How is the 'European BRIC' faring? Social policy, the labour market and industrial relations in Turkey

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Abstract

Examining Turkey’s legacy with regard to its social policy structures, the labour market and industrial relations, this article analyses contemporary reforms and assesses their significance from a comparative point of view. It argues that the country has achieved rapid progress in recent years, not least due to EU pressures and its own, reform-minded politics. However, the very low levels of female employment and public social policy expenditure, as well as noticeable deficiencies in trade union rights, indicate that Turkey has some distance to cover before aligning its standards fully with those established in EU states (social protection expenditure) or demanded by the EU acquis (trade union rights).

Keywords: Turkey, social policy, labour markets, trade unions, reforms

Introduction

Only a few months after becoming Britain’s youngest Prime Minister since 1812, David Cameron paid an official state visit to Turkey. In Ankara, Cameron reiterated his country’s strong support for Turkey’s EU membership aspirations. Praising Ankara’s reform efforts, Cameron spent little time in holding Turkey up for praise, particularly with regard to the economic dynamism the country has displayed in recent years. He also described Turkey as ‘Europe’s own BRIC’, celebrating its high growth rates and future potential based on its favourable demographic trends.1

With regard to Turkish economic performance, Cameron’s remarks echo across much of Europe. At a time when the Eurozone countries in particular are finding themselves in the midst of a survival crisis for the future of the common currency, and are generally suffering from sluggish growth rates and reform inertia, Turkey offers a positively contrasting picture. Its rapid economic recovery from the 2009 slump has been accompanied by stable inflation rates, a gradual reduction in the overall unemployment rate and high year-on-year GDP gains (European Commission, 2010: 39). Problems such as the country’s high external account deficit notwithstanding, the young and energetic Turkish population does indeed carry much promising potential that an ‘ageing Europe’ appears not to.

However, is this picture telling us the full story? More to the point, how is Turkey faring with regard to the socio-economic variables that are of crucial significance in the country’s long-term process of catching-up with EU standards? Focusing on welfare programmes, the labour market and industrial relations, a neglected aspect of the debate

on EU-Turkey relations (but see Tsarouhas et al. 2007), this contribution aims at offering some preliminary answers to these questions.

The article begins by placing Turkey’s policies in an appropriate historical and political context, examining the origins of social policy and industrial relations. The next section briefly reviews the changing conditions brought about after 1950, while the following section goes on to analyse the transformative role carried by the 1980s in understanding contemporary Turkish social policy. Using data drawn from a variety of sources, the article then outlines the reforms undertaken during the last decade, and concludes with an assessment of current dynamics in the country, the successes achieved and the important challenges ahead.

Turkish social and labour market policy in context

The foundations for modern Turkish social policy were laid only a year after the founding of the Turkish Republic in 1923. The country’s leader, Mustafa Kemal Atatürk, drove forward the process of the country’s westernisation and pursued developmentalist objectives in line with the needs of a war-torn and impoverished state. Until the founding of the Republic, rudimentary social policy arrangements were made mostly through the informal sector via the use of charities and philanthropic organisations. In line with the prevalent mode of thinking elsewhere in the region, Turkey lacked a rights-based approach to social policy. This began to change for the first time in 1924 with the introduction of a Constitution for the new state. Turkey sought to import legal expertise from Europe and directed its efforts towards encouraging economic development by imitating best practice and introducing a citizenship-based approach to public policy (Boratav and Ozugurlu, 2006).

The origins of the Turkish welfare state

In 1936, Turkey passed legislation that established the basic principles and types of social insurance fund that went on to form the post-war social insurance system. In 1938 and 1942, further legislation was introduced aimed at introducing pension funds for employees in the newly-established state economic enterprises. These were set up in an attempt to direct economic growth from above by setting five-year, state-sponsored economic development plans (Ozbudun, 1980).

The period up to 1945 outlines the framework within which subsequent developments took place. In Turkey, institutional heritage plays a significant role in understanding contemporary developments. This era was also heavy with contradiction: a social security system centred on a rights-based approach was established, but fragmentation was a key characteristic of the system and its effectiveness was greatly reduced by the large number of workers, especially those employed in agriculture, that remained outside its coverage (Boratav and Ozugurlu, 2006).

