developing the potential of law to promote a broad democratic agenda for labor requires an integrative understanding of the various employment rights statutes. Rather than seeing employment discrimination law as independent from labor law or even a substitute for it, the NLRA and Title VII of the Civil Rights Act should both be understood as promoting collective and individual rights. This holds the potential for creative use of the law in ways that benefit groups and individuals in the workplace. This understanding of the way the law should be interpreted can also help the labor movement and feminist and civil rights organizations to work together toward common goals.

References

- Abood v. Detroit Board of Education (1977), 431 U.S. 209.
- Age Discrimination in Employment Act (1967), 29 U.S.C. sec. 621 et seq.
- Americans With Disabilities Act (1990), 42 U.S.C. sec. 12101 et seq.
- Belknap v. Hale (1983), 463 U.S. 491.
- Berkman v. City of New York, (2d Cir. 1982), 705 F.2d 584.
- Browning-Ferris Industries of California (2015), 362 NLRB No. 186.
- Brudney, James J. (1996), “Reflections on Group Action and the Law of the Workplace”, *Texas Law Review*, 74: 1563-1599.
- Bureau of Labor Statistics. (Jan. 23, 2015). *Union members summary*, <http://www.bls.gov/news.release/union2.nr0.htm>
- Cauthen, Nancy (Oct. 2, 2007), “Improving work supports: Closing the financial gap for low-wage workers and their families”, *EPI Briefing Paper*, <http://www.sharedprosperity.org/bp198.html>
- Charny, David (1996), “The changing workplace: The employee welfare state in transition”, *Texas Law Review*, 74: 1601-1643.
- Circuit City Stores, Inc. v. Adams (2001), 532 U.S. 105.
- D.R. Horton (2012), 357 NLRB No. 184.
- Dannin, Ellen (2012), “Privatizing Government Services in the Era of ALEC and the Great Recession”, *University of Toledo Law Review*, 43: 503-531.
- De Burca, Grainne (2012), “The Trajectories of European and American Antidiscrimination Law --Introduction to the Special Issue on Antidiscrimination Law in Europe and North America”, *American Journal of Comparative Law*, Vol. 60, pp. 1-22.
- de Haas, R. (1998), “Business law: Employee benefits: Vizcaino v. Microsoft”, *Berkeley Technology Law Journal*, 13: 483-498.
- DeShaney v. Winnebago County (1989), 489 U.S. 189.
- Drago, R. & Fazioli, J. (Mar. 27, 2003), “Unions and Work and Family Integration, A Sloan Work and Family Encyclopedia Entry”, *Sloan Work and Family Research Network*, http://wfnetwork.bc.edu/encyclopedia_entry.php?id=259&area=All

- Estlund, Cynthia (2002), "Reflections on the Declining Prestige of American Labor Law Scholarship", *Comparative Labor Law & Policy Journal*, 23: 789-800.
- Fink, Leon (Feb. 7, 2012), "What's the matter with Indiana?" *Salon*, http://www.salon.com/2012/02/07/whats_the_matter_with_indiana/
- First National Maintenance Corp. v. National Labor Relations Board. (1981). 452 U.S. 666.
- Fischl, Richard Michael (2007), "Rethinking the Tripartite Division of American Work Law", *Berkeley Journal of Employment & Labor Law*, 28: 163-216.
- Friedrichs v. California Teachers Association (2015), 135 S.Ct. 2933.
- Frug, Mary Joe (1979), "Securing Job Equality for Women: Labor Market Hostility to Working Mothers", *Boston University Law Review*, 59: 55-103.
- Garden, Charlotte and Nancy Leong (2013). "So Closely Intertwined": Labor and Racial Solidarity", *George Washington Law Review*, 81: 1135-1210.
- Grundy, Lea, and & Netsy Firestein (1997), "Work, family, and the labor movement", *The Labor Project for Working Families*, http://www.working-families.org/publications/workfamily_labormovement.pdf
- Herbert, William A. (2013), "Can't Escape From the Memory: Social Media and Public Sector Labor Law", *Northern Kentucky Law Review*, 40: 427-505.
- Heymann, Jody, Alison Earle, Stephanie Simmons, Stephanie M. Breslow, and April Kuehnhoff (2004), *The Work, Family, and Equity Index: Where Does the United States Stand Globally?*, www.globalworkingfamilies.org
- J.I. Case v. National Labor Relations Board (1944), 321 U.S. 332.
- Johnson v. Transportation Agency, Santa Clara County (1987), 480 U.S. 616.
- Karl Knauz Motors (2012), 358 NLRB No. 164.
- Kimball, Will and Lawrence Mishel (2015), "Unions' Decline and the Rise of the Top 10 Percent's Share of Income," *Economic Policy Institute*, <http://www.epi.org/publication/unions-decline-and-the-rise-of-the-top-10-percents-share-of-income/>
- Klare, Karl E. (1978), "Judicial Deradicalization of the Wagner Act and the Origins of Modern Legal Consciousness, 1937-1941", *Minnesota Law Review*, 62: 265-339.
- Kochan, Thomas, and Beth Shulman (Feb. 22, 2007), "A new social contract: restoring dignity and balance to the economy", *Economic Policy Institute Briefing Paper #184*. Retrieved from <http://www.sharedprosperity.org/bp184/bp184.pdf>

- Labor Management Relations Act (1947), 29 U.S.C. §§ 141-197.
- Labor Management Reporting and Disclosure Act (1959), 29 U.S.C. §§ 401-402, 411-415, 431-441, 461-466, 481-484, 501-505, 521-531.
- Lieberwitz, Risa L. (1986), "Freedom of Speech in Public Sector Employment: The Deconstitutionalization of the Public Sector Workplace", *University of California Davis Law Review*, 19: 597-668.
- Lieberwitz, Risa L. (2005), "Contingent Labor: Ideology in Practice", M. Fineman & T. Dougherty (Eds.), *Feminism Confronts Homo Economicus* (Ithaca: Cornell University Press): 324-337.
- Lieberwitz, Risa L. (2008), "It's All in the Numbers: The Toll Discrimination Takes", Ruth O'Brien (Ed.), *Telling Stories Out of Court: Narratives About Title VII Of The Civil Rights Act* (Ithaca: Cornell University Press): 198-211.
- Bernstein, Jared, Sylvia Allegretto, and Lawrence Mishel (2006/2007). *The State of Working America 2006/2007*, Economic Policy Institute. Ithaca: Cornell University Press.
- Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, (2012), *The State of Working America*, 12th Edition, Economic Policy Institute. Ithaca: Cornell University Press.
- Munger, Frank (2004), "The New Economy and the Unraveling Social Safety Net: How Can We Save the Safety Net?", *Brooklyn Law Review*, 69: 543-581.
- Player, Mack A. (2013), *Federal Law of Employment Discrimination in a Nutshell, Seventh Edition* (St. Paul: West Publishing).
- National Labor Relations Act (1935), 29 U.S.C. §151, et seq.
- National Labor Relations Board v. Health Care & Retirement Corp. of America (1994), 511 U.S. 571.
- National Labor Relations Board v. Jones & Laughlin Steel Corp. (1937), 301 U.S. 1.
- National Labor Relations Board v. Mackay Radio & Telegraph Co. (1938), 304 U.S. 333.
- Porter, Eduardo (Mar. 20, 2012), Inequality undermines democracy. *The New York Times*. Retrieved from <http://www.nytimes.com/2012/03/21/business/economy/tolerance-for-income-gap-may-be-ebbing-economic-scene.html>
- Purple Communications, Inc. (2014), 361 NLRB No. 126.
- Raday, Frances (1999), "The Insider-Outsider Politics of Labor-Only Contracting," *Comparative Labor Law & Policy Journal*, 20: 413-445.

- Roger W. Reinsch and Sonia Goltz (2014), “You Can’t Get There From Here: Implications of the Walmart v. Dukes Decision for Addressing Second Generation Discrimination”, *Northwestern Journal of Law and Social Policy*, 9: 264-301.
- Republic Aviation Corp. v. National Labor Relations Board (1945), 324 U.S. 793.
- Rodgers, William M., Sara Horowitz, and Gabrielle Wuolo (2014), “The Impact of Client Nonpayment on the Income of Contingent Workers: Evidence from the Freelancers Union Independent Worker Survey”, *Industrial & Labor Relations Review*, 67: 702-732.
- Noam Scheiber and Stephanie Strom (Aug. 27, 2015), “Labor Board Ruling Eases Way for Fast-Food Unions’ Efforts”, *New York Times*, <http://www.nytimes.com/2015/08/28/business/labor-board-says-franchise-workers-can-bargain-with-parent-company.html>
- Selmi, Michael (2005), “Sex Discrimination in the Nineties, Seventies Style: Case Studies in the Preservation of Male Workplace Norms,” *Employee Rights & Employment Policy Journal*, 9: 1- 50.
- Shoben, Elaine W. (2004), “Disparate Impact Theory in Employment Discrimination: What’s Griggs Still Good For? What Not?,” *Brandeis Law Journal*, 42: 597-622.
- Silver, Beverly J. (2003), *Forces of Labor: Workers’ Movements and Globalization Since 1870*. New York: Cambridge University Press.
- Slater, Joseph E. (2012), “Collective bargaining in the public sector under Obama: Public-sector labor in the age of Obama”, *Indiana Law Journal*, 87: 189-229.
- Sukert, Aaron B. (2000), “Marionettes of Globalization: A Comparative Analysis of Legal Protections for Contingent Workers in the International Community”, *Syracuse Journal of International Law & Commerce*, 27: 431-477.
- Tavernise, Sabrina (Sept. 13, 2011), “Soaring Poverty Casts Spotlight on ‘Lost Decade’”, *The New York Times*, <http://www.nytimes.com/2011/09/14/us/14census.html>
- Title VII of the Civil Rights Act (1964), 42 U.S.C. § 2000e et seq.

6 New social protection policies in Turkey

Reductive or reproductive of inequality?

*Şenay Gökbayrak**

Abstract

This study aims to analyze welfare state transformation from an equalitarian perspective in the case of social security reforms in Turkey during the 2000's. During the 1990's, especially, mature welfare states in the developed world encountered serious challenges under the changing conditions of work and global society. These new challenges led to welfare state reforms aimed at welfare state transformation from a new perspective. In spite of changing patterns according to different welfare regimes, there are also common characteristics of welfare state reforms. After the reforms, work and employment patterns are the main determinants to access social protection and provide security. However, there are serious problems concerning employment due to the vulnerable relationship between work and social protection. As a result, social exclusion and inequality are increasing all over the world. In Turkey, as a consequence of social security reforms during the 2000's, labour market and employment patterns have become the main determinants of coverage and level of social protection and also the equalitarian character of the system. However, under the structural characteristics of the labour market, new social policies strengthening the relationship between work and social protection reproduce existing inequalities. From the workfare perspective, new social policies being implemented all around the world, including Turkey, are not reductive of inequality; on the contrary, they are reproductive of inequality.

Keywords: Welfare state transformation, equity, social protection, Turkey.

* Assoc. Prof. Dr, Univesity of Ankara, gbayrak@politics.ankara.edu.tr

Introduction

As is well known, changing socio-economic conditions and emerging new challenges in welfare states endanger sustainability of social protection systems and create new social problems globally, but especially in the mature welfare states. Nowadays, income and social inequalities have been rising as a result of expanding unemployment and precarious work patterns. According to International Labour Organization (ILO) data (2015:12), the number of workers in vulnerable employment has increased by 27 million since 2012, and currently stands at 1.44 billion worldwide. Income inequalities have also widened all over the world. According to ILO data (2015), the richest 10 percent earn 30–40 per cent of total income in the world. By contrast, the poorest 10 per cent earn around 2 per cent of total income in the world. It is interesting that in several advanced economies, income inequalities have worsened rapidly after the global crisis in 2008.

These new socio-economic conditions and challenges have led to searches for reform measures in the welfare states. Within this context, the main characteristic of welfare state reforms is the expanding relationship between work and social protection. This emergent situation is a reflection of the changing regulation mode of the state. The role of the public as representative of collectivism is decreasing, in contrast with the role of the market as representative of individualism, which is increasing in the welfare system. Within the framework of changing notions of citizenship, the responsibilities of individuals have been rising to ensure their well-being. Participation in the labour market and employment patterns are becoming the main determinants of access and level of the social protection. In other words, social protection whose aim is supposed to minimize social inequalities increasingly depends on work and employment patterns.

From this point of the view, this study aims to analyze welfare state transformation – causes, characteristics and results– from an equalitarian perspective in the case of social security reforms in Turkey during the 2000's. In this respect, in the first part of the study, new welfare challenges under changing conditions of work and global society are analyzed. The second part discusses the main characteristics of welfare state transformation introduced under the new challenges. In the third part of study, the relationship between work and social protection is analyzed within the framework of the main characteristics of social security reforms during the 2000's. In this part, the new social protection policies are analyzed in the framework of structural characteristics of labour market and employment in Turkey from an equalitarian perspective. This analysis inquires whether new social protection policies are reductive or reproductive for inequality. Finally in the last part of the study, a new political point of view and suggestions for improving the relationship between employment and social protection are recommended.

Welfare challenges during globalizing area

During the 1990's, mature welfare states, in particular, encountered serious challenges under changing conditions of work and global society. These challenges can be defined according to two dimensions as internal and external. In general, internal challenges, that is, domestic challenges, originate from changing conditions of economic and socio-cultural structures in western countries. External challenges to the welfare state are derived from globalization and trans-national organizations.

Internal challenges

One of most important internal challenges addressed in academic and political debates is population ageing. In developed societies, while life expectancy has been rising for a long time, fertility rates have been decreasing (World Bank, 1994; Bonoli, 2004; ILO, 2005; Esping-Anderson, 2006; Seeleib-Kaiser, 2008; O'Rand, et.al, 2009). According to Eurostat 2013 population data, estimated average life expectancy was 67.7 years old globally, 79.2 years old for EU-27 and USA, and 71.8 years old for Turkey in 2007. For the welfare state, the main problem is the old age dependency ratio, measured in terms of the relative size of older populations compared with the working age population. The old-age dependency ratio for the EU-28 was 27.5 per cent in 2013; as such, there were around four persons of working age for every person aged 65 or over. This ratio is realized as 11.1 per cent for Turkey. It is estimated that the old age dependency ratio will be 51.0 per cent for the EU-28; 28.7 per cent for Turkey by 2080. At the same time, low levels of fertility rates have been maintained across most of the EU. Although slight recovery was observed in most EU Member States during the last decade, in 2012 the EU-28's total fertility rate was 1.58. As a consequence of these trends, the share of the working age population is expected to decline, while older persons will likely account for an increasing share of the total population. Those who are aged 65 years or over will account for 28.7 per cent of the EU-28's population by 2080, compared with 18.2 per cent in 2013 (Eurostat, 2014). These trends mean that welfare state expenditures (for example health, pension) and the need for long-term care will increase in the near future, but will not be affordable under the current conditions of welfare states.

The remaining challenges related to demographic transformations are changing family/household structures and diversifying welfare expectations. Although there are differences across countries, decreasing levels of traditional family structures, increasing rates of female labour participation and emergent care gap, and increasing rates of single-parent family are common characteristics of developed societies. These developments have led to increased needs and expectations from the welfare state under the new conditions. As a result, existing welfare state institutions cannot provide adequate solutions for the new problems (Kleinman, 2006; Seeleib-Kaiser, 2008; O'Rand, et.al, 2009; Turkish Industry and Business Association, 2012).

Labour migration-related changes in the makeup of the population are also another challenge for the welfare state. Labour migration led to growing ethnic heterogeneity of Western societies and new concerns for the welfare states. According to Obinger and Starke (2014:8), although there is contestation about the effects of labour migration on the welfare state in the literature, labour migration and growing ethnic heterogeneity will reduce solidarity in contemporary societies and drive Europe a more Anglo-Saxon style social policy.

Changing conditions of labour process and work patterns create additional fundamental challenges to the welfare state model, which grew out of the “Golden Age” of capitalism whose main characteristics were full and secure employment policies. However, the crisis of capitalism during the end of 1970’s led to important changes in employment policies. Retreating from the full employment policies created huge unemployment and changed perceptions about the level of protection for the unemployed. Although these changes are different across countries, there are also common trends related to labour markets. The increasing rate of employment in the service sector; decreasing full-time employment; increasing part-time, flexible employment patterns and increasing unemployment are common characteristics of current labour markets in the important parts of the world (Esping-Anderson, 2006; Kleinman, 2006; ILO, 2012; Turkish Industry and Business Association, 2012). According to ILO data (2015:11), over 201 million people were unemployed in 2014 around the world. The global employment gap, which consists of the number of jobs lost since the beginning of crisis, currently stands at 61 million; an additional 280 million jobs need to be created by 2019 to close the global employment gap caused by the crisis. Youth, especially less educated and less skilled, and women continue to be affected by unemployment as the most vulnerable groups. Long-term unemployment comes into prominence as emergent economic and social implications.

Another important development related to labour markets is increasing atypical and precarious employment patterns with corresponding increased needs for social protection by those who were, at the same time, being excluded from social protection. Under the changing patterns of the labour process, part-time work and fix-term employment contracts have been functional mechanisms for providing a flexible and cheap labour force. According to Eurostat data (2014), the proportion of the EU-28 workforce in the age group 15–64 years who reported that their main job was part-time increased steadily from 16.0 per cent in 2003 to 19.5 per cent by 2013. The highest proportion of part-time workers in 2013 was found in the Netherlands (50.0 per cent), followed by Germany, Austria, the United Kingdom, Denmark, Sweden, Belgium and Ireland, where part-time work accounted in each country for around a quarter of those in employment. One third (32.1 per cent) of women aged 15–64 who were employed in the EU-28 worked on a part-time basis in 2013, a much higher proportion than the corresponding share for men (8.8 per cent). In 2013, the proportion of employees in the EU-28 with a contract of limited duration (fixed-term employment) was 13.8 per cent. 26.8 per cent employees in Poland had a temporary contract, a proportion than in Spain (23.2 per cent), Portugal (21.5 per cent) and the

Netherlands (20.3 per cent). In 2014, the part-time employment rate as a percentage of total employment was 11.1 per cent (22 per cent for women; 6.4 per cent for men) and temporary employees as a percentage of the total number of employees was 12.9 per cent (11.2 per cent for women; 13.6 per cent for men) in Turkey.

As a result of increasing precarious and vulnerable work around the world (Standing, 2014), mature welfare states, in particular, have encountered serious challenges, as precarious employees can not contribute to systems at adequate levels for access to welfare benefits. For this reason, the number of people who depend on social assistance has increased, leading to significant financial burdens on budgets of welfare states (Gökbayrak, 2010).

External challenges

Today, there is a new political consensus that the welfare state is an obstacle to integration into global markets under the competitive pressure conditions. It is accepted that welfare state benefits, just as tariffs and trade regulations, create barriers to global capital mobility. In this regard, globalization is the most powerful factor for welfare state retrenchment (Esping-Anderson, 2006; Bonoli, 2004; Kleinman, 2006; Orenstein, 2008; Pierson, 2006; Turkish Industry and Business Association, 2012). Foreign direct investments have favoured countries where cheap labour is abundant. This situation constrains level of governmental appropriations to welfare state administration. The pressure of decreasing labour costs has been causing welfare state retrenchment under the process of integration into global markets (Bonoli, 2004; Seeleib-Kaiser, 2008; Sykes, 2008). However, there is also different theoretical approach, known as the “compensation thesis”. According to this thesis, the losers of globalization need the compensation provided by welfare state (Burgoon, 2001; Sykes, 2008). For this reason instead of a race to bottom, we should find sustainability at least in some area of welfare state (Obinger and Starke, 2014). However, in any case we must recognize that globalization has been affecting the welfare state over a long period of time.

As discussed by Obinger and Starke (2014), the economic integration based on the EU model can be seen as a particular form of globalization at the regional level. The process of European integration has created reform pressure on the national welfare states. In spite of social reform pressure under the changing conditions discussed above, the impact of EU legislation on the national social policies has been limited. Because of the existence of different welfare regimes in the member countries, the EU has merely tried to establish soft governance mechanisms such as the open method of coordination and has tried to provide convergence (not harmonisation) at the social policy level among the member states (Hunt, 2005; Daly, 2006; Sareceno, 2013).

Both internal and external challenges have increased questions about financial sustainability of social protection systems and the role of the state in welfare

provision. Under the increasing influence of international/regional organizations, reforms have created new perspectives on welfare state transformation.

Welfare state transformation

In the related literature, there have been intensive and ongoing debates on welfare state transformation and the future of the welfare state (Esping-Anderson, 1990; Esping-Anderson, 2006; Taylor-Gooby, 2001; Taylor-Gobby, 2002; Kleinman, 2006; Obinger and Starke, 2014). Although welfare states, especially mature welfare states, have not disappeared as a consequence of reform waves under changing conditions, it is accepted that welfare states have gained new characteristics that can be called *welfare state transformation*. In spite of diverse patterns in different welfare regimes (Esping-Anderson, 1990), there are also common characteristics emerging in this transformation process. These common characteristics are related to actors, contexts and notions of citizenship in the social protection systems.

The first common characteristic is related to the changing role of welfare actors (public, market and family). Welfare reform processes have led to a decreasing role of the public, along with an increasing role of market, family and voluntary organizations in welfare provision, which generally can be categorized as a *welfare mix* (Dixon and Kouzmin, 2001; Bonoli, 2004; Clark and Whiteside, 2005; Queisse and Whitehouse, 2006; Queisser, vd, 2007; Seeleib-Kaiser, 2008). The regulation mode of the state has been changing based on the arguments of the “*New Public Management*” perspective. Based on this perspective, a public and private sector partnership has been created for welfare provision and administration. This partnership, on the one hand, has been providing private sector management strategies for welfare provision, and on the other hand, has been increasing the role of profit and non-profit organizations in welfare regimes (Gökbayrak, 2008; Seeleib-Kaiser, 2008).

However, as Cohen (2015: 34) observes, the changing regulation mode of the state does not mean that regulation itself is now insignificant. Rather, regulation can be used with very different outcomes depending on the goals of the state and the impact on international regulatory institutions. Within this context, state activities have been focusing more on controlling welfare provision than in expanding access as part of social protection. In this emergent context, citizens have been providing increasing self-protection against social risks through the market, depending on their ability to pay. In contrast, low income groups have been providing self-protection increasingly from their families and/or charities, depending on their level of social capital (Gökbayrak, 2010; Adema and Whiteford, 2010).

The second common characteristic of the reform process is related to reform contexts. Although there have been differences according to welfare regime types, as a result of the degradation of the role of the public in welfare provision, welfare state reforms have limited access to welfare benefits (as an instance tighten eligibility

conditions to benefits). Further, reforms have reduced the level of welfare state generosity, for example, through cutbacks of welfare benefits by decreasing the duration and amount of unemployment payments and pensions etc. As a result of new challenges discussed above, with welfare state expenditures rising, especially in mature welfare states, some scholars (Murray, 2006; Mead, 2006) and mainstream politicians argue that there is a culture of dependency on an expanding welfare state. From the liberal perspective on the welfare state, welfare dependency is accepted as the most important problem in the current debates. In order to reduce welfare dependency, reforms have been aimed at cutting off welfare expenditures and social protection has been increasingly dependent on active individual capacity (Gökbayrak, 2010).

The other common characteristic of reform process is related to the changing notion of citizenship, including the increasing role of the individual to ensure his/her well-being. The concept of “*active citizenship*”, which encourages working and labour market participation for access to social protection, has been the most prominent characteristic of the new welfare state understanding (Kildal, 2001; Jensen ve Pfau-Effinger, 2005). In this context, new social protection policies have placed emphasis more on punishments than incentives; more on obligations than rights; more on selectivity than universality (Kildal, 2001; Lincbek, 2008). In this way, there has been an emerging transformation process that shifts *from de-commodification*, which is main function of traditional welfare state, *to re-commodification*. Therefore, to a large extent, well-being depends on inclusion associated with working. At this point, the new role of the welfare state becomes encouraging participation in labour markets and making (paid) work attractive (Sareceno, 2013). In this process, the new *workfare state* closely links welfare and work; increases the role of active labour market policies versus passive ones; and focuses more on supply-side employment policies to try to increase employability, rather than demand- side ones (Gökbayrak, 2010; Obinger and Starke, 2014).

In sum, at the point where we stand now, work and employment patterns are the main determinants of access to social protection and security against social risks. However, this creates serious problems due to the vulnerable relationship between work and social protection (Midgley, 2011; Devereuz and McGregor, 2014; Standing, 2014; ILO, 2015; ILO, 2014/2015). Therefore, social exclusion and inequality are increasing all over the world.

The new social policies in Turkey: reductive or reproductive of inequality?

As we look into current situation of the welfare system of Turkey from the new workfare perspective, we may observe all the common characteristics of welfare state transformation process. Before analysing the welfare state transformation from equalitarian perspective in Turkey, it will be beneficial to give some brief information about welfare and social security system in Turkey as mentioned below.

General structure of the welfare system in Turkey

The social security system in Turkey basically provides social protection only to those who engage in regular/formal employment. Therefore, the welfare regime in Turkey can be defined as the Conservative/corporatist welfare regime, or in other words, the Bismarckian Social Insurance Model. However, as discussed below, the high levels of informal employment causes a vast majority of the population to benefit from the social security system only through a family member (generally father/husband) who has regular/formal employment. (Gökbayrak, 2010; Tezgel and Gökbayrak, 2013). This dual structure brings the Turkish welfare regime closer to the Southern European welfare regime (Ferrera, 1996).

The social security system is composed of contributory (social insurance) and non-contributory (social assistance) programmes. Social risks covered by the social security system are: sickness (via General Health Insurance); occupational accidents and diseases; maternity; old-age; disability; survivor benefits and unemployment (since 1999). Social groups covered by the social security system are generally employees who work under labour contracts, self-employed people and civil servants (Alper, 2014).

Prior to the 2006 Social Security Reform, the social security system was carried out by three main social security institutions: Social Insurance Institution (for employees working under labour contracts); Republic of Turkey Pension Fund (for civil servants); and Self-employed Fund (for self-employed people). After the 2006 reform, these three main social security institutions were merged into one institution called the Social Security Institution.

When we look at the financial structure of the social security system in Turkey, first of all, we can see social insurance programmes based on premiums paid by the employees and employers. There is also state contribution to health and unemployment insurance. Social assistance programmes for the poor (old-age, children, disabled persons) are financed by general taxes or special taxes allocated for social assistance.

Table 6.1. Social security coverage in Turkey (2003-2015 march) –million

Year	Active insured	Pensioner	Dependents	Social Security Coverage (Total)	Active/Passive
2003	12.289.808	6.848.022	28.661.079	48.094.450	1,99
2004	12.553.265	7.174.632	30.109.280	50.138.617	1,93
2005	13.156.439	7.504.453	31.423.261	52.391.314	1,92
2006	14.124.935	7.913.724	32.330.398	54.667.326	1,95
2007	14.763.075	8.279.444	33.070.537	56.423.907	1,95
2008	15.041.268	8.746.703	33.227.265	57.338.454	1,87
2009	15.096.728	9.173.750	33.989.891	58.591.574	1,78
2010	16.196.304	9.518.648	35.470.436	61.506.194	1,84
2011	17.374.631	10.014.982	36.348.316	64.088.819	1,87
2012	18.352.859	10.382.419	33.807.725	62.899.043	1,90
2013	18.886.989	10.607.263	32.944.917	62.806.374	1,90
2014	19.821.822	10.920.901	33.940.086	65.060.609	1,94
2015-March	19.997.653	11.063.197	33.742.051	65.183.202	1,93

Source: Social Security Institution, Insurance Statistics March 2015, <http://www.sgk.gov.tr>

According to Social Security Institution data, social security coverage rate as a percentage of total population was 83.7 per cent in 2014. However this ratio is a reflection of virtual well-being in the social security system because of the high rate of passive insured. As we can see in Table 6.1, there were 19.8 million active insured contributing into the system, while 44.8 million were passive insured (pensioners and dependents) benefiting from the system in 2014. These ratios imply that financial sustainability of the social security system is in danger and actuarial equilibrium of system cannot be maintained (Alper, et al, 2015) in spite of the reform waves during the 2000's, discussed below.

Reform waves during the 2000's

The social security system in Turkey faced a financial crisis during the end of 1990's. The main reasons behind the financial crisis were decreasing premium incomes because of lower real wages as a result of structural adjustment policies implemented since the beginning of 1980's, structural problems of the labour market such as unemployment and informal employment, the high rate of dependents who do not contribute to the system but benefit from it, and populist interventions- such as the decreasing retirement age, premium amnesties, and benefits that are free of charge- into the system (Özşuca, 2003).

As a result of this situation, parametric and paradigmatic reforms were introduced at the end of the 1990's. The first reform (1999) had a parametric character aimed at increasing premium incomes and decreasing expenditures of the social security system through changes such as tightened eligibility conditions, increased retirement age, increased duration and amount of contribution to system, decreased

amount of pension etc (Özşuca, 2003; Gökbayrak, 2010; Alper et al., 2015). The second reform (2001) had a paradigmatic character that introduced supplementary individual pension plans supported by tax advantages. Since 2013, there is important state contribution to individual pension plans for supporting private pension system (Gökbayrak, 2010). However, due to the effects of 2001 economical crisis, reforms failed to satisfy expectations.

The last reform (2006) principally had parametric characteristics, strengthening the relationship between contributions and benefits in the system. Tightened eligibility conditions, increased retirement age, increased duration and amount of contribution to system, and decreased amount of pension were the main implementations of reform. The reform had also paradigmatic characteristics. As a result of the parametric regulations, social protection increasingly depends on work and employability (workfare). In addition, the role of private provision was increased, especially for health care and retirement (Welfare mix). On the other side, the role of social assistance targeted the poorest increases to compensate rising poverty from a liberal welfare perspective (Gökbayrak, 2010).

After the social security reforms, participation of labour market and employment patterns have become the main determinants of coverage and level of social protection.. At the same time, these factors have also a potential affect on the equalitarian character of social protection system.

The structure of the labour market and employment in Turkey

The main characteristic of the labour market in Turkey is its dual structure, with labour market indicators differing between urban and rural, men and women, formal and informal sectors, skilled and unskilled labour (Tezgel and Gökbayrak, 2013). This dual structure produces stratified and segmented access to social security and generates inequality among different social groups.

One of the main characteristics of the labour market in Turkey is informal and undeclared work. Although there has been decreasing rate of undeclared work in recent years, informal employment and undeclared work are still serious problems in the labour market. As a result of informal and undeclared work, a large proportion of the workforce is excluded fully or partly from social security. The main groups affected by informal and undeclared work patterns are women, employees working in small or micro scale enterprises at urban areas, rural workers and migrant workers (Gökbayrak, 2010).

Table 6.2. Labour force participation rates 2003-2013* (%)

Years	Turkey			Urban			Rural		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
2003	26.6	70.4	48.3	18.5	68.9	43.8	39	72.9	55.5
2004	23.3	70.3	46.3	17.7	69.1	43	36.7	73.3	54.4
2005	23.3	70.6	46.4	18.7	70	44.1	33.9	72	52.1
2006	23.6	69.9	46.3	19.5	69.3	44.2	33.1	71.3	51.2
2007	23.6	69.8	46.2	19.8	69.3	44.3	32.5	71	50.8
2008	24.5	70.1	46.9	20.8	69.5	45	32.9	71.6	51.4
2009	26	70.5	47.9	22.3	69.9	45.8	34.6	72	52.7
2010	27.6	70.8	48.8	23.7	70.4	46.8	36.3	71.6	53.5
2011	28.8	71.7	49.9	24.8	71	47.6	37.5	73.3	54.9
2012	29.5	71	50	26.1	71	48.3	36.9	71.2	53.6
2013	30,8	71,5	50,8	28	71,6	49,6	36.7	71.2	53.6

Source: TurkStat, Household Labor Force Survey Results 2013.

* Due to the changes in administrative structure of municipalities in 2014, Turkish Statistical Institution has to published labour statistics only country based. In this regard, we only could involve the data due on 2013 in the analysis.

Another important characteristic of the labour market in Turkey is the extent of agriculture in the sectorial distribution of employment. While decreasing over the years, according to Turkish Statistical Institution data in March 2015, a large proportion (20 per cent) of the work force is still employed in agriculture sector. In addition there has been a transformation process in the agriculture sector, which has been creating a labour surplus in this sector and difficulties expanding coverage of social security for the rural workforce. Additionally, this process contributes to migration from rural to urban areas and expansion of informal activities in urban areas as result of limited work opportunities in urban settings. As a result of these circumstances, a majority of the agriculture workforce is excluded from social protection in an unequal manner (Tezgel and Gökbayrak, 2013).

As illustrated in Table 6.2, another main characteristic of the labour market is the gender gap in employment and the lower labour force participation rate for women. According to Turkish Statistical Institution data in March 2015, the labour force participation rate for men was 70.6 per cent, whereas the labour participation rate for women was 29.8 per cent. In the rural areas the labour force participation rate for women is higher than the urban areas. However, the emergent transformation process in the agriculture sector, discussed above, causes exclusion of women from the labour market. As result of rural to urban migration, the majority of women cannot find jobs in urban areas due to their inadequate skills and conservative values affecting labour force participation of women. In general, the main reasons of the low labour

participation rates for women are the economic and socio-cultural factors that affect the labour supply and household demands on women. The gender-based division of labour forces women to carry out the domestic work - housework, child and elder care. Therefore, women are excluded from the formal labour market (The Ministry of Family and Social Policies, 2014). Also, as discussed above, part-time and fix-term employment patterns are more widespread among women based on gender-based division of labour. As a result of full or partial exclusion from the labour market, the majority of women – especially those who are unskilled, carrying out informal work – cannot fulfill the requirements of the social security system and are also excluded from social protection in an unequal manner (Tezgel and Gökbayrak: 2013).

As we can see in Table 6.3, the other main characteristics of the labour market are high unemployment rate and difficulties in creating new jobs. According to Turkish Statistical Institution data in March 2015, the unemployment rate was 10.6 per cent in Turkey. The unemployment rate is higher in urban areas than in rural areas. The unemployment rate was 12.6 per cent in nonagricultural sectors. As illustrated in Table 3, women are more affected by unemployment than men based on gender-based division of labour. Especially in the urban areas unemployment rates for women are quite high as compared with rural areas. In particular, long-term unemployment creates obstacles for social protection. Long-term unemployment restrains access to social security for a large amount of workforce. Due to long-term unemployment, a large proportion women, unskilled workers, and skilled young workers are excluded from social protection in an unequal manner (Turkish Statistical Institution, 2015).

Table 6.3. Unemployment rates in the period of 2004-2013* (%)

Years	Turkey			Urban		Rural	
	Women	Men	Total	Women	Men	Women	Men
2004	11.0	10.8	10.3	17.9	12.5	3.0	6.8
2005	11.2	10.5	10,3	17.0	11.6	3.6	7.7
2006	11.1	9.9	9,9	16.4	11.0	3.9	7.4
2007	11.0	10.0	10,3	16.1	10.8	3.8	8.3
2008	11.6	10.7	11.0	16.6	11.6	4.3	8.7
2009	14.3	13.9	14.0	20.4	15.3	5.3	10.7
2010	13.0	11.4	11.9	18.7	12.6	4.6	8.7
2011	11.3	9.2	9.8	16.5	10.2	3.6	7.0
2012	10.8	8.5	9.2	15.5	9.4	3.5	6.5
2013	11.9	8.7	9,7	16.4	9.5	4.5	7.0

Source: Turkstat, Household Labor Force Survey Results and the Ministry of Family and Social Policies (2014).

* Due to the changes in administrative structure of municipalities in 2014, Turkish Statistical Institution has to published labour statistics only country based. In this regard, we only could involve the data due on 2013 in the analysis.

As a result of this brief description of labour market characteristics in Turkey, we can see that the main determinants of social protection level are the employment patterns in the labour market based on the Bismarckian social insurance model. In Turkey, deep social inequalities for different social groups result from: undeclared, informal and precarious employment patterns; the difficulties of creating employment in the formal sector from a decent work perspective; stratification between formal and informal employment, rural and urban employment, women and men, unskilled and skilled workers; and the increasing unemployment rate for all social groups. Under these conditions, new workfare policies strengthening the relationship between work and social protection cannot reduce inequalities due to structural problems of the labour market. On the contrary, these policies reproduce existing inequalities.

Conclusion

As a result of new social policies which link social protection to work, it is impossible to extend social security coverage and decrease inequality without solving the structural problems of labour markets and employment patterns. Under the conditions of huge unemployment and precarious employment patterns, new social policies that strengthen the relationship between work and social protection reproduce existing inequalities. From the workfare perspective, new social policies implemented all around the world, including Turkey, are not reductive of inequality. On the contrary, they are reproductive of inequality.

In this regard, a holistic approach for social security and labour market reforms is essential to sustainability and equality of the social protection system in Turkey. First of all, in the field of the labour market, employment-friendly macro-economic policies; education and employment policies ensuring labour productivity; regulation policies creating decent work in the labour market; demand-side employment policies in addition to supply-side policies; and the anti-discrimination perspective in employment policies are essential to cope with employment and inequality problems. In context of social security, social policies aiming at income equality; policies empowering the redistributive function of social security, and policies making the public social security system more extensive and efficient are essential to cope with social protection and inequality problems.

In conclusion, a holistic approach with the goal of strengthening the redistributive function of social security and regulative employment policies from an equalitarian perspective is required under the circumstances of the new social policies. Otherwise, income and social inequality will be created and reproduced by current unequal and precarious forms of employment patterns.

References

- Adema, W. and Whiteford, P. (2010), "Public and Private Social Welfare", in *The Oxford Handbook of The Welfare State*, eds:Francis G. Castells, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson, Oxford University Press: 121-138.
- Alper, Y. (2014), *Social Security Law (Sosyal Sigortalar Hukuku)*, Dora Yayınları, 6. Basım, Bursa.
- Alper, Y; Arıcı, K; Özşuca, Ş. T; Aydın, U; Gökbayrak Ş. (2015), *The Successful History of Supplemantary Pension: OYAK (Tamamlayıcı Emeklilikte Bir Başarı Öyküsü: OYAK)*, T.C İş Bankası Kültür Yayınları, Ankara.
- Bonoli, G. (2004), *The Politics of Pension Reform: Institutions and Policy Change in Western Europe*, Cambridge University Press.
- Burgoon, B. (2001), "Globalization and Welfare Compensation: Disentangling the Ties that Bind", *International Organization*, 55(3): 509 – 551.
- Clark, G. L and Whiteside, N. (2005), "Introduction", in *Pension Security in the 21st Century* (eds: Gordon L. Clark ve Noel Whiteside), Oxford University Press: 1-20.
- Cohen, M. G. (2015), "The Strange Career of Regulation in the Welfare State", *Econ Journal Watch*, 12(1) : 28-35.
- Daly, M. (2006), "EU Social Policy after Lisbon", *JCMS*, 44(3): 461-481.
- Devereux, S. and McGregor, A. (2014), "Transforming Social Protection: Human Wellbeing and Social Justice", *European Journal of Development Research*, 26(3): 296-310.
- Dixon, J. and Kouzmin, A. (2001), "The Market Appropriation of Statutory Social Security: Global Experience and Governance Issues", in *The Marketization of Social Security* (eds: John Dixon ve Mark Hyde), Quorum Books 27-42.
- Esping -Andersen, G. (2006), "Post Golden Age ? Welfare State Dilemmas in Globalized World" "Altın Çağ Sonrası? Küresel Bir Ekonomide Refah Devleti İkişimleri ", in *Social Policy Writings (Sosyal Politika Yazıları)* (eds: Ayşe Buğra ve Çağlar Keyder) , İletişim Yayınları, İstanbul: 53-100.
- Esping-Anderson, G. (1990), *The Three Worlds of Welfare Capitalism*, Polity Press.
- Eurostat (2013), *Europe in figures: Eurostat Yearbook 2013*.
- Eurostat (2014) *Europe in figures: Eurostat Yearbook 2014*.
- Ferrera, M. (1996), "The Southern Model of Welfare in Social Europe", *Journal of European Social Policy*, 6(1): 17-37.
- Gökbayrak, Ş. (2008), "Privatization in Welfare State Services" (Refah Devleti Hizmetlerinin Sunumunda Özelleştirme Uygulamaları), *The First National Labour Relations Congress Proceedings Book (I. Ulusal Çalışma İlişkileri Kongresi Bildiriler Kitabı)*, Sakarya Üniversitesi: 779-799.

- Gökbayrak, Ş. (2010), *Welfare State Transformation and Private Pension Programmes*(*Refah Devletinin Dönüşümü ve Özel Emeklilik Porgramları*), Siyasal Kitabevi, Ankara.
- Hunt, J. (2005), “ Combating Social Exclusion: The EU’s Contribution”, *Journal of Social Welfare and Family Law*, 27(1) : 113-120.
- ILO (2005), *Managing Transitions: Governance for Decent Work*, Seventh European Regional Meeting, Budapest, Report of Director General.
- ILO (2012), *Global Employment Trends 2012*, International Labour Office Geneva.
- ILO (2014/15), *World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice*, 2015, International Labour Office, Geneva.
- ILO (2015), *World Employment and Social Outlook: Trends 2015*, International Labour Office, Geneva.
- Jensen, Per H. ve Pfau-Effinger, B. (2005), “Active’ citizenship: the new face of welfare”, in *The Changing Face of Welfare* (eds: Jørgen Goul Andersen, Anne-Marie Guillemard, Per H. Jensen and Birgit Pfau-Effinger), The Policy Press: 1-14.
- Kildal, N. (2001), *Workfare Tendencies in Scandinavian Welfare Policies*, International Labour Office, Geneva.
- Kleinman, M. (2006), “Crisis is it Crisis ? Sustainability and Transformation in European Welfare States” (Kriz mi Ne Krizi? Avrupa Refah Devletlerinde Süreklilik ve Değişim), in *Social Policy Writings (Sosyal Politika Yazıları)* (eds:Ayşe Buğra ve Çağlar Keyder) , İletişim Yayınları, İstanbul: 53-100.
- Lindbeck, A .(2008), *Prospects for The Welfare State*, Institute for International Economic Studies, Stockholm University Seminar Paper:755.
- Mead, L. (2006), “The New Politics of The New Poverty”, in *The Welfare State Reader*, eds:Christopher Pierson ve Francis G. Castels, Polity Press, Second Edition: 107-117.
- Midgley, J. (2011), “Social Protection and Social Policy: Key Issues and Debates”, *Journal of Policy Practice*, 11(1-2): 8-24.
- Ministry of Family and Social Policies (2014), *Analysis of Women’s Labor Force Profile Statistics in Turkey 2014*, Ankara. <http://kadininstatusu.aile.gov.tr/data>
- Murray, C. (2006), “The Two Wars against Poverty”, in *The Welfare State Reader*, eds:Christopher Pierson ve Francis G. Castels, Polity Press, Second Edition: 96-106.
- O’Rand, A. M; Ebel, D.; Isaacs, K. (2009), “Private Pension in International Perspective”, in *International Handbook of Population Aging* (ed: P Uhlenberg), Springer: 429-443.
- Obinger, H. and Starke, P. (2014), *Welfare state transformation: Convergence and the rise of the supply side model*, TranState Working Papers, No. 180.