Early labour market policy: the role of trade unions

Turkey joined the ILO in 1932 and introduced progressive legislation that prohibited a working week of more than six days and institutionalised a day of rest. Yet in the labour market, just as in many other aspects of public life, autonomous action by
employers and employees was put under strict limits. The notion of class conflict was firmly rejected by the country’s ruling elite. Traces of this attitude towards the social partners are still visible today under which attempts are made to place employer organisations as well as trade unions within a framework of ‘social harmony’ that ought not to be ‘disrupted’ by ‘militant forms of action’.

The first comprehensive labour law, passed in 1936, forbade the establishment of trade unions in the workplace and ruled out the possibility of strikes and/or lockouts. In line with the state-centred, heavily corporatist and authoritarian winds blowing across Europe at the time, the Turkish authorities envisaged the labour market as a place of harmonious co-operation between employers and employees in which strikes and/or lockouts constituted disruptive action harmful to state and societal interests. At a time when hardly any trade unions or industries of important size existed, such an approach appeared consistent with the country’s overall developmentalist priorities.

The multi-party era and Turkish social policy

From 1950 onwards, Turkey entered a multi-party era and a long period of populism-fuelled competition between the dominant parties. Its social policy structures developed in line with the early Republican design, especially in the field of social security, but the informality and fragmentation of social security coverage and healthcare services did not go away. From the 1960s onwards, the formation of trade union movements with explicit ideological and political aims reflected societal politicisation, a new experience in the Turkish landscape. Further, such politicisation occurred in the context of growing economic inequalities resulting mostly from consecutive rises in inflation. By the 1970s, populist claims lost their ability to contain social tension, which contributed to the military coup of 1980.

The welfare state: social security and healthcare services

In the 1940s, a wage earner fund and a separate fund for civil servants were formed, reflecting the intentions of earlier legislation. The state contributed little to those funds, while a third was added in the early 1970s aimed at the self-employed. The existence of a large unregistered economy meant that formal coverage remained inadequate to cover employee needs – a phenomenon which persists today (Bugra and Keyder, 2006). Moreover, a large degree of inequality was built into that system with regard to the privileged access and treatment offered by the civil servant fund in comparison to that offered to workers or the self-employed.

With regard to healthcare services, the private sector has, from an early stage, held a significant role in the provision of services. In recent years, this trend has accelerated (see below). However, in the 1950s there was an attempt to strengthen the role of public healthcare by reinforcing the Health Ministry’s mandate and adding curative services to its remit. Furthermore, new hospitals were built in various parts of the country. The most significant change came with the creation of the so-called Integrated Health Services Scheme, which operated from 1960 until 1980. Its aim was to universalise access to healthcare. In fact, Law 224 sought explicitly to nationalise the delivery of healthcare services (Aybars and Tsarouhas, 2010: 753).
However, the most significant development in that period was the introduction of the 1961 Constitution, which came in the aftermath of the military intervention the year before. The Constitution was inspired by high ideals of civic equality and has often been described as the most progressive constitution Turkey has ever had. At least in theory, this is confirmed when one looks at its references to Turkey being a 'social [welfare] state' (Article 2) as well as its affirmation of welfare rights for all citizens regarding housing, education and social security (Articles 47-50).

The passage of such a Constitution fuelled the debate on socio-economic issues in the public arena and strengthened the hand of those arguing for better welfare services to address the population’s growing needs. Its trade union-related articles (see below) allowed for the formation of explicitly ideological and political unions for the first time. Yet, it would be inaccurate to state that the Constitution reflected the demands of a sizeable constituency to achieve its aims: its formulation and eventual passage was a top-down exercise motivated by benevolent paternalism (Ozbudun, 1980).