- Orenstein, M. (2008), "Out-liberalizing The EU: Pension Privatization in Central and Eastern Europe", *Journal of European Public Policy*, 15(6): 899-917.
- Özşuca, Ş.(2003), " Globalization and Social Security Crisis" (Küreselleşme ve Sosyal Güvenlik Krizi), *Journal of Faculty of Political Science (Siyasal Bilgiler Fakültesi Dergisi)*, 58(2):,133-157.
- Pierson, P.(2006), "The New Politics of Welfare State", in *The Welfare State Reader* (eds: Christopher Pierson ve Francis G. Castels), Polity Press, Second Edition: 348-357.
- Queisser, M. and Whitehouse, E. (2006), "Comparing The Pension Promises of 30 OECD Countries", *International Social Security Review*, 59(3): 49-77.
- Queisser, M; Whitehouse, E; Whiteford, P. (2007), "The Public-Private Mix in OECD Countries", *Industrial Relations Journal*, 38(6): 542-568.
- Sareceno, Chiara. (2013), *The undercutting of European Social Dimension*, LIEPP Working Paper No: 7.
- Seeleib – Kaiser, M. (2008), "Welfare State Transformation in Comparative Perspective: Shifting Boundaries of Public and Private Social Policy?", in *Welfare State Transformations : Comparative Perspectives* (ed: Martin Seeleib-Kaiser),Palgrave Macmillan: 1-14.
- Standing, Guy (2014), "Understanding the Precariat through Labour and Work", *Development and Change*, 45 (5): 963-980.
- Sykes, Rob (2008), "Globalization and Social Policy", in *The Student's Companion to Social Policy*, ed: Pete Alcock, Margaret May and Karen Rowlingson, Blackweel Publishing, Third Edition : 430-437.
- Taylor-Gooby, P. (2001), "Sustaining welfare state in hard times: who will foot the bill?" *Journal of European Social Policy*, 11(2): 133-147.
- Taylor-Gooby, P. (2002), "The Silver Age of the Welfare State: Perspectives on Resilience", *Journal of Social Policy*, 31(4): 597-621.
- Tezgel, O. and Gökbayrak, Ş. (2013), "The Effects Of Gender Inequalities in The Labor Market And The Social Security System On Women's Social Inclusion in Turkey", *İş, Guc" Industrial Relations And Human Resources Journal*, 15(4): 39-59.
- Turkish Industry and Business Association (2012), *Population and Administration towards 2050: A Glance to Social Security (Pension) System (2050'ye Doğru Nüfusbilim ve Yönetim: Sosyal Güvenlik (Emeklilik) Sistemine Bakış)*, (eds: Yusuf Alper, Çagaçan Değer, Serdar Sayan), TÜSİAD Yayın No: TÜSİAD-T/2012-11/535, İstanbul.
- TurkStat (2015), *Labour Force Statistics March 2015*, <http://www.turkstat.gov.tr/HbGetirHTML.do?id=18638> 10.07.2015
- World Bank (1994), *Averting Old Age Crisis: Policies to Protect The Old and Promote Growth*, A World Bank Policy Research Report, Oxford University Press.

7 Seeking cheap labour

New trends and regulations in the Turkish labour market

Serter Oran and İlkay Savcı***

Abstract

Cheap labour plays a vital role in today's global competitive economies by creating huge profit opportunities for employers through two ways: Capital flows into undeveloped and developing countries for employing the cheap labour; and cheap labour from undeveloped countries moves to the developed and developing ones. On the basis of this framework, Turkey can be argued as an example country for employing foreign workers as cheap labour in both national and international markets related to labour market restructuring and employment policies. While the Turkish labour market is evaluated as a cheap labour source by international firms, ironically Turkish workers do not prefer low skilled and low wage jobs, according to the data given by Turkish Employment Organisation. Although there are very limited official statistical data concerning the issue, the new trends and the new regulations need to be studied. Most information is based on written and visual media articles cited by employers and reports from governmental and non-governmental organisations. In this article, these new trends and regulations related to seeking cheap labour are examined through three examples: 'Migrants, especially Syrian refugees who are in Turkish labour market', 'Turkish prison labour usage by private sector firms as a new governmental implementation' and 'employment preferences of Turkish construction firms which are engaged in international market'.

Keywords: Labour markets, foreign workers, Syrian refugees, prison labour, construction workers.

* PhD Candidate, Research Fellow, University of Ankara, soran@ankara.edu.tr, serteroran@gmail.com

** Prof. Dr. University of Ankara, savci@politics.ankara.edu.tr, ilkaysavci@gmail.com

Introduction

Recently, there has been a debate about new labour mobilisation in the migration and forced labour literatures. ILO and human rights organisations (ILO, 2001; 2014; Human Rights Watch, 2015) particularly emphasize the necessity to fight against undesirable results of this type of mobilisation. Despite all risk factors, labour mobilisation should be accepted as a phenomenon which has changed due to historical and economic circumstances. Various theoretical approaches have been put forward to explain distinctive features of labour mobilisation throughout history. According to Marx (1997), in a capitalist economy, in order to decrease the wages and to discipline the labour force, a ‘reserve army of labour’ is created. The reserve army of labour is always present and recently has gained a new character: the potential of being disposable. Bales (2000), claims that “being disposable” means new slavery. When the contemporary status of the reserve army is examined, we can see that the theoretical position put by Marx is valid today. In ‘development theory’, Lewis (1966) posits the labour movement from lower paid jobs in traditional sectors to the higher paid jobs as a key factor in the economic development process. The neo-classical approach, in contrast, focuses on the geographical factor which pushes the labour mobilisation to welfare regions while putting more emphasis on individual, rational choices of immigrants (Bauder, 2006).

One of the most popular theories is “segmented labour market theory”, which distinguishes between primary and secondary sectors within the economy. This theory explains that in the labour market all high-skilled and high-paid jobs are gathered in the primary sector while the rest remains in the secondary sector. In this regard, people who are in the lowest layer of the social hierarchy accept the low-paid jobs and they are accumulated in the secondary sector. After a while, as a result of the relative increase in earnings, the secondary sector workers do not prefer to work at those “poor graded jobs”. Thus, these jobs become open to immigrant labour (Piore, 1979). Among other theories, Wallerstein’s ‘migration network theory’, which focuses on unequal distribution of economic and politic power in the world economy for sharing immigrant labour, is worth mentioning, particularly because this approach deals with the regional labour mobilisation and it points to the continuity and reproduction of migration (Wallerstein, 1974; Massey, et al., 1993; Toksöz, 2006: 18-22). Finally, the regulatory role of the state, emphasised by Bourdieu (1986), should be mentioned in the theoretical debate. Lusi and Bauder (2011: 214) suggest that “governments in both migrant source and destination countries create, revise and abolish migration policies to meet particular objectives.”

On the basis of these theoretical debates, it is argued that Turkey has gained more importance both as transition and destination country in terms of human trafficking and immigration. In Turkey, recently, there has been a proliferation of the news in the written and visual media about ‘importing’ foreign workers and using other cheap labour forms. In this chapter, some examples from the media are discussed in order to shed light on the underlying factors of this trend. In this

regard, the chapter begins by presenting outlines of Turkish labour market and its new developing trends. After that migrant and refugee waves would be examined on the basis of Syrian refugees who are seen as an unexpected resource of cheap labour. Then, new government regulations, which aim to spread prison labour usage by the private sector are summarised. Finally, employment strategies of Turkish construction firms in the international market are discussed in relation to decreasing numbers of Turkish workers employed by those firms. It is shown that these firms have recorded increasing profits while they hire foreign labour instead of the Turkish workers in order to decrease the labour costs. Thus, the cheap labour process in the context of the particularities of contemporary trends in labour movements on the basis of the Turkish example will be analysed in three sections.

Characteristics of the Turkish labour market and new trends

The Turkish labour market is characterised by its young population; low labour force participation rate in general and amongst women in particular; and the dual structure of the labour market, which consists of informal employment along with the formal employment. In more detail, Turkish Statistical Institute¹ (TurkStat, 2015) reports that the average age of youth population is 28. At the same time, the labour force participation rate is relatively low in general (50 per cent) and extremely low amongst females (29.9 per cent). As of April 2015, 33.3 per cent of total employment consists of informal employment. Moreover, there is a gap between supply and demand in the Turkish labour market. Accordingly, employers claim that they cannot satisfy their labour demand. Indeed it can be revealed that only 46 per cent of open positions were filled in 2014 and 53 per cent in 2015, through data by Turkish Employment Organisation (İŞKUR)² (Sakal, 2015:62). Now the question is how the gap between supply and demand can be explained. According to some approaches, public aid, including social assistance systems such as green card, aid in kind and financial aids, i.e. conditional cash transfers, can prevent persons from participating in registered employment. In other words, people who are registered in the social assistance system are claimed to prefer undeclared and unregistered employment in the informal sector (Ministry of Family and Social Policies, 2014), because, if they participate in registered employment, social aids are cut.

As a result of the special position in the Turkish labour market, employers who prefer registered employment seek another labour resource. Nowadays hiring workers from abroad is debated amongst market actors. Despite the high rates of unemployment and youth unemployment, the “high rate of unregistered economy in Turkey makes it easier for immigrants to catch a job in the market” (Lordoğlu, 2015:40).

1 Türkiye İstatistik Kurumu

2 İŞKUR: Türkiye İş Kurumu

Moreover, the most important feature of the Turkish labour market is the low labour costs. In effect, Turkey has been transformed into a ‘cheap labour heaven’ as a result of a range of structural adjustment programmes implemented since the beginning of the 1990s (Müftüoğlu, 2011:8). In a nutshell, Turkey implemented the ‘Structural Adjustment Programmes’ (SAPs) which were based on neo-liberal policies in order to generate the flexibility of the production process. The main goal of the SAPs was to achieve Turkey’s integration into the global production network. Thus, Turkey’s function in the global production network has become to produce sub-industry and contract manufacturing which heavily depend on cheap labour. At the same time, there has been a continuous migration process from relatively poor districts of Eastern and South-eastern Anatolia to metropolitan areas due to poverty and political reasons. In addition to this domestic labour mobilisation during the 1990s, foreign labour in the form of so-called ‘shuttle trade’ has entered the country as a part of international trade network. Thus, illegal immigrants have participated in the labour market in a way which supported the development of the cheap labour haven (İpek, 2014).

Turkey’s geo-politic position as a bridge between Asia and Europe has enabled the country to be both a transit and a host country for migrants and human traffickers. As a resource of cheap labour, these groups are vulnerable and they can be exposed to abuse, exploitation and inhuman working conditions. Moreover, according to Walk Free Foundation (WFF)’s Slavery Index Report (2014), Turkey is 105th among 167 countries in terms of prevalence of modern slavery³ (see Table 7.1).

According to the Slavery Index Report, Turkey has ‘CCC’ rating, which indicates that government has a limited response to the modern slavery. With regard to vulnerability to modern slavery, European countries consistently rank high on indices of peace, democracy, anti-corruption, human rights and access to social services. The top five countries on the report’s list are the most vulnerable countries in the region due in part to high discrimination measures, poor state stability and weaker human rights safeguards. Turkey has been recorded as having high vulnerability ratings for modern slavery.

3 “Modern slavery” is different from chattel slavery and means disposable temporary labour. For more information see Bales 2000.

Table 7.1. Rank of selected countries by prevalence of population in modern slavery (1=most severe problem, 167= least severe problem)

Rank	Country	% of population in modern slavery	Estimated population in modern slavery	Population
1	Mauritania	4.000	155 600	3 889 880
2	Uzbekistan	3.973	1 201 400	30 241 100
9	Syria	1.130	258 200	22 845 550
59	Bangladesh	0.435	680 900	156 594 962
105	Turkey	0.248	185 500	74 932 641
145	The USA	0.019	60 100	316 128 839
167	Iceland	0.007	<100	323 002

Source: Adapted from Global Slavery Index, 2014:19

The data on modern slavery signifies the vulnerability of foreign labour fleeing to Turkey. Furthermore, the attitudes of employers about employing foreign labour on the basis of recent interviews available through the written and visual media can be shown. The samples presented below show that employers have complaints about inadequacy of the labour supply and expectations from employment of foreign workers.

One of the senior managers who is in charge of mining company claims (Evrensel, 2013):

“We cannot employ Turkish labourers due to their demand for desk jobs. We are having troubles to find labour force and there is a manpower deficit in the last 3 years that’s why we have to cut the capacity in half. We cannot meet the demands of international clients. If the government allows, we may employ the refugees who escaped from civil war in Syria thereby we can save the sector and offer an employment opportunity to the refugees.”

A senior manager of Istanbul Garment & Outfit Exporters Association declares (HaberTurk, 2014):

“The Syrian refugees can cause employment problems concerning the East of Turkey. However, the refugees are an important labour source for our sector in Marmara Region and they are rescuing the sector in the region.”

He continues by confirming the role of large numbers of Syrian workers within the sector:

“Our sector has problems in the west of Turkey. Syrian workers solve the deficit in employment and cost problems. Before the migration wave began, there has been a plan for employing Bangladeshi workers labour due to lack of unskilled labour. Fortunately, Syrians will solve the problem for a significant period; but, sooner or later, we will demand Bangladeshi labour. Despite high rates of unemployment, we have difficulties in recruiting unskilled labour. Although we pay minimum wage, employees prefer to work on desk-job instead of a factory production line.”

An explanation is cited below about seeking cheap labour in a newspaper (Sabah, 2010);

“Turkish construction firms which rank number two after China in the international construction sector have taken action in order to decrease labour costs. Employers are seeking skilled labour as a way to get a larger share in international markets. Employers wish to employ Vietnamese labour which is highly skilled in handicraft rather than Turkish labour. Turkish labour is paid US\$1100 averagely except the insurance which costs nearly US\$300-400, making a total of US\$1500 per month. Therefore, with the purpose of cutting the costs, the employers concentrate on Vietnamese labour whose monthly expenses do not cost more than US\$750. Employers give three reasons why they prefer Vietnamese labour: They have high skills in handicraft, they are inclined to teamwork and they are well disciplined”⁴

As a response to these demands for foreign labour, the Law on Foreigners and International Protection No. 6458, 2013⁵, which prescribes the adjustment of migrants and refugees to the society, came into force in 2013. After that, Prime Ministry (2015) proposed legislation on “Employment of Foreigners” that suggests establishing the ‘General Directorate of Foreign Labour Employment’⁶. Accordingly, it aims to control and register the foreign labour inflow. The fact that “illegal foreign labour constitutes an important subcategory of unregistered and unrecorded economic activities” (Yıldız, 2007:72) should be taken into account in the legislative regulation attempt. This legislative proposal was made to the Parliament on April 2015 and the negotiations are still in process. After presenting the general features of the Turkish labour market, three cases, mentioned above, which represent new trends and regulations will be discussed.

4 The amounts regarding the wage levels in the newspaper article are valid for international market as these wage levels are considerably higher than domestic market wages.

5 This law created the “Directorate General of Migration and Management”, which endeavours to settle the acts and actions of all foreigners who apply for international protection, who are the victims of human trafficking and who are trying to harmonize with Turkey in particular, by developing people-oriented policies. Before this law there have already been many laws that serve at cross-purposes in national legislation, including;

The Law on Residence and Travel of Foreigners in Turkey No.5683, 2003.

The Passport Law No.5682, 1950

The Settlement Law No.5543, 2006

The Law on Work Permit for Foreigners No.4817, 2003

The Duties Law No.5901, 1964

The Foreign Direct Investment Law No.4875, 2003

The Turkish Citizenship Law No.5901, 2009

6 In Turkey, Prime Ministry is a legislative institution that constitutes many sub-departments. So the proposal was not made directly by the Prime Minister. Rather, it was made by the ‘General Directorate of Laws and Decisions’.

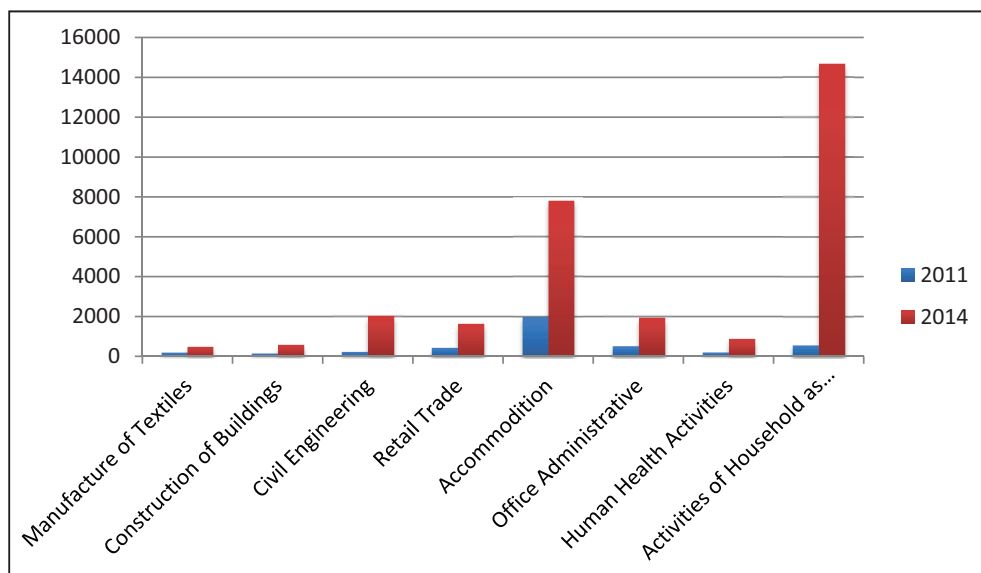
Turkey at the crossroads for migrants and refugees

Before the collapse of the Eastern Bloc, Turkey was an emigrant country and then it turned out to be an estate and transit country for migrants and refugees from nearby countries (Toksöz, 2006). There are three forms of external migration that give the Turkish labour market a new view. The first form of migration began after the collapse of the Soviet Union in 1989. The second form of migration has emerged in 2011 after the outbreak of the Syrian civil war. As a result of the war, hundreds of thousands of Syrian refugees have been settled in the camps in the South-eastern region of Turkey from which they spread countrywide after a while. The third form of migration is associated with the human trafficking. Traffickers according to their preferences may stay in Turkey permanently or temporarily. The first two forms of migration constitute the main focus of this section.

The collapse of the Eastern Bloc has created two realities: The first one is the 'shuttle trade' as a new form of international trade network and the second is the foreign labour flow from former Bloc countries. This migration has supplied a relatively skilful labour force.

However, despite the fact that workers from former Bloc countries were skilled and well educated (mostly professional), they have been employed in unskilled jobs in the informal sector with low-wages. This flow still continues. In 2003, the Turkish Parliament introduced the Law on Work Permits for Foreigners No.4817, 2003. There were also two important re-regulations, in 2011 and 2012, which aim to stem foreign labour inflow (Erdoğan and Toksöz, 2013).

Figure 7.1. Number of work permits given to foreigners by economic activity per year in Turkey



Source: The Figure adapted from statistics of work permits of foreigners published by Ministry of Labour and Social Security in 2014.

Most immigrants who work within the scope of this law are employed as craftsman, technician, low-skilled worker, and manager in institutions with a foreign partner. However, their quantitative rate is at a negligible level in terms of affecting the labour market (Lordoğlu, 2015:38). Following these policies, there has been a sharp increase in number of work permits given to foreign labour in general and female foreign labour in particular. Female foreign workers are mostly employed at the household services (Ministry of Labour and Social Security, 2014) (see Figure 7.1).

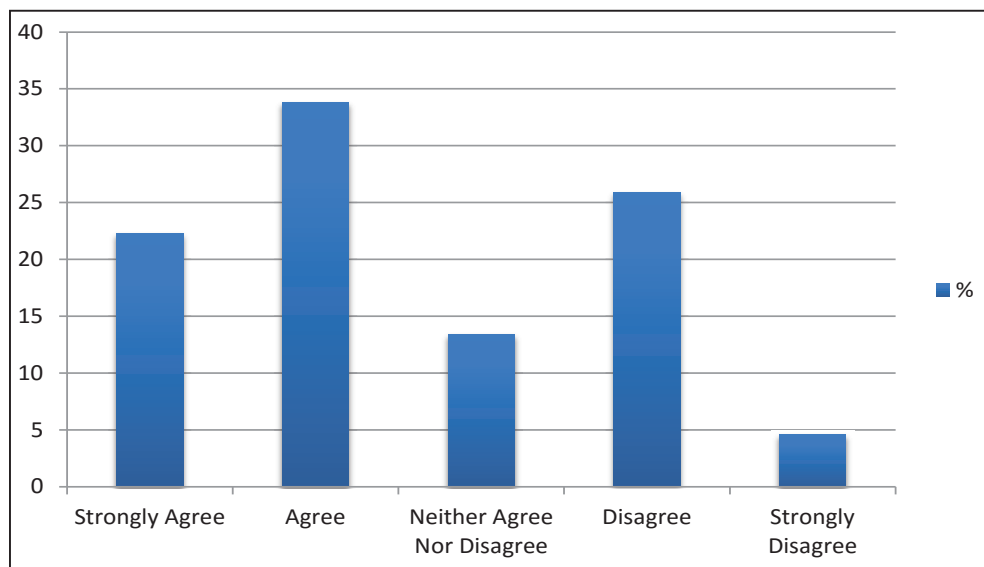
In 2011, the Syrian civil war caused another migrant flow into Turkey. At the beginning of the immigration process from Syria, between 50,000 and 100,000 refugees were expected to escape from the civil war but there have been many more refugees in Turkey, much beyond the initial expectation. Turkey hosts currently more than 1.7 million Syrian refugees and this number is expected to multiply unless the conflict ends in Syria (HUGO⁷, 2014). Since the beginning of the Syrian crisis, Turkey has provided an emergency response and declared a temporary protection regime for Syrian refugees, such as housing and assistance (UNDP, 2015). According to the UNHCR report (2015), Turkey hosted approximately 1.8 million Syrian refugees by March 2015, with 1,718,147 of this number officially registered.

This situation has considerable influence on the local labour market (Lordoğlu, 2015), which can be examined from various aspects such as cheap labour in labour relations, capital flows from Syria, business activities and positive and negative attitudes of the local people. When it is examined from the perspective of labour relations, a couple of points are observed: On the one hand, this crisis and uncertainty is favourable from the point of view of employers who see it as an opportunity to employ cheap labour. Akdeniz (2014:151) claims that there were two options for the Syrian refugees: they would have lived as needy indigent persons by panhandling or they would have clutched onto life by working even at slavery conditions.⁸ On the other hand, employment of Syrian refugees as ‘cheap labour’ results in the possibility of decreasing job opportunities for local people. In other words, do the Syrian refugees indeed cause unemployment? The HUGO report (2014) demonstrates that local residents are filled with fear of losing their jobs, which leads to attitudes of xenophobia. As Figure 7.2 shows, more than half of the sample group in the region take a rejectionist position to Syrian refugee inflow. Furthermore, they believe that refugees decrease the job opportunities for local population. Although Syrian refugees want to participate to the labour force instead of being dependent on social aid, their demands for work are met with a negative perception by the local community.

7 University of Hacettepe, Migration and Politics Research Center

8 Most of them have chosen the second one; however, there are substantial numbers of Syrian refugees who engage in a significant amount of panhandling. Although the society does not accept this panhandling activity, there isn't any other choice for most of the Syrians to earn their livelihood except panhandling.

Figure 7.2. Do the Syrian Refugees decrease the employment opportunities for local population?



Source: HUGO, 2014:32

In 2013, according to TurkStat (2013), Kilis, Gaziantep and Adıyaman have become the first three cities across Turkey where the unemployment rate has decreased while the production capacity has increased. This means that the number of workers employed has increased as much as it has caused a decrease in unemployment rate. In another words, the Syrian refugees have expanded the economic activity in this region (HUGO, 2014).

Economic activity in the region concerns an additional aspect of the influence of Syrian migration: Capital flow from Syria to Turkey. Indeed, some of the Syrians who have brought capital have become employers. Syrian capital creates new entrepreneurship relations not only in the region but also in Turkey. According to statistics of Türkiye Odalar ve Borsalar Birliği (TOBB) (Union of Chambers and Commodity Exchanges of Turkey) (2015:3), in the first four months of 2015, 1,557 companies with foreign partner capital have been established; 491 of them have Syrian partners, whereas 113 of them have German and 97 of them have Iranian partners. Moreover, Syrians have set up an 'Employment Agency' in Urfa, where 200 refugees on average apply for a job per day. 11,500 refugees have applied, thus far, for a vacant job (GAP Haberleri, 2015). While Syrian refugees play a vital role for employers as cheap labour, they also have created unexpected income opportunities for the local people, such as rent increases (MIPEX⁹, 2015). Landlords prefer the refugees as tenants because they let out their houses at higher than optimal price. The

Syrian population in Turkey can be accepted as a cost element for the country but they also can cause economic vitality and create value in various ways.

To sum up, a part of the Syrian refugees will return to Syria after the civil war but the rest of them may choose to stay permanently in Turkey and to seek better living conditions. There are two crucial subjects that deserve attention: protection of Syrian refugees' rights without harming local labour in domestic market; and policy measures that should be taken immediately to manage refugee's continuing migration process.

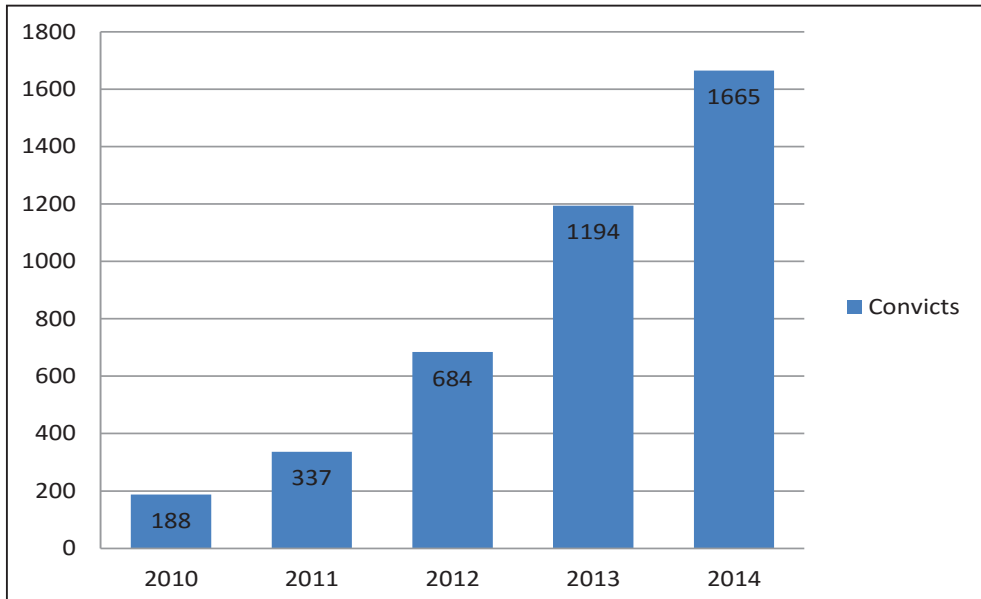
Prison labour as a new resource for cheap labour

There is a new practice concerning prison labour usage for piecework by private firms in Turkey. In prison workshops, although private sector work is currently performed on a small scale, both in terms of labour and profit, it is expected that firms will have a greater share of prison workshop production in the near future. Therefore, the following discussion presents a detailed investigation of the implementation of this growing business practice.

ILO Convention No. 29 and Convention No. 105 forbid all types of forced-labour except 'prison labour'. This exception is based on rational and reasonable arguments: to help the rehabilitation of convicts; to prevent idleness; to train and create new skills for jobs; and to protect current skills of prisoners which they would need after their release. Generally prison labour works on 'government account'. In some countries, private sector firms enter contracts with governments to run prisons and/or workshops. This is conceptualised as the 'privatisation of prisons' and the 'prison industry' (Coyle, et al., 2003). How does the prison industry work? It works in three ways: Firstly, the private sector operates some correctional facilities instead of public administration. All managers and guards are employed by the firms. Secondly, prisons are clients of private sector firms. They sell telephone tokens, electronic bracelets, cameras, automatic doors, and even prefabricated jail cabins. Lastly, convicts are hired by the private sector firms (Savcı, 2004). In Turkey, the first official data about the implementation of private sector activities in the prison workshops was released in 2011 by the Turkish Ministry of Justice. However, there has been a strong debate on prison privatisation amongst academics and authorities of the justice system in Turkey since the 2000s (Bıçak, 2001). Governmental authorities claim that there is a need for new regulation regarding the prison labour in order to restructure the performance of workshops including lowering costs and improving inefficient usage of labour originating from low skills and reluctance of convicts to work (Savcı, 2004). As a result, in 2005 and in 2012 two new regulations in the "Legislation on Administration, Accounting and Bidding of Corrections and Department of Workshops" were introduced successively by the Ministry of

Justice¹⁰. Thus, the new regulation organised piecework and prison labour usage for private sector firms more effectively. Basically, while the Turkish labour market can provide cheap labour force for employers outside, prisons offer lower wages than labour market level and more disciplined workers.

Figure 7.3. Convicts employed by private sector firms in prison workshops



Source: www.iydb.adalet.gov.tr/dokumanlar/faaliyet_raporlari/FaaliyetRaporu2012.pdf
www.iydb.adalet.gov.tr/dokumanlar/faaliyet_raporlari/FaaliyetRaporu2014.pdf

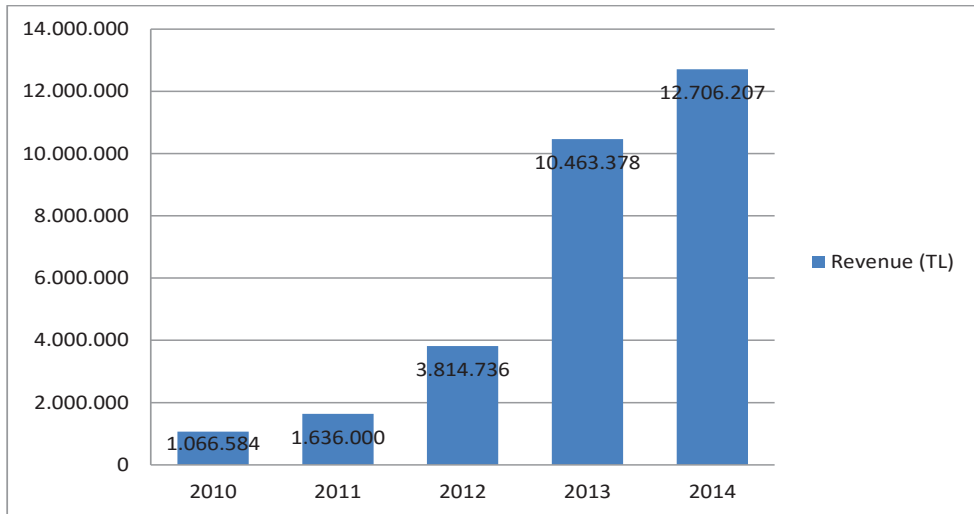
Turkish employers have discovered convicts behind bars as a cheap labour source. As seen from Figure 7.3, between 2010 and 2014, number of convicts who are employed by private sector firms has increased approximately nine times. According to Ministry of Justice (2014), 91 private sector firms have employed 1,665 convicts in workshops. When it is compared with the world scale, number of convicts employed in Turkey seems minor, but its potential of increasing should be considered and not be underestimated. Indeed, as the prison population has risen three times in the last decade, prisons provide the opportunity for employers to reach a special form of reserved labour (Ministry of Justice, 2015a).

How does the system work? The production always takes place in the workshop, which is located inside the prison. During the production process convicts are

¹⁰ Law on Establishment and Administration of Workshops Institution in Prisons No.4301 came into force in 1997. Legislative changes in regulations have been made according to various needs of the workshops in several times.

employed in many kinds of branches such as food, spare parts for automotive sector, LED lighting various mounting parts, textiles, tricot knitwear, shoes, etc. Under the control of technical staff, new technology that has been brought in by employers and well-disciplined labour create the most productive milieu in the workshops. As a result, in the recent period, the profit from workshops gained by the private sector firms has increased as expected. It is clear from the Figure 7.4 that in only five years, total revenue from these workshops has increased by 12 times. Considering the low level of wages and the high increase in revenue at the Turkish prison workshops, it is obvious why employers prefer prison labour.

Figure 7.4. Revenue according to collaboration with private sector firms and administration of workshop per year



Source: Ministry of Justice, 2012; 2014.

According to data from the Ministry of Justice (2015b), the daily wage for a craftsman is 10 Turkish Liras (TRY) (US\$1=TRY2,66)¹¹ whereas apprentices earn lower than this amount. Moreover, overtime work on weekends points out the profitable capacity of workshops. An interview¹² with Head of İşyurtları Kurumu Dairesi (Department of Workshop Institution) (DWI) reveals that while employers pay prison administration TRY25 for the daily wage per convict, the prison administration pays only TRY10 to convicts. The rest of the revenue is transferred to the DWI's "job improvement fund." The Head of DWI adds that cheap labour can be an advantage for employers because they do not pay any amount for renting the

¹¹ According to the exchange rate on 26th June 2015.

¹² Interview was held with the Head of DWI, Ministry of Justice in Ankara, on 25 June 2015 by Prof. Dr. İlkay SAVCI.

workshop, food or transportation expenses of workers, including all kinds of utility bills. As a result, prison does not only provide cheap labour, but also presents a profitable environment within the package. The Head of DWI continues:

“There is a high number of applications by private sector firms but we are selective in contracting with the firms. As prison administration our aim is mostly to provide competency for convicts on industrial jobs. Accordingly, we prefer employers from industry-intensive regions of the country. Thus, in those regions, prison-private sector collaboration comes through. With workshop experience, our expectancy is to provide employment of convicts in industry sector in the same region after release. Besides, we train convicts by cooperating with experts of Ministry of Education, Life Long Learning Department, universities and İŞKUR. Employers undertake the role of transmitting their experience to convicts and training them about the practical ways of the job. After release, we certify job experiences of the convicts.”

Two new legislative regulations in 2005 and in 2012 by DWI also arrange prison labour usage by private sector firms more effectively according to new needs that have appeared. The first legislation regulated the regime of contract manufacturing related to piecework but it has not adequately addressed the needs. Therefore, the second legislation has added new regulations to some articles of the previous legislation. They provide insight about demands of employers. The training programme, which is called the “compulsory apprenticeship” and held for six months, covers all convicts without distinguishing between closed and open prison. If convicts are newly incarcerated it is assumed that they don’t have any job skills. Moreover, new status positions are created, such as “workshop chief”, “supervisor”, “craftsman”, “technician for controlling job and labour process”. Other measures worth mentioning are cutting wages in the case of undesirable workplace conduct; determining the daily production quota; and employing the convict in the workplace of employer and/or his/her partners.

Employers demand skilled labour and they also propose a well-organised production process. In order to serve these purposes, legislative regulations have been prepared and implemented. With the new regulations, the workshop system gradually may turn into semi-privatised structure and create “a cheap labour haven”. On the contrary Head of DWI claims;

“Our aim does not convert prisons into cheap labour havens; we are targeting to increase employability by combining system and probation. There are convicts who earn TL650 per month and they have “maternity insurance” and “insurance of occupational accidents and professional diseases.” This implementation has to definitely be accepted as distinct from similar samples in Western countries. Experts from EU countries have observed the workshops and distinguished the properties of the new implementations as an example.”

Under these circumstances it can be said that prison labour will expand in the near future and offer incubation opportunities, especially for small and medium

enterprises (SMEs) in sub-industry. The new system – if it is well managed – may confer advantages both in terms of convicts' future after release and growth of companies in the sector.

Seeking cheap labour of Turkish construction firms in the international market

The Turkish construction sector recently has experienced employment problems in national and international markets. Generally, the Turkish construction sector tends to employ local labour in the national market. However, according to a recent newspaper article (Hürriyet, 2015), one of the biggest Turkish construction firms, which has engaged in both national and international markets, demands 'foreign labour (especially Vietnamese workers) import' due to lack of local labour supply. As an example, one of the managers from a construction firm said that they had employed Vietnamese workers in Libya and they were quite satisfied with their work performance. As he describes the workers: "Vietnamese labour tends to fit in teamwork and they are extremely disciplined" (Hürriyet, 2015). Recent legislative regulations which make possible importing foreign labour try to solve this problem of a lack of local labour supply. The decreasing rate of Turkish labour employed by construction firms in the international market in last decade is cited an additional problem (INTES¹³, 2014). This news article calls attention to the reasons for this situation. Therefore three senior managers of construction firms were interviewed and the findings are cited in various parts of the following discussion.¹⁴

Turkish construction firms entered the international construction market for the first time in Libya in 1972. After that, international destinations have expanded notably to former Eastern Bloc countries, Middle East-North Africa (MENA) and Turkic countries. From 1972 to 2013, 2,348,435 Turkish workers were employed while 7,771 projects - total amount is US\$277.7 billion - were undertaken by Turkish firms between 1972 and 2014 (Ministry of Development, 2014:18; INTES, 2014: 29). An Engineering News Record (ENR) report (2014) shows that 36 Turkish firms are listed among the top 250 international construction companies. In the success of these firms, their competitive strategies, focusing environmental opportunities, managerial approaches, timing, and of course, cost management draw attention (Öz, 2000; Korkmaz and Messner, 2008). Cost management of the firms, especially labour costs, should be examined in detail to explore the conditions of foreign labour usage.

A short review in the related literature claims that Turkish firms usually prefer to employ Turkish subcontractors and workers in international market (Ulubeyli, 2010; Öz, 2010). Moreover, low wages are mentioned as one of the reasons for employment

13 The Turkish Employers' Association of Construction Industry

14 Three interviews were held with the Turkish firms amongst top 250 international companies on 21 - 26 June 2015 in Ankara by Prof. Dr. İlkey SAVCI. Those firms are mainly engaged in construction sector; energy, military industry and trade can be identified as their secondary sectors.

of Turkish workers in the first place (Giritli, et al., 1990:416). Subsequently, increase in wages and inflow of foreign immigrants into the international construction market have altered the preference of firms about Turkish workers. Additionally, INTES (2014) and Ministry of Development (2014) declare in their reports that legal regulations between host and home countries¹⁵ have changed significantly according to the economic and market conditions. Hence, firms have started to prefer taking the advantage of using foreign unskilled workers as cheap labour in international market in general, and for routine jobs in particular (Ministry of Development, 2013:19; Öz, 2010:138-139).

Recent legislation on the social security premiums of Turkish workers employed in foreign countries sheds more light on the underlying reasons for the new trend. The social security premiums of Turkish nationals employed to work abroad are paid on the basis of articles of agreement signed with the host country. However, if the host country does not sign any social security agreement with home country, the Social Security and General Health Insurance Law No. 5510, 2006 is implemented. According to this law, firms pay premiums for general health insurance¹⁶ and the short term insurance branches. Therefore, employers are responsible to pay 14.5 per cent of the monthly wage of the worker as the total premium (12.5 per cent for general health insurance and 2 per cent for short term insurance branches). If workers accept work abroad, they have to pay long term insurance branches as “voluntary insurance”. The premium for long term insurance branches (disablement, elderliness, death) is 20 per cent. Before this regulation, premiums of workers used to be paid as “group insurance” in accordance with the Law of Social Insurance No. 506, 1945, article 86.¹⁷ Thus, the labour cost was lower for employers under the previous social security legislation. To sum up, because of compulsory insurance premiums, employers hesitate to ‘export’ Turkish nationals abroad while due to voluntary insurance premiums workers do not prefer to work outside the country. Turkish workers generally avoid paying their voluntary premiums and want the employers to pay instead of them. This point is emphasised by employers during the interviews. Relevant governmental institutions and non-governmental organisations also emphasize that the legal framework of social security plays a restricting role for Turkish workers’ employment abroad (Ministry of Development, 2014:22; INTES, 2014:34).

Table 7.2 gives a remarkable picture of labour and cost management in foreign countries in which construction firms engaged. Between 2003 and 2013, numbers of employed fluctuate; however, since 2006, the number of employees has decreased from 81,000 to 57,953 (the rate of decrease is 39.4 per cent). In contrast with the reducing number of employees, the revenue gained from construction activities has increased. Considering Table 7.2, increasing productivity, high level competency of

15 Host country refers to ‘Destination Country’; home country refers to ‘Origin Country’.

16 Those workers are accepted as “insured” in accordance with the Law No.5510: articles 4/a -5.

17 For more information, see. The Law No.506.

Table 7.2. Turkish workers employed in international construction market

Years	Numbers of workers employed abroad	Numbers of workers employed per US\$ million
2003	34 151	8,13
2004	40 198	3,58
2005	60 335	5,24
2006	81 379	3,89
2007	70 024	2,84
2008	58 602	2,47
2009	59 479	2,67
2010	54 847	2,70
2011	52 491	2,80
2012	57 593	2,20
2013	55 369	1,76

Source: INTES, 2014:31

personnel, labour saving high technologies and wide experience of the management might explain those rates. However, measures of employers for decreasing labour cost should be kept in mind. Indeed, interviews held with senior managers show that effective labour cost management lies behind these figures.

Connected with the labour migration process, when the international labour market is examined, generally three kinds of workforce can be classified: First of all, foreign firms bring their own national workers to the host country (primarily technical and managerial crew) (Ulubeyli, 2010; Öz, 2010). Secondly, local workers are employed by the foreign firm as a requirement of the host country. Lastly, immigrants coming by legal or illegal means into the host countries consist of cheap labour. This group generally comes from developing countries, especially south-eastern Asia. Therefore, the combined employment of individuals from these three kinds of workforce is characterised by labour market conditions and features of the host country (Malit and Youha, 2013; ILO, 2013:105). This information is consistent with managers' statements during the interviews. In many host countries, requirements to employ local workers are created by legislation. Oil-producing countries, especially, impose quotas for local workers' employment (Jeddah Consulate General of Turkish Republic, 2014; Malit and Youha, 2013). ILO (2014) emphasizes that the third kind of workforce mentioned above, i.e. legal or illegal immigrants, can be exposed to forced or bonded labour. In particular, the report explains that in the international construction market migrant workers from poor countries are employed to work on construction sites of richer countries. In some cases, those "workers are posted with contracts tendered out to companies based in third countries" (ILO, 2014:19).

Despite the struggle of government authorities against unfavourable conditions of migrant workers, the dependence of the country on foreign labour in the region causes failure. For instance in the Gulf region, governments “failed to reimburse recruiting fees; confiscated worker pass-ports and housed workers in substandard accommodation. Despite significant and laudable labour law and policies implemented by the development companies involved in the project, the lack of rigorous investigation, enforcement and sanction resulted in on-going abuses of workers” (Human Rights Watch, 2015: 579). Unfortunately, foreign migrant workers cannot earn money they deserve according to “high numbers of working hours imposed on them through the various means of coercion” (ILO, 2014: 20-21). An ILO report gives an example from Eastern Europe of exploitation of foreign migrant workers:

“Migrant workers are brought illegally to work on a construction site, without knowing the working conditions or terms of payment. There, they discover that they are forced to live together in a remote place provided by the employer (to avoid police controls) and told that they will be paid only at the end of the construction. A few days before the end, when the work is done and wages are due, the owner may call a law enforcement officer to inform him of the presence of irregular migrants. The workers are then deported and the employer does not need to pay them”.

Finally, explanations taken from interviews show how cheap labour is used in the international construction market. According to the senior manager of a construction firm:

“As an actor at the international market, which depends on high competition, you have to play according to the rules. There are two important points: your work has to be economic and qualified. So, we only employ skilled workers. This is valid for all dimensions of construction. We would like to work with Turkish sub-constructors and workers and we are already working. Today’s biggest firms in the market were once sub-constructors. There is a bottleneck due to the tough status of Social Security Institution law; pressure from host countries forces us to use local labour; in addition to the reluctance of Turkish workers who do not want to work under host countries’ conditions. As an example, “a country” in the Middle East obliges us to employ one domestic worker for every nine Turkish workers. We compulsorily employ, however, we pay his money, and then we tell him not to come to construction site; because he neither knows the work nor wishes to work.”

“We try to move our high skilled workers (engineers, managers, technicians) to the destinations. If there is an obligation like employing local workers under a quota, we find sub-constructors. These sub-constructors vary according to the host country’s labour market conditions. For example in the Russian market, in addition to Turkish workers as core group, we employ Uzbeks and Russian workers as local labour. There are many advantages of preferring those foreign workers; because there are no costs such as daily transportation, housing, visa,

and take-leaves due to homesickness. They have only lunch rather than having meal three times a day, and waive off flight ticket costs. Moreover, they work for one third of Turkish worker's wage. Additionally in Russia after 18 months, all Turkish workers have to be registered as taxpayers, hence we turnover Turkish workers in periods of 18 months."

"Living standards have been increasing in Turkey, which influences Turkish worker's attitudes for working. That is, workers accept to work abroad only if they are offered high wages and warm working conditions. Those have become prominent among reasons of employers preferring foreign workers instead of Turkish ones. Moreover, social security system has introduced tough rules for both employers and employees. Turkish labour force who works abroad mostly says 'give me my net salary which I demand, and I do not mind the rest of your business'. However, we have to pay all insurance premiums. Besides, the host country asks us, in case of a sickness whether we'd take our labour force to Turkey or not. Therefore, we have to pay health insurance abroad as well."

Two managers emphasise that generally their labour force was comprised of 30 per cent Turkish workers and 20-25 per cent Nepalese-Indian workers, where the rest of them were local workers. To note specifically, Nepalese and Indian workers are employed only for kitchen, cleaning and laundry positions, not for construction itself. This combination might change according to seasonal migration and legal obligations. As a consequence, these explanations not only support the reality of cheap labour usage in the international construction market, but also, they expose economic and rational needs of the firms besides legal obligations. When recent developments related to employment in the construction sector is taken into account, it seems that there is an urgent need for governmental regulations protecting the rights of national and foreign workers both in national and international markets.

Conclusion

In recent years, Turkey has transformed into a host country for migrants, refugees and human traffickers. Further, employers who engage in manufacturing, construction and trade sectors in international markets have gained competitive advantage by employing foreign cheap labour. This situation has influenced the domestic labour market by creating new trends and regulations. Based upon the samples discussed in the present study, the rationality of seeking cheap labour has been explained. Secondly, the legal framework, which is necessary to provide the efficient management of current situation, has been emphasised.

Cheap labour examples (i.e., immigrants and refugees, prison labour, and foreign labour in international market), considered together, suggest some insights for future developments. For instance, it seems that some part of the Syrian refugees will return to their countries; however, the rest of them will tend to stay in Turkey permanently. Moreover, they will search for better employment conditions in the labour market.

If they prefer to stay, a new ‘reserve army of labour’, as Marx identified, would emerge in the community. In this new labour market, as Marx observed (1997: 969), “even convicts would have better working and living conditions in prison than reserved labour has and moreover employees have outside”. It can be argued that the deficit in the labour supply, which is claimed to be the underlying reason for demand for foreign labour, can be met by this labour force. In the long run, however, this situation would deteriorate the wage levels and living conditions for local labour. Prison labour usage by private sector firms and employment of foreign cheap labour by Turkish construction firms in the international market are the examples which we discussed in this chapter and implications for the future were noted in relevant sections above.

The government measures and practices, on the one hand, should protect foreign labour rights and living conditions. On the other hand, government should implement a regulation which guarantees the accrued rights of local labour. Otherwise, local labour can be exposed to the risk of losing their employment rights. In this regard, there have not been any proper measures taken in labour markets yet. Turkey has been experiencing a special and exceptional period, creating conditions that must be taken under control with new regulations immediately.

Finally, problems regarding cheap labour, which are discussed in this chapter in the case of Turkey, should not be considered to be specific to a single country since these are common difficulties shared by many countries. Measures taken by local governments might not be efficient and sufficient to cope with these problems. Therefore, international organisations, such as the UN, and relevant non-governmental organisations should act more effectively to undertake more responsibility to influence policymaking processes of governments. Moreover, public opinion on cheap labour usage can be created through various means such as printed and visual media, internet, social and political platforms.

References

- Akdeniz, Ercüment, (2014), *Mülteci İşçiler: Suriye Savaşının Gölgesinde*, (İstanbul: Evrensel Basım Yayın).
- Bales, Kevin, (2000), *New Slavery: A Reference Handbook*, (California: ABC-CLIO).
- Bauder, Harald, (2006), *Labor Movement: How Migration Regulates Labor Markets*, (Oxford: Oxford University Press).
- Bıçak, Vahit, (2001), “Hürriyeti Bağlayıcı Cezalar Sistemi: Kamu Sektörü-Özel Sektör İlişkisi”, *21.Yüzyıla Girerken Cezaların İnfazı Sempozyumu*, (Ankara: Adalet Bakanlığı Yayını): 199-207.
- Bourdieu, Pierre, (1986), “The Forms of Capital”, Richardson, John, G. (Ed.), *Handbook of Theory and Research for the Sociology of Education*, (New York: Greenwood): 241-258.
- Coyle, Andrew, Allison Campbell and Rodney Neufeld (Ed.), (2003), *Capitalist Punishment: Prison Privatisation & Human Rights*, (Atlanta: Clarity Press Inc).
- Erdoğan, Seyhan ve Gülay Toksöz, (2013), Kadınların Görünmeyen Emeginin Görünen Yüzü: Türkiye’de Ev İşçileri, (Ankara: Uluslararası Çalışma Ofisi).
- Evrensel, (2013), “Suriyeli mülteciler patronların iştahını kabartıyor”, <http://www.evrensel.net/haber/72050/haber-tercümeye-kaybolursa>, (15.04.2015).
- GAP Haberleri, (2015), “Şanlıurfa’da açılan rızık-iş istihdam ofisi hizmet veriyor”, <http://www.gaphaberleri.com/haber/3358/sanliurfada-acilan-rizik-is-istihdam-ofisi-hizmet-veriyor>, (20.06.2015).
- Giritli, Heyecan, Zeynep Sözen, Roger Flanagan and Peter Lansley, (1990), “International Construction: A Turkish Perspective”, *Construction Management and Economics*, 8: 415-430.
- HaberTürk, (2014), “Bangladeşliler geliyor”, <http://haberturk.com/ekonomi/is-yasam/haber/1000382bangladesliler-geliyor>, (14.03.2015).
- Human Rights Watch, (2015), “World Report 2015”, www.hrw.org/world-report/2015 (27.06.2015).
- HUGO (2014), *Syrians in Turkey: Social Acceptance and Integration Research*, (Ankara: Hacettepe University Migration and Politics Research Centre).
- Hürriyet, (2015) “Vietnam’dan ithal şoför”, www.hurriyet.com.tr/ekonomi/28020142.asp, (20.04.2015)

- ILO, (2001), Stopping Forced Labour Global Report, <http://ilo.org/wcmsp5/groups/public/@dgreports@dcomm/documents/meetingdocument/kd00014.pdf> (20.07.2015).
- ILO, (2013), “Tricked and trapped: human trafficking in the Middle East” http://www.ilo.org/wcmsp5/groups/public/@arabstates/@robeirut/documents/publication/wcms_211214.pdf (26.05.2015).
- ILO, (2014), “Profits and poverty: the economics of forced labour”, http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_243391.pdf (27.06.2015).
- INTES, (2014), İnşaat Sektörü Raporu, 2014, www.intes.org.tr/content/MArt-2014.pdf (25.05.2015).
- İpek, Melek, (2014), “Kayıt Dışı İstihdamda Küresel Etkiler ve Sosyal Örüntüler”, *Çalışma ve Toplum*, 40 (1): 163-186.
- Korkmaz, Sinem and John Messner, (2008), “Competitive Positioning and Continuity of Construction Firms in International Markets”, *Journal of Management in Engineering*, 24 (4): 207-216.
- Lewis, Oscar (1966), “The Culture of Poverty”, *Scientific American*, 125 (4): 19-25.
- Lordoğlu, Kuvvet, (2015), “Türkiye’ye Yönelen Düzensiz Göç ve İşgücü Piyasalarına Yansımaları”, *Çalışma ve Toplum*, 44 (1): 29-44.
- Lusis, Tom and Harald Bauder, (2011), “Migration and Labour Markets: An Interpretation of The Literature, Keith Townsend and Adrian Wilkinson (Ed.), *Handbook on the Future of Work and Employment Relations*, (Cheltenham: Edward Elgar Publ. Ltd): 212-229.
- Malit, T. Froilan and Ali Al Youha, (2013), “Labor migration in The United Arab Emirates: challenges and responses”, www.migrationpolicy.org/article/Labor-migration-united-arab-emirates-challenges-and-responses (04.05.2015).
- Massey, Douglas S., Joaquin Arango, Graeme Hugo, Ali, Kouaouci, Adela Pelligrino and Edward Taylor, (1993), “Theories of International Migration: A Review and Appraisal”, *Population and Development Review*, 19 (3): 431-466.
- Marx, Karl, (1997), Kapital, Cilt 1, (A. Bilgin, Trans.), (Ankara: Sol Yayınları).
- Ministry of Development, (2013), “Uluslararası rekabet edebilirlik çerçevesinde Türk inşaat sektörünün yapısal analizi”, www.kalkinma.gov.tr/Lists/Yaynlar/Attachments/543/Uluslararası_Rekabet_Edebilirlik_Çerçevesinde-Türk_İnşaat_Sektörünün_Yapısal_Analizi_Mehmet_Uzunkaya.pdf (12.06.2015).

- Ministry of Development, (2014), Onuncu Kalkınma Planı: İnşaat, Mühendislik-Mimarlık Teknik Müşavirlik ve Müteahhitlik Hizmetleri, Özel İhtisas Komisyonu Raporu, www.cka.org.tr/dosyalar/ozel%20Ihtisas%20Komisyonu%20Raporlari/Inaat%20Muhendislik-Mimarlik%20Teknik%20Musavirlik%20ve%20vMuteahhitlik%20Hizmetleri%20Hizmetleri%20ÖİK.pdf (09.06.2015).
- Ministry of Family and Social Policies (2014), Faaliyet Raporu, 2014, <http://sgb.aile.gov.tr/data/54f1fc41369dc5920c515f67/asbp-faaliyetraporu2014.pdf> (05.06.2015).
- Ministry of Labour and Social Security, (2014), Work Permits of Foreigners, 2014 (Ankara).
- Ministry of Justice, (2012), “Ceza-İnfaz Kurumları ile Tutukevleri İşyurtları Kurum Faaliyet Raporu, 2012”, www.iydb.adalet.gov.tr/dokumanlar/faaliyet_raporlari/FaaliyetRaporu2014.pdf (30.06.2015).
- Ministry of Justice, (2014), “Ceza-İnfaz Kurumları ile Tutukevleri İşyurtları Kurum Faaliyet Raporu, 2014”, www.iydb.adalet.gov.tr/dokumanlar/faaliyet_raporlari/FaaliyetRaporu2014.pdf (25.03.2015).
- Ministry of Justice, (2015a), “İstatistik: 1970-2015 Yılları Arasında Ceza İnfaz Kurumlarında Bulunanların Yıllara Göre Dağılımı”, www.cte.gov.tr/ (25.03.2015)
- Ministry of Justice, (2015b), “Parasal Sınırlar”, www.iydb.adalet.gov.tr/parasal_sinirlar.asp (19.03.2015).
- MIPEX, (2015), “MIPEX göç ve entegrasyon politikaları-göstergeleri-2015-yeni entegrasyon politikaları: kim yararlanıyor?”, <http://www.mipex.eu/mipex-goc-ve-entegrasyon-politikaları-göstergeleri-2015-yeni-entegrasyon-politikaları-kim-yaralanıyor?> (02.07.2015).
- Müftüoğlu, Özgür, (2011), “Emek Piyasasında Esnekleşme ve Kıdem Tazminatı”, *Türk Tabipler Birliği Mesleki Sağlık ve Güvenlik Dergisi*, (Temmuz-Ağustos-Eylül), 8-13.
- Öz, Özlem (2010), “Sources of Competitive Advantage of Turkish Construction Companies in International Markets”, *Construction Management and Economics*, 19 (2): 135-144. <http://dx.doi.org/10.1080/01446190010009988>, (14.05. 2015).
- Piore, Michael J., (1979), *Birds of Passage: Migrant Labor and Industrial Societies*, (Cambridge: Cambridge University Press).
- Prime Ministry, (2015), “Foreign employment draft of a law”, <https://www2.tbmm.gov.tr/d24/1/1-1035.pdf> (29.07.2015).
- Sabah, (2010), “Türk inşaatçılar ucuz Vietnamlı işçi çalıştırıyor”, www.sabah.com.tr/ekonomi/2010/09/29/turk_insaatcilar_cinliden_bile_ucuz_vietnamli_isci_calistiriyor (14.06.2015).

- Savcı, İlkay, (2004), *Cezaevi İşyurtlarında Çalışan Hükümlüler: Bir Alan Çalışması*, Ankara: Ankara Üniversitesi Yayınları.
- Sakal, Sonay, (2015) “İşgücü İstatistikleri”, *İstihdamda 3İ: İşgücü, İşveren, İŞKUR*, <http://www.iskur.gov.tr/default/Yayinlar/3i.aspx> (08.06.2015),16: 62-65.
- TOBB, (2015), 2015 Nisan ayına ait kurulan ve kapanan şirket istatistikleri haber bülteni, 2015 (4): 1-4.
- Toksöz, Gülay, (2006), *Uluslararası Emek Göçü*, İstanbul: Bilgi Üniversitesi.
- Turkish General Consulate in Jeddah, (2011), “Bilgi Notları: İşgücünün Suudileştirilmesi Çalışmaları, cidde.bk.mfa.gov.tr/ShowInfoNotes.aspx?ID=121453 (20.07.2015).
- TurkStat, (2013), “İl bazında temel işgücü göstergeleri”, www.tuik.gov.tr/UstMenu.do?metod=temelist (22.05.2015)
- TurkStat, (2015), “İşgücü istatistikleri Nisan 2015”, www.tuik.gov.tr/PreHaberBultenleri.do?id=18639 (18.07.2015).
- Ulubeyli, Serdar, Ekrem Manisalı, Aynur Kazaz, (2010), “Subcontractor Selection Practices in International Construction Projects”, *Journal of Civil Engineering and Management*, 16 (4): 47-56.
- UNDP, (2015), Updated Overview: 2015 Syria Response Plan and 2015-2016 Regional Refugee and Resilience Plan, <http://www.undp.org/content/dam/rbas/doc/SyriaResponse/Kuwait%20III/Overview%20of%202015%20Response%20Plans%20for%20Syria%20Crisis.pdf> (14.05.2015).
- UNHCR, (2015), “Syria regional refugee response-Turkey”, http://data.unhcr.org/syrian_refugees/country.php?id=224 (04.07.2015).
- Wallerstein, Immanuel, (1974), *The Modern World System: Capitalist Agriculture and the Origins of European World Economy in the Sixteenth Century* (New York: Academic Press).
- WFF, (2014), “Global Slavery Index, 2014”, http://d3mj66ag90b5fy.cloudfront.net/wp-content/uploads/2014/11/Global_Slavery_Index_2014_final_lowres.pdf (30.03.2015)
- Yıldız, Gaye B., (2007), “Foreign Workers in Turkey, Their Rights and Obligations Regulated in Turkish Labour Law”, *European Journal of Migration and Law*, 9 (2): 71-91.

8 Portrait values of undergraduate students as prospective employees and their corresponding attitudes towards career and union

*Özge Kantaş**

Abstract

This study investigated the value-portraits of 289 university students from 28 universities as prospective employees, and relationships of values with careerism, attitudes toward unions, career activities in universities and human resources practices of organizations in general. Quantitative methods of correlation analysis, multiple regression analysis, and structural equation modelling were employed for data analysis. Accordingly, how the undergraduates' values are associated with their anti and pro attitudes towards labour unions, towards career advancement through non-performance-based means, and towards career seeking activities in universities were analyzed. The results indicated that career seeking activities are a form of vocational self-concept exploration triggered by security and conformity value, but low benevolence and tradition values, in addition to anti-union attitudes predicted careerism. Also, career seeking activities were negatively associated with careerism. The results suggest that career seeking activities can be considered as an adaptive social cognitive career behaviour, and the implications are discussed. Although careerism and other attitudes regarding labour relations have been studied in different contexts with some attitude measures (e.g., job satisfaction, union apathy), to my knowledge, this study is the first time that careerism and attitudes toward unions and human resources practices were investigated under the theoretical framework of values.

Keywords: Schwartz's values, careerism, career management, unions, human resource

* PhD Candidate at METU, Research Fellow at University of Ankara, kantas.ozge@gmail.com

Portrait values of undergraduate students as prospective employees and their corresponding attitudes towards career and union

The primary life role of many adolescents is being a student, with developmental exploration for their upcoming adult life. According to Bandura (2001), role behaviours involve the intentional actions of individual agents that influence the social context in order to meet personal needs. In a similar vein, “a correspondence between the meaning of the role and the meaning of the self develops as a consequence of using the role to define the self” (Collier & Callero, 2005: 48). This emerging adulthood period requires some critical decisions that have implications for the individual’s future well-being as well (Zenisek, 2014), including career behaviours.

Based on social cognitive career behaviour (Lent & Brown, 2013), *adaptive career behaviours* are those that help direct students’ own career and educational development. This may be both under ordinary circumstances and stressful conditions as career and educational development encompasses periods of work preparation, entry, adjustment, and change. However, my personal observation and previous semi-structured open-ended interviews reveal that sometimes students hesitate to attend to career activities, and some students are even strictly oppose to these activities, such as vocational counselling services, career management support, alumni meeting, career fairs, etc. In those interviews, many students indicated that they do not attend to such activities for the sake of not being pejoratively labelled as «careerist» or with the justification that these activities promote «careerism». On the other hand, some students indicated that they oppose to such activities because they find it contradictory to social and common welfare, and that such equity based benefits may be acquired via labour unions. However, there were also many students who are strictly opposed to unions based on beliefs that they are almost corrupted and useless and that they seek privileges for those employees who share the same political ideology as the union. Although there seems to be controversy, so far to my knowledge no study had explored where careerism stands in between seeking career activities and belief in unionism.

This study is an attempt to explore whether career seeking activities¹ go along with a careerist orientation to work; to determine which individual values are associated with career seeking activities and which values are associated with careerism; and to investigate where the attitudes toward unions fit in relation to them. In other words, this final research question addresses whether there is a controversy of *career activity* versus *union dichotomy* or *careerism* versus *unionism*.

1 Although I called it “career seeking activities”, I assumed that not all of such activities are to “seek” a career. Rather they are maybe to “know” a career, for instance. What I try to mean by “career seeking activities” is seeking any form of career activities, such as alumni meetings, fairs, vocational information brochures from career planning centers, etc.

Careerism

Careerist orientation is defined as “the propensity to pursue career advancement through non-performance-based means” and careerism is associated with consistently more negative job attitudes, a greater desire to advance and to change jobs, and more frequent promotions (Feldman & Weitz, 1991: 237). According to the belief system of careerists, it is at best difficult and at worst impossible to attain career advancement and progression in organizations with hard work, competence and high performance alone. Instead, as essential strategies for individual career progression and advancement in the contemporary employment relationship, careerists believe in using impression management, politicking, deceit and the promotion of personal interests over those of others. Careerists are known to share some common beliefs about career advancement (Feldman & Weitz, 1991). That is, they think it is difficult to advance in organizations through merit alone; therefore it is often necessary to use social relationships with superiors, co-workers, and friends to get ahead. *Appearance* of being successful is as instrumental as competence for advancement; thus, they sometimes find it necessary to engage in deceptive behaviour to get the promotions to which they feel entitled. As they assume that the individual’s career goals will be inconsistent with the interests of the organization in the long run, they believe it is important to recognize that, ultimately, each person is for himself/herself.

Nevertheless some argue that careers are now boundaryless and problematic, involving many more radical moves, improvisation and expression of *personal values* than before and thus more difficult to manage (Arnold, 2001, emphasis added). Therefore, there is a major risk that many people who lack key *resources* will find themselves more constrained than ever before, as opportunism and flexibility implies that careers should be planned ahead. Work psychologists and vocational counsellors use social cognitive psychological theories to predict and explain how individuals handle the tasks of career management and how best to construe careers. Inevitably, this may well require quite high levels of *self-awareness* and *advanced thought patterns* (Arnold, 2001, emphasis added). This is because the *career choices* people make are more *complex* and varied than simply depicting the type of work they wish to do. Additionally, yardsticks of career success are increasingly self-defined rather than being defined by socially accepted norms (Arnold, 2001).

Based on these premises, this study operationalized the above-noted personal values referring to Schwartz’s Portrait of Value Systems; self-defined yardsticks of career choices and success management are conceptualized within social cognition framework as *attitudes* toward unions, human resources practices of organizations and work orientation (i.e., whether careerist or not) that require advanced patterns of thought; and key resources are regarded as including career management facilities in universities. Careerist orientation toward work is already explained above, and the following sections explain the value systems and attitudes toward unions.

Values and attitudes

Values are cognitive representations of human needs (Rokeach, 1973). Schwartz's Value Theory also adopts the traditional notion of values literature. These universal human needs capture biological, social-interactional and social-intuitional needs, which serve individual survival, interpersonal coordination and group welfare respectively (Schwartz, 1996). Human behaviour can be explained, coordinated and rationalized by these individual values (Schwartz, 1996; Demirutku and Sümer, 2010). According to Schwartz's Value Theory, ten empirically modified value domains are specified; their definitions along with sample items are presented in Table 8.1.

Table 8.1. Definitions of individual-level value types and sample items

Basic Dimension	Value Type	Definition	Sample SVS Items
Self-Enhancement	Power	Social status and prestige, control or dominance over people and resources	social power, authority, wealth
	Achievement	Personal success through demonstrating competence according to social standards	successful, capable, ambitious
	Hedonism	Pleasure or sensuous gratification for oneself	pleasure, enjoying life
Openness to Change	Stimulation	Excitement, novelty, and challenge in life	daring, a varied life, an exciting life
	Self-direction	Independent thought and action-choosing, creating, exploring	creativity, curious, independent
Self-Transcendence	Universalism	Understanding, appreciation, tolerance, and protection for the welfare of all people and nature	wisdom, social justice, equality
	Benevolence	Preservation and enhancement of the welfare of people with whom one is in frequent personal contact	helpful, honest, forgiving
Conservation	Tradition	Respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide the self	respect for tradition, humble, moderate
	Conformity	Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms	obedient, honoring parents and elders
	Security	Safety, harmony and stability of society, of relationships, and of self	family security, national security

Note. Hedonism value type expresses both Self-Enhancement and Openness to Change dimensions.

Source: Demirutku, 2007: 16

Regarding the association between values, attitudes and behaviours, the literature suggests that attitudes have cognitive, affective (i.e. emotional) and motivational (i.e. intentional) functions; and serving for value-expression is one of these functions (Katz, 1960). This is especially the case for attitudes which correlate with relevant values, instead of irrelevant ones (Demirutku, 2007: 19). As long as attitudes are value-expressive in nature, these attitudes are expected to be predicted by individual values. To give the classical social cognitive definition, an attitude is a state of readiness to respond (i.e. any response, from negative to positive) to an external stimuli (i.e., an attitude object) that exerts a powerful and dynamic influence on cognition and behaviour (Allport, 1935). In this study, the attitude objects that the

influences of values are tested upon are “career activities in universities”, “human resources practices in organizations” and “unions”.

As conscious orientation toward personal strivings can lead to value-expressive attitudes (Demirutku, 2007) and values can assert influence via attitudes (Rokeach, 1973), this study proposes that, and addresses to what extent, searching for and choosing career behaviours that are value-expressive might be engaged in by university students as emerging adults. Therefore, the study aims to reveal the value-attitude-behaviour link in the case of career behaviours (i.e., seeking career activities and careerist orientation toward work in this study), and their value and attitude predictors.

Method

Participants

A sample of 289 university students (141 women, 143 men, 5 unspecified) was recruited from 28 different universities in Turkey. The mean age was 22.3. The majority of students, who participated in this study, were from Ankara University (N= 201). The rest of the participants were from Gazi University (N= 38), Hacettepe University (N= 11), Kırıkkale University (N=6), and so forth. The majority of the sample consisted of students in the Faculty of Political Sciences (N= 168), and the Faculty of Economics and Administrative Sciences (N= 45); these faculties mainly cover departments such as International Relations, Public Administration, Business Administration, Labour Economics, Finance, etc. However, there were also other, though fewer, students from other faculties and departments such as Engineering, Law, Communication, Health Sciences, and Humanities. The combination of students according to their year in university was as following: 155 of them were 4th year, 47 were 3rd year, 38 were 2nd year, and 21 were 1st year students. This shows that the majority was very close to striving for an employment status.

Procedure and measures

The study utilized convenience-sampling method. Participants completed a paper and pencil questionnaire packet. The following section explains the scales that were used for this study.

Portrait of values questionnaire (PVQ):

Schwartz, Melech, Lehmann, Burgess, Harris, and Owens (2001) developed PVQ to measure 10 value domains, containing 40 phrases, each of which is comprised of two sentences that describe a hypothetical person. The respondent is expected to indicate to what extent that person described in the phrase resembles the respondent himself or herself, using a six-point checkbox. Given that the readability levels of the items

were adjusted to 11 years of age, it enables the measurement of values in not only highly educated samples, but gives psychometrically sound results in samples with differing demographic backgrounds, and relates systematically with several outcome variables (Schwartz et al., 2001). The scale was adapted to Turkish by Demirutku (2007) and gave sufficient reliability coefficients. As proposed originally, the value scores for each domain were calculated for each participant.

Careerist orientation toward work scale (COWS):

Developed by Feldman and Weitz (1991), COWS requires the participants to state to what extent they agree to given statements, using a five-point Likert-type scale ranging from “1= Never” to “5= Always”. Higher scores indicate more careerism. The sample statements are: “It is hard to get ahead in an organization on sheer merit alone” and “To get promoted, you need to do your job very well (reversed; i.e. 1 is coded as 5, so that, when the responses to all items are added, still higher score indicates more careerism)”. As a part of the present study, this scale was adapted to Turkish. In the adaptation study, one social psychologist (the author of this article) and one clinical psychologist (who was also experienced in research methods in psychology but presumably blind to literature of work psychology) have translated the English version into Turkish. Two Turkish forms have been presented to one Turkish university student with an advanced English degree, both for elaboration ease, language convenience, and back-translation. Afterwards, one optimally-worded Turkish form extracted from these two translations. Six university students from the Labour Economics and Industrial Relations department of Ankara University, then, were given this optimal Turkish form and asked to respond to assess face validity. Additionally, these six students and one social psychologist together discussed and evaluated the scale for the final version. The data was also collected by these six students as a part of their research methods course requirement. The internal consistency of this scale was found to be sufficient among the 289 participants of this study ($\alpha = .82$).

Anti-union and pro-union attitudes

One-sentence-paragraphs that assess anti and pro-union attitudes were derived from LaHuis and Mellor's (2001) union image survey in which they investigated antiunion (-) and pro-union (+) attitudes as predictors of college students' willingness to join a union. Their sample items were as following: “Unions are obstacles to making companies competitive (-)”, “I believe that unions are responsible for raising costs to consumers (-)”, “Unions work to get legislation that helps all working people, whether they are union members or not. (+)”, “I believe that unions improve recognition for work done. (+)”. These items were integrated in the form of a general paragraph and the participants asked to indicate how strongly they agree to given statements, using a five-point Likert-type scale ranging from “1= Never” to “5= Always”.

Attitudes toward human resources practices of companies and career activities in universities

One-item seeking career activity and one-item HR practices question asked the participants to assess whether they are strictly an opponent of ($=-2$), or strictly a proponent of ($=2$) given attitude object.

Data analysis strategy

The aim of the analysis was to discover the associations of different values with the above-noted attitude objects and careerism. Due to the exploratory nature of this study, correlations among them were initially investigated. Then, multiple regressions were conducted in order to determine the set of predictors for each. Finally, path analysis with structural equation modelling was employed to explore the associations identified within a defined network parsimoniously² to describe the directed dependencies among a set of variables.

Results

Correlations

When two sets of data are strongly linked together, they are said to have a high correlation. Correlation is positive when the values increase together, and correlation is negative when one value decreases as the other increases (Trochim, 2006). Those variables that are correlated with each other were depicted in Table 8.2. Those correlations which fail to be statistically significant were omitted from the table for the easy following. As shown in the table below, beyond the associations of values with each other, some key values are correlated with the outcome measures of this study along with the inter-correlations between some attitude measures and careerism.

Specifically, the more power and achievement value one had, the more careerist orientation ($r = .158$ and $.178$ respectively) that student emphasized. As benevolence and tradition value increased, careerism decreased ($r = -.176$ and $-.137$ respectively). Further, career seeking activity was positively associated with conformity ($r = .184$),

2 In research, parsimony refers to the simplest explanation about the greatest number of observations, instead of more complex explanations that may be present. It serves to help scientists to develop more of theoretical models in research than published models. It is based on the assumption that the simplest explanation is usually the correct one. I used this term to indicate that least possible number of variables were used to figure/explain as much as possible for a given associations at the same time. Because if a researcher includes everything, then everything may become significant; the point is to make significant interpretation of the selected topic with minimum number of variables that explain the most of the subject altogether. In this vein, path analysis gives a full-picture that covers all associations without multiplications beyond necessity, therefore without the statistical problems of simpler methods.

security ($r = .241$), positive attitudes towards human resources practices of organizations ($r = .333$) and pro-union attitudes ($r = .162$); whereas negatively associated with careerism ($r = -.199$). In addition, positive attitudes towards human resources practices of organizations increased with higher conformity ($r = .225$), tradition ($r = .147$) and security ($r = .263$) values, along with pro-union attitudes ($r = .150$). Pro-union attitudes were positively associated with tradition ($r = .153$) value; whereas anti-union attitudes were positively associated with power ($r = .158$) and achievement ($r = .127$). In addition, as expected, pro and anti-union attitudes had an inverse relationship ($r = -.150$). Finally, as pro-union attitudes decreased ($r = -.196$) and anti-union attitudes ($r = .270$) increased, careerist orientation to work augmented.

Table 8.2. The Inter-correlations Between Variables

	1	2	3	4	5	6	7	8	9	10	11
1. Power	1										
2. Achievement	,622**	1									
3. Benevolence			1								
4. Conformity	,180**	,221**	,363**	1							
5. Tradition			,298**	,521**	1						
6. Security	,310**	,274**	,228**	,524**	,380**	1					
7. Career activity				,184**		,241**	1				
8. HR practices				,225**	,147*	,263**	,333**	1			
9. Pronoun attitudes					,153*		,162*	,150*	1		
10. Antiunion attitudes	,158*	,127*				,132*			-,150*	1	
11. Careerism	,158**	,178**	-,176**		-,137*		-,199**		-,196**	,270**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Multiple regressions

Regression analysis is a statistical tool that is widely used for prediction and forecasting a dependent variable among the independent variables. It is also used to explore the forms of how these independent variables are together related to a single dependent variable (Higgings, 2006). In accordance with this logic, once the ways these multiple variables relate to the dependent variable have been identified, the information about all of the independent variables can be used together to reveal a multiple regression equation and, thus, make much more powerful and accurate predictions about why things are the way they are, instead of depicting them one by one. This is called “multiple regression”. Therefore, the correlations given above in this study were considered as informative to conduct multiple regressions.

Accordingly, careerism, as a dependent variable, was found to be significantly predicted positively by achievement value and anti-union attitudes, but negatively predicted by benevolence and tradition values as well as career seeking activities. Although power value and pro-union attitudes were significant correlates of careerism, they failed to be significant predictors when entered into the equation together. This may be a result of the shared variance they have with other significant predictors of careerist orientation. That is, when those associations' credit was statistically taken by independent variables with greater correlations (i.e., their shared variance was given to independent variables with greater correlations), there might be no unique variance left to those variables with lower correlations. Therefore their small correlations had nothing left when the shared variance were taken by those other independent variables with greater correlations. When career seeking activities was set as the dependent variable, the following set of independent variables was found to be statistically significant positive predictors: security value and attitudes toward HR practices. Likewise, conformity value and pro-union attitudes failed to be significant predictors of career seeking activity, although they were significantly correlated, though at a low level. Finally, among the variables which have significant correlations with anti-union and pro-union attitudes, none of the values remained significant when entered to the regression equation simultaneously.

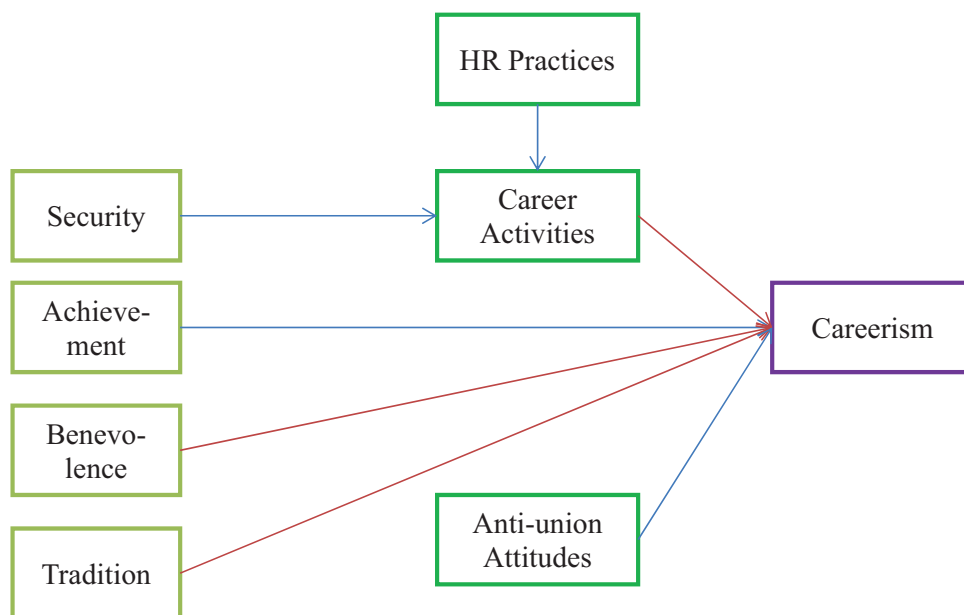
Path analysis (Structural Equation Modeling)

Structural Equation Modeling (SEM) is a confirmatory technique rather than exploratory. Instead of testing a set of independent variables separately for each dependent variable, SEM allows for testing prior hypotheses altogether that are formulated considering the prior knowledge about them. That is, path analysis gives a more parsimonious explanation without the statistical problems of simpler methods. This difference between SEM and other techniques is said to be its greatest strength (Tabachnick and Fidell, 2007). Basically, the SEM is a parameter estimation technique which addresses whether the proposed model is good enough that population and sample are close to each other in terms of their parameters for proposed associations (Tabachnick and Fidell, 2007:680).

Therefore, when the set of multiple regressions was hypothesized and specified as a model, the path analysis was given as below in Figure 8.1. The positive paths were depicted by a blue line whereas negative paths were depicted by a red line. According to SEM results, the goodness of fit summary for maximum likelihood method was observed and it was found that the model fit the data well, though not perfectly; $\chi^2 = 35.93$, $p = .01$, CFI (Comparative Fit Index) = .89, RMSEA (Root Mean-Square Error of Approximation) = .07. When the structural model was considered, all regression path coefficients were found to significant (given in parentheses). Security predicted career seeking activities (.18), which was also predicted by a positive attitude towards human resources practices of organizations in general (.29). In addition, career seeking activities negatively predicted careerism

(-.19), as expected. Further, the careerist orientation toward work was positively predicted by achievement value (.17) and anti-union attitudes (.26). On the other hand, it was negatively predicted by benevolence value (-.13) and tradition value (-.12).

Figure 8.1. The proposed structural equation model based on the multiple regressions



Discussion, implications, limitations, strengths and future suggestions

University students as individual agents and emerging adults try to influence the social context in order to meet their personal needs. Preparing and adjusting themselves for their prospective careers are among the adaptive career behaviours that they mostly engage in. However, their preferences for career behaviours might be different and it might be their values that exert their influence via value-expressive attitudes and, thus, behaviours. For instance, their values might be expressed through their positive attitudes toward career activities in universities or through their aim to sustain privilege via non-merit based social connections (i.e., careerism). However, as noted in the introduction, there seems to be a shared belief among university students that seeking career management facilities is the same as careerism or a hesitation to seek such activities. This study investigated several questions: whether career seeking activities go along with a careerist orientation to work; which individual values are associated with career seeking activities and which are associated with careerism; and where the attitudes toward unions and human resources of organizations fall

in between careerism and unionism. Therefore, the results address a probable misconception that seeking career activities is a careerist orientation indicator. Besides, although careerism and other attitudes regarding labour relations have been studied in different contexts with some attitude measures (e.g., job satisfaction, job commitment, union apathy, willingness to join a union), to my knowledge, this study was the first time that careerism, and attitudes toward unions and human resources practices were investigated under the theoretical framework of values, which is another contribution of this study.

Analysis of the data revealed the results that career seeking activities are not a careerist orientation indicator. Indeed, there is even negative relationship. That is, the more a student seeks career activities, the less s/he portrays a careerist orientation toward work; thus, the less likely s/he pursues career advancement through non-performance-based means. In this study, it is found that career seeking activity is a function of security seeking and positive attitudes toward HR practices. In contrast, careerism is a function of high achievement, low benevolence and low tradition value. However, when we recall the inter-correlation between security, achievement and benevolence values, the results may reveal a double edged sword concerning antiunion attitudes. To say, although achievement, security and benevolence is inter-correlated, when achievement is not supported by benevolence, it may be an indicator of careerism. However, in the absence of anti-union attitudes, the association between benevolence and security may lead one to seek career activities without a careerist orientation. As Schwartz's values are depicted as a "portrait", therefore, the full picture of an individual should be considered, instead of labelling one as careerist by just referring to his/her achievement value, for instance. That is, a student might be thinking of pursuing a career in a union as a collective bargaining specialist, a position which likely requires a power and achievement value, but along with benevolence value for considering the welfare of all employees (of course, in addition to the absence of anti-union attitudes).