**Industrial relations and trade unionism**

The early Republican years were associated with a ban on class-based associations. The transition to multi-party politics, however, meant that such a ban was lifted and, in 1947, a law was passed that permitted the functioning of trade unions, albeit in a restricted fashion (Boratav and Ozugurlu, 2006). Consequently, the first trade union federation, Türk-İş, was established in 1952, followed by DISK in 1967. By that time, the generous provisions of the 1961 Constitution regarding the right to strike, paid leave for workers, collective bargaining and unionisation had transformed the industrial relations landscape. Reflecting the political climate of the time, the 1971 Labour Act introduced strict employment legislation for permanent workers, high severance pay and compensation for unfair dismissal.

To illustrate, and in contrast to the business-type unionism espoused by Türk-İş, DISK espoused a radical agenda that went as far as supporting illegal strikes in its class-based approach to industrial relations (Ehmke, 2009: 114). These two federations were often in open conflict prior to the 1980 military coup. In 1976, Hak-İş, a federation reflecting the rise of political Islam in Turkey and espousing a morals-based approach to industrial relations, emerged. Over time, DISK gained influence in the workplace and among students and the intelligentsia. Socialist rhetoric and goals, once very marginal, became more influential. Strong ideological winds blew over the country and often led to violent clashes between the opposing factions. On 12 September 1980, a military coup took place and civil and political rights were suspended. A new era began for Turkey, the consequences of which still remain visible, particularly in the socio-economic field.

**Recent reforms and the EU factor**

The ‘1980 regime’ re-orientated the Turkish economy towards an outward-looking, export-oriented model of economic development and sought to import many of the neo-liberal ideas floating across the Atlantic at that time. Financial liberalisation (Bugra and Keyder, 2006), privatisation and market-oriented policies became the *sine qua non* for successive governments after the country’s swift transition to civilian gover-
nance in 1983. The military regime introduced a new Constitution in 1982, at the core of which was a very restricted conceptualisation of rights and freedoms, especially regarding trade union activism, collective bargaining, the right to strike and so on. The transition to civilian rule in 1983 did not break the populist cycle of the pre-coup period, but periodic economic crises in the 1990s and 2001 hit wage-earners and the middle class particularly hard. Economic instability meant that the World Bank and the IMF had acquired a prominent role in the design of public policy reforms, but their influence has diminished recently as the country has enjoyed successive years of economic stability.

Following the late 1990s, and spurred on by its EU accession prospects, Turkey has embarked on successive political and socio-economic reforms. In the fields of social security and healthcare, far-reaching changes have been introduced with the aim of making both systems more cost-effective. In that sense, Turkey has followed worldwide trends and has sought to use reforms to reduce the fragmentation of service delivery. Compared to these domains, the situation in the labour market is less encouraging as employment rates, and especially female rates, of employment remain at very low levels. Moreover, industrial relations and social dialogue structures bear the heavy legacy of the past. Despite the country’s EU membership talks and further changes introduced in 2010, deficiencies remain regarding the legal basis for the functioning of trade unions.

Social security

Changes in the pension system in Turkey have had less to do with an unfavourable demographic curve and more to do with an imbalance between the formal social security system and the structure of the labour market. The latter is distinguished by its high rates of informality and low levels of female participation, whereas the former tends to be corporatist in character and composed of inbuilt inequalities, such as the absence of a significant state contribution to pension funds other than the civil servant fund (Bugra and Keyder, 2006: 216). High informality has resulted in fiscal problems considering the imbalance in the ratio of contributors to beneficiaries, while the problem used to be even greater considering the widespread availability of early retirement schemes.

Reform has taken place on a step-by-step basis with the first, important, phase beginning in 1999, sponsored by the World Bank. First, the minimum retirement age and minimum years of paid contributions were raised, under Law 4447 (Kılıç, 2008: 491). The pensionable age for women became 58, and 60 for men, while pension benefits were cut. The thresholds are rising further, to reach 65 years of age for both men and women by 2048, after a relevant law was introduced in 2008 (Grüttjen, 2008: 117). The minimum premium threshold went up to 7 200 days, from 7 000, for workers. Rising life expectancy played a role here, as did the recognition that different retirement ages for men and women made little sense if a gender-neutral approach was to be introduced (Kılıç, 2008: 495).

The second phase entailed changes in healthcare and social assistance, too (see below), as social security and healthcare provisions are bound together in Turkey and
are dependent on occupational status. Universal healthcare coverage and the unification of social insurance under one roof were the main proposals (Yakut-Cakar, 2007).

The decision to cease fragmentation in social security through the merging of all existing organisations under the umbrella of the Ministry of Labour has been the highlight of social security reform. Equalising standards and doing away with the inequality underpinning the status of workers and the self-employed compared to that of civil servants are positive elements of the changes which have been introduced. The Social Security Institution (SGK) is, since 2008, the unified organisation. Additionally, the state now undertakes the formal obligation to contribute, with 5%, to social security contributions (Adar, 2007: 167).

On the other hand, the introduced changes have meant the downwards levelling of benefits for many, as equalisation has occurred through the abolition of acquired pension rights (Kilic, 2008: 491). What is also noticeable is that the changes do not address the open wound of informal employment, which constitutes a fundamental reason behind the worsening contributor-dependant ratio in recent years (Yakut-Cakar, 2007). They have also signalled the possibility of further inequality in pensions provision through the encouragement of the private sector in service provision. This was made possible through the passage of a relevant law in 2001 allowing access to pension funds to private sector providers. The state has sought to encourage the participation of private firms in social assistance schemes and has also sought to motivate the private sector in that direction through tax cut schemes for those companies donating money for, to take an example, educational programmes (Grütjen, 2008: 118).

Health care

In 1992, Turkey introduced the Green Card system. According to that scheme, still operational today and accessible to close to ten million citizens, free access to doctors and hospitals (but not medicines) is provided for the poor on a means-tested basis. The idea behind the Green Card was to take a step towards universal access to healthcare, considering that close to one-third of the population lacks any form of health insurance and that out-of-pocket payments make up approximately 28 per cent of total healthcare expenditure (World Bank, 2005). This despite the changes introduced in 2004, which were intended to simplify the Green Card scheme by extending the benefits granted to Card holders. The fragmentation of the formal system, based as it has been on vast differences in the quality and coverage of different institutions, has exacerbated the problem (Bugra and Keyder, 2006: 215).

Just as in the case of its social security counterpart, the healthcare reform law aimed at the formation of a single health insurance agency that would provide universal access to basic healthcare services. This is crucial considering the lack of coverage of the vast majority of the high number of agricultural, seasonal workers. In addition, reform is premised on the introduction of a state contribution to healthcare funds equal to three per cent, and the extension of coverage to everyone under the age of 18, those that earn less than one-third of the statutory minimum wage and the unemployed (Grütjen, 2008: 117). There are echoes of universalism in the reform, and the provision on state coverage for the under-18s, if successfully implemented, could make a dramatic difference
in the lives of the 28 per cent of children under 15 who are living in poverty (Saatci and Akpinar, 2007).

Overall, however, a tax-funded system has not been introduced as the new system is contributions-based for those who earn more than the minimum wage. The provision of health insurance and health services through private firms is also envisaged and has already begun in Turkey. This is very much in line with governmental policy in the direction of encouraging a stronger participation by the private sector in health and social security provision. It should be noted, however, that the OECD reports a growing share of public spending in healthcare, from 63 per cent in 2000 to 71 per cent in 2005 (OECD, 2009b). Turkey currently spends a mere 5.7% on healthcare, measured as a percentage of GDP (OECD average: 8.9%), so this is an encouraging trend.

Labour market and employment

In contrast to social policy, issues of labour market regulation are part of the formal acquis. This means a higher leverage on the part of the EU over candidate countries and the possibility of real reform to tackle national inadequacies with respect to EU labour market rules. Some changes have been enacted in Turkey in the light of these factors, but a lot remains to be done. It is hardly a coincidence that, in late 2010, the social policy and employment chapter in the EU-Turkey accession talks had yet to open, despite the absence of political impediments.

In 2003, Law 4857 was passed, introducing a set of important changes to the labour market. The explicit goal of the law was to align Turkey’s legislation with the EU acquis regarding atypical forms of employment, as well as health and safety regulations. The latter has, overall, quite straightforward and the new legislation goes a long way to fulfilling EU requirements in this respect, although the Framework Directive on Health and Safety at Work has yet to be satisfactorily transposed into national law (European Commission, 2010: 69).