Taken together, these results suggest that it is not an issue of *career seeking* activity versus *union dichotomy*; instead what seems to contradict each other are *careerism* versus *unionism*. Therefore, this study helped to elaborate a misconception about attending career activities and being careerist. Career management services of universities and vocational counsellors might find this information valuable when working with university students as future employees. Beyond this contribution to the literature in terms of social cognitive career theory, vocational counselling, labour relations of young peoples' employment, this study also includes a scale translation to Turkish with adequate psychometric properties. Still, the present sample was limited to university students, not the Turkish labour force in general. Therefore, the further studies can assess whether this adaptation works with other samples as well.

This study put a little check for values-attitudes-behaviour link proposed by the literature. In a similar vein, the variables at hand were examined with different statistical techniques, one of which is path analysis to give a full picture simultaneously

for those variables. Yet, although 289 persons is enough for exploration, the confirmatory structural equation modelling reveals results for only this sample. Hence, the model specified with SEM needs further validation with other samples (e.g. other faculties, non-student samples) as well. Beyond this, researchers might be interested in whether students with different academic backgrounds differ in terms of outcome measures of this study, to give tailored portraits for different samples. Still, this study gave an overall depiction of university students from very diverse universities and departments. In addition, the probable determinants of anti-union and pro-union attitudes, as well as attitudes toward human resources practices might be another consideration for future researchers.

All in all, as a result, this study suggested that career seeking activities are a form of vocational self-concept exploration triggered by security value and (to some extent associated with conformity) but obviously do not exclude pro-union attitudes, whereas low benevolence and tradition values in addition to anti-union attitudes seem to lead a careerist work orientation. Last but not least, the result that career seeking activities were negatively associated with careerism suggests that career seeking activities are, indeed, an adaptive social cognitive career behaviour.

References

- Allport, Gordon W (1935), "Attitudes". In C. Murchison(Ed). Handbook of social psychology, Worcester, MA: Clark Univ. Press. pp. 798–844.
- Arnold, John (2001), "Careers and Career Management". In Anderson,N., Ones, D., Sinangil, H. and Viswesvaran, C. (Eds). Handbook of Industrial, Work and Organizational Psychology, 2, London: Sage, pp. 115-132.
- Bandura, Albert (2001), "Social Cognitive Theory: An Agentic Perspective". Annual Review of Psychology 52: 1–26.
- Collier, Peter J. and Peter L Callero (2005), "Role Theory and Social Cognition: Learning to Think like a Recycler." Self and Identity, 4: 44-58.
- Feldman, Daniel. C. and Barton A. Weitz (1991), "From the Invisible Hand to the Gladhand: Understanding a Careerist Orientation to Work." Human Resource Management, 30 (2): 237-257.
- Higgings, Jim (2006), The Radical Statistician: A Beginners Guide to Unleashing The Power of Applied Statistics In The Real World, (5th Ed.) Jim Higgins Publishing.
- Lent, Robert.W. and Steven D. Brown (2013), "Social Cognitive Model of Career Self-Management: Toward a Unifying View of Adaptive Career Behavior Across the Life Span. Journal of Counseling Psychology, 60(4): 557–568.
- Rokeach, Milton (1973), The Nature of Human Values, (NY: FreePress).
- Schwartz, S. H., Melech, G., Lehmann, A., Burgess, S., Harris, M., and Owens, V. (2001). Extending the cross-cultural validity of the theory of basic human values with a different method of measurement. Journal of Cross-Cultural Psychology, 32, 519-542.
- Trochim, William M.K. (2006), "Correlation", Research Methods Knowledge Based, <http://www.socialresearchmethods.net/kb/statcorr.php>
- Tabachnick, Barbara G. and Linda S. Fidell (2007), Using Multivariate Statistics, 6th Ed. Boston : Pearson.

9 An assessment on minimum wages in Turkey

From an inequality perspective during the 2000s

*Osman Tezgel**

Abstract

This study primarily presents a conceptual analysis of the minimum wage by evaluating the aspects, importance and objectives of the concept. The main aim of this study is to evaluate the minimum wage implementations in Turkey during 2000s. The study also includes the characteristics and basic indicators of minimum wage and analyzes whether the minimum wage implementations lead to social and economic inequalities in this respect. If the extent of the proportion of minimum wage workers to total employment is considered, it is clear that the minimum wage is vitally important in Turkey. This study also aims to underline the problematical issues about the minimum wage implementations in Turkey and possible solutions concerning the issue are proposed.

Keywords: wage, minimum wage, inequality, income distribution, poverty

Introduction

The majority of the population in industrial societies consists of waged workers. Therefore, the concept of wage becomes significant in economic and social life. Wages are the only income sources to sustain the worker's life and represent the price of labor. Wages are also a "cost factor" for employers and firms. The minimum wage is the lowest level of income. When left to the market mechanism, wages can be determined far below the level needed for the survival of the workers. In this case, the state intervenes in the labor market and fixes the lowest level of income to prevent exploitation of workers.

* Dr. University of Ankara, Faculty of Political Science. Department of Labor Economics and Industrial Relations. osmantez@yahoo.com

This study aims to resolve the relation between the inequalities in the Turkish labor market and minimum wage implementations in Turkey during 2000s. The minimum wage concept and its implementations are broadly discussed by all agents of industrial relations in Turkey. Since the proportion of minimum wage workers to total employment is significantly high in Turkey, minimum wage implementations are quite important economically and socially. The minimum wage implementations in Turkey trigger inequality, social injustice and poverty. Besides, the minimum wage implementation has deteriorating effects on income distribution.

In the first part of this study the minimum wage concept, its importance and objectives are introduced. Apart from the conceptual definition of the minimum wage, its economic and social aspects are also evaluated. In the second part, the main characteristics and basic indicators of the minimum wage implementations are defined. Turkey's minimum wage level is compared with the European Union countries and Turkey's real minimum wage levels in 2000s are also introduced. In the third part, the problematic issues about the minimum wage implementations in Turkey are analyzed from an inequality perspective. Hence, the taxes and deductions on the minimum wage in Turkey are presented in detail, including minimum wage and labor cost calculations. Moreover, the effects of regional socio-cultural development differences on the minimum wage and the debates about the regional minimum wage are also evaluated.

Minimum wage concept, its importance and objectives

As one of the factors of production, wages are evaluated as the price of labor and have deep effects on economic and social life. In this context, wages carry importance for defining a worker's income and standard of living. Besides, wages are one of the important of cost factors that affect the development in industry. Lastly wages are significant determinants of social justice through their role in distributing the national income between specific income groups (Zaim 1997: 195). Employees working under an uncontrolled market mechanism can be forced to work for very low wages under the threat of unemployment. This situation contrasts with the "social wage" perception, which anticipates that wages should be sufficient to support the survival of workers and their families. Therefore, international sources of social policy recognize the necessity of fixing and securing the lowest levels of wage by the law. In this context, "minimum wage" is expressed as the lowest level of income fixed by the public authority nation-wide (Altan 2009: 175).

According to the International Labor Organization (ILO), minimum wage is defined as *"the minimum sum payable to a worker for work performed or services rendered, within a given period, [...] which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions"* (ILO 2014:19). This statement reveals

that the minimum wage implementation has economic, social and legal aspects. Minimum wage is defined as the lowest level of income that enables workers and their families to maintain their lives in dignity. Accordingly, the minimum wage level should not only meet the basic needs of workers, it also needs to meet their families' economic and socio-cultural requirements (Topalhan 2014: 72). Therefore, minimum wage is an income implementation which ensures a minimum standard of living as a human right.

Minimum wage is a compulsory wage implementation that prevents employers from paying excessively low wages. Thus, paying less than the minimum wage cannot be an issue of labor negotiations between the agents of industrial relations. The International Labor Organization (ILO) resolved this matter in "Minimum Wage Fixing Convention No.131," which defines the minimum wage as *"the lowest level of remuneration permitted which in each country has the force of law and which is enforceable under threat of penal or other appropriate sanctions"* (ILO, 1992). Minimum wage implementations do not differ between workers based on differences in age, sex or marital status or the sectors in which the worker is employed, such as industry, agriculture or service sector. Accordingly, the minimum wage is fixed independently from working conditions or worker's qualifications. In other words, while fixing the minimum wage, workers' qualifications, such as education, seniority, experience and working conditions, such as working environment, operating conditions of work or form of physical/mental work required by the job are not taken into consideration (Altan, 2009: 176).

The importance of the minimum wage is related to its economic and social aspects. Minimum wage is associated with the number of economic factors. Minimum wage workers are in the majority in industrial society. Since the minimum wage level directly affects the purchasing power of minimum wage workers, it is closely related to the general price level and inflation rates. Furthermore, a change in minimum wage level causes a linear impact on labor costs, so the change in these levels emerges in debates in the context of minimum wage - employment, minimum wage-unemployment, and minimum wage-inflation (Korkmaz and Çoban: 2006: 17). Besides, the taxes and deductions on the minimum wage trigger debates about the minimum wage, informal economy and income distribution. At this point, the economic aspect of the minimum wage intersects with the social aspects of the context. As mentioned above, minimum wage has important social aspects as well. Minimum wage which normatively hinders labor exploitation also has a function in reducing income inequalities in the economic and social arena. The close relations between minimum wage levels and poverty, social injustice and social deprivation are significant indicators that demonstrate the importance of minimum wage and its social aspects.

Related to its importance, there are several objectives of minimum wage. First of all, minimum wage implementations generally are aimed at eliminating low wage conditions in employment. In this context, the main objective of minimum wage

is providing a socially suitable minimum level of subsistence to a worker (Kutal 1969: 32). Additionally, minimum wage aims to upgrade the living standards of workers and enable workers to maintain their lives in dignity. In this context, the fight against poverty is another main objective of minimum wage implementations. Consequently, these implementations aim to decrease the differences between various wage levels and cope with economic and social inequalities. Therefore, minimum wage implementations are important economic and social policy tools, which also aim to provide protection against sudden wage changes and guarantee the lowest income needed to realize the equal pay for equal work principle, prevent unfair competition between employers and decrease the burden of the social protection implementations, while also fighting against poverty, income equalities and inequitable income distribution.

The characteristics and basic indicators of minimum wage implementations in Turkey

The percentage of minimum wage workers is an important fact regarding income inequality. Before addressing the facts about the minimum wage implementations which increase inequalities in Turkey, the basic facts, characteristics and indicators of minimum wage should be stated. The minimum wage in Turkey is regulated under Article 39 of the Turkish Labor Law No. 4857, 2003 and fixed at least every two years by the Secretarial Services of the “Minimum Wage Fixing Board” of the Ministry of Labor and Social Security. Article 39 also regulates the structure of the Minimum Wage Fixing Board.

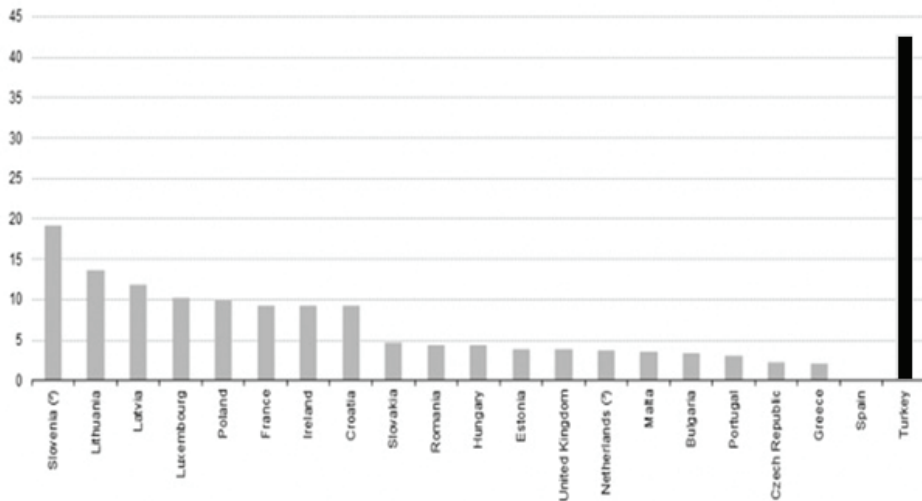
“...The Minimum Wage Fixing Board, presided over by one of its members to be designated by the Ministry of Labor and Social Security, shall be composed of the General Director of Labor or his deputy, the General Director of Occupational Health and Safety or his deputy, the chairman of the Economic Statistics Institute of the State Institute for Statistics or his deputy, representative of the Under-Secretariat of Treasury, the head of the relevant department of the State Planning Organization or his representative, five employees' representatives from different branches of activity selected by the highest-ranking labor organization representing the majority of employees and five employers' representatives selected by the employer organization representing the majority of employers. The Minimum Wage Fixing Board meets with at least ten members present. The Board takes its decisions by majority vote. In the event of a tie, the chairman has a casting vote...”¹

The different approaches to minimum wage implementation in Turkey since 1951 have been criticized extensively. The unskilled labor force is the focus of the

1 <http://turkishlaborlaw.com/turkish-labor-law-no-4857/19-4857-labor-law-english-by-article> (12.09.2015).

minimum wage because the skilled labor force generally works for high wages due to their qualifications. However, in Turkey even skilled workers work in return for the fixed minimum wage due to the unemployment that has emerged following numerous economic crises. Therefore, the number of minimum wage workers is excessively high in Turkey (Eser and Terzi 2008: 133). According to the Ministry of Labor and Social Security 2014 data, the ratio of minimum wage workers is 43 per cent of total paid employment (Ministry of Labor and Social Security 2015a). The proportion of minimum wage workers in Turkey is extremely high when compared with European Union countries. Figure 9.1, illustrates the proportion of minimum wage workers across European Union Countries.

Figure 9.1. The proportion of minimum wage workers across European Union Countries – 2010*



* Full-time workers aged 21 years and above.

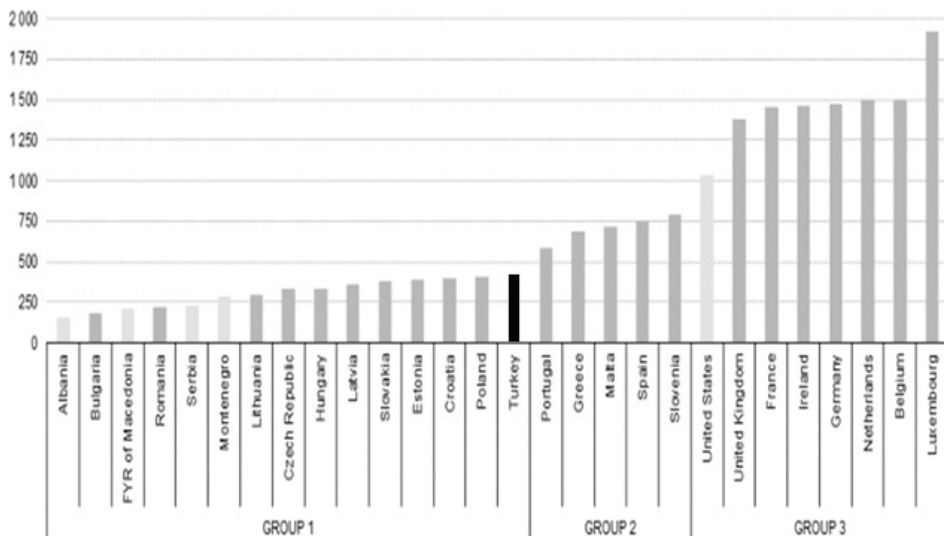
Source: Eurostat, 2010

As can be seen from Figure 9.1, in Turkey the proportion of minimum wage workers is approximately 43 per cent and is much higher than the average in EU countries. The highest proportion of minimum wage workers amongst EU countries can be observed in Slovenia with the ratio of approximately 19 per cent. Because of the extent of minimum wage workers, issues about the minimum wage carry significant importance. Although the proportion of minimum wage workers is so high, the minimum wage levels are relatively low. These levels directly create poverty in Turkey. The majority of minimum wage workers concentrates on precarious jobs. It is quite unclear whether these minimum wage workers are going to maintain their income in the future (Kılıç, 2014). One of the main reasons why there is a huge difference between Turkey and European Union countries in terms of the proportion of minimum wage workers as shown in Figure 9.1 is the extensive unionization and

collective bargaining system in European Union countries. Determining wages in Europe in accordance with the collective bargaining system leads to the decline of the proportion of minimum wage workers in the total employment rate (Schulten 2014). The taxes and deductions on minimum wage is quite high in Turkey. Besides, even though the workers earn more than the minimum wage, they are reported to social security institutions by their employers as if they were getting minimum wages to avoid taxes, deductions and to reduce the labor costs.

When compared to the EU, minimum wage levels fall far below the average of European Union countries. Figure 9.2 represents the minimum wage levels in the selected European Union countries.

Figure 9.2. 2015 - Minimum wage levels in selected countries (€ /per month)



Source: Eurostat, 2015

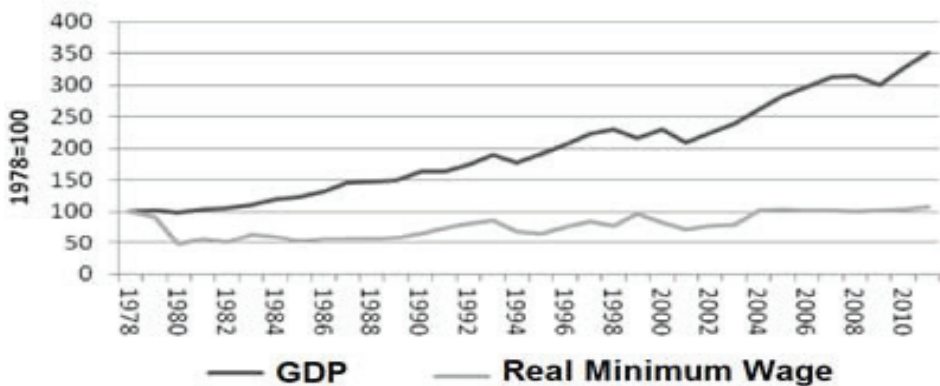
An examination of Figure 9.2 shows that the minimum wage levels are divided into three main groups, with Turkey in Group 1, which has the lowest minimum wage levels among the selected European Countries. In 2015 Turkey's minimum wage level is slightly under € 500 per month.² If compared with Central European countries, which stand in Group 3, such as Luxemburg, Belgium, Netherlands, Germany and France, Turkey's minimum wage level is considerably lower. Turkey is considered in the Southern European welfare regime (Tezgel and Gökbayrak 2013: 43) and when compared with countries in the same welfare regime in Group 2, such as Greece, it can be seen that Turkey's minimum wage levels are still lower.

² The rapid change in exchange rates and the sharp downfall in Turkish Lira against Euro and US Dollar, especially since the summer of 2015, make the number indicated in the graph even lower, when based on comparison to the Euro.

The Turkish economy has expanded in 2000s. The growth rate in 2010 was 9.2 per cent and 8.8 per cent in 2011, which were considered the highest levels during 2000s (IMF 2015). However, the growth in the economy did not reach all parts of the society, especially not to the lower income groups, creating an inequitable distribution. This situation is simply an indicator that shows that the economic value added is distributed inequitably. The example of the minimum wage is remarkably important in this regard. In the decisions of the Minimum Wage Fixing Board, not economic development but the inflation targets are taken into consideration and the subsistence level of workers is omitted (ILO, 2014:186). Hence, minimum wage, which is one of the important tools in terms of income and wealth distribution, is put under pressure. Moreover, neither productivity nor economic growth has an effect on minimum wage workers. Between 2005 and 2010 productivity per capita increased 14 per cent, whereas the minimum wage made almost no progress in real terms. In 2011, the increase in the determined minimum wage was only 4 per cent in real terms, whereas the economic growth was 8.8 per cent (DİSK 2011). As a result, minimum wage workers' share in GDP is decreased and labor exploitation is increased.

Although the minimum wage levels have increased in 2000s, the real minimum wage levels have tended to stay stable. Figure 9.3 indicates the GDP levels and the real minimum wage levels between 1978 and 2010.

Figure 9.3. Comparison between real minimum wage and economic growth



Source: DİSK, 2015

As can be seen from the Figure 9.3, the gap between GDP levels and the real minimum wages increased over the years. Although there is a narrow increase in real minimum wage levels after 2000s, this increase was only able to compensate for the losses in the real minimum wage between 1978 and 2004. At the same period, the real minimum wage increase that was behind the increase in per capita national income was not continuous. The real minimum wage was also suppressed after the 1980s with neo-liberal economic policies during the economic crisis and with the

restriction of democratic rights and freedoms. After 2002 Turkey has performed at higher economic growth rates and the Turkish economy has experienced higher increase in productivity rates. In 2004, with the increase in minimum wage levels, real minimum wages were able to reach the real minimum wage levels of 1978. From 2004 - 2013 even with the partial increase in real wages and the relative decrease in taxes, the minimum wage level was not able to ensure a subsistence wage level. The ratio of the net minimum wage was 80.2 per cent in 2004 and decreased to 70.2 per cent in 2013 (Erdoğan 2014: 21 - 25). To carry on with this form of economic development, which worsens the income distribution, generates persistent unemployment levels, increases inequalities and worsens employment conditions in Turkey creates extremely negative consequences in terms of economic and social development.

Furthermore, the problematic issues regarding the minimum wage implementations in Turkey and increased inequalities have adverse effects on the real minimum wages and cause an increase in labor costs. Besides, these problematic issues impair the industry and leads to an increase in the informal sector through the negative effects on registered employment.

The problematic issues about the minimum wage implementations in Turkey after the 2000s

Although the minimum wage in Turkey has a long history, the implementations regarding the minimum wage has not been compliance with the standards set by the ILO. Guaranteeing a living wage has never taken into consideration. According to the ILO Minimum Wage Convention, No. 131, 1970, and the associated ILO Minimum Wage Fixing Recommendation, No. 135, 1970, *“The fundamental purpose of minimum wage fixing should be to give wage earners necessary social protection as regards minimum permissible levels of wages.”* Accordingly, while determining the minimum wage the needs of workers and their families, the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups shall be taken into consideration. Turkey has not ratified the ILO Minimum Wage Convention, No. 131, 1970 and has not implemented policies compliance with the ILO Minimum Wage Fixing Recommendation, No. 135, 1970.

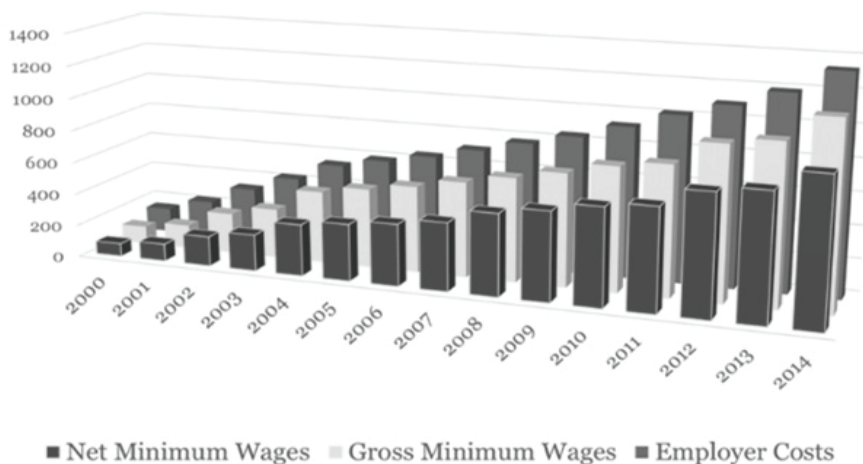
According to ILO 2014/2015 Wage Report, *“to have the most positive effects, minimum wages must be well designed and set in a way that balances the needs of workers and their families with economic factors”* (ILO, 2015: 59). Unfortunately, in Turkey the policies and issues regarding the minimum wage have relevance with income inequalities. There are various problems associated with the minimum wage regime that cause inequality in Turkey. These problems are high taxes and deductions on the minimum wage, focusing only on workers’ needs in setting the minimum wage and excluding workers’ families, socio-economic differences between regions

and inadequacy of the minimum wage to meet the basic needs of workers and their families. To have the most positive effects, minimum wages must be well designed and set in a way that balances the needs of workers and their families with economic factors

High taxes and deductions on minimum wage

One of the main problematic issues regarding the minimum wage implementation in Turkey is the high taxes and deductions on the minimum wage. The taxes and deductions on the minimum wage complicate the social aspects of minimum wage implementations to ensure that workers live in dignity. The determined minimum wage is generally expressed as gross minimum wage; whereas the net wages that workers receive are much lower due to the taxes and deductions. The gross minimum wages, the employer costs and the net minimum wages between 2000 and 2014 are illustrated in Figure 9. 4.

Figure 9.4. Employer costs and the gross and net minimum wages 2000 - 2014



Source: Calculated according to Ministry of Labour and Social Security data, Ministry of Labour and Social Security, 2015b

As can be seen from the Figure 9.4, the gap between the net minimum wage and the gross minimum wage increases over the years. The taxes and deductions means less income for workers and an increase in labor costs. Figure 9.4 shows that the employer costs increased substantially between 2000 and 2014. The other main problem related to the high taxes and deductions on the minimum wage is the increase in the informal sector. Hence, a raise in the labor costs triggers an increase in the extent of the informal sector. Workers accept employment in the informal sector because of the unemployment threat and employers hire unregistered workers

to avoid such taxes and deductions and thereby minimize their labor costs. The deductions from minimum wages besides the taxes are also a serious problem in this respect (Ekin 2000: 271).

Table 9.1. The deductions and taxes on minimum wage

From worker (% gross minimum wage)		From Employer (% gross minimum wage)	
Social security premium	14	Social security premium	15.5 *
Unemployment insurance	1	Unemployment insurance	2
Income tax	15	* There is a 5 % discount applied to employers who fulfill the conditions declared in (i) section of the 81. principle of the Law No. 5510. For the employers who do not fulfill the conditions set forth by the Law, the Social Security Premium payment is 20.5 %.	
Stamp duty	7.59		

Source: Ministry of Labour and Social Security, 2015c

The taxes and deductions on the minimum wage are stated on Table 9.1. The total amount of taxes and deductions imposed on the worker: 14 per cent of the gross minimum wage for the social security premium, 15 per cent income tax for the wage earners, 1 per cent unemployment insurance and lastly 7.59 per cent for the stamp duty. The taxes and deductions imposed on the employer are the social security premium at 15.5 per cent and the unemployment insurance at 2 per cent of the gross minimum wage.

In Turkey the gross minimum wage fixed by Asgari Ücret Tespit Komisyonu (The Minimum Wage Fixing Board) is 1273.5 Turkish Liras (TRY) in 2015 between the dates of 1 July 2015 and 31 December 2015 (Ministry of Labour and Social Security 2015c). Table 9.2 shows the calculation of net minimum wage and Table 3 indicates the cost of minimum wages for employers.

Table 9.2. The calculation of net minimum wage (TRY/Month)

The Calculation Of Net Minimum Wage (TRY)	
01.07.2015 – 31.12.2015	
Gross minimum wage	1273,5
Social security premium worker's share (14 %)	178,29
Unemployment insurance (1 %)	12,74
Income tax (15 %) *	72,26
Stamp duty (7,59 %)	9,67
Minimum subsistence allowance (AGI)(Unmarried and without children)** (+)	90,11
Net Minimum Wage	1 000,54

Source: Ministry of Labour and Social Security, 2015c

* In accordance with the 32. Principle of the Income Tax Law No. 193, it is assumed that the worker is single and has no children and the minimum subsistence allowance is applied accordingly.

** Minimum subsistence allowance is added to the net minimum wage.

Table 9.3: The Cost of Minimum Wage to the Employer (TRY/ Month)

The Cost of Minimum Wage To The Employer (TRY/ Month)	
01.07.2015 – 31.12.2015	
Gross minimum wage	1273,5
Social security premium employer's share (15.5 %)	197,39
Unemployment insurance (%2)	25,47
Total	1 496,36

Source: Ministry of Labour and Social Security, 2015c

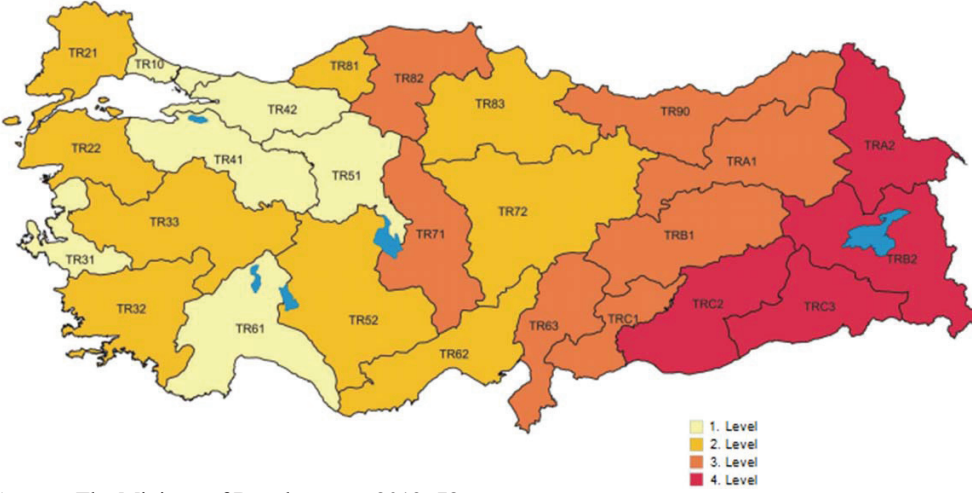
Table 9.2 and Table 9.3 show that the gap between gross minimum wages, net minimum wages and employer costs are quite large and the compulsory deductions and taxes create a structural obstacle to the social objectives of minimum wage. A minimum wage worker's fiscal burden is the total of income tax payments (15 per cent), social security deductions (14 per cent), unemployment insurance deductions (1 per cent) and stamp duty cut (7.59 per cent), which is about 28 per cent of the gross minimum wage. Hence, if the minimum wage worker does not benefit from the minimum subsistence allowance, the total fiscal amount of taxes and deductions is about 28 per cent. However, since 2008 the minimum subsistence allowance implementation (AGI) is executed by the Turkish Tax System. When the AGI implementation is applied to an unmarried worker's minimum wage, the income tax burden decreases from 15 per cent to nearly 6 per cent. In other words, the total fiscal burden of the worker decreases from 28 per cent to nearly 21 per cent (Gök and Yalçın 2015: 251). The AGI implementation brings about a slight decrease in the level of taxes; however, the tax burden on minimum wage is still quite remarkable even after the AGI.

The differences in socio – cultural development levels between regions

Another problem of the minimum wage implementations that leads to inequality in Turkey are the regional differences. The studies on wage inequality also point out that the wage inequality between the west and the east part of Turkey has increased in the 2000s (Taştan and Akar: 2013; Elveren et al. 2012; Elveren, 2010).

Map 9.1 indicates the regional socio-economic development levels in Turkey. A huge socio-economic gap can be seen between the east and west parts and rural and urban areas of Turkey. The map illustrates the most developed regions as “level 1” and the least developed regions as “level 4”. The populated and industrialized cities like İstanbul, Ankara, İzmir, Bursa and Antalya belong to level 1. The 3rd and 4th level regions mostly group in the eastern and southeastern parts of Turkey.

Map 9.1. The regional socio – economic development levels in Turkey, 2013



Source: The Ministry of Development, 2013: 78

The Minimum Wage Fixing Board determines the minimum wage at the country level for all workers older than 16 by ignoring the regional differences. The regional minimum wage discussions have two main positions in Turkey.

From one perspective, it is argued that the regional minimum wage is necessary to eliminate the differences in regional development levels. Since the subsistence levels are different among regions, then fixing a basic minimum wage level will be a disadvantage for the workers who live and work in more developed areas. This opinion suggests lower minimum wages for undeveloped regions (level 3 and 4) to attract employers' investment in these parts of the country. Hence after lowering the minimum wage levels for undeveloped regions, investments and industrial movements will be concentrated in those areas and it is predicted that the unemployment rates will fall as socio-economic development levels increase (ASO 2005). This opinion is usually expressed by employer organizations such as TÜSİAD³ (Turkish Industry & Business Association), ASO⁴ (Ankara Chamber of Industry), and İSO⁵ (İstanbul Chamber of Industry).

The other opinion criticizes the regional minimum wage implementations. According to this opinion, fixing the minimum wage based on regional socio-economic development levels will have negative effects on the labor market and poverty. The regional minimum wage implementations are based on leaving wages to the market mechanism. Accordingly, the regional minimum wage implementation is contrary to the nature of the minimum wage concept (Buğra 2005). The labor confederations

3 TÜSİAD: Türk Sanayicileri ve İşadamları Derneği

4 ASO: Ankara Sanayi Odası

5 İSO: İstanbul Sanayi Odası

like TÜRK-İŞ⁶ (Confederation of Turkish Trade Unions), DİSK⁷ (Confederation of Progressive Trade Unions of Turkey) and HAK-İŞ⁸ (Confederation of Turkish Real Trade Unions) are strongly opposed to the regional minimum wage proposal.

The regional differences are the reason for inequality and it can also be stated that there are significant income inequalities among regions in Turkey. However, implementing regional minimum wage and fixing a lower minimum wage level for undeveloped regions will deepen the existing inequalities and broaden the extent of poverty. As mentioned above, the real minimum wages are quite low despite the recent increases in Turkey (see Figure 3). It should be stated that expecting an increase in employment while implementing regional minimum wage and fixing lower minimum wage levels for undeveloped regions is not a realistic. Besides, it is obvious that lower income levels are going to trigger poverty. On the other hand, it would be wiser for a worker earning a lower minimum wage in undeveloped regions to migrate to developed regions where the minimum wage level is higher. Thus, another problematic issue about the regional minimum wage implementation is the increase in the internal migration rate. Furthermore, the minimum wage is a reference point for the lowest wage groups and unregistered employment. Therefore, lowering the current inadequate minimum wage level will create serious inequalities in income distribution and income poverty while sustaining the transition to the informal economy (Candaş et al., 2010: 71). As the minimum wage level is quite low and the deductions and taxes on the minimum wage are relatively high in Turkey, when focusing on the regional differences more efficient macro-economic and social policies should be implemented rather than regional minimum wage implementations.

Inadequacy of the minimum wage to meet the basic needs of workers and their families

Unfortunately the minimum wage level in Turkey is quite far from meeting the basic needs of workers and their families. Workers and their families are not able to fulfill the essential needs such as food, housing, clothing, health, transportation and cultural activities with the determined minimum wage level in contrast to its definition. In determining the minimum wage only physical needs are taken into consideration; a holistic socio-cultural minimum wage policy that considers social and cultural needs of workers and their families is not taken into account.

Although the minimum wages have tended to increase in Turkey after 2000s, the minimum wage levels are significantly below the poverty and hunger thresholds. Table 5 states the hunger and poverty thresholds of a 4-person family and net

6 TÜRK-İŞ: Türkiye İşçi Sendikaları Konfederasyonu

7 DİSK: Devrimci İşçi Sendikaları Konfederasyonu

8 HAK-İŞ: Hak İşçi Sendikaları Konfederasyonu

minimum wage amounts. As can be seen from the table, the minimum wage levels are far from meeting the subsistence level of workers and their families.

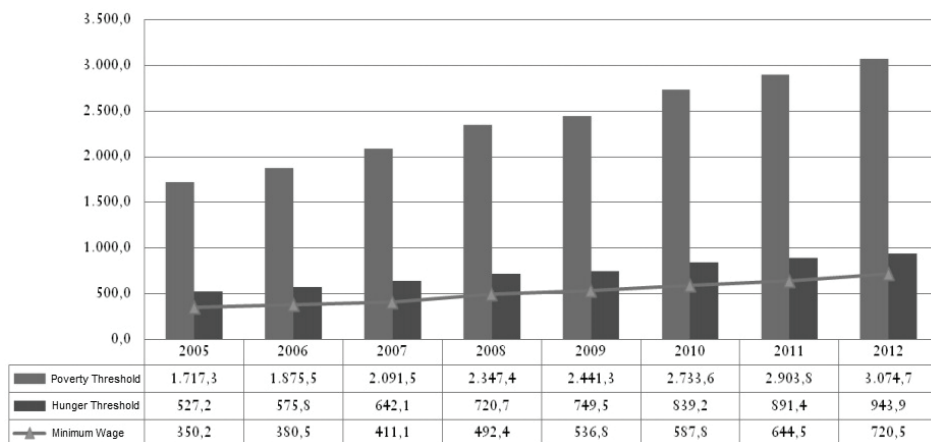
Table 9.4. The hunger and poverty thresholds of a 4-person family in Turkey (TRY/Month)

	Oct 2013	Dec 2013	Sep 2014	Oct 2014
Adult male food expenditure	293,90	299,01	331,39	335,12
Adult female food expenditure	244,22	247,18	271,67	274,78
Child (aged 15 - 19) food expenditure	312,58	318,62	352,35	358,28
Child (aged 4 - 6) food expenditure	213,56	216,77	234,63	237,25
Hunger threshold	1 064,26	1 081,59	1 190,04	1 205,43
Poverty threshold	3 466,65	3 523,09	3 876,37	3 926,47
Net minimum wages	803,68	803,68	891,03	891,03

Source: TÜRK İŞ, 2014:1; Ministry of Labour and Social Security, 2015b

In the second term of 2014 the net minimum wage amount was TRY891,03 monthly. As mentioned above, the proportion of minimum wage earners is nearly 50 per cent of total workers. Therefore, nearly the half of the population is obliged to survive on less than TRY30 per day (TÜRK İŞ, 2014: 2). Thus a considerable part of the population is faced with the threat of poverty. Even if both parents earn the minimum wage, the household is still under the poverty threshold.

Figure 9.5. Net minimum wage, poverty and hunger thresholds 2005 – 2012 (TRY)



Source: DİSK, 2013: 8

The Figure 9.5 demonstrates the inadequacy of the net minimum wage levels between 2005 and 2012. As can be seen from the figure, the net minimum wage levels are significantly below the poverty threshold and slightly below the hunger thresholds.

Conclusions and Recommendations

The minimum wage is defined as the lowest level of income fixed by the public authority to enable workers and their families to maintain their lives in dignity. Although minimum wage seems to be an economic concept, it has also important social aspects. The minimum wage is an important social policy tool that conceptually aims to prevent labor exploitation, reduce income inequalities and fight with poverty.

In Turkey, the minimum wage implementations cause several problematical issues. The extent of minimum wage workers increases the significance of minimum wage implementations. Although the minimum wages have been increasing in Turkey in the 2000s, the real minimum wage rates tend to have slight increases or stay stable. Combined with the stable real minimum wage levels, some structural problems concerned with minimum wages lead to inequality and poverty in Turkey. In order to prevent poverty and reduce income inequalities, the social aspects of minimum wage should be given greater importance.

The taxes and deductions on the minimum wage are quite high in Turkey. There is a huge gap between the gross minimum wages and net minimum wages. Because of the high income tax rates and deductions, the income of the worker decreases. The taxes and deductions also affect labor costs. Consequently, unregistered employment is more attractive for employers and thus the informal economy expands. Therefore, the taxes and deductions on minimum wages should be limited.

As the minimum wage workers generally form the poorest part of the society, implementing a decent income level should be addressed with some urgency. Focusing only on the worker's necessities and excluding the essential needs of the worker's family are other problematical aspects of minimum wage. The minimum wage level in Turkey is under the hunger and poverty thresholds. Therefore, the minimum wage should be raised to a level sufficient to meet the basic needs of workers and their families to enable them to live in dignity.

In Turkey there is also a serious socio-economic gap between regions and between urban and rural areas. Regional socio-economic differences must be omitted when fixing the minimum wage. Additionally, more efficient macro-economic and social policies should be implemented to eliminate the regional socio-economic differences in development levels. All workers should get the same and sufficient minimum wage without assigning any relevance to their differences such as age, gender or sector.

Indexing minimum wage increases to inflation reveals certain problems. In fixing minimum wages, economic growth rates should be taken into consideration. It is also crucial to make some alterations in the structure of the Minimum Wage Fixing

Board. The percentage of workers on the Board should be increased, the negotiations should be open to the public and the inclusion of labor organizations to the Board should be provided. Thus, the structure of the Board will be more democratic and workers will be represented effectively.

References

- Altan, Ömer Zühtü., (2009), “*Sosyal Politika Dersleri*”, Eskişehir: T.C Anadolu Üniversitesi, İktisadi ve İdari Bilimler Fakültesi Yayınları No: 211.
- ASO, (2005), “İşsizlik ve bölgesel gelir dağılımı eşitsizliği ile mücadele için yerel asgari ücret uygulamaları”, <http://www.aso.org.tr/kurumsal/media/kaynak/TUR/yayinlarimiz/ASOAsgariUcretRaporu.pdf> (23.07.2015).
- Buğra, Ayşe., (2005), “Asgari ücret, yoksulluk ve bölücülük”, http://www.spf.boun.edu.tr/content_files/2005.08.14%20Asgari%20%C3%BCcret,%20yoksulluk%20ve%20b%C3%B6l%C3%BCc%C3%BCk%20radikal%202.pdf (16.07.2015).
- Candaş, Ayşen, Ayşe Buğra, Volkan Yılmaz, Sevda Günseli and Burcu Yakut Çakar, (2010), *Türkiye’de Eşitsizlikler: Kalıcı Eşitsizliklere Genel Bir Bakış*, İstanbul: University of Boğaziçi.
- DİSK, (2015), *Asgari Ücret ve Ekonomik Büyüme Raporu*, İstanbul: Devrimci İşçi Sendikaları Konfederasyonu Araştırma Enstitüsü, Vol. 15.
- DİSK, (2013), “Dosya: İnsanca yaşayacak bir ücret için”, <http://www.devsaglikis.org.tr/wp-content/uploads/2013/03/Asgari-%C3%BCcret-dosyam%C4%B1za-ula%C5%9Fmak-i%C3%A7in-t%C4%B1klay%C4%B1n.pdf> (12.06.2015).
- Ekin, Nusret., (2000), *Türkiye’de Yapay İstihdam ve İstihdam Politikaları*, İstanbul, Ticaret Odası.
- Elveren, Adem Yavuz., (2010), “Wage Inequality in Turkey: Decomposition by Statistical Regions, 1980-2001” *Review of Urban and Regional Development Studies*, 22(1): 55-72.
- Elveren, Adem Yavuz, İbrahim Örnek and Günay Akel., (2012), “Internationalization, Growth and Pay Inequality: A Cointegration Analysis for Turkey, 1970–2007”, *International Review of Applied Economics*, 26(5): 1-17.
- Erdoğan, Seyhan., (2014), “Türkiye’de Asgari Ücret Tespit Komisyonu Kararlarında İşçi ve İşveren Temsilcilerinin Yaklaşımları (1969-2013)”, *Is, Guc: The Journal of Industrial Relations & Human Resources*, 16(2).