Additionally, the law aimed at introducing greater flexibility in the Turkish labour market by establishing a legal basis for fixed- and part-time work. It provided for the average weekly (rather than daily) calculation of working hours and it permitted the establishment of private employment agencies (Ehmke, 2009: 120; Yildirim and Calis, 2008: 218). The law also set out new job security provisions and provided effective protection for those workers working in establishments of more than thirty employees (Yildirim and Calis, 2008: 219), whilst also setting up:

A Guarantee Fund for workers in the event of employer insolvency, transfer of undertakings and the employer’s obligation to inform employees of the establishment of a Tripartite Advisory Board... (Aybars and Tsarouhas, 2010: 755).

The decline in formal employment in recent years, with all the consequences this has in terms of social security coverage, the financial position of funds and social exclusion, is the headline story in the field of the labour market. The root causes of this phenomenon can be traced to the post-1980 measures encouraging flexibility in the labour market as well as the series of economic crises in the 1990s and early 2000s that boosted the attractiveness of informal employment (Boratav and Ozugurlu, 2006).
However, this is only one aspect of a bigger problem: the low employment levels of women; structural long-term unemployment, especially for the young and elderly; and very low employment levels for those with impairments (Aybars and Tsarouhas, 2010).

It is vital to note that the falling male employment rate is a relatively recent phenomenon in Turkey which really started to gather pace only after the end of the 1990s. Until that period, comparisons with EU-15 members in southern Europe do not reveal large discrepancies (Figure 1). Statistical alchemies may be playing a role here regarding who counts as formally employed, yet what stands out as more significant is the dramatic fall in male employment in Turkey in the late 1990s and the subsequent non-recovery.

**Figure 1 – Male employment as a percentage of working age people, selected countries**

![Graph showing male employment rates for selected countries](image)


The magnitude of the employment problem becomes clear when one considers Figure 2 on female employment rates. Even compared to laggard states among the EU-15, Turkey’s record on that front is both negative and worrying: negative, because of the low and falling rate of overall employment for women; and worrying, because of the durability of the phenomenon, despite the high growth in recent years. Overall, Turkey’s labour force participation rate stands at 48 per cent compared to 66 per cent in the EU-27 at the end of 2008 (Eurostat, 2009), while the equivalent female rates make for alarming news: a female employment rate of 59 per cent in the EU and only
25 per cent in Turkey (Eurofound, 2009: 23) means that the country faces a challenge of enormous proportions.

**Figure 2 – Female employment rate, selected countries, 1995-2007**


**Industrial relations and trade unions**

The decision to transform the Turkish economy towards an export-led model of development after 1980 affected industrial relations. The 1982 Constitution was particularly stringent with respect to trade union rights and freedoms, and shortcomings persist in this area in spite of the multiple constitutional amendments introduced ever since.

In 1983, a law on trade unions was passed according to which collective bargaining and the right to strike became subject to myriad administrative and judicial restrictions. Unions were able to conclude a collective agreement only at one establishment and, for multi-employer agreements to be valid, collective bargaining requirements would have to be met in all workplaces. This was a particularly tall order for unions to meet, considering that unions would have to represent more than one-half of all employees in a firm and ten per cent of all workers in the given sector (Yildirim and Calis, 2008: 216-17). The right to strike was granted, but in practice it was often restricted, despite the protestations of organisations such as the ILO, and did not extend to civil servants. The Cabinet, for instance, had the right to cancel a strike on grounds of ‘national security’ and ‘general health’. Finally, unions faced limits in their operation as they were obliged to seek notaries for membership, could not select their representatives autonomously and faced restrictions in their ability to impose membership fees (Engin, 2010).
A process of reform has been underway over the last decades and concrete steps forward have been taken by different governments. In 1995, an Economic and Social Council was set up through statute, but its implementation leaves much to be desired. It is not just a bipartite, or tripartite, body but includes many more interest groups and hampers an effective social dialogue. In 2001, a relevant law granted legal recognition to public service unions. However, civil servants did not gain the right to collective bargaining or to strike, despite a law being passed to address some of the concerns expressed by both the EU and the ILO on this issue. In 2003, Turkey ratified the ILO Conventions concerning freedom of association.

In 2010, a package of constitutional changes was introduced. Inter alia, the country’s constitutional charter now grants civil servants the right to collective bargaining and collective agreements. The provisions, approved in a referendum, removed the prior restrictions on one trade union at a single workplace at a single time and lifted those concerning there being one collective agreement at the same workplace at the same time. Moreover, a series of strike activities that used to be banned, such as solidarity strikes, are now legitimate (European Commission, 2010: 69).

Conclusion: future challenges and prospects

Turkey’s economic dynamism has strengthened the image of a young and increasingly prosperous country. Its middle class is expanding rapidly, consumerism is on the rise and the country’s new weight is reinforced through its diplomatic activism and regional significance. More than at any time in its recent history, Turkey is a confident country.

This article has sought to shed light on the less-discussed aspects of Turkey’s reality by focusing on its welfare state, the labour market and industrial relations. Looking at these one by one, I briefly evaluate each one below and discuss the outstanding challenges.

The Turkish welfare state has been reformed a number of times in recent years and the country’s political elite has used agreements with the IMF and its EU prospects to introduce far-reaching changes. Social security has become fiscally sustainable and efforts are underway to introduce a gender-neutral framework in social policy (Kilic, 2008). When it comes to healthcare, the country today enjoys reduced infant mortality rates and higher life expectancy levels than at any time before (Eurofound, 2003), while the informality of welfare provision reinforces the existing ties of solidarity. Moreover, healthcare reform introduces a degree of universalism in coverage that was previously absent.

Yet, to establish a well-functioning, equitable and efficient welfare state, Turkey has some way to go. Public social expenditure is just 11 per cent of GDP compared to an OECD average of 24 per cent (OECD, 2009c). Moreover, state benefits to the population remain few and far between, with only two per cent of the population receiving unemployment benefit and three per cent being in receipt of child benefit (Eurofound, 2003).

Perhaps even more important (as it can be assumed that such payments and overall spending will increase in line with growing prosperity) is the issue of jobless growth: despite a growing economy, and in contrast to the example set by countries in central
and eastern Europe, Turkey has achieved high GDP growth rates in the context of a stagnating employment rate (Albers, 2007: 274). The country suffers from a serious unemployment problem, especially in the urban economy (Buğra and Keyder, 2006), and skills shortages are reported in growing sectors of the economy.

The major challenge here is twofold: first, to integrate women in the labour market. Rising education levels see some of the large gaps in educational opportunities for men and women begin to narrow, but change is too slow and inadequate for millions of women. Secondly, it is imperative to reform the education system to encourage more vocational training and fill labour market shortages, thus also responding to the needs of millions of young people (half the population of 73 million is under the age of 35). The current 2.7 per cent expenditure on education is woefully inadequate, not least in comparison to the OECD average of 5.7 per cent (OECD, 2009a).

Finally, with regard to industrial relations and social dialogue practices, recent reforms have improved freedoms for trade unionists but have yet to set them on a par with what union colleagues in EU states currently experience. Despite the latest wave of reforms in 2010, the right to strike for civil servants has not been included in the changes (European Commission, 2010: 69). Moreover, restrictions on the functioning of trade unions mean that only about three per cent of the country’s working population, and a little more than twelve per cent of blue collar workers, are covered by collective agreements (Ehmke, 2009: 123). Social dialogue institutions such as the Economic and Social Council and the Tripartite Advisory Board have yet to function in a way conducive to their declared purpose (Yildirim and Calis, 2008: 224), while the influence of the state in their structures remains disproportionately large.

Next to the economic progress that the country has achieved in recent years stands the renewed interest in social policy triggered by the election of a new leader for the country’s main opposition party. His early programmatic statements suggest that social policy is likely to acquire a more prominent role in the country’s political discourse (Bozkurt, 2010). That would be a very welcome development, as it would focus policymakers’ minds on the big prize the country may earn by forming efficient, transparent and equitable social policy structures and social dialogue mechanisms.

References


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