- Eser, Burçin Yılmaz and Harun Terzi., (2008), “Türkiye’de Asgari Ücret: Sorunlar Öneriler”, *Atatürk Üniversitesi, İİBF Dergisi*, 22(1): 129-143.
- EUROSTAT, (2010), Proportion of Employees Earning Less Than 105 % of the Monthly Minimum Wage, October 2010, *Structure of Earnings Survey 2010*, http://ec.europa.eu/eurostat/statistics-explained/index.php/Minimum_wage_statistics (24.07.2015).
- EUROSTAT, (2015), “Minimum wages, January 2015”, [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Minimum_wages_January_2015_\(%C2%B9\)_PPS_per_month_YB15_IL.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Minimum_wages_January_2015_(%C2%B9)_PPS_per_month_YB15_IL.png) (24.07.2015).
- Gök, Musa and Zafer Yalçın., (2015), “Türkiye’de Asgari Ücretliler Üzerindeki Vergi Yükünün Diğer Yükümlü Grupları ile Karşılaştırılması” *Yönetim ve Ekonomi Araştırmaları Dergisi*, 13(1): 219-255.
- ILO, (1992), *Minimum Wages: Wage-Fixing Machinery, Application and Supervision*, Report III (Part 4B) (General Survey), International Labour Conference, 79th Session, (Geneva).
- ILO, (2014), *Minimum Wage Systems*, International Labour Conference, 103rd Session, Report III, Part 1B (Geneva).
- ILO, (2015), *Global Wage Report 2014/15: Wages and income inequality*, International Labour Office, Geneva http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_324678.pdf (17.10.2015).
- IMF, (2014), *Küresel Ekonomik Görünüm Raporu*, Ekim 2014.
- Kılıç, Cem, (2014), “Çalışan Yoksullar!”, *Milliyet Gazetesi*, 05.01.2014.
- Korkmaz, Adem, and Orhan Çoban, (2006), “Emek Piyasasında Asgari Ücret, İşsizlik ve Enflasyon Arasındaki İlişkilerin Ekonometrik Bir Analizi, Türkiye Örneği, 1969-2006”, *Maliye Dergisi*, 151:16-22.
- Kutal, Metin., (1969), *Teorik Esasları Ve Tatbikatı Bakımından Asgarî Ücret*, İstanbul Üniversitesi Yayınları.
- Ministry of Development, (2013), “İllerin ve bölgelerin sosyo-ekonomik gelişmişlik sıralaması araştırması (SEGE-2011)”, Ankara. <http://www.kalkinma.gov.tr/Lists/Yaynlar/Attachments/548/SEGE-2011.pdf> (13.07.2015).
- Ministry of Labour and Social Security, (2015a), *Çalışma Hayatı İstatistikleri (Labour Statistics) 2014* http://www.csgb.gov.tr/csgbPortal/ShowProperty/WLP%20Repository/csgb/dosyalar/istatistikler/calisma_hayati_2014 (23.07.2015).

- Ministry of Labour and Social Security, (2015b), *Yıllar itibariyle net ve brüt asgari ücretler*, http://www.csgeb.gov.tr/csgebPortal/ShowProperty/WLP%20Repository/csgeb/dosyalar/istatistikler/net_brut_asgari_uc (16.06.2015).
- Ministry of Labour and Social Security, (2015c), *Asgari ücretin net hesabı ve işverene maliyeti*, http://www.csgeb.gov.tr/csgebPortal/ShowProperty/WLP%20Repository/cgm/asgariucet/2015_ikinci_alti_ay(23.07.2015).
- Schulter, Thorsten., (2014), *Minimum wage regimes in Europe and what Germany can learn from them*, Freidrich Ebert Stiftung Publications, <http://library.fes.de/pdf-files/id-moe/10558.pdf> (15.10.2015).
- Taştan, Hüseyin and Mürüvvet Akar., (2013), “Türkiye İmalat Sanayiinde Bölgesel ve Sektörel Ücret Eşitsizliği” *İktisat Fakültesi Mecmuası*, 63:17-49.
- TÜRK-İŞ, (2014), *Ekim 2014 açlık ve yoksulluk sınırı*, <http://www.turkis.org.tr/dosya/QcdLo99Q55t4.pdf> (23.07.2015).
- Tezgel, Osman and Şenay Gökbayrak, (2013), “The Effects of Gender Inequalities in Labor Market and Social Security System on the Women Social Inclusion in Turkey”, *İş Güç Dergisi* 15(4): 39 -59.
- Topalhan, Türker., (2014), *Ücret Teorileri ve Ücret Politikaları*, Ankara: Gazi Kitabevi.
- Zaim, Sabahattin., (1997), *Çalışma Ekonomisi*, İstanbul: Filiz Kitabevi.
<http://turkishlaborlaw.com/turkish-labor-law-no-4857/19-4857-labor-law-english-by-article> (12.09.2015).

10 Sector switch and domestic outsourcing in the manufacturing industries of Turkey

The case of secondary cities during the 2000s

*Utku Balaban**

Abstract

This article investigates the transformation of the manufacturing industries in Turkey during the 2000s with a comparative assessment about the changing relationship between major exporting cities and the secondary cities of Turkey; i.e. the industrializing cities that minimally benefit from the spillover effects of the traditional centers of industry.

The exercise illustrates two trends. The first one is the switch from medium-high technology sectors to medium-low and low technology sectors in the second half of the 2000s. This transformation corresponds to an increasing share of the energy-intensive sectors in the country's export volume. The second one is a particular type of domestic outsourcing both at the enterprise and city level. In particular among those assessed in this article, the most successful secondary city (Gaziantep) expanded its manufacturing output thanks to the high performance of its low technology and energy-dependent sectors.

Embarking on these two trends together, the article argues that the outsourcing from North Atlantic to the low- and middle-income countries such as Turkey took a new form since the late 1990s. In fact, Turkey is now in a second wave of post-war globalization. The first wave between the early 1970s and the 2008 crisis was marked by the outsourcing of the labor-intensive activities from the North Atlantic region. The second wave that began in the late 1990s is now based on the outsourcing of the energy- and resource-intensive activities to the rest of the world. This geographical shift of such activities to Turkey accelerated after the financial crisis in 2008 and contributed to the spatial distribution of industrial sectors among Turkey's traditional industrial centers and its secondary cities.

Keywords: wage, minimum wage, inequality, income distribution, poverty

* This chapter uses the findings of the field research that was conducted thanks to the support of the European Commission's Marie Curie Career Integration Grant with the grant number PCIG10-GA-2011-304007.

** Dr., University of Ankara, balaban@ankara.edu.tr

The role of manufacturing industries in Turkey's economic growth during the 2000s

This chapter investigates the changing characteristics of industrial production in Turkey during the 2000s with a focus on the manufacturing industries in two groups of cities. Traditional centers of industry comprise the first group. They lost some of their share in manufacturing output, even though the lost capacity was mostly in low-technology sectors. In fact, the data supports the argument that domestic outsourcing took place during the 2000s between the largest industrial centers and the industrializing cities in Turkey. The second group consists of the industrializing cities. The chapter investigates three cases (Denizli, Gaziantep, and Kayseri) in this regard in order to specify the related developments for the industrializing regions of the country. These cities are called here secondary cities; regions that develop their industrial capacity without benefiting from the spillover effects of the major industrial centers.

The surprising outcome of this exercise is that the most successful city among these three cases (Gaziantep) expanded its export volume as a result of the high performance of the low-technology sectors. Denizli's exports switched from (relatively low technology) ready-made garments to other (relatively high technology) sectors such as basic metals, while this switch did not help this city to increase its share in the country's total manufacturing output. Similarly, Kayseri outperformed the first two in terms of the technology level of its manufacturing products and fared as well as Turkey's average on the manufacturing exports during the 2000s. In other words, the industrial transformation of the secondary cities in Turkey tells an interesting story about how to encounter the challenges of the global economy in the current decade.

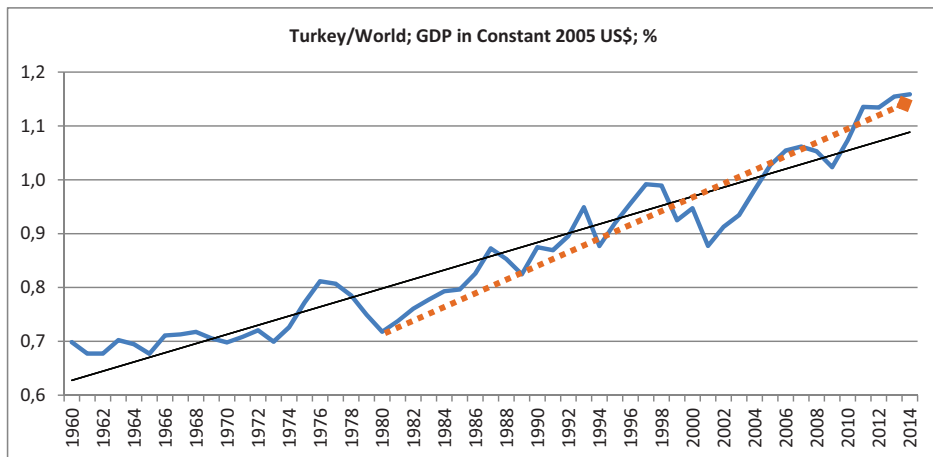
Even though recent studies on the political economy of Turkey began to reveal some of such related trends (Alpkaya and Duru 2012; Balkan, Balkan, and Öncü 2015; Buğra and Savaşkan 2014), industrial growth is a generally neglected subject in the debates about Turkey's political transformation during the 2000s. Thus, this section presents the data about the switch in Turkey to medium-low and low technology industrial sectors in this decade.

Economic growth

One of the common misconceptions about the Turkish economy concerns its economic performance during the 2000s. There is a widespread belief that the Turkish economy grew at a phenomenal rate during the 2000s (Macovei 2009; *The Economist* 2005; Euronews 2013). As the graph below illustrates, Turkey's share in the global economy has grown at a similar pace since the early 1980s. In fact, the 2000s witnessed two major collapses in 2001 and 2008 and the relatively high growth rates in the following years acted as a remedy to put Turkey back on track in terms of its long-term growth patterns since the early 1980s. Accordingly, volatility and dependence of the

Turkish economy on external finance increased during the 2000s (Akat and Yazgan 2013). Furthermore, the growth of the national income was not significant in terms of US Dollars between 2003 and 2010 (Batirel 2011). In other words, the growth of the Turkish economy during the 2000s was not faster than in the previous two decades. It was not only more erratic but also as crisis-prone as the previous decades.

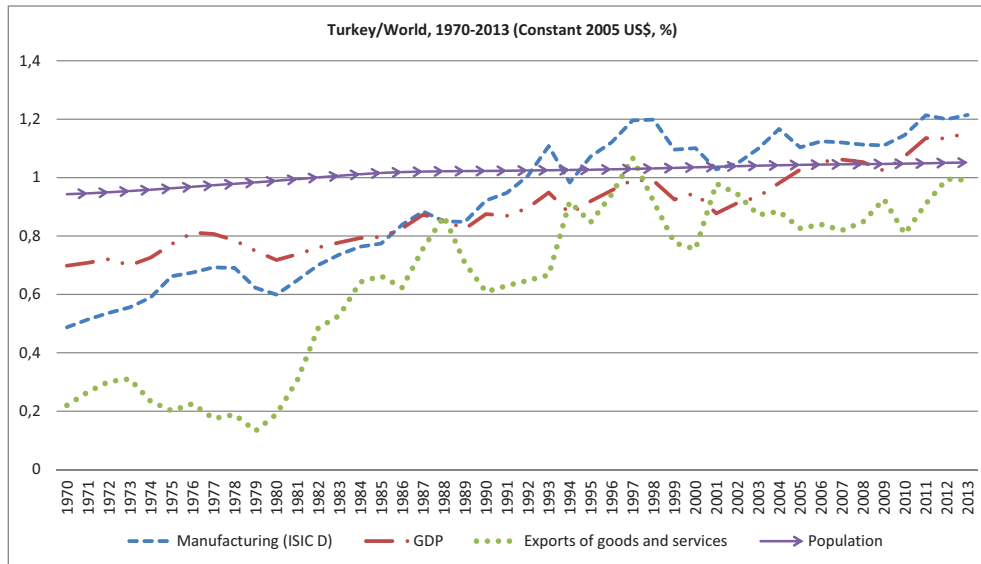
Chart 10.1. Share of Turkey in global GDP, 1960-2014



Source: World Bank

Turkey's GDP growth was susceptible to the changes in the industrial output of the country within the last four decades. The axis on the right hand of the graph below illustrates the growth of Turkey's GDP. Industrial sectors including mining, manufacturing, and utilities have had the closest relationship with the GDP growth since the early 1970s. The data suggests that Kaldor's laws obtained in the Turkish context between 1988 and 2013 (Mercan and Kizilkaya 2014). In other words, we see a close relationship between the growth of the industrial value added and the GDP growth in the Turkish context. Thus, any assessment of the performance of the Turkish economy during the 2000s requires a closer look at the growth patterns of its industrial sectors.

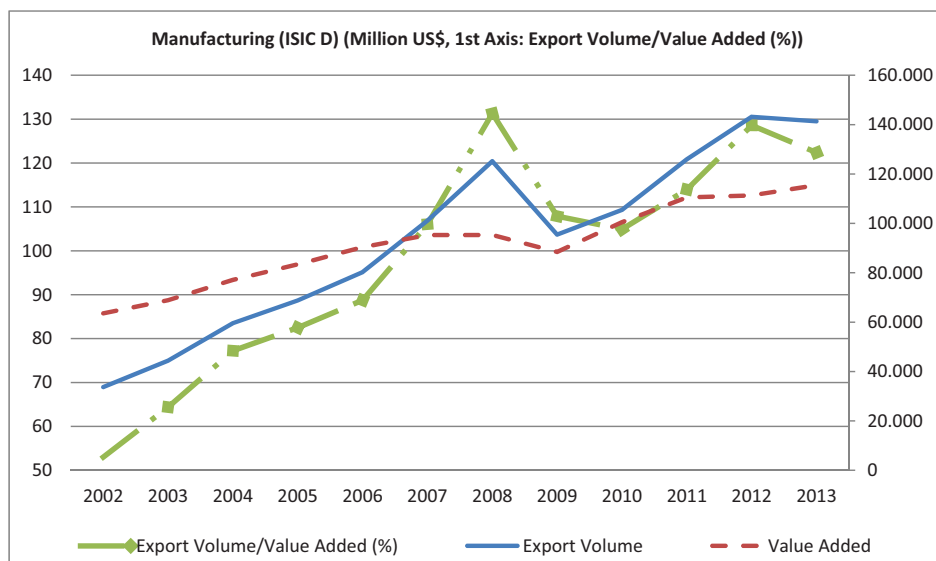
Chart 10.2: Share of Turkey in world's population, manufacturing value added, GDP, and exports, 1970-2013



Source: Unstat and World Bank

It is possible to contextualize Turkey's position in the global economy by putting this synchrony between the growth of Turkey's GDP and the growth of its industrial output into perspective. Turkey's GDP caught up with its share in the world population, which is roughly one percent, once again in 2006. The convergence took place approximately 15 years after Turkish manufacturing caught up with Turkey's share in the world population in 1992. In other words, Turkey reached a share in the global economy comparable to its size in the world population, after it managed to grow its industrial output beyond its share in the world population.

Chart 10.3. Manufacturing value added and manufacturing exports of Turkey, 2002-2013



Source: Unstat and Turkstat

In a similar manner, the value added produced by manufacturing industries was surpassed by Turkey's manufacturing exports in 2007. In other words, Turkey became not only a prominent industrial producer but also a major player in the global supply chains.

Sector Composition

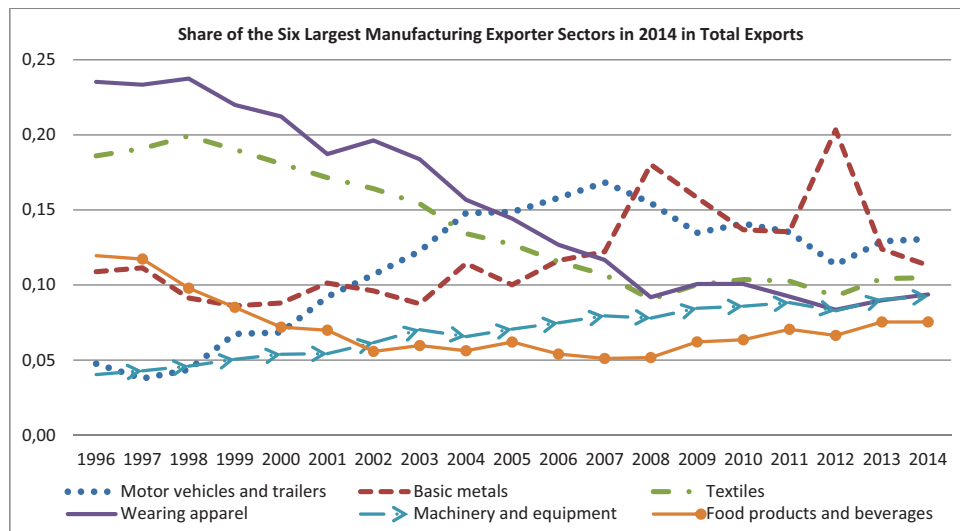
The growth in the magnitude of manufacturing output during the 2000s was accompanied by turbulent changes with regard to the sector composition in the manufacturing industries. In fact, we see a rupture concerning some of the major trends since the late 1990s particularly after the 2008 crisis. In order to detail this rupture, I will focus on the largest manufacturing sectors with an export volume greater than 10 billion US\$ in 2014. As the table below illustrates, three of the top six exporters entail assembly-related processes (motor vehicles and trailer, wearing apparel, and machinery and equipment) and have a more labor-intensive labor process than the other three (basic metals, textiles, and food products and beverages).

Table 10.1. Manufacturing Exports in 2014

Manufacturing Exports by Sectors in 2014	Current Million US\$	Share (%)
Motor vehicles and trailers	19,218	13.07
Basic metals	16,636	11.31
Textiles	15,417	10.48
Wearing apparel	13,777	9.37
Machinery and equipment	13,592	9.24
Food products and beverages	11,098	7.55
Total	89,737	61.01
Chemicals and chemical products	7,962	5.41
Furniture	7,610	5.17
Rubber and plastics products	7,541	5.13
Fabricated metal products (exc. machinery)	7,431	5.05
Electrical machinery and apparatus	6,365	4.33
Coke, refined petroleum products and nuclear fuel	5,729	3.90
Other non-metallic mineral products	4,330	2.94
Other transport equipment	2,398	1.63
Communication and apparatus	2,234	1.52
Paper and paper products	1,985	1.35
Total	53,586	36.43
Luggage, saddlery and footwear	1,153	0.78
Products of wood and cork	854	0.58
Medical, precision and optical instruments, watches and clocks	834	0.57
Tobacco products	555	0.38
Office, accounting and computing machinery	189	0.13
Printing and publishing	168	0.11
Grand Total	147,075	100.00
Source: http://tuik.gov.tr/PreIstatistikTablo.do?istab_id=630		

Among these six largest manufacturing sectors, the only medium-high technology sector that increased its share during the 2000s without any interruption is machinery and equipment manufacturing. Motor vehicles and trailers exports stagnated during the second half of the 2000s, while the basic metals and food products and beverages increased their share in Turkey's manufacturing exports within the same time period. The former is a medium-low technology sector according to the European Commission's classification and a low technology sector according to the classification by United Nations Industrial Development Organization (UNIDO). It is an energy-intensive sector according to the OECD classification. As of 2014, these sectors' export volume converged within the range between 8 and 13 percent.

Chart 10.4. Share of the largest manufacturing exporter sectors in 2014 in Turkey's export volume, 1996-2014



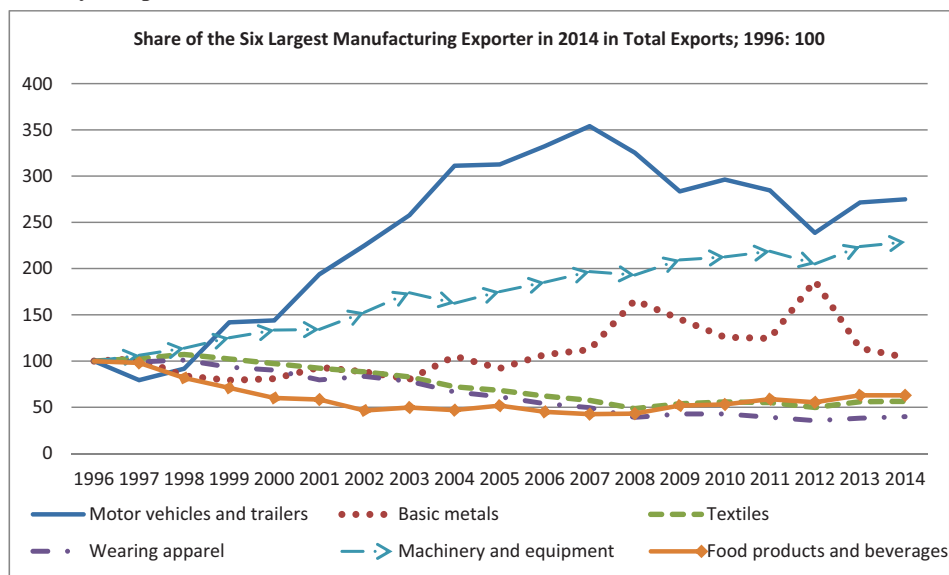
Source: Turkstat

The related trends can be simplified by taking 1996 as the base year for the index illustrated in the graph below. The index helps to frame a chronology for the individual sectors within the last two decades:

1. Machinery and equipment output has grown its share since the second half of the 1990s without any interruption. In this regard, this sector is the only major manufacturing industry that was not susceptible to the economic crises within the last two decades.
2. Motor vehicles and trailers production increased its share at a phenomenal pace between 1996 and 2007, while its share has been dropping for the last eight years.
3. The growth of basic metals output in terms of its share in total manufacturing output began in 2003, right after the 2001 financial crisis. Its share dropped after the second crisis in 2008 and dropped back to the pre-2000 level by 2014. The recent decrease can be attributed to the drop in commodity prices. The share of basic metals in total exports grew by roughly 65 percent between 2007 and 2012.
4. Textiles, wearing apparel, and food products and beverages are the three low technology sectors that have a significant share in Turkey's manufacturing exports. Each of these sectors lost roughly fifty percent of their share in total manufacturing output since 1996. Food products and beverages reached rock bottom in the early 2000s, while the decline of the shares of textiles and wearing apparel (two very closely connected

sectors) in total exports continued until 2008. Since 2008, these three sectors succeeded in keeping their share in total manufacturing exports and food products and beverages slightly increased its share.

Chart 10.5. Share of the largest manufacturing exporter sectors in 2014 in Turkey's export volume, 1996: 100, 1996-2014



Source: Turkstat

The 2001 crisis positively affected the growth of two major manufacturing exporters: basic metals and food products and beverages. While the former swiftly grew its share in total manufacturing output after the crisis, the latter's decline in the 1990s stopped after 2001. Following the 2008 crisis, however, the share of motor vehicles and trailers dropped, as did basic metals, in total manufacturing exports. Since the output of basic metals is very much dependent on ore prices, global ups and downs in commodity prices certainly have a major impact on the value of the output by this sector.

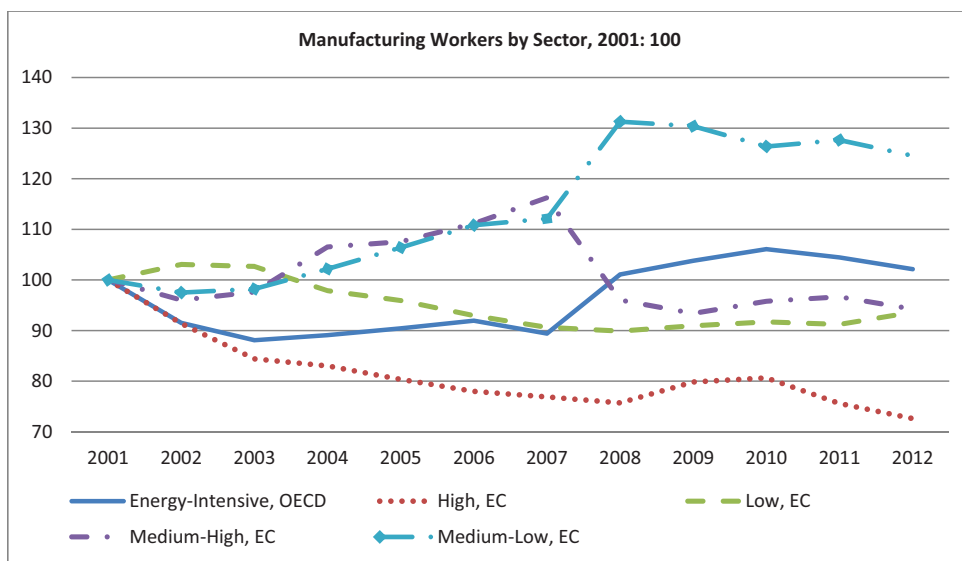
However, commodity prices have a lesser impact on the share of motor vehicles and trailers in total manufacturing output and resource-based inputs account for a smaller portion of the total value added produced. The trend concerning this sector overlaps with the slowdown of the drop in the share of the wearing apparel and textile sectors and the continuing growth of the machinery and equipment production. In fact, the most noteworthy new trend after the 2008 crisis is the switch between a major medium-technology sector (i.e. motor vehicles and trailers) and two low-technology sectors (i.e. wearing apparel and textiles) in terms of their share of total manufacturing exports.

Technology level, resource dependency, and energy intensiveness

According to the sector classification by the European Commission, the medium-low technology sectors increased their share within the manufacturing workforce and the workplace population, while both low and medium-high sectors lost their share per these two parameters. The figures illustrated in the graphs below reveal that a switch between medium-low and medium-high technology sectors took place after 2007 in favor of the medium-low technology sectors.¹

Another noteworthy trend is the increase in the share of the manufacturing workplaces in high-technology sectors after 2007, even though the share of the workers employed by these sectors within the total workers kept declining throughout the entire decade. Employment in low technology sectors proportionally decreased roughly by ten percent between 2001 and 2007, while the decline stopped after 2007. In the same vein, the share of the manufacturing workplaces in low-technology sectors increased their share in the manufacturing workplace population after 2008.

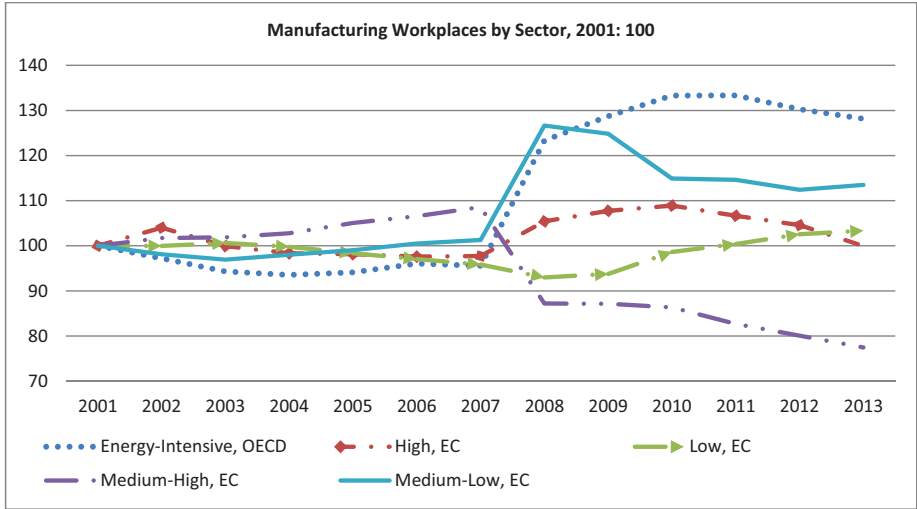
Chart 10.6. Employment of the manufacturing sectors by energy-intensiveness and technology level, 2001: 100, 2001-2012



Source: Social Security Agency

1 Tables for classification and the figures for share of the manufacturing exports by sector are available in the appendix.

Chart 10.7. Number of workplaces of the manufacturing sectors by energy-intensiveness and technology level, 2001: 100, 2001-2012

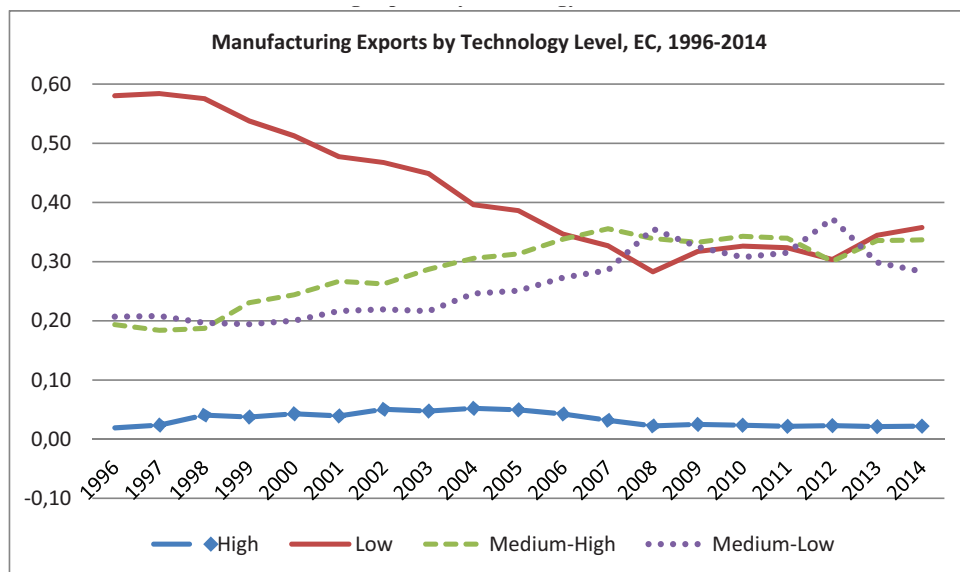


Source: Social Security Agency

Finally, in conjunction with the low and medium-low technology sectors, the number of workplaces and workers in energy-intensive sectors dramatically increased their share in their respective populations between 2007 and 2010. This transformation potentially leads to new vulnerabilities for the Turkish economy: the volatility in crude oil prices was positively correlated with GDP growth in Turkey between 1987 and 2007 and this relationship was stronger between 1997 and 2007 (Ozsagir et al. 2011). Furthermore, crude oil prices had a significant impact on the money supply, the inflation, and the price levels between 1986 and 2010 (Yaylali and Lebe 2012).

Approximately ninety percent of Turkey's exports are composed of manufacturing items. Thus, the shifts among the manufacturing sectors in terms of their export volume represent the general trends concerning manufacturing output. The Turkstat data reveal a switch between the export volumes of the medium-high and medium-low technology sectors similar to the trends reflected by manufacturing workers and workplaces, albeit milder. In this regard, another switch took place between low technology sectors' output and medium-low and medium-high technology sectors' in favor of the former between 1996 and 2008. After the figures for these three sector groups converged in 2008, their relative weights remained unchanged until 2014. Another point to emphasize is that the already meager share of high technology exports further dropped from 5 percent in 2005 to 2 percent in 2014. The 2008 crisis had a negative impact on Turkey's high technology manufacturing exports.

Chart 10.8. Share of the manufacturing exports by technology level, 1996-2014



Source: Turkstat and OECD

Traditional industrial centers

Embarking on the data provided in the first section, now we can move to the overview of the relationship between the large industrial centers and the industrializing cities in Turkey. Recent studies on the regional disparities in Turkey emphasize the following points: regional business cycles began to converge at the Level 2 of the Nomenclature of Territorial Units for Statistical Units (NUTS 2) between 1975 and 2000 and between 2004 and 2008, yet the pace of convergence was not high enough to turn the asymmetries into a negligible phenomenon (Engin Duran 2013). Similarly, inflation rates were regionally converged across Turkey between 1987 and 2001 (Yesilyurt and Elhorst 2013) and regional disparities in the industrial employment and value added were ameliorated between 1986 and 2001 (Akkemik and Goksal 2014). However, proximity to the core areas is still a major factor that accounts for the regional productivity differences in Turkey's manufacturing industry (Falcioğlu 2011). Furthermore, the neighborhood manufacturing firms enjoy positive productivity spillovers in Turkey, even though domestic firms do not significantly benefit from the foreign manufacturing firms in the same or neighboring industries (Catik and Karacuka 2012).

Between 1996 and 2001, the scale of firms and resource intensity significantly accounted for industrial disparities across provinces, while export performance and regional disparities had a weak relationship. Distance to the major industrial centers had no significant impact on regional disparities and agglomeration (Akkemik and Goksal 2014).

At the NUTS 2 level, the share of the regions in Turkey's foreign trade was negatively correlated with the unemployment rate between 2004 and 2009 (Gozgor and Piskin 2011). Regional wage inequality in the private sector increased between 1980 and 2001 at the NUTS 1 and NUTS 2 levels (Elveren 2010). In fact, despite the tendency toward regional convergence, location plays an important role in the access to the labor force and the wage level for the manufacturing industries in Turkey. Thus, some of the location-related disadvantages pertinent to the non-metropolitan areas of the country are offset by the lower wages and easier access to the labor force.

Nevertheless, industrial activities in Turkey are geographically concentrated in a small number of cities and Istanbul, in particular, is the most important industrial center. As the table below illustrates, the first five cities in terms of export volume accounted for 72 percent of total exports, employed 55 percent of manufacturing workers, and hosted 58 percent of manufacturing workplaces in 2014, while 36 percent of Turkey's total population resided in these cities in 2013. This section focuses on the first five largest industrial producers illustrated in the table below. The next section presents the data about the three followers that will be called "the secondary cities" here: Denizli, Gaziantep, and Kayseri.

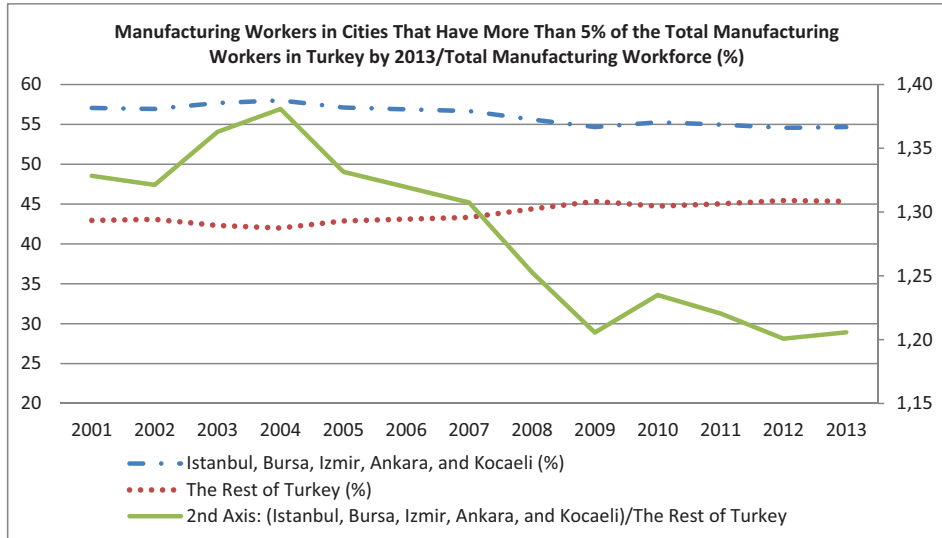
Table 10.2. Share of the top exporting cities in Turkey's exports, manufacturing workforce, manufacturing workplaces, and population, 2013 and 2014

Top Exporting Cities in 2014	Exports, 2014	Manufacturing Workforce, 2013	Manufacturing Workplaces, 2013	Population, 2013
Istanbul	45	29	36	18
Bursa	8	8	6	4
Kocaeli	8	5	2	2
İzmir	6	7	7	5
Ankara	5	6	7	7
Total	72	55	58	36
Gaziantep	4	3	3	2
Manisa	3	2	2	2
Denizli	2	2	2	1
Sakarya	2	2	1	1
Adana	1	2	2	3
Hatay	1	1	1	2
Kayseri	1	2	2	2
Total	14	14	12	13
Grand Total	86	69	70	49

Source: Turkish Exporters Assembly, Social Security Agency, and Turkstat

As the graphs below illustrate, the traditional centers of industry lost some of their share within the workforce to the smaller cities during the 2000s. Nevertheless, these cities still employ more manufacturing workers and host more manufacturing workplaces than the rest of the country.

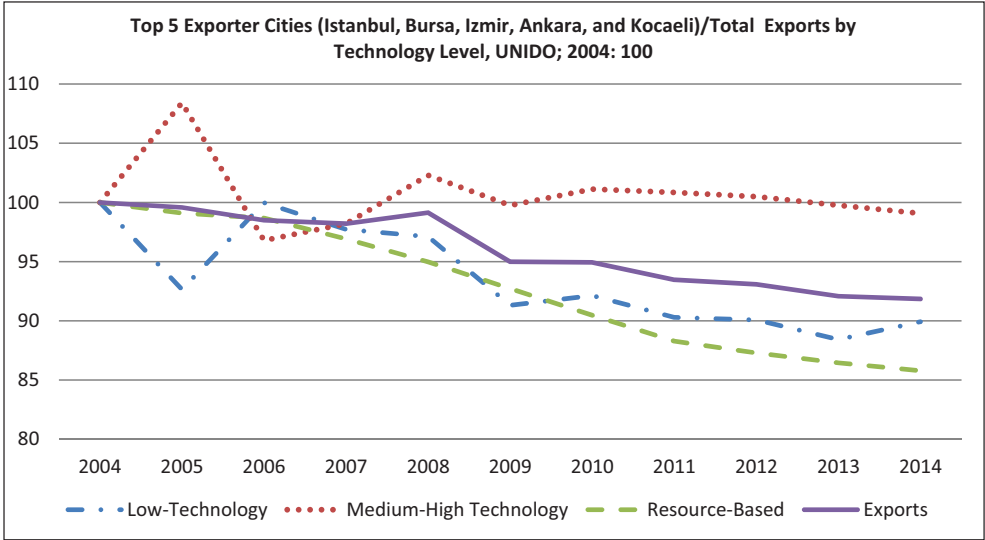
Chart 10.9. Share of the top manufacturing employer cities by 2013 in Turkey's manufacturing workforce, 2001-2013



Source: Social Security Agency

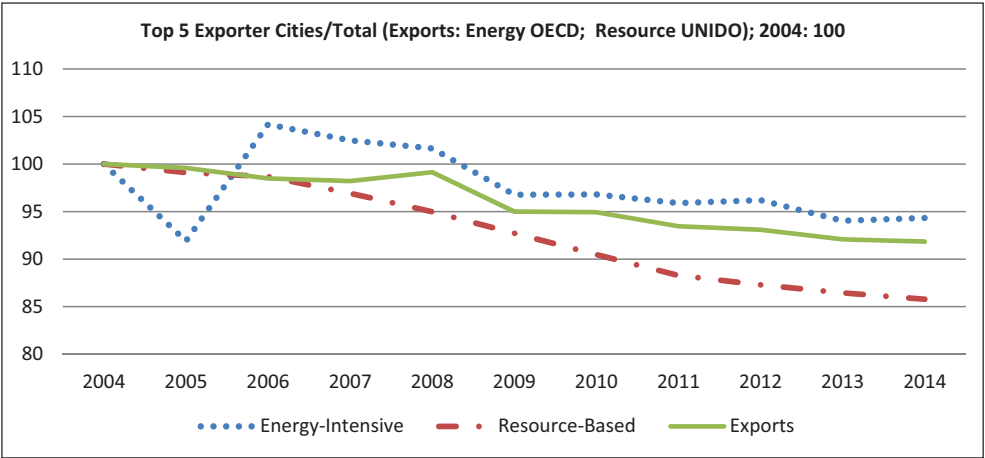
Top exporters (Istanbul, Bursa, Izmir, Ankara, and Kocaeli) did not lose their share in medium-high technology sectors within the last decade. Rather, they lost some of their share in low-technology, resource-based, and energy-intensive sectors. In fact, the decreasing share of these cities in manufacturing exports signifies a particular form of domestic outsourcing of energy-intensive, resource-based, and low technology industrial activities to the smaller cities during the 2000s.

Chart 10.10. Share of the top five exporter cities by 2014 in Turkey’s exports by technology level, 2004:100, 2004-2014



Source: Turkish Exporters Assembly

Chart 10.11: Share of the top five exporter cities by 2014 in Turkey’s exports by resource-intensiveness and energy-intensiveness, 2004: 100, 2004-2014

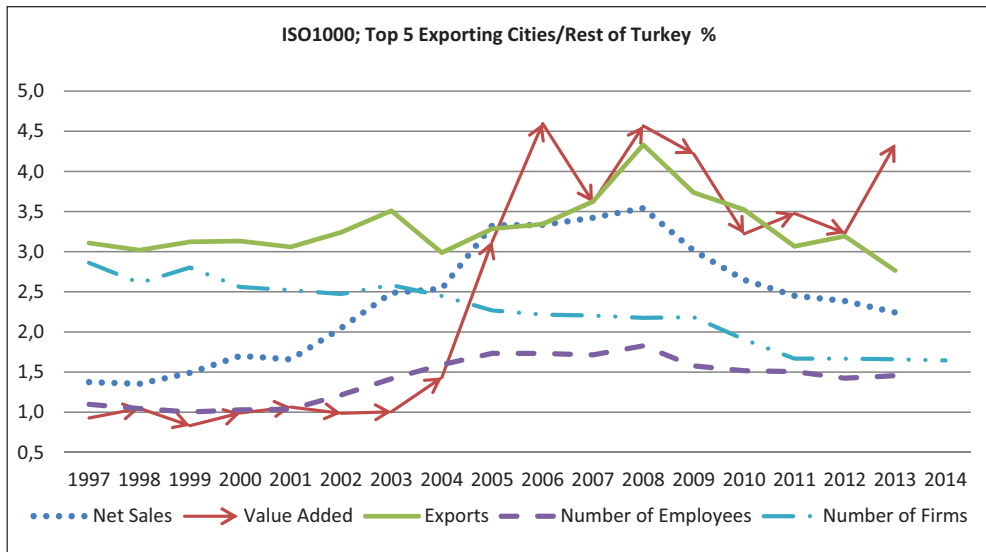


Source: Turkish Exporters Assembly

The domestic outsourcing thesis is to some extent supported by the fact that the tendency for the geographical disparities in manufacturing activities to decline was not accompanied by a synchronic trend for the large manufacturing enterprises to be more homogeneously dispersed across the country during the 2000s.

With regard to large manufacturing enterprises, a relatively reliable data set is generated by the Istanbul Chamber of Industry (Istanbul Sanayi Odası-ISO). The Chamber annually publishes on its website some basic business data about the first 1000 largest industrial enterprises in Turkey since 1997.² This population of manufacturing enterprises (the ISO1000) accounted for roughly half of the manufacturing exports and the manufacturing value added of Turkey in 2013. Except for the number of enterprises and exports, manufacturing enterprises in Ankara, Bursa, Istanbul, Izmir, and Kocaeli increased their share within the ISO1000 population practically per every meaningful economic parameter, including the number of employees, net sales, and direct sales. The most dramatic change during the 2000s took place with regard to the value added.

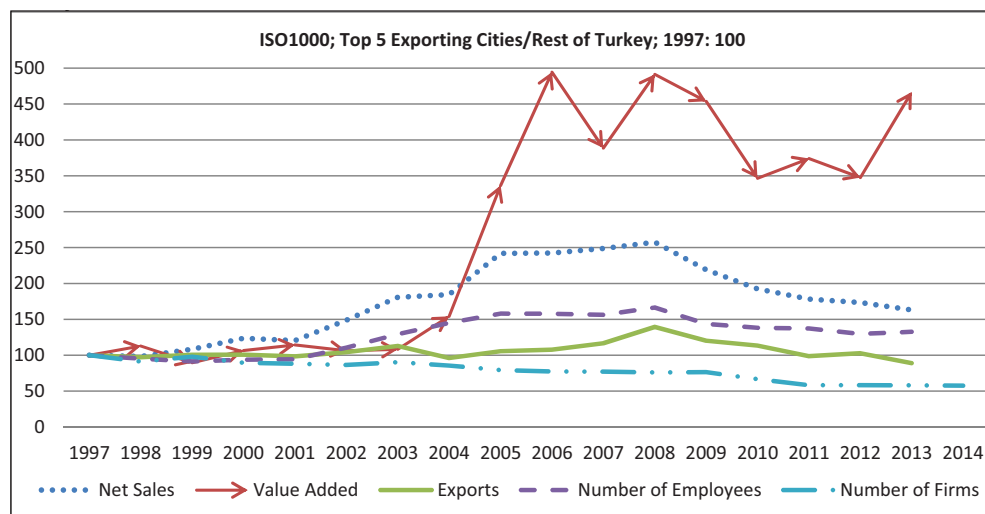
Chart 10.12. Share of the largest industrial enterprises located in the top five exporting cities by 2014 within the total net sales, value added, exports, and employment of the first 1000 industrial enterprises of Turkey, 1997-2014



Source: Istanbul Chamber of Industry

² <http://www.iso.org.tr/projeler/arastirmalar/turkiyenin-500-buyuk-sanayi-kurulusu/>

Chart 10.13. Share of the largest industrial enterprises located in the top five exporting cities by 2014 within the total net sales, value added, exports, and employment of the first 1000 industrial enterprises of Turkey, 1997: 100, 1997-2014



Source: Istanbul Chamber of Industry

The two graphs above let us suggest the following: smaller cities increased their share in the ISO1000 list during the 2000s in terms of the number of enterprises. In fact, the share of such enterprises within the ISO1000 list in 2014 was higher by 45 percent than in 1997. However, the emerging large manufacturing enterprises in smaller cities fail to catch up with their predecessors, which used to be located in the traditional centers of industry, in terms of their shares in sales, the number of employees, and particularly the gross value added. In other words, the ISO1000 companies in the emerging cities proportionally employ a smaller number of workers, generate a smaller volume of revenue, and produce a far smaller amount of gross value added than their predecessors in the traditional centers of industry in Turkey. These dynamics specifically pertain to the 2000s; i.e. the period after the 2001 crisis. Intuitively speaking, the crisis in 2001 led to the monopolization in traditional industrial centers and created some room for the manufacturing enterprises of smaller cities in the list.

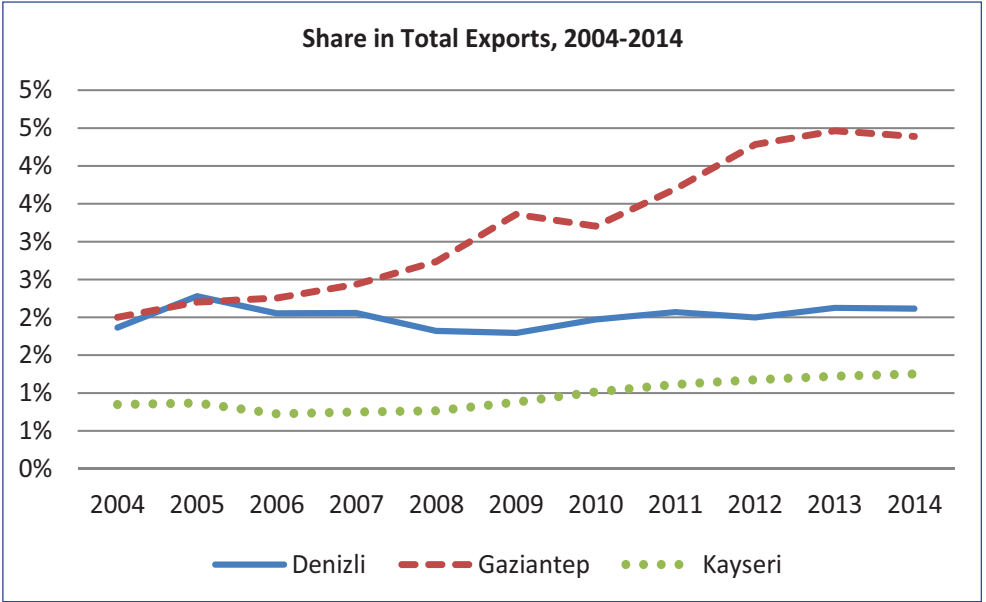
The secondary cities of Turkey: Denizli, Gaziantep and Kayseri

The third section of the chapter relates the data presented above to the three industrializing cities of Turkey: Denizli, Gaziantep, and Kayseri. These three cities are selected for two reasons. First, they find themselves placed among the top exporters list of Turkey. Second, they are not located in the vicinity of the traditional industrial centers of Turkey. Thus, they minimally benefit from the spillover effects.

Accordingly, the assessment of their performance within the last decade potentially informs about ongoing regional disparities with regard to industrial production in Turkey. For descriptive purposes, these cities will be called secondary cities, that is, the emerging industrial centers in the non-metropolitan areas of the country.

Even though Manisa, Sakarya, Adana, and Hatay are among the other top manufacturing exporters, they are not included in the assessment for the following reasons. Manisa and Sakarya are the neighbors of one of the largest manufacturing exporters (Izmir and Kocaeli respectively). Thus, they benefit from the spillover effects from these industrial centers and it becomes difficult to distinguish between the exogenous and endogenous factors that helped these cities to increase their share in the country’s manufacturing output. Adana is a traditional industrial center that lost a significant portion of its manufacturing base within the last three decades. In other words, it is a deindustrializing city. That is why the assessment of the industrial dynamics of this city requires different data sets and a different conceptual toolbox than the ones used in this chapter. Last, approximately 45 percent of Hatay’s exports were accounted for by the largest iron and steel plant of the country located in this city (Isdemir) and the cluster of smaller establishments in the related metal industries in 2014. In fact, Isdemir’s presence was the sole factor that helped Hatay to grow its manufacturing output within the last decade. Because of the lack of diversity in terms of its industrial output, the assessment of the industrial dynamics of Hatay requires a different methodology.

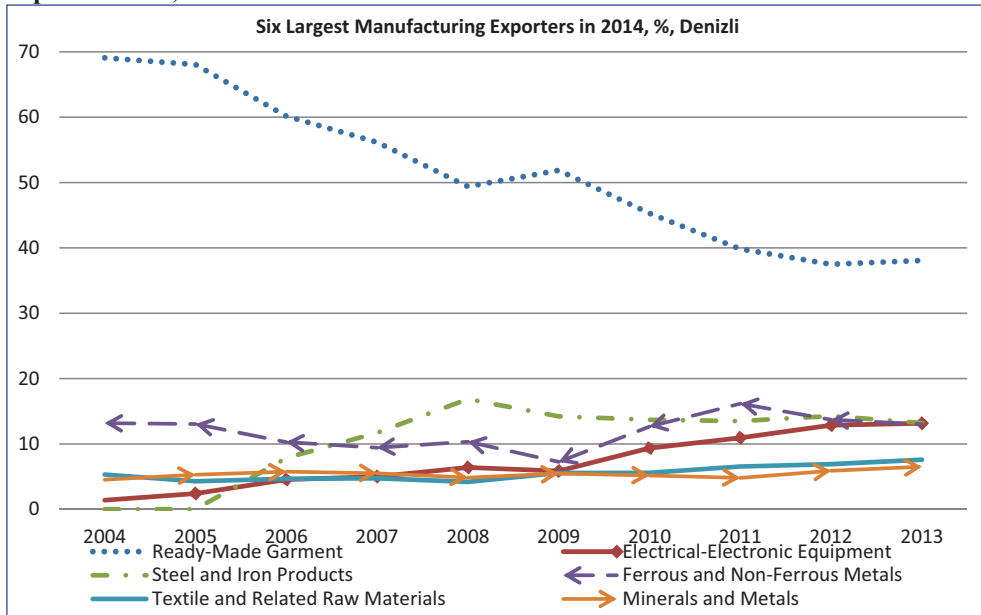
Chart 10.14: Share of Denizli, Gaziantep, and Kayseri in Turkey’s export volume, 2004-2014



Source: Turkstat

Denizli and Kayseri's share in total exports remained mostly unchanged between 2004 and 2014. Among the three secondary cities studied, only Gaziantep managed to increase its share in total exports at a significant pace during the 2000s.

Chart 10.15. Share of the largest manufacturing exporter sectors in 2013 Denizli's export volume, 2004-2013



Source: Turkish Exporters Assembly

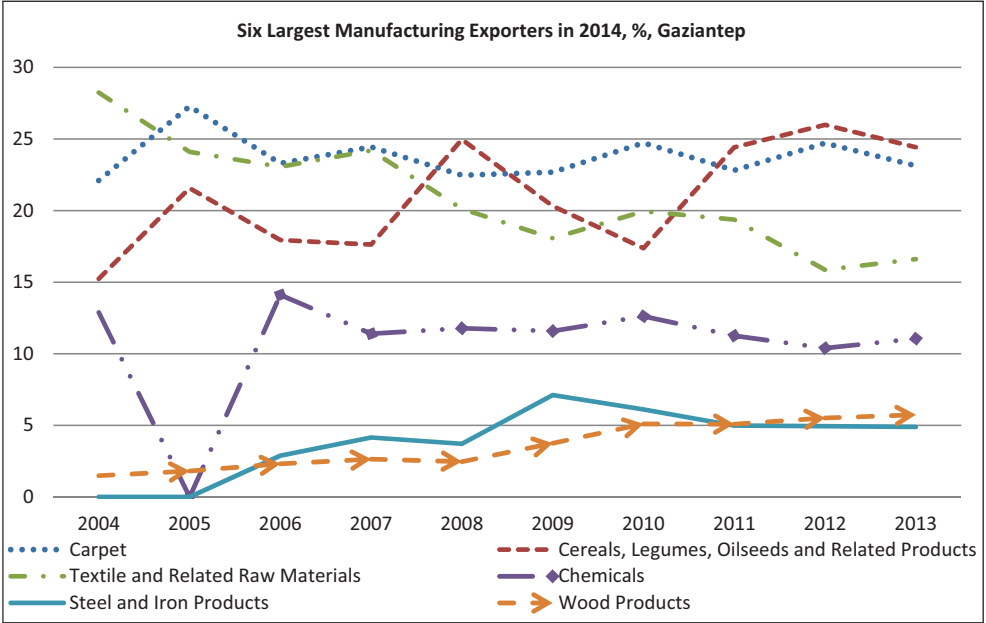
Denizli neither lost nor increased its share in Turkey's total export volume, yet its manufacturing output diversified more than the other two secondary cities. Ready-made garment production accounted for roughly 70 percent of its total exports in 2004, while the respective figure was below 40 percent in 2013. All other major exporting sectors increased their share in the total exports of the city. Denizli is a globally-known towel producer and its major market in the 1990s was the EU countries. As other players, including the East Asian countries, brought the profit margins down, the export volume stagnated during the 2000s and Denizli's industrialists looked for other options. One response was to shift from the final product (i.e. towels and other similarly less labor-intensive ready-made garment items) to intermediary products, such as fabric, thread, and textile fibers, by enlarging the textile facilities. Thus, the share of textile products in Denizli's exports slightly increased between 2004 and 2013. The most significant growth rates were enjoyed by ferrous and non-ferrous metals, electrical-electronic equipment, and steel and iron products. The growth of the first two sectors is closely related to the fact that Denizli has the second largest copper wire plant in Turkey (Erbakır).

This facility provides input particularly for the cable producers. Accordingly, there is a complex and large cluster around Erbakır. Similarly, Denizli traditionally hosted a large number of rolling mills such as Kocaer and Kar-Demir. The high performance of this sector led to the increase in its share in Denizli’s exports.

The hike in global commodity prices was as important as the increase in output in these sectors in manipulating copper, iron, and steel. Thus, the ongoing drop in commodity prices as well as the sharpening global competition will potentially decrease sales volume. Interviews conducted with the company representatives in 2014 and 2015 revealed that particularly copper cable producers and rolling mills suffered from decreasing profit rates within the last decade. As a result, a number of important players such as Kar-Demir moved their rolling mills to Izmir in order to decrease the logistics costs. Since the copper cable producers depend on the supply of Erbakır, this is not a viable option for them. Accordingly, a crisis in this sector may ensue in the next decade.

To recapitulate, Denizli successfully adapted to the new global environment that favors energy-intensive sectors and disfavors low technology and labor-intensive sectors. However, the new decade seems to bring about intensified competition in energy-intensive sectors.

Chart 10.16. Share of the largest manufacturing exporter sectors in 2013 Gaziantep’s export volume, 2004-2013



Source: Turkish Exporters Assembly

According to the classification of the Turkish Exporters Assembly, the two major exporters in Gaziantep are carpet and cereals, legumes, oilseeds and related products sectors. These two sectors together accounted for roughly half of all exports of Gaziantep and 2.2 percent of Turkey's total exports. As noted above, cereals, legumes, oilseeds and related products consist of unprocessed agricultural commodities, semi-processed products such as semolina and bulgur, and processed products such as pasta. For instance, the second largest pasta facility in world is located in Gaziantep; Oba Makarna. The carpet sector is composed of numerous producers, most of which are small workshops operating a small number of carpet looms as well as top players in the global market such as Merinos. Out of 3,160 manufacturing companies registered at Gaziantep Chamber of Commerce, 247 of them are carpet producers in 2015.³

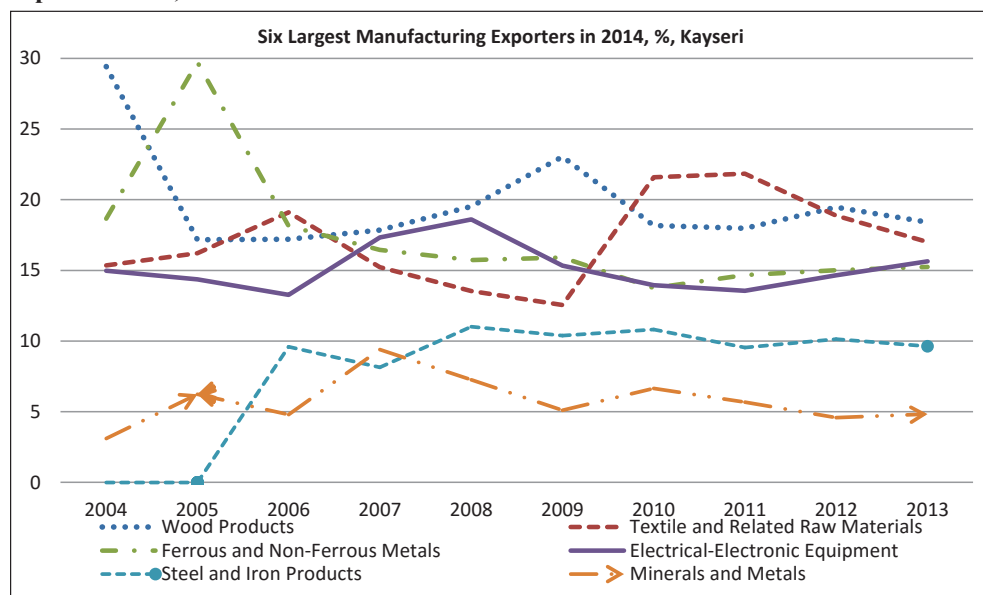
The field research conducted in 2014 and 2015 revealed a close relationship among the carpet, chemicals, and textile sectors. The major input for carpet production is the polypropylene-based fibers. Textile factories produce these fibers. The basic input of the propylene-based fibers is the propylene polyps produced by the chemical companies in this city, which also produce other polymer-based products such as plastic bottles and packaging materials.

One of the possible reasons why the share of textile and related materials dropped in Gaziantep's export statistics is that many carpet producers established their fiber and thread facilities and their fiber and thread sales of some of these companies were accounted as carpet sales. In a similar manner, some of the fiber and thread facilities bought carpet looms within the last few years. Thus, chemicals, textile and related raw materials, and carpet sectors formed an increasingly interlocking cluster during the 2000s and accounted for 51 percent of Gaziantep's total exports.

These three sectors practically process petroleum and turn it into either intermediary or final products. Firm representatives in these sectors interviewed in 2014 and 2015 emphasized the drastic squeeze in profit margins. In a similar manner, the production of pasta, bulgur, and related products add a relatively low new value to the final products. The two rising sectors of Gaziantep during the 2000s (steel and iron products and wood products) are as resource-intensive as the aforementioned sectors. Accordingly, if there is to be a shift to new sectors in the coming years, the candidate sectors do not seem to change the level of resource-, energy-, and capital-dependency of the industrial production in Gaziantep.

3 <https://e.gto.org.tr/Members>

Chart 10.17. Share of the largest manufacturing exporter sectors in 2013 Kayseri's export volume, 2004-2013



Source: Turkish Exporters Assembly

Kayseri's share in Turkey's exports increased slightly during the 2000s, while the sector composition of the city remained more stable than Denizli's. Furniture production constitutes Kayseri's largest industrial cluster. Thus, wood products as well as textile and related raw materials (such as synthetic sponges) accounted for approximately 28 percent of Kayseri's exports. Other significant textile products are synthetic thread and fibers and denim fabric.

Steel and iron products increased their share in Kayseri's exports for two reasons. First, furniture production yielded a large cluster during this decade that produces metal inputs for this sector. The related enterprises began to export their products directly to the foreign markets. The second reason is the independent growth of steel door enterprises, most of which are small- and medium-sized enterprises. Out of 830 manufacturing companies in the Organized Industrial Zone Kayseri, there were 49 steel door producers in 2014.⁴ In the furniture sector, the largest cluster developed around the Boydak Group that has independent companies operating in furniture, related textile, and steel and iron products as well as the largest copper cable company and the aluminum wire company (HES Hacılar Elektrik and Has Çelik). This group accounted for roughly 33 percent of Kayseri's all exports in 2013.

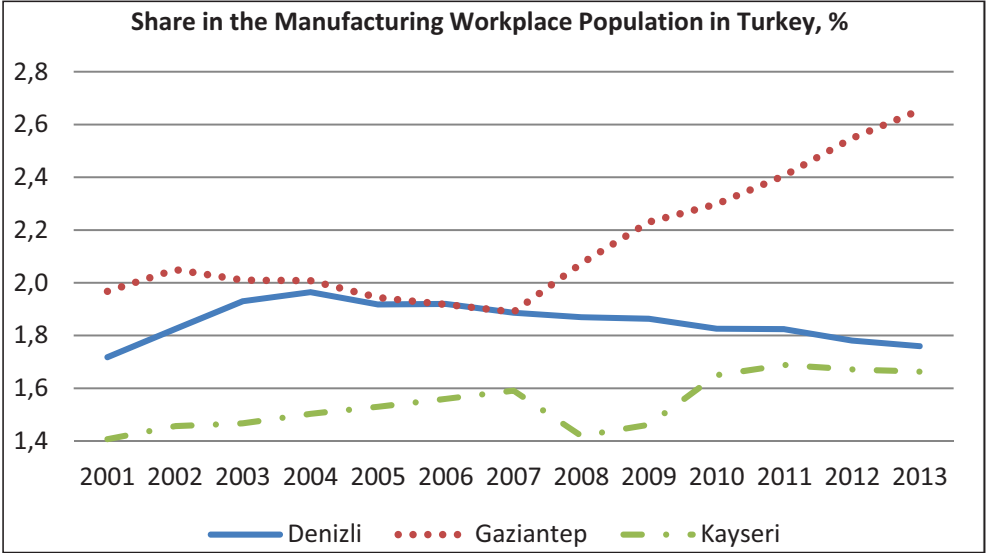
Other sectors having a large share in Kayseri's exports are dominated by a small number of enterprises: three electrical and electronic equipment producers (Femaş,

4 <http://www.kayseriosb.org/firmalar>

Sersim and Kumtel) account for roughly 50 percent of Kayseri’s exports in this sector. Small- and medium-sized machinery producers account for the rest of the exports in this sector. HES Hacılar Elektrik and Has Çelik have an overwhelming share in the ferrous and non-ferrous metals as well as in the minerals and metals: these two companies accounted for 70 percent of Kayseri’s exports in these two sectors in 2013.

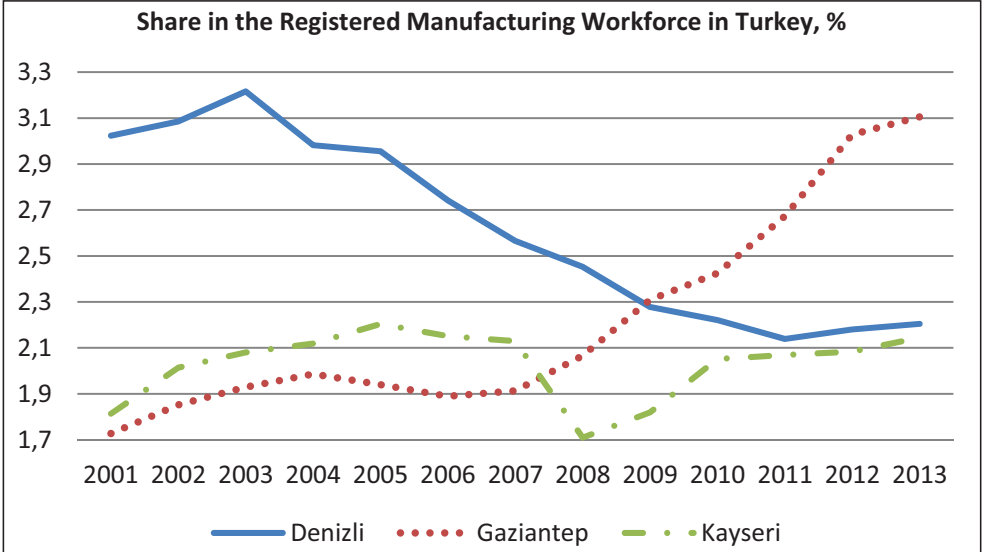
To recapitulate, Kayseri’s sector composition was not exposed to drastic changes and its export volume grew at a similar pace as Turkey’s. The sectors increasing their share in the city’s export volume grew out of the existing local supply chains with the exception of steel door producers. The relative stability is at least partially the outcome of the strength of a small number of large industrial groups that managed to establish local supply chains of a large number of producers in the city during the 2000s. Accordingly, new investment decisions are usually made with a top-to-bottom approach by the large enterprises at the top of these hierarchical supply chains.

Chart 10.18. Share of Denizli, Gaziantep, and Kayseri in Turkey’s manufacturing workplace population, 2001-2013



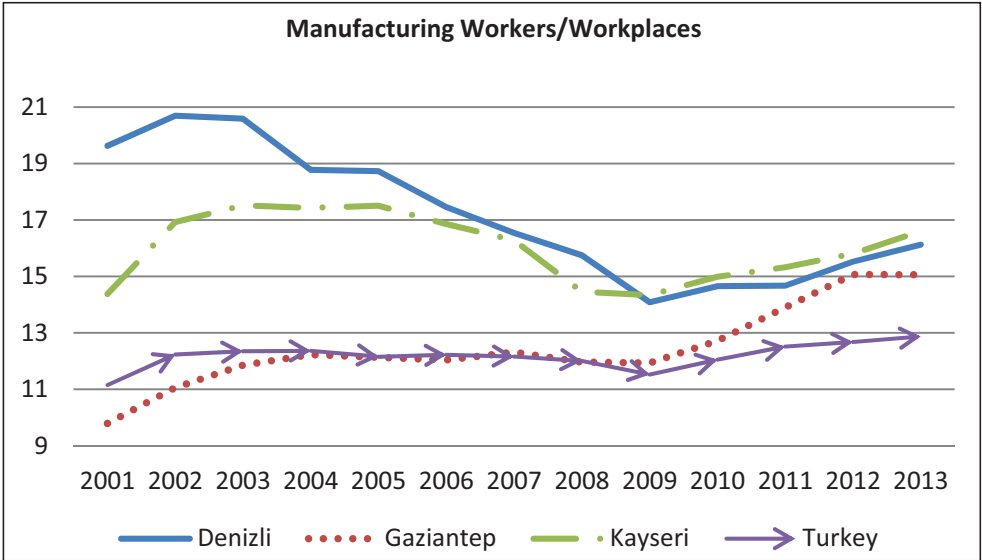
Source: Social Security Agency

Chart 10.19. Share of Denizli, Gaziantep, and Kayseri in Turkey’s manufacturing workforce, 2001-2013



Source: Social Security Agency

Chart 10.20. Employment per manufacturing workplace in Denizli, Gaziantep, Kayseri, and Turkey, 2001-2013

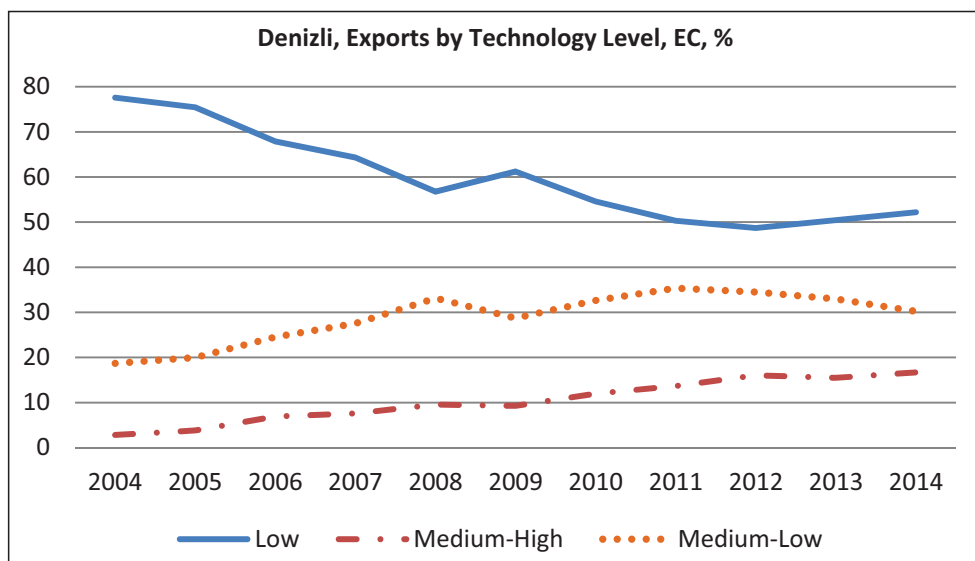


Source: Social Security Agency

In terms of the share of these cities in the registered manufacturing workforce and in the manufacturing workplace population, the following trends are noteworthy:

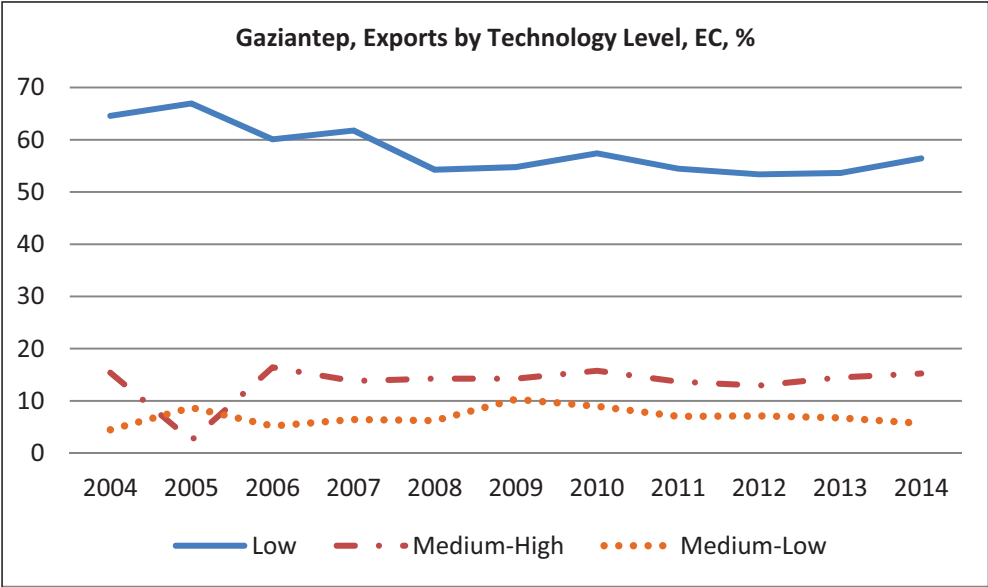
1. Gaziantep increased its share in Turkey's manufacturing workplace population by 42 percent and in Turkey's manufacturing workforce by 63 percent between 2007 and 2013. In fact, the growth in the city's manufacturing output was in close synchrony with the number of new enterprises and new employment in the city.
2. A quite opposite tendency pertains to Denizli. The stagnation of the ready-made garment sector led to a significant decrease in the share of this city in the manufacturing workforce and workplace population of Turkey. Insofar as Denizli's energy- and labor-intensive sectors gradually replaced the ready-made garment sector in the city's exports, the manufacturing sectors' capacity of employment decreased during the 2000s. In a similar manner, since small-sized enterprises can produce the ready-made garments, the stagnation of this sector led to some proportional decline in the number of enterprises in this sector as well. The increase in the number of ready-made garment workplaces by 18 percent between 2004 and 2014 according to the data by the Social Security Agency apparently failed to offset this proportional decline.
3. The average employment volume per manufacturing workplace decreased in Denizli and Kayseri between 2001 and 2008 and slightly increased after 2008. Gaziantep had the same figure as Turkey's average in this respect during the 2000s, while the average employment per manufacturing workplace increased after 2009. The related figures for these cities converged as of 2013.

Chart 10.21. Denizli's manufacturing exports by technology level, 2004-2014



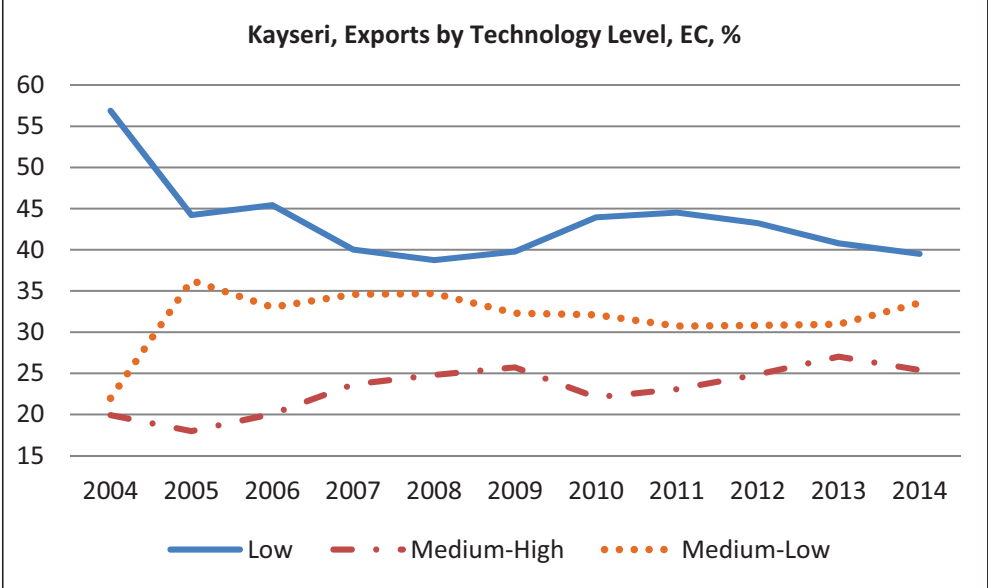
Source: Turkish Exporters Assembly

Chart 10.22. Gaziantep’s manufacturing exports by technology level, 2004-2014



Source: Turkish Exporters Assembly

Chart 10.23. Kayseri’s manufacturing exports by technology level, 2004-2014

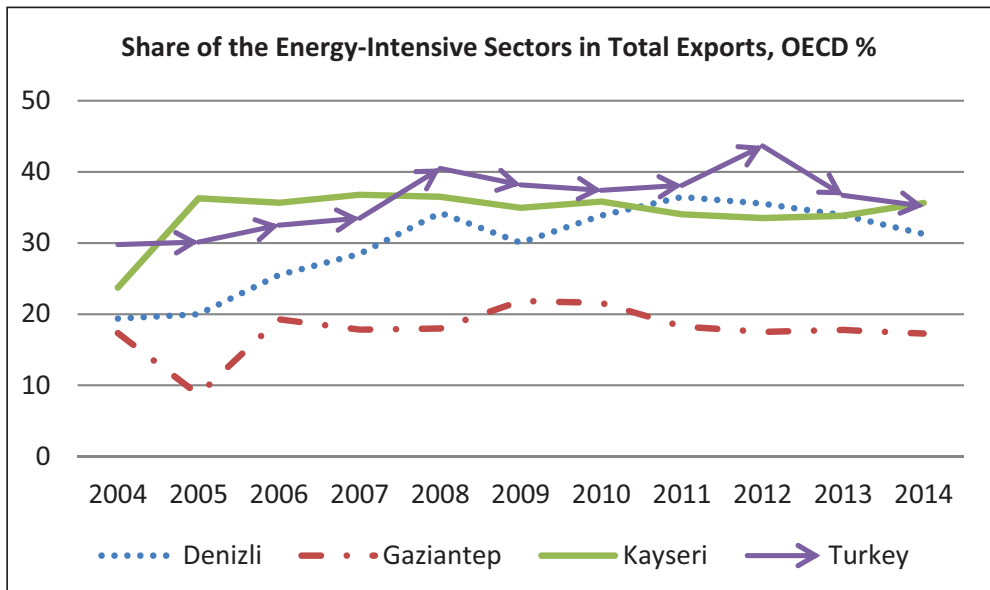


Source: Turkish Exporters Assembly

Per the shifts among the sectors' shares in the export volumes of these cities, the technology level of the industrial output was also exposed to a number of changes between 2004 and 2014:

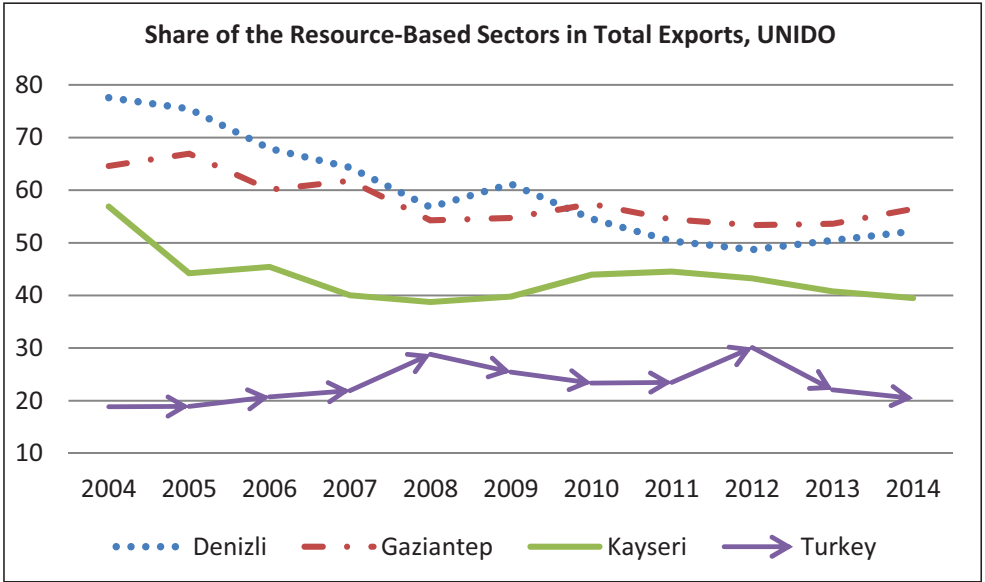
1. Because the ready-made garment sector in Denizli lost its share in the city's export volume at a significant level, the share of the low technology exports dropped in this period.
2. To put it simply, Gaziantep is a carpet and pasta producer and these two sub-sectors did not lose their share in this city's total exports. Accordingly, low technology products dominated the city's exports within the last ten years.
3. Since Kayseri's sectors composition in terms of its industrial output did not change much between 2004 and 2014, the technology level of its output also remained to a great extent the same.
4. In accordance with the trends pertinent to Turkey, the drop of the low technology sectors' share in the exports of these cities stopped declining after 2008.

Chart 10.24. Share of the energy-intensive sectors in the total exports of Denizli, Gaziantep, Kayseri, and Turkey, 2004-2014



Source: Turkish Exporters Assembly

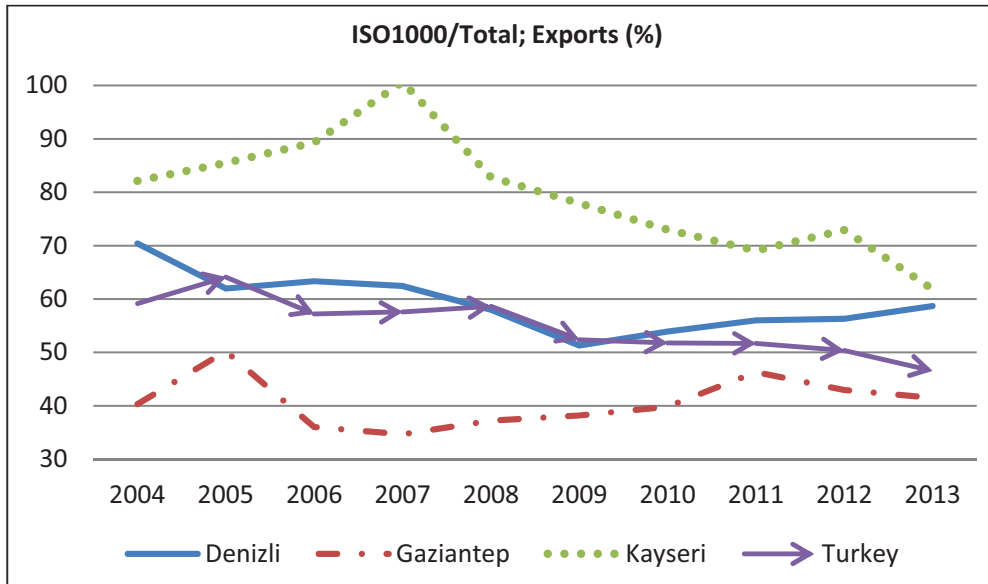
Chart 10.25. share of the resource-based sectors in the total exports of Denizli, Gaziantep, Kayseri, and Turkey, 2004-2014



Source: Turkish Exporters Assembly

In a similar manner, Denizli’s energy-intensive sectors increased their share in the city’s exports because of the stagnation of the ready-made garment sector. We do not see any drastic changes in Gaziantep and Kayseri in terms of the weight of their energy-intensive sectors in the city’s manufacturing output. All these three cities’ resource-based sectors have a larger share in their exports than Turkey’s. Even though the gap shrank to some extent until 2008, there is no sign of convergence between Turkey and these cities between 2008 and 2014.

Chart 10.26. Share of largest industrial enterprises of Denizli, Gaziantep, Kayseri, and Turkey in their total exports, 2004-2013

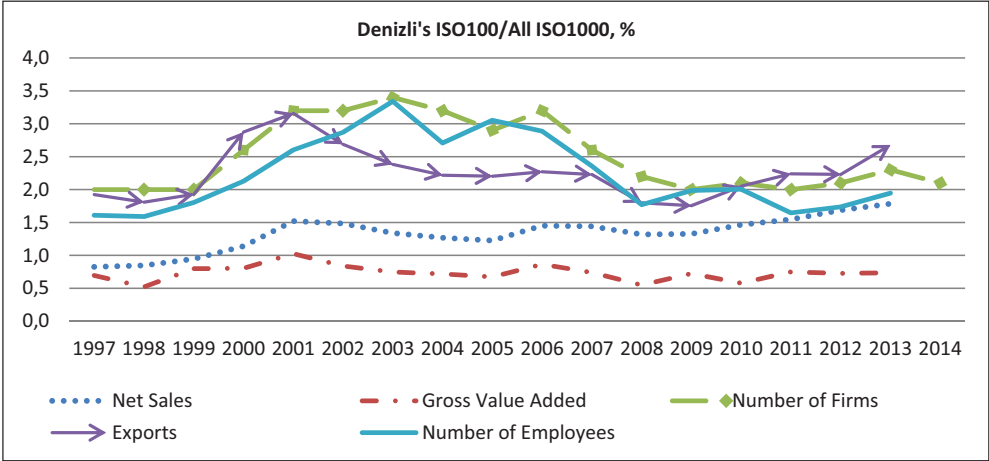


Source: Istanbul Chamber of Industry and Turkish Exporters Assembly

As noted in the first part of this chapter, the number of ISO1000 enterprises in the industrializing cities grew at the expense of the large manufacturing enterprises in the traditional centers of industry throughout the 2000s. Thus, the ISO1000 enterprises now have a larger impact on manufacturing performance in the secondary cities than in the previous decades.

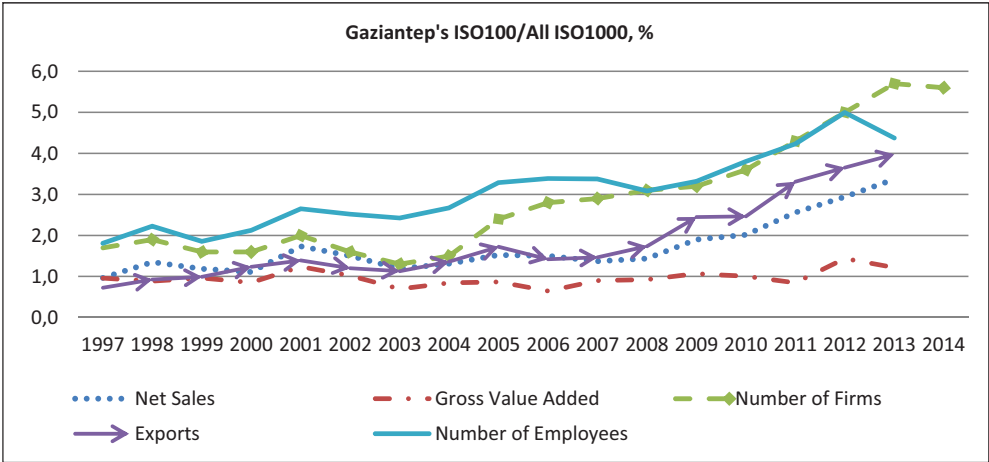
Gaziantep outperformed Turkey as well as Denizli and Kayseri during the 2000s in terms of its export performance: the share of large manufacturing enterprises in the city's export volume was consistently lower in Gaziantep than in Turkey, Denizli, and Kayseri within this period. The related ratio is highest in Kayseri. In 2007, Kayseri-based large manufacturing enterprises actually exported more than the entire city, since the facilities of these enterprises in other cities apparently contributed to their export volume at a significant level. However, after 2007, the ratio for Kayseri secularly converged with the figures for Turkey. In other words, SMEs outperformed large manufacturing enterprises in terms of the export capacity in Kayseri. Despite the major shift in the sector-orientation of its exports, the large manufacturing enterprises were able to keep their share in Denizli and the related figures were almost identical to the ones for Turkey throughout the 2000s.

Chart 10.27. Share of Denizli’s large industrial enterprises within the net sales, gross value added, exports, and number of employees by Turkey’s largest 1000 industrial enterprises, 1997-2014



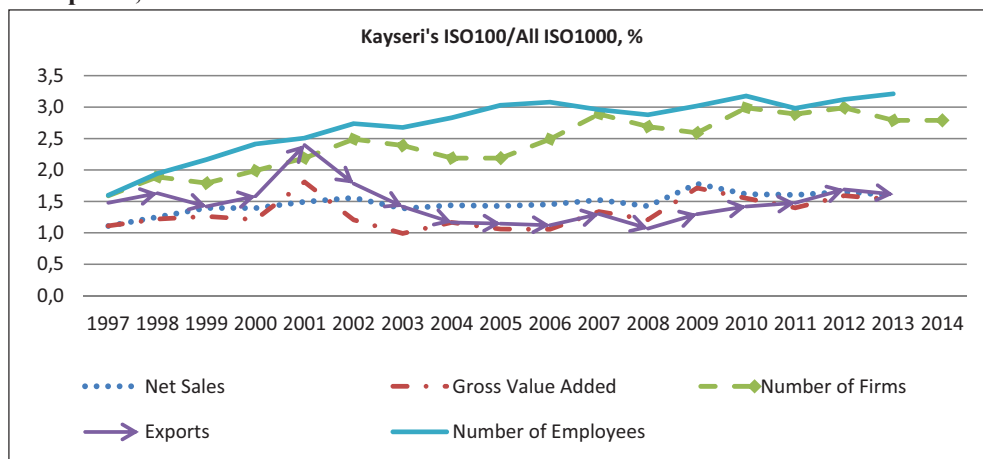
Source: Istanbul Chamber of Industry

Chart 10.28. Share of Gaziantep’s large industrial enterprises within the net sales, gross value added, exports, and number of employees by Turkey’s largest 1000 industrial enterprises, 1997-2014



Source: Istanbul Chamber of Industry

Chart 10.29. Share of Kayseri's large industrial enterprises within the net sales, gross value added, exports, and number of employees by Turkey's largest 1000 industrial enterprises, 1997-2014



Source: Istanbul Chamber of Industry

With regard to the performance of the large manufacturing enterprises within Turkey's large manufacturing enterprise population, one common fact for Denizli, Gaziantep, and Kayseri in the 2000s is that the share of the value added produced by these enterprises with respect to the value added produced by the rest of the first 1000 industrial enterprises in Turkey remained lower than their share within the enterprise population and within the total employment. In other words, the large manufacturing companies in Denizli, Gaziantep, and Kayseri produce less value added with more workers than the rest of the ISO1000 enterprises across the country.

The gap is most dramatic in Kayseri and Gaziantep. For Kayseri, the predominant sector dominated by the large enterprises is furniture. The labor intensiveness of this sector may have contributed to the gross value added during the 2000s, yet the growth of the value added produced by these companies in Kayseri did not catch up with the growth of the number of the companies and the employment.

Gaziantep's key sectors (grain-based food products and polypropylene-based products) are not labor-intensive. The reason why the share of the value added of the large manufacturing enterprises in Gaziantep within the total value added by the first 1000 industrial enterprises stagnated between 1997 and 2013 is that all these three sectors were incapable of producing as much value added as in medium-high and high technology sectors. The city seems to have been stuck in this technology trend for the last two decades, even though the export and sales figures tell a story of great success.

Denizli's large manufacturing enterprises differ from Gaziantep and Kayseri in terms of the difference between the exports and the net sales by these companies.

In Gaziantep and Kayseri, exports and net sales synchronically grew and declined between 1997 and 2013, while Denizli had a larger share in the top 1000 industrial enterprises' export volume than the share in this population's net sales within this period. Accordingly, Denizli's large manufacturing enterprises are arguably more export-oriented than the respective companies in Gaziantep and Kayseri. However, as for Gaziantep and Kayseri, the ISO1000 companies in Denizli chronically produced less value added than the rest of ISO1000 population throughout the last two decades.

Conclusion: Equity and asymmetry among the regions of Turkey

Primary cities

Geographical disparities continued characterizing Turkey's industrial topography during the 2000s. The five largest manufacturing exporters produced 72 percent of the total manufacturing exports in 2014. Over half of the manufacturing workers and workplaces were located in these cities the same year, even though roughly one-third of Turkey's total population reside in these cities. Even though these cities lost some 8 percent of their share in manufacturing exports between 2004 and 2014, their share in medium-high technology exports virtually remained unchanged in this period. In fact, medium-low and low technology activities were domestically outsourced to the industrializing cities of the country.

Despite their sizeable share in the country's exports, manufacturing workforce, and manufacturing workplace population, the traditional centers of industry lost some of their share within the workforce and workplace population to the smaller cities during the 2000s. Nevertheless, these cities still employ more manufacturing workers and host more manufacturing workplaces than the rest of the country.

Industrializing cities now have a much larger number of industrial enterprises that make the ISO1000 list than in the early 2000s. However, the share of these companies in the net sales and export volume and in the value added had significant ups and downs within the last two decades. Between 1997 and 2003, no significant change took place per these three parameters. It was the golden years for the ISO1000 enterprises in the traditional industrial centers between 2004 and 2008 in terms of net sales, value added, and export volume: even though the number of the ISO1000 companies in these cities kept dropping in this period, their share per these parameters grew substantially. However, their shares began to drop between 2008 and 2013 and the related figures retreated back to their 2004 or 2005 values with the exception of the gross value added. Despite the ups and downs since 2006, the ISO1000 companies in the major exporting cities accounted for 81 percent of the total value added produced by all ISO1000 companies in 2013. The figures were 48 percent and 75 percent for 1997 and 2005 respectively. In other words, the rise of large manufacturing enterprises in industrializing cities was not accompanied by a subsequent allocation of high value added activities across different regions of the country.

Secondary cities

The data about the industrial centers was complemented with the assessment of three industrializing cities in Turkey; Denizli, Gaziantep, and Kayseri. These cities minimally benefitted from the spillover effects of the major industrial centers and have a relatively diverse sector composition. Thanks to these factors, they are the current subject of ongoing field research by the author with the support by the European Commission. The available data as well as the findings of the fieldwork reveal that each city took a different path of industrial development in the 2000s.

Denizli was exposed to a major transformation during the 2000s as a result of the decline of the share of its ready-made garment sector in its exports. In fact, the US dollar value of the ready-made garment exports grew by 33 percent between 2004 and 2014, yet this growth pace was not enough to keep up with the growth of the city's export volume, which was 2.7 times larger in 2014 than the respective value for 2004. The growth was accounted for by the low and medium-low technology sectors, the production processes of which are resource-dependent and energy-intensive. In other words, changes in the sector composition of Denizli had significant parallelisms with the transformation of Turkey's industrial topography.

Gaziantep and Kayseri represent antithetical cases that signify two divergent strategies of industrial growth. On the one hand, Kayseri fared better on the technology level of its output. The sector composition is more diversified than the rest of the country and the two other cities. Large manufacturing enterprises have a stronger presence in the city. In particular, there is a complex supply network in the furniture sector that is by and large controlled by a few globally recognized producers. On the other hand, Gaziantep's industrial scene is dominated by the low value added and highly resource dependent sectors; carpet, fibers, and grain-based products. Since they are relatively easy-entry sectors, there is a large number of producers in each sector that have weak supply relations with each other. Enterprises in these sectors tend to invest in backward and forward linkages (such as in carpet looms or thread facilities) in order to keep their competitiveness. The weight of the large manufacturing enterprises in the city's output is lower than in Denizli and Kayseri. That is, clusters in these sectors take the form of mere spatial aggregation of similar industrial activities rather than integrated supply chains.

In other words, Kayseri seems to have played the game right, while Gaziantep seems to have done almost everything wrong by the book for the last decade. However, Kayseri's share in Turkey's exports remained virtually unchanged within the last decade, while Gaziantep increased its share by the factor of two.

Transformation of the industrial dynamics in Turkey during the 2000s: a lost decade?

The illusion about the magnitude and content of the growth of the Turkish economy during the 2000s makes itself more visible in the assessment of the transformation of its industrial dynamics within this decade. Two dynamics characterize the transformation:

- 1) Switch from high value added products to low value added products after 2008:** The changes in the technology level, resource dependency, and energy intensiveness of the manufacturing sectors in Turkey favored relatively lower technology sectors that rely more on energy and resource-based inputs in comparison to the period between the second half of the 1990s and the crisis in 2008. The export volume has continued to grow since 2008, yet the growth has been accounted for by the sectors that produced comparatively lower value added than the value added produced by the sectors dominant before the crisis in 2008. More alarmingly, the high technology exports proportionally declined within the last decade.
- 2) Domestic outsourcing of low technology and low value added manufacturing activities throughout the 2000s:** There are two aspects related to this phenomenon. The first one is about the spatial repercussions. The top five exporter cities lost roughly eight percent of their share in the country's exports, yet they were able to keep their share in the medium-high technology exports. In other words, industrializing centers of the country increased their share in the nation's exports by adopting low technology activities characterized by high energy intensiveness and resource dependency. The second aspect is related to the concentration of industrial capital at the enterprise level. As for the traditional industrial centers, large manufacturing enterprises lost their share in exports during the 2000s, yet the decline was not enough to offset the gains by the largest manufacturing enterprises after the 2001 crisis. In other words, the manufacturing SMEs significantly increased their share in the total exports vis-à-vis the large manufacturing enterprises during the 2000s. However, this relative success is reflected in the figures concerning the value added at a mediocre level. In a similar manner, the share of the large manufacturing enterprises in medium-high technology and non-energy-intensive sectors declined at a slower pace than the decline of the share of these enterprises in total exports. These figures altogether give the impression that the large manufacturing enterprises gradually withdrew from the low technology and energy-intensive sectors and adopted the role of suppliers for the SMEs in such sectors.

The first of these two trends is compatible with the global dynamics illustrated by the literature on the outsourcing of energy-intensive industrial activities from the North Atlantic countries to the rest of the world (Ackerman 2014; Yan Yunfeng, Yang Laike, and Priewe 2011). The literature generally focuses on CO₂ emissions as a reliable proxy for the energy intensiveness of the manufacturing process and

studies in this vein attempt to understand the characteristics of “the carbon leakage” or “the increase in emissions outside a country that are directly attributable to the introduction of climate regulations introduced in that country” (Eckersley 2010, p. 370). Even though the growth of the GDP per capita of the low- and middle-income countries is faster than the growth of their CO₂ emissions (Bedirhanoglu 2014), the data reveals that the net emission transfers via international trade from the high-income to the low- and middle-income countries exceeded the limits set by the Kyoto Protocol (Peters et al. 2011). The data presented in this chapter illustrates that the sector composition in Turkey’s manufacturing industries may have been affected by the global carbon outsourcing during the 2000s.

The second trend about the domestic outsourcing was assessed by a smaller number of studies in the context of the geographical relocation of energy-intensive activities to the industrializing regions of the individual countries. Furthermore, the geographical focus is exclusively China (Clarke-Sather et al. 2011; Liang, Fan, and Wei 2007; Lan-Cui Liu et al. 2010). Nevertheless, the existing literature underlines that the domestic outsourcing of the energy-intensive sectors does not exclusively pertain to Turkey. The trend possibly has a global character.

Accordingly, the data provided in this chapter present a number of clues about the possible parallelisms between the changes in global industrial relations and the transformation of manufacturing industries in Turkey within the last decade. First, the growth of manufacturing industries in the developing world since the early 2000s marks a second wave in globalization. The first wave that began in the 1970s was mostly characterized by the outsourcing of labor-intensive manufacturing activities. The current phase, however, seems to be characterized by the offshoring of the energy- and resource-intensive activities. Second, the current wave of outsourcing brings about a related trend of domestic outsourcing within the nation states both at the enterprise and city level. Third, domestic outsourcing has a visible and positive impact on the manufacturing output of the industrializing cities of the developing countries. However, domestic outsourcing itself indirectly prevents those industrializing cities from developing a high technology manufacturing base that is less resource- and energy-dependent.

In this regard, industrial transformation of Turkey during the 2000s brought about growth as well as the technological degradation of its manufacturing export basis. In fact, Turkey conformed to the global trends of industrial growth in this decade. Its experience was by no means outstanding but simply ordinary.

Appendix

Parameter	Reference Source	Base Classification System	URL
Technology, EC	Eurostat indicators on High-tech industry and Knowledge-intensive services; Annex 3 – High-tech aggregation by NACE Rev. 2: Aggregations of manufacturing based on NACE Rev. 2	NACE Rev2	http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf
Technology, OECD	ISIC Rev3 Technology Intensity Definition	ISIC Rev3	http://www.oecd.org/sti/ind/48350231.pdf
Energy, OECD	OECD Science, Technology and Industry Scoreboard 2013	NACE Rev2	http://www.oecd-ilibrary.org/docserver/download/9213051e.pdf?expires=1441030423&id=id&acname=guest&checksum=CC1F866304AE503BED125BA1C7AEE3DA
Energy, EC	Competitiveness of energy-intensive industries under the European Emission Trading Scheme (ETS): Orientation study for the SILC Initiative	NACE Rev1	www.teknologisk.dk/_root/media/48205
Technology, UNIDO	Competitive Industrial Performance Report 2012/2013-The Industrial Competitiveness of Nations: Looking back, forging ahead	ISIC Rev3	https://www.unido.org/fileadmin/user_media/Services/PSD/Competitive_Industrial_Performance_Report_UNIDO_2012_2013.PDF

Turkish Exporters Assembly				
Base List: ISIC Rev3/NACE Rev1	Technology	Technology	Energy	Resource
Basic metals	EC	UNIDO	OECD	UNIDO
Acclimatization	Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Animal Products and Sea Food	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Carpet	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Cement and Earth Products	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource-Based
Cereals, Legumes, Oilseeds and Related Products	NA	NA	NA	NA
Chemicals	Medium-High	Medium-High Technology	Energy-Intensive	Non-Resource-Based
Defense and Aerospace Industry	High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Dried Fruits	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Electrical-Electronic Equipment	Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Ferrous and Non-Ferrous Metals	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource-Based
Floral Products	NA	NA	NA	NA
Fresh Fruits and Vegetables	NA	NA	NA	NA
Fruit and Vegetable Products	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Hazelnut and Hazelnut Products	NA	NA	NA	NA
Leather and Leather Products	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Machinery and Equipment	Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Minerals and Metals	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource-Based
Motor Vehicles	Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Olive and Olive Oil	NA	NA	NA	NA
Other Industrial Products	NA	NA	NA	NA
Precious Metals and Jewelry	Medium-Low	Low-Technology	Non-Energy-Intensive	Non-Resource-Based
Ready-Made Garment	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Ship and Yacht	Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource-Based
Steel and Iron Products	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource-Based
Textile and Related Raw Materials	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Tobacco	Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Wood Products	Low	Resource-Based	Non-Energy-Intensive	Resource-Based

NACE Rev2					
		Technology	Technology	Energy	Resource
Code	Title	EC	UNIDO	OECD	UNIDO
10	Food products	Low	Resource Based	Non-Energy-Intensive	Resource Based
11	Beverages	Low	Resource Based	Non-Energy-Intensive	Resource Based
12	Tobacco products	Low	Resource Based	Non-Energy-Intensive	Resource Based
13	Textiles	Low	Resource Based	Non-Energy-Intensive	Resource Based
14	Wearing apparel	Low	Resource Based	Non-Energy-Intensive	Resource Based
15	Leather and related products	Low	Resource Based	Non-Energy-Intensive	Resource Based
16	Wood and of products of wood and cork, except furniture; articles of straw and plaiting materials	Low	Resource Based	Non-Energy-Intensive	Resource Based
17	Paper and paper products	Low	Resource Based	Energy-Intensive	Resource Based
18	Printing and reproduction of recorded media	Low	Resource Based	Non-Energy-Intensive	Resource Based
19	Coke and refined petroleum products	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
20	Chemicals and chemical products	Medium-High	Medium- and High-Technology	Energy-Intensive	Non-Resource Based
21	Basic pharmaceutical products and pharmaceutical preparations	High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
22	Rubber and plastic products	Medium-Low	Low-Technology	Non-Energy-Intensive	Non-Resource Based
23	Other non-metallic mineral products	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
24	Basic metals	Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
25	Fabricated metal products, except machinery and equipment	Medium-Low	Low-Technology	Non-Energy-Intensive	Non-Resource Based
26	Computer, electronic and optical products	High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
27	Electrical equipment	Medium-High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
28	Machinery and equipment n.e.c.	Medium-High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
29	Motor vehicles, trailers and semi-trailers	Medium-High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
30	Other transport equipment	Medium-High	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
31	Furniture	Low	Resource Based	Non-Energy-Intensive	Resource Based
32	Other manufacturing	Low	NA	Non-Energy-Intensive	NA
33	Repair and installation of machinery and equipment	Medium-Low	Medium- and High-Technology	Non-Energy-Intensive	Non-Resource Based
	Notes:				
	Basic pharmaceutical products and pharmaceutical preparations (Categorized after "chemicals and chemical products" on ISIC Rev3)		Medium- and High-Technology		Non-Resource Based
	Computer, electronic and optical products (Categorized after "Medical, precision and optical instruments, watches and clocks")		Medium- and High-Technology		Non-Resource Based
	Repair and installation of machinery and equipment (Categorized after "Machinery and equipment n.e.c.")		Medium- and High-Technology		Non-Resource Based

Social Security Agency					
		Technology	Technology	Energy	Resource
Base List: ISIC Rev3/NACE Rev1		EC	UNIDO	OECD	UNIDO
Basic metals		Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
Beverage		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Electrical equipment		Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource Based
Fabricated metal products, except machinery and equipment		Medium-Low	Low-Technology	Non-Energy-Intensive	Non-Resource Based
Food		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Furniture		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Leather and leather products		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Machinery and equipment n.e.c.		Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource Based
Motor vehicles, trailers and semi-trailers		Medium-High	Medium-High Technology	Non-Energy-Intensive	Non-Resource Based
Other non-metallic mineral products		Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
Other products and rubber and plastic products		Medium-Low	Low-Technology	Non-Energy-Intensive	Non-Resource Based
Paper and paper products		Low	Resource-Based	Energy-Intensive	Resource-Based
Petroleum and coal		Medium-Low	Low-Technology	Energy-Intensive	Non-Resource Based
Pharmacy and chemicals		High	Medium-High Technology	Energy-Intensive	Non-Resource Based
Printing and publishing		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Ready-made garment		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Textile		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Tobacco		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
Wood and cork products		Low	Resource-Based	Non-Energy-Intensive	Resource-Based
ISIC Rev2					
Code	Title	Technology EC	Technology UNIDO	Energy OECD	Resource UNIDO
210	Coal Mining	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
311	Food manufacturing	Low	Resource-Based	Non-Energy Intensive	Resource-Based
312	Food manufacturing	Low	Resource-Based	Non-Energy Intensive	Resource-Based
313	Beverage industries	Low	Resource-Based	Non-Energy Intensive	Resource-Based
314	Tobacco manufactures	Low	Resource-Based	Non-Energy Intensive	Resource-Based
321	Textiles	Low	Resource-Based	Non-Energy Intensive	Resource-Based
322	Wearing apparel, except footwear	Low	Resource-Based	Non-Energy Intensive	Resource-Based
323	Leather and products of leather, leather substitutes and fur, except footwear and wearing apparel	Low	Resource-Based	Non-Energy Intensive	Resource-Based
324	Footwear, except vulcanized or moulded rubber or plastic footwear	Low	Resource-Based	Non-Energy Intensive	Resource-Based
331	Wood and wood and cork products, except furniture	Low	Resource-Based	Non-Energy Intensive	Resource-Based
332	Furniture and fixtures, except primarily of metal	Low	Resource-Based	Non-Energy Intensive	Resource-Based
341	Paper and paper products	Low	Resource-Based	Energy Intensive	Resource-Based
342	Printing, publishing and allied industries	Low	Resource-Based	Non-Energy Intensive	Resource-Based
351	Industrial chemicals	Medium-High	Medium-High Technology	Energy Intensive	Non-Resource-Based
352	Other chemical products	Medium-High	Medium-High Technology	Energy Intensive	Non-Resource-Based
353	Petroleum refineries	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
354	Miscellaneous products of petroleum and coal	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
355	Rubber products	Medium-Low	Low-Technology	Non-Energy Intensive	Non-Resource-Based
356	Plastic products not elsewhere classified	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
361	Pottery, china and earthenware	Medium-Low	Low-Technology	Non-Energy Intensive	Non-Resource-Based
362	Glass and glass products	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
369	Other non-metallic mineral products	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
371	Iron and steel basic industries	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
372	Non-ferrous metal basic industries	Medium-Low	Low-Technology	Energy Intensive	Non-Resource-Based
381	Fabricated metal products, except machinery and equipment	Medium-Low	Low-Technology	Non-Energy Intensive	Non-Resource-Based
382	Machinery except electrical	Medium-High	Medium-High Technology	Non-Energy Intensive	Non-Resource-Based
383	Electrical machinery apparatus, appliances and supplies	Medium-High	Medium-High Technology	Non-Energy Intensive	Non-Resource-Based
384	Transport equipment	Medium-High	Medium-High Technology	Non-Energy Intensive	Non-Resource-Based
385	Professional and scientific, and measuring and controlling equipment not elsewhere classified, and of photographic and optical goods	High	Medium-High Technology	Non-Energy Intensive	Non-Resource-Based
390	Other Manufacturing Industries	Low	NA	Non-Energy Intensive	NA
400	Electricity, Gas and Water	Medium-Low	NA	Non-Energy Intensive	NA
1) Categories numbered 210, 220, 230 and 400 are assigned values on personal judgment. 2) ISIC Rev4 is used to categorize the sectors according to their energy intensiveness.					

Data Sources:**World Bank:**

1. <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD>
2. <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>
3. <http://data.worldbank.org/indicator/NE.GDI.TOTL.ZS>
4. <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
5. <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD>
6. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>
7. <http://data.worldbank.org/indicator/SP.POP.TOTL>

Eurostat:

http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf

Turkstat:

1. http://tuik.gov.tr/PreIstatistikTablo.do?istab_id=630
2. http://www.tuik.gov.tr/PreTablo.do?alt_id=1047
3. http://tuik.gov.tr/PreIstatistikTablo.do?istab_id=1185

Unstat:

1. <http://unstats.un.org/unsd/snaama/resQuery.asp>
2. <http://unstats.un.org/unsd/snaama/selbasicFast.asp>
3. https://www.unido.org/fileadmin/user_media/Services/PSD/Competitive_Industrial_Performance_Report_UNIDO_2012_2013.PDF

Istanbul Chamber of Industry:

<http://www.iso.org.tr/projeler/arastirmalar/turkiyenin-500-buyuk-sanayi-kurulusu/>

OECD:

<http://www.oecd-ilibrary.org/docserver/download/9213051e.pdf?expires=1441030423&id=id&accname=guest&checksum=CC1F866304AE503BED125BA1C7AEE3DA>

Social Security Agency:

http://www.Social_Security_Agency.gov.tr/wps/portal/tr/kurumsal/istatistikler/Social_SecurityAgency_istatistik_yilliklari!/ut/p/b1/hZLLdqJAFEW_JR9AKIqnQ6B4q

SAFFAgTFraKvBSCgtTXt53ONMmd3bX2GZx9L5uxeza7FINVFvfqdi3af3sm5
 RZnWSuNU4ESAgAcDgoxCDFnleEFpN8DjgB-yyfsPvizrNDolKaBLjFvXtYel
 TBzvWXOUhN5BMCUZ70iHq9KzJTC7QI6RiwuGor9ro2Zwex1xcccT81yGW-
 60Caw98quXPoDT7QA4yfN7Zohxhg3-txiBi6cmpxG01_7hgIHDqpHuC0iOuwCER
 TouAF5OLiTeA9ErElvGanMIHE7a4nz1Rd8M-qvfddsVh269_IP9w7eeR4ogBMky
 EMgQlkS2bhOJfklYzbUIL-cso0wTP2g6XpdFU2VPcvF7aaG57XluKqLTYULs5Cf
 SW_dTzepOqs7Y6sTcEdlR01pdhO5UQ3xGUxllD6SFvOl5exSZ_Mht0ZMdL4Ur-hg
 P1pnVrv66vmP0Q5Rywy9ZtZqfvDzY04-ds2eSEaBJCpZqXP2GtLvy26HPcFuZ2-
 73sHuHI9Z1oeMcYrPj6i_UzrZirays-2xfHt7HTn79OIA-78XC-
 sacGyBCwQIoCLJX8BPf_QJ_CA-fQHy9-pFNmL3QMjDeukd2tCgppiGxryE
 KOQ5g9uE8h57kQHclea5jULBB5ldmcz3ZqYhItT1Iv8YB0RTUXRAOGQ9-
 9ad2L4j01acQocpmL_HNQXH/dl4/d5/L2dBISEvZ0FBIS9nQSEh/

Turkish Central Bank:

[http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/
 Main+Menu/STATISTICS/Balance+of+Payments+and+Related+Statistics/
 Balance+of+Payments+Statisticss/Data](http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/STATISTICS/Balance+of+Payments+and+Related+Statistics/Balance+of+Payments+Statisticss/Data)

Turkish Exporters Assembly:

<http://www.tim.org.tr/tr/ihracat-ihracat-rakamlari-tablolar.html>

Sector Classifications:

1. http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf
2. [http://ec.europa.eu/eurostat/cache/metadata/en/sbs_esms.htm#unit_
measure1433515136262](http://ec.europa.eu/eurostat/cache/metadata/en/sbs_esms.htm#unit_measure1433515136262)
3. http://tuik.gov.tr/PreIstatistikTablo.do?istab_id=630
4. <http://www.oecd.org/sti/ind/48350231.pdf>
5. [http://www.oecd-ilibrary.org/docserver/download/9213051e.pdf?expires=
1441030423&id=id&accname=guest&checksum=CC1F866304AE503B
ED125BA1C7AEE3DA](http://www.oecd-ilibrary.org/docserver/download/9213051e.pdf?expires=1441030423&id=id&accname=guest&checksum=CC1F866304AE503BED125BA1C7AEE3DA)
6. [https://www.unido.org/fileadmin/user_media/Services/PSD/Competitive_
Industrial_Performance_Report_UNIDO_2012_2013.PDF](https://www.unido.org/fileadmin/user_media/Services/PSD/Competitive_Industrial_Performance_Report_UNIDO_2012_2013.PDF)

Reference

- Ackerman, Frank. 2014. "Your iPhone Causes China's Pollution." *NPQ: New Perspectives Quarterly* 31 (2): 103–5. doi:10.1111/npqu.11464.
- Akat, Asaf Savas, and Ege Yazgan. 2013. "Observations on Turkey's Recent Economic Performance." *Atlantic Economic Journal* 41 (1): 1–27. doi:http://link.springer.com/journal/volumesAndIssues/11293.
- Akkemik, K. Ali, and Koray Goksal. 2014. "Do Exports Explain Industrial Agglomeration and Regional Disparities in Turkey?" *Journal of International Development* 26 (4): 471–91. doi:10.1002/%28ISSN%291099-1328/issues.
- Alpkaya, Faruk, and Bülent Duru, eds. 2012. *1920'den Günümüze Türkiye'de Toplumsal Yapı ve Değişim*. Ankara: Phoenix.
- Balkan, Nesecan, Erol M Balkan, and Ahmet F Öncü. 2015. *The Neoliberal Landscape and the Rise of Islamist Capital in Turkey*. http://lib.myilibrary.com?id=726366.
- Batirel, Omer Faruk. 2011. "Türkiye'nin Ekonomik ve Mali Performansı (2003-2010)." *Marmara Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi* 30 (1): 229–42. doi:http://ikf.marmara.edu.tr/akademik/iib-dergisi/.
- Bedirhanoglu, Nazan. 2014. "Sustainable Development and Emerging Economies (2000–Present)." In *Guide to U.S. Economic Policy*, 421–39. Washington, DC: CQ Press. http://knowledge.sagepub.com/view/guide-to-us-economic-policy/n30.xml.
- Buğra, Ayşe, and Osman Savaşkan. 2014. *New Capitalism in Turkey: The Relationship between Politics, Religion and Business*.
- Catik, A. Nazif, and Mehmet Karacuka. 2012. "A Spatial Approach to Measure Productivity Spillovers of Foreign Affiliated Firms in Turkish Manufacturing Industries." *Journal of Developing Areas* 46 (2): 65–83. doi:http://muse.jhu.edu/journals/jda/.
- Clarke-Sather, Afton, Jiansheng Qu, Qin Wang, Jingjing Zeng, and Yan Li. 2011. "Carbon Inequality at the Sub-National Scale: A Case Study of Provincial-Level Inequality in CO₂ Emissions in China 1997–2007." *Energy Policy* 39 (9): 5420–28. doi:10.1016/j.enpol.2011.05.021.
- Eckersley, Robyn. 2010. "The Politics of Carbon Leakage and the Fairness of Border Measures." *Ethics & International Affairs (Wiley-Blackwell)* 24 (4): 367–93. doi:10.1111/j.1747-7093.2010.00277.x.
- Elveren, Adem Yavuz. 2010. "Wage Inequality in Turkey: Decomposition by Statistical Regions, 1980-2001." *Review of Urban and Regional Development Studies* 22 (1): 55–72. doi:http://www.blackwellpublishing.com/journal.asp?ref=0917-0553.
- Engin Duran, Hasan. 2013. "Convergence of Regional Economic Cycles in Turkey." *Review of Urban and Regional Development Studies* 25 (3): 152–75. doi:10.1111/%28ISSN%291467-940X/issues.

- Euronews. 2013. "Turkey's Economy Continues to Boom." *Euronews*. <http://www.euronews.com/2013/12/10/turkey-s-economy-continues-to-boom/>.
- Falcioglu, Pinar. 2011. "Location and Determinants of Productivity: The Case of the Manufacturing Industry in Turkey." *Emerging Markets Finance and Trade* 47 (November): 86–96. doi:<http://mesharpe.metapress.com/openurl.asp?genre=journal&issn=1540-496X>.
- Gozgor, Giray, and Ali Piskin. 2011. "İşsizlik ve Dış Ticaret: Türkiye'deki Bölgeler İçin Genelleştirilmiş Momentler Yöntemi-Dinamik Panel Veri Yaklaşımı(Unemployment and Trade: Generalized Method of Moments-Dynamic Panel Data Approach for Regions of Turkey)." *İşletme ve Ekonomi Araştırmaları Dergisi/Business and Economics Research Journal* 2 (3): 121–38. doi:<http://www.berjournal.com>.
- Lan-Cui Liu, Jin-Nan Wang, Gang Wu, and Yi-Ming Wei. 2010. "China's Regional Carbon Emissions Change over 1997-2007." *International Journal of Energy & Environment*, no. 1 (January): 161–76.
- Liang, Qiao-Mei, Ying Fan, and Yi-Ming Wei. 2007. "Multi-Regional Input–Output Model for Regional Energy Requirements and CO2 Emissions in China." *Energy Policy* 35 (3): 1685–1700. doi:10.1016/j.enpol.2006.04.018.
- Macovei, Mihai. 2009. "Growth and Economic Crises in Turkey: Leaving Behind a Turbulent Past." Economic Papers 386]. Brussels: European Commission Directorate-General for Economic and Financial Affairs. ec.europa.eu/economy_finance/publications.
- Mercan, Mehmet, and Oktay Kizilkaya. 2014. "Türkiye'de Sanayi Sektörü Ekonomik Büyüme ve Verimlilik İlişkisinin Kaldor Yasaları Çerçevesinde Sinanması: Ekonometrik Bir Analiz. (Testing Relations among Manufacturing Sector, Economic Growth and Productivity in Turkey within the Framework of Kaldor Laws: An Econometric Analysis. With English Summary)." *Marmara University Journal of Economic and Administrative Sciences* 36 (1): 137–60. doi:<http://ikf.marmara.edu.tr/en/academic/journal-of-eas/>.
- Ozsagır, Arif, Birol Erkan, Mehmet Senturk, and Oguz Kara. 2011. "Ham Petrol Fiyatlarındaki Volatilitenin Gayri Safi Yurtiçi Hasıla Büyümesi Üzerindeki Etkileri: Türkiye Örneği (The Effects on Gross Domestic Product Growth of Crude Oil Price Volatility: A Case Study for Turkey)." *Yönetim ve Ekonomi* 18 (1): 19–28. doi:<http://www2.bayar.edu.tr/yonetimekonomi/engarsiv.php>.
- Peters, Glen P., Jan C. Minx, Christopher L. Weber, and Ottmar Edenhofer. 2011. "Growth in Emission Transfers via International Trade from 1990 to 2008." *Proceedings of the National Academy of Sciences* 108 (21): 8903–8. doi:10.1073/pnas.1006388108.
- The Economist*. 2005. "Babacan's Miracle," January 20. <http://www.economist.com/node/3577808>.

- Yan Yunfeng, Yang Laike, and Jan Priewe. 2011. "The Impact of China-Eu Trade on Climate Change." *Geopolitics, History & International Relations* 3 (2): 122–38.
- Yaylali, Muammer, and Fuat Lebe. 2012. "İthal Ham Petrol Fiyatlarının Türkiye'deki Makroekonomik Aktiviteler Üzerindeki Etkisi. (Effects of Import Crude Oil Prices on Macroeconomic Activities in Turkey)." *Marmara Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi* 32 (1): 43–68. doi:<http://ikf.marmara.edu.tr/akademik/iib-dergisi/>.
- Yesilyurt, Filiz, and J. Paul Elhorst. 2013. "A Regional Analysis of Inflation Dynamics in Turkey." *The Annals of Regional Science* 52 (1): 1–17. doi:10.1007/s00168-013-0570-4.

11 The history of social dialogue in Turkey

*Cihan Serhat Kart**

Abstract

The aim of this study is to analyze the history of social dialogue in Turkey from an economic perspective. To achieve this aim, first it will touch on the heritage of the Ottoman Empire, which created a foundation for the level of economic and social development of Turkey. Next, the first years of the Turkish Republic with its well-known one-party regime and “national economy policy” will be examined. Then, the period between 1946, the year the transition to multi-party system started, and 1960, the year of the first military coup in the history of Republic will be analyzed. This period is well-known for the effort to make a transition from a statist economy to a more liberal economy, though not in the sense that the term “liberal” was used in developed countries at that time. The period between 1960 and 1980 is known for its import substitution industrialization (ISI) strategy, which resulted in the dominance of monopolies and oligopolies in the Turkish economy and a large foreign debt. The year 1980 is important for two reasons. First, Turkey started to become deeply integrated into the world economy. Secondly, there was a military coup that irrevocably changed social and political life.

Keywords: Social dialogue, Turkey, paternalism, statism, labor movement

Introduction

Social Dialogue is an important mechanism for the capitalist system to resolve social problems. It can be defined in different ways. In the strict sense, it is a kind of negotiation between employers and employees; it includes state sometimes, on wages, working conditions and so on. In a broad sense it includes all kinds of bipartite, tripartite, or multipartite mechanisms. It may also involve non-governmental organizations in seeking to solve social problems. In a broad sense it defines negotiation during the legislative process to address social problems. It is a kind of social glue which holds different social partners together.

* PhD Candidate, Research Fellow, University of Ankara, serhatcika@gmail.com

In the history of Turkish society there is no trace of strong social dialogue. There are many reasons for this, but the main reasons are lateness of industrialization due to inadequacy of capital accumulation, with a corresponding late emergence of social classes prominently. Until the 2000s Turkey had been an agrarian society and the literacy rate had been low. Table 11.1 shows that the rural population remained above 70 per cent of the population until the 1960s and more than half of the population until 1985. One other important demographic problem was the low rate of literacy. It made actualization of the industrial revolution harder because of the lack of skills needed in the labour force. Currently the schooling rate is low while the literacy rate is relatively high. This situation increases pressure on industry because of the lack of innovation of firms trying to compete in international markets. The only way to compete is to suppress labour costs. Under these conditions, it is hard to establish a social dialogue.

Another reason for the inadequacy of social dialogue is the value attributed to the “state”, which is seen as the final authority that all parts of society must obey. Also, the state has been the main economic actor through the end of the 1990s. It has been the biggest employer. It has used wages as a way of controlling social pressure. It has granted some rights to the labour class, so there had been no need to establish a powerful social dialogue; also there had been no chance for it.

The aim of this study is to clarify the reasons put in a nutshell above, to shed light on the Turkish labour market while keeping inadequacy of capital accumulation and role of state in mind in the background.

The effects of the economic liberalization process began after the military coup of 1980, with the elimination of trade unions and consequently prohibitions of strikes. All these developments weakened the labour movement. The 1990s were years of privatization which lessened the role of state in the economy both as an employer and as a protector of labour.

Table 11.1. Urban and rural population

Year	Urban population (% of Total)	Rural population (% of Total)
1927	24,22	75,78
1935	23,53	76,47
1940	24,39	75,61
1945	24,94	75,06
1950	28,79	71,21
1960	31,92	68,08
1965	34,42	65,58
1970	38,45	61,55
1975	41,81	58,19
1980	43,91	54,09
1985	53,03	46,97
1990	59,01	40,99
2000	64,9	35,10

Source: TurkStat, General Census, [www. tuik.gov.tr](http://www.tuik.gov.tr)

Period before 1946: The early Turkish Republic and heritage of the Ottoman Empire

Within the paradigm of the Ottoman Empire, the greatness of an empire (or state) is evaluated based on the area it holds or at least it controls. This paradigm defined economic activity as a means to conserve and extend the area the empire holds. This paradigm resulted in two important developments: First, after reaching its natural borders the Empire started to lose territory, with a corresponding loss of new resources to appropriate. Further, the Empire could not shift its paradigm to survive. Secondly, the industrial revolution did not penetrate into the Empire because of the absence of feudal primitive accumulation due to laws about real property giving most land to the dynasty.¹

Some governors were given the right to cultivate land, but they were required to train soldiers for the Empire's military force and keep them ready for war. This left the governors without the opportunity to accumulate capital. Further, there was a large rural population under both the Ottoman Empire and the Early Turkish republic. Such a population structure also made the class struggle between labour and capital invisible, with a corresponding depressing influence on unionization.

¹ For further information see Makal 1997.

The absence of an industrial revolution because of the capital accumulation problem produced some complex outcomes, but one clear one was the absence of both capitalist and proletariat classes. This resulted in a *parens patriae* mentality both for the people and administrators of the Turkish Republic, leading to state control and a manufacturer state. On the one hand, to accelerate capital accumulation the state supplied cheaper intermediate goods for the private sector, took economic incentive measures, and established banks to enhance the credit mechanism. On the other hand, the state made an effort to suppress class conflict between capital and the proletariat, which threatened capital accumulation by applying a “classless society” maxim.

Such an approach, which can be defined as paternalistic, would view dialogue between the working class and capitalists unnecessary, or at least non-functional, even dangerous. As Öztürk (2007:2) states, “*The Turkish state looks with suspicion on every autonomous organization, and imposes the obligation on them to act within limits which the state designated as a political necessity*”. This paradigm continued until capital accumulation reached a relatively adequate level and Turkey became more integrated into the world economy both as a market and production area. After that the role of state evolved into cost reducing and eliminating elements of systems, such as social security, which make capital accumulation difficult for capitalists.

Since the first years of the Republic, the absence of instruments like the strike, which increase organized labour’s bargaining power, has weakened labour’s ability to become skilful in the practices of class struggle, including dialogue and negotiation processes. Further, labour’s weakness in carrying out the practices of class struggle made capitalists feel secure. As a result, capitalists stayed focused on capital accumulation and took no action against the working class. Under such conditions it seemed that the labour class and capitalist class were equal, and the state was equidistant to both sides.

For the administrators of the state, the first eight years of the Republic were devoted to efforts to creating a free market economy driven by a national bourgeoisie². After 1931 statism emerged as an official policy. The literature review shows that there are many different approaches to explain the emergence of such a policy. Some authors underline factors such as non-formation of a national capitalist class and a national industrial structure, as well as inadequate foreign investment (Sağlam,1981:75). Other authors underline the negative effects of the Great Depression on powerless domestic producers and merchants³. All these factors, without question, affected the emergence of statism. But we must keep in mind that, after 1930 and the implementation of this official policy, the private sector was not ignored, nor did the state seek its weakening or disappearance. In fact, the state took actions that support the private sector through statism. For example, during the period

2 It should be noted that the term “Turkish” was defined by the founders of the state and is not based on ethnicity. It was defined as a national identity to establish a unitary state.

3 For a similar analysis see Yeşilay, 2005:121.

1930-1939, the state imposed taxes that were especially applied to wage-earners. Also, customs duties were applied strictly, which benefited the state bureaucracy and domestic industrialists and merchants (Saraçoğlu, 2009:135).

The first important attempt at social dialogue took place between 1923-1946 with the Turkish Economic Congress, which was held at İzmir, before the official declaration of the state's foundation.

First Turkish economic congress

The representatives of employees, merchants, industrialists and farmers attended the Congress which was held in İzmir at 1923. Some of the requests of the attendees, responding to their constituents' goals, were finalized. There were no official representatives of military forces even though they were the ruling elite. But Kazım Karabekir Pasha, a member of the elite, attended the Congress as a representative of industrialists. This matter is significant for understanding the position in which the ruling elite placed itself. The elite campaigned to develop a bourgeois class and to achieve its aim it suppressed other social groups. According to some researchers the elite bureaucracy sought to destroy the economic and political basis of the old system. This shows that, like others, the Turkish revolution, too, is characterized as a top-down revolution (Kılıç, 2010:48).

The words of Mustafa Kemal, the founder and first president of the Turkish Republic, addressing the Economic Congress which was held in İzmir in 1923, can be cited as evidence for two main issues: The state-building elite was clearly aware of the concepts of class and class struggle; and it aimed to achieve a socio-economic settlement under the control of state:

"Economics means everything. Everything for living, for being happy. It means agriculture, work, everything... All programs of our government must be derived from its economic program.. Because everything is implicit in it (economics)" (Hafizoğulları 1999: 355).

The effort to create a "national bourgeoisie" was glossed over by the paradigm of "classless society" and the rulers, which seemed liberal for production decisions, became influential for distribution and redistribution of income and control of capital accumulation. Even though protective policies could not be put into practice because of articles in the Treaty of Lausanne about customs policies, the National Economy School's goal of economic development by creating a "national bourgeoisie" carried on in full scope (Eroğlu 2007:65).

After the Congress, on the one hand, almost all of the requests of representatives of employees about minimum wage, working times, social security, right to association, were ignored by the elite; on the other hand, capitalists were supported by the government, which strengthened the relation between bureaucracy and capitalists, while also causing political corruption (Kazgan 2002:56).

Social dialogue in legislation of that period

Even though the Constitution of 1924, after the İzmir Economic Congress of 1923, granted the right to labour and right to association to every Turkish citizen as incontestable rights, no labour law was entered into force until 1936. The constituent power established banks, legislated for regulating trade and industrial activity, but did not make any preparation for a labour law apart from a few unsuccessful attempts. That is understandable, as the elite's efforts to create a national bourgeoisie kept it away from any legislation protecting labour rights. Further, the absence of a large working class could lead the elite to conclude that it was possible to carry on without the aid of various laws.

The miner code of Ereğli's coal basin

The Miner Code of Ereğli's coal basin, which was enacted in 1921 (before the proclamation of the Republics), regulated some working conditions such as forced labor, work in the mines and determined housing conditions and rights in case of occupational illness. One important point in behalf of social dialogue about the code of Ereğli is Article 11, which covered the determination of minimum wage for workers who worked at mines at Ereğli region.

According to this article, the Ministry of the Economy, representatives of workers,⁴ owners and directors of mines may determine the minimum wage together. This refers to a tripartite structure that can be viewed as an example of simple social dialogue. Such social arrangements and examples should be analyzed in the context of the political context of that time. The miners of that region worked under difficult conditions at mines owned by foreigners. To accord such social rights to the miners, on the one hand, strengthened their loyalty to the new government, and on the other hand, helped to control and to sustain the production of coal, which was an important economic factor. Also, it is possible that a central aim of such a code was to avoid the control of coal by occupying forces.

The law of obligations

Without a labour law, issues about labour were arranged under the law of obligations, in which the subtitle of “contract of employment” included provisions addressing how to draw up a labour contract and the nature of business. However, the law did not contain detailed provisions on such matters. Article 316 of the Law of Obligation, concerning general contracts, covered the right to enter contracts between employers/ employer associations and employees/employee associations. This can be identified as bipartite negotiation, but it is important to keep in mind that the law of obligations

4 At that time there were no real trade unions, there were only labour organizations that were similar to trade unions.

ignored the special situation of labour, which is weaker than employers. Without ownership of the means of production, labour must work to survive.

The labour law of 1936

After some unsuccessful attempts, in 1936 the first labour law of the Turkish Republic (Act No. 3008) was enacted. Two important aspects of this law and the process of its enactment are especially significant. Firstly, the government took a deterministic and imperious role in passing the law. Secondly, because of the prohibition of strikes and lock-outs the conciliation mechanism was emphasized. Evidence of the authoritarian role of government is found in Articles 2 and 4 of the labour law, under which the Ministry of the Economy was granted authority to determine which jobs are industrial. The decisions of ministry were final, in other words, not subject to appeal.

The law prohibited strikes and lock-outs, defining conciliation as a means to resolve labour disputes. If conciliation failed, the parties could go to court. The law's way to resolve collective disputes was paternalistic, providing for appointment of a public servant for resolution of the dispute. If the public servant could not resolve the disagreements, the governor would convoke "The Arbitration Committee of the City for Labour Disputes" to resolve the dispute. The committee heard from the parties to make a decision. If it could not resolve the dispute, the Ministry of the Economy convoked "The High Board of Arbitration for Labour Disputes" for a final judgment.

Although the law created a mandatory dialogue practice, it is hard to say that it created a practice of social dialogue. Further, in prohibiting strikes and lock-outs in the case of breakdown of negotiations, it emphasized the paternalistic role of state. In general, this period in Europe was not one of dialogue or corporatism, when the laws enacted, such as penal laws and law of associations, were more authoritarian than corporatist (Makal, 1999: 137).

Law of associations

The Law of Associations, which was enacted in 1938, prohibited establishment of associations that were based on class or had a name including the name of any class. The reasons for such a prohibition are:

1. Perception of the Soviet Union as a labour state and fear of political changes that could occur in Turkey through labour associations.
2. Concerns that class struggle could damage capital accumulation. To maintain the accumulation process, the labour class had to be controlled.
3. Emergence of social violence events and rebellions because of various socio-economic reasons.

4. Power struggle between owners of large lands and civil-military bureaucracy (Urhan and Çelik 2010:118).
5. War climate on the international stage⁵.

The upper chamber of economy

In 1927, “The Upper Chamber of Economy,” which corresponds to today’s consultative board, was established. The law establishing the chamber reveals the paternalism of the government. First, the president of the chamber was the prime minister and the vice president was the minister of commerce. Secondly, the chamber was consulted only about the issues which were determined by the government. To form any view on other issues was prohibited. Half of the members of the chamber were elected directly by the government. Under these conditions, it is hard to speak of a real social dialogue.

Period between 1946-1960

After the end of the Second World War, Western developed countries established four organizations to contend with four principal threats:

1. Establishment of NATO to address the emergence of the Soviet Union as a military power.
2. GATT was created to regulate world trade.
3. IMF was established to deal with problems of currency convertibility.
4. The World Bank was established to address destruction caused by war.

These developments polarized the world as the Eastern Block and Western Block. Turkey chose to be a member of the Western Block because of the Soviet threat. The prerequisite for that membership was bringing democracy to the country, at least to the political arena by transition to multi-party system. At the same time, Turkey had to become economically liberal to attract foreign investment and capital. These were external reasons for transition to a multi-party system. There were also internal reasons: the desire of society which opposed the taxes threatening the landowners and merchants such as conscription of wealth; and the desire for democracy and political freedom (Kazgan 2002:79).

During that period there were few developments on behalf of social dialogue. In 1946, the Law of Associations was amended, allowing the establishment of associations based on class. It paved the way for establishment of trade unions. But in spite of this, some articles of penal law increased punishment, making it easy to put pressure on trade unions. After amendment of the Law of Associations, the law of trade unions was enacted.

⁵ To understand authoritarianism during 1923-1946 period, see Toprak 2006.

The first law on trade unions

The law prohibited strikes and lock-outs, but allowed establishment of trade unions and employer associations. In the absence of strikes and lock-outs, arbitration was the only way to resolve labour disputes. On the one hand, the law allowed trade unions to become stronger under the control of the government. On the other hand, it sent a message to the international arena about democratization.

The law of Trade Unions included provisions that can be categorized as social dialogue. Article 4 of this law identified what trade unions and employer associations could do:

1. Enter collective agreements on behalf of their members: An example of bipartite negotiation
2. Express opinions on labour disputes and make requests about the dispute from government: An example of consultation.
3. Apply to the arbitration board if employers or their associations make an agreement for lowering wages: An example of arbitration.
4. Send representatives to the boards or committees which were established according to the Law of Employment Agency and the Law of Establishment of the Ministry of Labour: An example of Tripartite Consultation.

Establishment of Ministry of Labour and work councils

The regulations about industrial relations had been made by the Ministry of the Economy until the establishment of the Ministry of Labour in 1946. This an important point to emphasize. The state had defined itself equidistantly to both employers and employees. In other words it had defined industrial relations only as an economic activity, consistent with classical economics, so it had stayed paternalistic. Article 10 of Law on Establishment of Ministry of labor demonstrated this:

“The ministry of labor is responsible for arranging working life, for increasing workers’ level of welfare, for synchronizing relations between employers and employees for the national interests.”

The term “national interests” is difficult to define. And to charge the labor ministry with protecting national interests is paternalistic. Given the contradictions of the capitalist system, the term “interests” has different meanings for the different parties involved in social relations.

Article 17 of the law on Establishment of Ministry of Labour defined work councils and stated their responsibilities:

“Work councils are convened under authority of minister of labour or his undersecretary. Each ministry sends a plenipotentiary. Also representatives of employers and employees attend the meetings. Work councils express opinions on issues which are determined by ministry of labour.”

The law's creation of work councils as "convocation of councils under presidency of minister or his undersecretary at any time decided by ministry" reflected the idea of paternalism. Further, the determination of issues only by the ministry limited the power of the work councils as a dialogue mechanism and reinforced paternalism. Due to these reasons it is hard to view work councils as *vox populi* or as a "consulting body which gets the employers and employees around the table" (Baydere 2011:210) as some authors stated. The law did not allow the creation of work councils at the workplace level as in many countries of both the Western and Eastern Block at that time. This is evidence that the government would not allow a decentralized, more powerful structure. It wanted to control all relations between the labor and capitalist classes.

At this point, it is relevant to consider the debate over perfectionism and neutrality. Neutrality means that government takes decisions and implements them without any conception of the "good". In contrast, perfectionism means that government regards the concept of the "good" in taking and implementing its decisions (Clarke 2006:111-112). The concept of "national interest", which was underlined by the law, is an example of perfectionism and is strong evidence of the paternalistic character of the state.

The Establishment of confederation of Turkish trade unions

After the amendment to the law of associations which allowed class-based associations, many trade unions were established until they were closed by the command of state of siege in 1946. To avoid the backlash and to control the labor movement, the government caused establishment of some trade unions, which established the "Federation of Istanbul Labour Unions" as a sort of confederation (Sülker 1969: 65-66). This resulted in establishment of such "yellow trade unions" and closure of political parties and trade unions that were close to the labour class. But the Democratic Party, which succeeded the founder Republican People's Party, has weakened the trade union movement (Çelik 2014:33-34). At this juncture Turkey had to define a "non-socialist labor movement" to eliminate both external and internal pressure. The establishment of the TÜRK-İŞ⁶ (Confederation of Turkish Trade Unions) in 1952 should be evaluated on this basis.

One important point about TÜRK-İŞ is its position "above party politics," which means it stands equidistant from every political party. It is not clear whether it has achieved or at least has tried to achieve this goal. But it must be emphasized that such politics weaken social dialogue. In some countries, such as England, founding a pro-labour political party or having special relations with such a party strengthened trade unions and so enforced social dialogue. Thus, the labour movement transformed its interests into politics through a relationship based on mutual interests. For example, in England the political party has been financed by union dues (Wrigly 2003:2). For

6 TÜRK-İŞ: Türkiye İşçi Sendikaları Konfederasyonu

some authors the TÜRK-İŞ “above party policy” came to light over the years. But for others it has been clear from day one. Evidence of the latter was the prohibition of being a member of a party for TÜRK-İŞ members under article 41 of its regulations (Koç 1997).

TÜRK-İŞ defines itself as an organization that struggles for the interests of the labour class. We can derive this from its first statement after the establishment of the confederation:

“TÜRK-İŞ will work for implementation of money wages which are suitable for life indexes, for formation of unemployment insurance, for providing equal pay for equal work without any sex, age, race or religious discrimination” (Sülker 2011: 71).

Here we must keep in mind that labour movement activism is not only an economic phenomenon, it is also a political one (Mello 2010). More importantly to follow such a policy of being above political parties, which seems impartial, is partial itself. When we take into account TÜRK-İŞ’s close relation with some American institutions whose aims were fighting against communism, including financial aid and training support, it will be easy to understand TÜRK-İŞ’s attitude.⁷

Period of planned economy and import substitution industrialisation

After the military Coup d’Etat of 1961 a new constitution was created. It was the first constitution of Turkey which touched the social state. It accorded the rights of collective bargaining and strikes. It underlined the planned economy as a responsibility for government. The need for a planned economy resulted from the principal characteristic features of the Turkish economy. In 1961 Turkey was still an agricultural country with a large mass of unskilled labor and with an inadequate capital accumulation. The state, therefore, needed to intervene in economic life. To start an economic transformation that can be supported widely, the “planned economy” was provided by the constitution. Despite the lack of structural economic reforms like mild land reform and radical changes in the tax system to finance the economic growth, the Turkish economy in 1960’s grew at a rate of almost 7 percent because of the favorable world economy and accumulations that were transferred to Turkey from Europe by immigrant Turkish workers (Ahmad 2003:133).

Immigration of Turkish labour to Europe reduced unemployment and made it easy to increase wages. During this period relatively high wages helped to create a demand for goods that were produced by import substitution industries. From 1963 to 1976, real wages increased much more than productivity. But after 1976, because of decreased economic growth real wages became a barrier to profit maximization and capital accumulation (Kalkınma Bankası 2004:17).

⁷ For further reading see Çelik 2012.

The law of collective bargaining, strikes and lock-outs

In 1963, the Law of Trade Unions (Act No. 274) and its complementary law, the Law of Collective Bargaining, Strikes and Lock-outs (Act No. 275), were enacted. The latter granted the right to sign a collective agreement to both trade unions and to employer associations. Article 17 defines the legal strike as a strike for protecting or enhancing economic and social conditions of employees in their relations with employers. Any strike apart from that was prohibited. Here it must keep in mind that alternative types of strikes, like sympathy strikes, are important for strengthening the labour class and for increasing its power to establish a social dialogue. Prohibition such kind of a strike weakens the labour class. More importantly the law had a feel of paternalism. Article 21 granted government the right to call off a legal strike or lock-out if it thought the strike or lock-out was dangerous for the public health or threatened “national security”. During the postponement of the strike or lock-out, the prime minister referred the dispute to the “Higher Conciliation Board”. The board was convened under the authority of the prime minister or any minister who was charged by him. The members were the president of the department of Supreme Court which deals with labour cases; any president of a department of the Council of State, who were selected by the General Assembly of the Council of State; two independent representatives, one chosen by the labour trade union confederation and one by the employer association that had the most members. As we can see government still took an active role in relations between employers and employees. It was still paternalistic.

The new confederations and important developments on behalf of social dialogue

During that period three important confederations were established by trade unions that had different political tendencies. In 1967 DİSK⁸ (Confederation of Progressive Trade Unions) was founded by four trade unions that had been expelled from TÜRK-İŞ. That was a milestone in the history of Turkish industrial relations because DİSK was left-leaning, was the first confederation to take a stand against TÜRK-İŞ, and started a multi-confederation structure. DİSK was viewed as a threat by the government and later by the military forces. That is why it was banned by the military coup of 1980 (Spiegelaera 2011: 328).

In 1970, MİSK⁹ (National Confederation of Workers’ Trade Unions), a confederation at the far right, was founded. Subsequently, in 1976 HAK-İŞ¹⁰ (Confederation of Righteous Trade Unions), which had Islamic political tendencies, was founded. After the coup of 1980, the MİSK lost power and was removed from the industrial relations arena. It lost many of its members and so, lost its legal status.

8 DİSK: Devrimci İşçi Sendikaları Konfederasyonu.

9 MİSK: Milliyetçi İşçi Sendikaları Konfederasyonu

10 HAK-İŞ: Hak İşçi Sendikaları Konfederasyonu.

Under the Law of Trade Unions, a confederation must have at least five member trade unions to be established, but MİSK had only four members.

In the final analysis for that period, because of import substitution industrialization (ISI) strategy, which allowed real wages to increase by reflecting this in prices, and because of the relatively immature structure of industrial relations and political splits of trade unions and their confederations, social dialogue was not a much-needed mechanism. But it should be kept in mind that the important part of employment was in the public sector, government allowed increases in wages as an income policy, and granted some rights to the working class to resolve problems. As a result, social dialogue was not needed by the social partners.

In 1978 a social agreement was signed for the first time in the history of the Turkish Republic, between the government and TÜRK-İŞ. The aim of the agreement was to create cooperation with trade unions on economic issues. The main issues discussed can be ordered as follows (Talas 1982: 21 and Görmüş 2007:122-123).

1. Ways to decrease the unemployment rate sharply
2. Problems of income distribution
3. The structures of collective agreements
4. How to increase productivity and production
5. The need for the economy to reduce foreign dependency
6. How to adjust the balance of payments
7. Ways to increase productivity of public economic enterprises

The agreement was ineffective. First, it excluded labor representatives except TÜRK-İŞ, which weakened the support for such an agreement. Secondly, during this period public employment was relatively high and using wages as an income policy affected the private sector negatively. Especially after the oil shocks of 1970s, the production costs for domestic industrial producers increased dramatically. Here it must be underlined that Turkish firms were producers of finished goods that were domestic market oriented, and they were importers of intermediate goods. At the same time, immigrant remittances from abroad reduced, making it difficult to handle the balance of payment crisis. Economic and social problems increased. Political polarization caused social events and civil strife, which made it impossible to use the social dialogue mechanism.

The period from 1980 to present

The ISI strategy caused monopolization or oligopolization in many industries. It handed down a high external debt which could not be sustained without any intervention into the foreign exchange rates, real wages, and foreign capital mobility (Yeldan 2001). Before the military coup of 1980 on 12 September, on 24 January

1980 some decisions were taken by the government to resolve the economic problems. The main decisions were:

1. To devalue the Turkish Lira
2. To launch a fund to subsidize export-oriented investments and to promote export
3. To reduce the import duty
4. To encourage foreign investment and foreign capital
5. To encourage export

After the military coup Turkey officially shifted its economic paradigm from ISI to export-oriented industrialization. The coup seriously weakened the confined power of trade. The laws enacted by the military government between 1980-1983 and later by the civil government aimed to liberalize the Turkish economy, and so to suppress the labour movement. The right to strike was abolished by the military government. Some trade unions and confederations, especially from the far left and leastwise from far right, were eliminated by the coup. It became difficult for the labour movement to tackle problems, not only political or social ones, but also economic ones. Stand-by agreements of governments with the IMF and structural adjustment programs imposed by the World Bank deepened the crisis for the labour class. Real wages decreased and informal employment became widespread, especially after the beginning of the 1990s, as happened in many developing countries.

The 1990s was period of privatization and financial crisis. During that period the unemployment rate increased, job insecurity became widespread, with extensive atypical employment. To finish the reformation of the socio-economic structure, all efforts were crowned by legislation that changed the social security system. The age of retirement was increased; the income replacement rate decreased, and costs of health service increased.

Economic and social council

In 1995 the Economic and Social Council was established by notice of the prime minister and in 2001 it gained a legal framework. According to Law No. 4641, TÜRK-İŞ, HAK-İŞ, and DİSK have representatives in the council. However, TİSK¹¹ (Turkish Confederation of Employer Associations) representatives and some ministers, including minister of labour and social security, minister of finance, minister of commerce, and representatives of nongovernmental organizations selected by prime minister, are also members of the council.

The law states the important functions and powers of council:

11 TİSK: Türkiye İşveren Sendikaları Konfederasyonu

1. To provide the involvement of economic and social actors in the policy-making process. To improve the cooperation and conciliation between government and social actors and between each other.
2. To express opinions and suggestions and file a report to the government, TBMM¹² (Turkish Grand National Assembly) and the public.
3. To establish work committees.

The Council has not been effective as a tripartite social dialogue mechanism, due to disagreement of labor confederations and political attitudes of the government, which sees dialogue as a mechanism of getting what it wants. The Council was established to improve relations with the European Union and to persuade the social partners to accept socio-economic change that will affect labour and other vulnerable social parts negatively, such as privatization or collective redundancy.

Conclusion

Since the foundation of the Republic, Turkey was an agrarian society until the start of disintegration of the structure of agricultural system in beginning of the 2000s. Yet capital accumulation has remained incapable through the present time to compete with the strong economies of the rest of the world. This incapability has negatively affected the formation of both the labour class and relations between the labour and capitalist classes. Due to these economic conditions, statism emerged as a political framework. The Ottoman and Turkish state regimes' character, which places the state before people and which sacralizes the state, reinforced this situation and explains why the state has been paternalistic. As a result of this governmental paternalism, there has been a confined space for social actors and social dialogue.

After 1980, the process of integration with the world economy by liberalizing markets and softening legal protections for employees in order to maintain capital accumulation and to increase competitive capacity in the world economy, discouraged the labour movement.

These developments, combined with informal or atypical employment and deunionization of labour, meant that the basis for a large-scale social dialogue collapsed. At this point, we can say a last word on Turkish trade unionism as interest organizations only. That is why the Turkish working class has a limited power to enforce their claims to the state agencies and to the employer organizations. The absence of struggle between the labour class and capitalist class affected the ability of social partners to establish a dialogue.

12 TBMM: Türkiye Büyük Millet Meclisi

References

- Ahmad, Feroz., (2003), *The Making of Modern Turkey*, (London and New York: Routledge).
- Baydere, Fuat., (1966), “İş Mevzuatına Tesirleri Bakımından Çalışma Meclisleri”, *Sosyal Siyaset Konferansları Dergisi*, 17:212-222.
- Clarke, Simon., (2006), Debate: State Paternalism, Neutrality and Perfectionism, *The Journal of Political Philosophy*, 14(1):111-121.
- Çelik, Aziz., (2012), “ABD Diplomatik Yazışmalarında Türkiye Sendikal Hareketi (1973-1976)”, *Çalışma ve Toplum*, 2(33): 49-74.
- Çelik, Aziz., (2014), “1950’lerin Unutulan (Demokrat) İşçi Partisi ve Onun Üç Sisypheus’u”, *Çalışma ve Toplum*, 2(41):31-62.
- Eroğlu, Nadir, (2007), “Atatürk Dönemi İktisat Politikaları (1923-1938)”, *Marmara Üniversitesi, İİBF Dergisi*, 32(2): 63-73.
- Görmüş, Ayhan., (2007), “ Türkiye’de Sosyal Diyalogün Gelişimi”, *Çalışma ve Toplum*, 3(14):115-140.
- Hafizoğulları, Zeki., (1999), “İzmir İktisat Kongresi, Görüşler ve Değerlendirmeler”, *Av. Dr.Faruk EremArmağanı*, (Ankara: Türkiye Barolar Birliği Yayınları).
- Kalkınma Bankası., (Development Bank of Turkey), (2004), *Türkiye Ekonomisinde Kalkınma Stratejileri ve Sanayileşme : Dün- Bugün-Yarın*, (Ankara: Kalkınma BankasıYayınları).
- Kazgan, Gülten., (2002), *Tanzimattan 21. Yüzyıla Türkiye Ekonomisi*, (İstanbul: İstanbul Bilgi Üniversitesi Yayınları).
- Kılıç, İlker., (2010), “Türkiye’de Kapitalist Gelişme ve Yurttaşlık”, *Çankaya University Journal Of Law*, 7(1):4380.
- Koç, Yıldırım., (1997), *Sendikalar, Siyaset, Siyasal Partiler*, (Ankara, Yol-İş Sendikası Yayınları).
- Makal, Ahmet., (1997), *Osmanlı İmparatorluğunda Çalışma İlişkileri*, (Ankara, İmge Yayınları).
- Makal, Ahmet., (1999), *Türkiye’de Tek Partili Dönemde Çalışma İlişkileri*, (Ankara, İmge Yayınları).
- Öztürk, Armağan., (2007), “Siyasal Kültür Bağlamında Türkiye’de Devlet-Sivil Toplum İlişkisi: Sendikacılık Örneği”, *Bilgi* (14)1 :1-35.
- Sağlam, Dündar., (1981), “Devletçilik İlkesinin Gelişmesi ve Günümüzdeki Sonuçları”, *Ekonomik Yaklaşım* 4(2):71-97.

- Saraçoğlu, Fatih., (2009), «1930-1939 Döneminde Vergi Politikası», *Maliye Dergisi*,157: 131-149.
- Spiegelaera, Stan De., (2011), “Power, Politics and Turkish Labour Union Elite”, *SEER Journal for Labour and Social Affairs in Eastern Europe* (3): 327-342.
- Sülker, Kemal., (1969), “Türkiye’de İşçi Konfederasyonlarının Kuruluş ve Görevleri”, *Sosyal Siyaset Konferansları Dergisi*, 20: 65-94.
- Talas, Cahit., (1982), *Bir Toplumsal Politika Belgesinin Yorumu*, (Ankara, Ankara Üniversitesi Yayınları).
- Toprak, Zafer., (2006), “Türkiye’de sol faşizmya da otoriter modernizm 1923-1946”, www.obarsiv.com (19.02.2015).
- Urhan, Betül ve Seydi Çelik., (2010), “Türkiye’de Sistemin Milli Güvenlik Algısı ve Bunun İşçi Hareketleri ve Sendikacılık Faaliyetleri Üzerindeki Etkisi”, *Çalışma ve Toplum*, 2(25):109-140.
- Wrigly, Chris., (2003), *A Companion To Early Twentieth-Century Britain*, (Blackwell Publishers).
- Yeldan, Erinç., (2001), *Küreselleşme Sürecinde Türkiye Ekonomisi, Bölüşüm, Birikim ve Büyüme*, (İstanbul: İletişim Yayıncılık).
- Yeşilay, Rüstem Barış., (2005), “Devletçiliğin Türkiye Ekonomisindeki İzdüşümleri”, *Atatürk Üniversitesi, Journal of Economics and Administrative Sciences*, 1(19):117-132.

12 The question of agency in the making of a global society: Evaluation of the Turkish social partners*

*Berrin C. Ataman** , Melahat Güray*** , TİSK****
and Güven Savul******

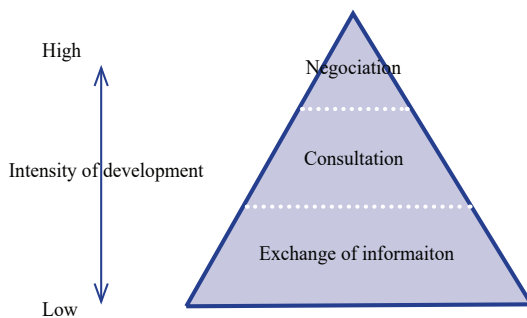
Introduction

Berrin C. Ataman

The most recent definition of social dialogue is given by the International Labour Organization:

“ Social dialogue represents all types of negotiation, consultation and information sharing among representatives of governments, social partners or between social partners on issues of common interest relating to economic and social policy”.

(ILO, Social Dialogue, <http://www.ilo.org/public/english/dialogue/download/brochure.pdf>)



Source: Methodological Tool: Social Dialogue-Consultation Framework for promoting Quality and Social Responsibility in Regional/Local Government, p.5.

* This chapter reflects directly the views of the social partners.

** Prof.Dr. in Ankara University, ataman@ankara.edu.tr

*** EU Expert in Ministry of Labour and Social Security, Directorate of European Union and Financial Assistance, melahat.guray@ikg.gov.tr

**** Turkish Confederation of Employer Associations (Türkiye İşveren Sendikaları Konfederasyonu: TİSK)

***** Researcher Confederation of Turkish Trade Unions (TÜRK-İŞ), savulunguven@yahoo.com

It is obvious that the consensus reached through dialogue between governments and the social partners helps to build peace in the world of work. A tripartite body comprising representatives of governments, employers and workers can jointly shape labor standards, policies and programs.

Although the existence of social dialogue mechanisms in Turkey, it is known that there are serious problems relating to the functioning of existing mechanisms. The main reasons of this situation are decreasing rate of trade unionization; the lack of power and autonomy of trade unions in the social dialogue process; coordination and representation problems amongs social partners. According to these reasons, social dialog mechanisms in Turkey can not be effective.

In the light of the this brief description, the following discussion presents the Turkish social partners viewpoints on employment and equity issues. The first is the point of view of the Ministry of Labour and Social Security, provided by EU expert Melahat Güray, who emphasizes the newest developments in social inclusion issues in Turkey. This is followed by the Turkish Confederation of Employer Association (TISK) views on employment and equity. Finally, the concepts of social exclusion and social inclusion are addressed from labor's perspective by Güven Savul, researcher in the Confederation of Turkish Trade Unions (TÜRK-İŞ).

Current issues related to the “social inclusion” concept in Turkey

*by Melahat Güray,
from the Ministry of Labour and Social Security*

It has been a great challenge, both in literature and political discourse. to find a concept defining certain “categories of people” that lack possessions, abilities or opportunities in the capitalist system: Poor, underclass, marginalized, socially excluded, disadvantaged, vulnerable groups etc. The conceptual shift from poverty to social exclusion has been a salient one, which cannot be discussed without referring to power relations within capitalism and capitalism itself as a field. It seems interesting to analyze the case of Turkey where social inclusion recently has been a priority at the discourse level. What has changed in reality with the introduction of “social inclusion” concept into the social policy discourse in Turkey is an interesting question for understanding not only the concept of social inclusion/exclusion but also the direction of social policy in Turkey.

In the last decades, the concept of social inclusion has been integrated into the strategy papers and political agenda and discourse in Turkey addressing the never ending accession process of Turkey into the EU, namely in the Joint Inclusion Memorandum and EU projects which have a strong focus on social inclusion. There is no poverty or social inclusion strategy in Turkey; however, examining the National Employment Strategy, 10th Development Program, Strategy of Ministry of Family and Social Policy, Sectoral Operational Program reveals that social inclusion has been

a priority at least at the discourse level in Turkey. Although it is a multi-dimensional concept including economic, social, cultural and political rights, the main focus in Turkey has been on economic integration through employment. When it comes to the question of “who are excluded” in these strategy papers, this group is very broad including women, young people, people with disabilities, long-term unemployed, working children, etc. The main tool for inclusion of these groups is activation tools, namely vocational trainings, guidance and employment subsidies for women and young people. In addition to these strategies and tools, there are some EU funded projects aimed at increasing inclusion of these groups through vocational rehabilitation, trainings, guidance and counseling, establishing one-stop services centers etc. In the last decade, the financial and human resources devoted to these activation policies for increasing economic integration of these groups have increased at a substantial rate.

Although there have been strategic priorities, activation tools and EU projects in the social inclusion field, there are some structural challenges that make it difficult to attain expectations related to the social inclusion concept. First of all, there is no integrated approach among strategies that could create synergy among different institutions and policies. Secondly, there are no structured monitoring mechanisms and indicators that could have tracked whether the strategies move from wishful thinking into the concrete actions. Thirdly, the absence of other aspects of social inclusion apart from economic one makes the concept meaningless at even the discourse level.

Putting the discussions of the lack of full understanding innocence of the concept of social inclusion aside, the opportunities within the concept can be used for better policies in Turkey. The main question should not be on how to categorize the people who cannot access economic, social, civic and cultural rights, but how to increase their well-being and capabilities. To that aim, first of all, the “social, civic and cultural rights should be included into the discourse and policies. The tool for inclusion should not be limited to activation for working life, but other cultural, political and social rights should also be considered while designing policies and projects in the field. Otherwise, the shift of focus from poverty to social exclusion at the discourse level will not result in changes in reality for the well-being of people, but will only support the continuation of vicious circles of capitalism.

Turkish Confederation of Employer Associations (TISK) views regarding employment and equity

Protection of workers forms the basis of historical development of labor relations. This approach, continually being developed to date, is believed to be at an historical turning point. The rapid change of industry, competition, technology, production and consumption patterns and differentiation in intergenerational behavior and expectations create pressures for change in labor relations.

Enterprises create employment. Today, the quality of employment cannot be considered independently of the nature of the businesses providing it. The solution to

the problems arising from globalization and inequality in employment depends on the solutions of similar problems arising at the company level. The historical approach of “protecting only the worker” that disregards the problems of the enterprises is not only insufficient to solve today’s problems but also deepens the problems. A similar phenomenon stands out concerning the insecurity of employment. Regulations concerning with labour issues protects only workers thus these regulations threaten the legal security of employers and enterprises in labor relations. This situation generates negative and permanent damages on sustainability and competitiveness of Turkish enterprises as well as on national and international investment decisions.

Following this general perspective, TISK’s views and proposals on the issues are summarized below.

- The existing young and dynamic population is a great opportunity for Turkey. However, according to OECD statistics, two-thirds of the youth in the 15-29 age group are not in education or employment. Moreover, the fact that 80% of them are not searching for employment creates a big risk. Industry’s problem of qualified employment is not solved. With the aim of producing solutions to this problem TISK, as a member of Global Apprenticeship Network (GAN), established GAN TURKEY on February 25th, 2015, to promote skills and employment opportunities for youth through work-based training programs. With the participation of 25 large scale Turkish companies, GAN TURKEY aims to share qualified work-based training programs and best practices, promote work-based training for youth, prevent skills mismatch and influence national policy frameworks.
- The Turkish economy’s productivity is declining, while the increase in employment is larger than the national income increase. Thus, productivity increase as the engine of development in Turkey is lagging behind its competitor countries. In the 2007-2013 period, Turkey was ranked 22nd among 34 OECD member countries for its annual average productivity increase. In Turkey, in the last 5 years, from the first quarter of 2010 extending to the same period of 2015, real labor costs have increased about 5-fold compared to productivity. In Turkey, productivity remains low compared to wages. The wage-productivity balance should be established. Increase in employment productivity and total factor productivity must form the main source of growth.
- In Turkey, the legal gross minimum wage is higher than 11 EU member countries as of January 2015. The main problem regarding the minimum wage is the size of the employee and employer social security contribution rates. In Turkey, the tax and premium burden on labor costs, which is 36.8%, must be reduced to the OECD average, 26.9%.

- Encouraging enterprises to employ workers, improving qualifications through vocational training and life-long learning processes and structuring the education system for labor market needs should be the main axis of employment policy.
- Women's participation in labor market should continue to be encouraged.
- Within the framework of "flexicurity" (flexibility and security), the use of flexible work models should be encouraged and expanded. Problems of implementation regarding flexibility provisions of Labor Law must be resolved and should be integrated with the social security system.

In Turkey, with Labor Law No. 4857, 2003, although flexible work structures were being put in place, limitations that do not exist in EU directives were introduced. In particular, the approach of preventing misuses forestalled achieving the aim of flexibility.

The National Employment Strategy includes regulations on flexibility, which should be implemented.

Turkey should make the best use of flexicurity methods in terms of:

- Combatting structural unemployment and creating new job opportunities;
- Enterprises adjusting to changing production conditions and competition requirements in internal and external markets;
- Fighting against the informal economy and the informal employment problem;
- Expanding the employment options for groups such as women, youth, and disabled and facilitating the hiring processes.
- In the field of collective labor relations, due to recent involvement by international trade unions, umbrella organizations or organizations similar to unions, have taken actions in enterprises in Turkey, which disrupted peace in the workplace, caused production to be suspended in enterprises, and led to serious losses in Turkish enterprises' brand equity and reputation among national and international customers. Such actions are moving away from supporting the traditional labor movement and are being used as a way to leave Turkish firms out of global markets. In this regard, our enterprises should take protective measures.
- The burden of social security premiums that is mainly on private sector employees and employers should be relieved and inequality against registered enterprises should be removed.
- In Turkey, the scattered structure of welfare benefits hampers the objective, effective and appropriate implementation of benefits. There is a need for a fundamental law to integrate social benefit and service systems and put forth main policy criteria and implementation elements.

Structuring the social protection system in a way that does not lead to new burdens on registered enterprises, while adjusting the implementation of labor market policies and the social security system, will play an effective role in fighting unregistered employment.

Conclusion

TISK believes that potential changes to working life should not only have the aim of protecting the worker but also should be addressed through an approach that preserves the balance among the parties.

A brief assessment of the concepts of social exclusion and social inclusion from labor's perspective,

by Güven Savul, from Confederation of Turkish Trade Unions' (TÜRK-İŞ)

The debates on the social exclusion and social inclusion concepts have been carried on both in academia and in the labor movement for fifteen to twenty years. As a brand new and sparkling concept, social inclusion is being asserted as a remedy against current socio-economic hardships of the world. In the literature of social inclusion, the approaches are plotted through a micro-perspective framework. This means that the significant part of the literature of social inclusion assesses the problems regarding certain social groups such as minorities, migrants, handicapped people, poor people and so on.

The perspective of labor is different from such a compartmentalized approach. The labor movement believes that the social exclusion and social inclusion concepts should be discussed within a more comprehensive framework. The labor movement does not ignore the problems arising from micro social differences and individualistic insufficiencies. It considers that such micro approaches cannot find a proper solution to alleviate social exclusion. The labor movement is taking sides with a mixed approach. It defends such an approach as not glossing over the micro problems, while also building up a macro perspective. At this point, it should be noted explicitly that while the micro perspective signifies a non-structural approach to the capitalist mode of production, the macro perspective analyzes capitalism from a structural vantage point.

For example, unemployment should not only be assessed as a problem arising from the individual causes such as lack of vocational training and education, occupational inexperience or discouragement but it is also associated with the contemporary patterns of employment policies that are regulated in line with the current needs of capitalism. A significant amount of the literature of social exclusion ignores the need to analyze the capitalist mode of production in the assessment process of unemployment. Various recommendations for solutions against

unemployment can be found in the assessment papers of the epistemic communities such as IMF, World Bank, and OECD. Most of these recommendations consider eradication of unemployment as one of the pillars to tackle social exclusion. When these recommendations are reviewed, it can be clearly seen that almost none of them address the structural motives of unemployment arising from the essence of the capitalist mode of production. Such recommendations as vocational training courses, lifelong learning, and improvement of home care services focus on individuals. All of these policy tools can be categorized as functional components to tackle social exclusion at the individualistic level and these can be considered as useful attempts in the short-run. Although such individualistic approaches have some possibilities of eradicating social exclusion to a certain extent in the short-run, there must be sound recommendations for considering the structural dimension of capitalism. It should be underlined that such a compartmentalized approach cannot be a remedy against the hardships in the long-run. Although there is no sound response against the socially destructive gale of neo-liberal privatization processes, also supported by the epistemic communities or transnational structures like the EU, social inclusion is considered as a prescription for such problems as unemployment, social insecurity, precarised life etc. As the representatives of the labor movement, while we are combating against poverty, we should not think that poverty is an individualistic problem or it belongs to the certain groups in the society.

The labor movement recommends that social exclusion and social inclusion concepts should be assessed within a macro framework that is supported by micro components. Such a perspective can be a proper remedy against the socio-economic problems of our contemporary world.