

SOCIAL RESPONSES TO TURKEY'S RECENT ECONOMIC CRISES OF 2008-2010

Y. Pinar SOYKUT SARICA*

ABSTRACT

The objective of this article is to discuss how the labor market can respond to challenges facing enterprises and workers during the crisis as well as the key ingredients of overcoming the crisis. Responses may be both of a macro and micro character. Following some introductory remarks, micro-level decent responses are introduced first. This is followed by examining national (macro) responses to the crisis, including financial and fiscal policy measures, labor market initiatives and social dialogue. The need for, and possibility of, coordinating through mutual adjustment at the national level increase especially in times of crisis, as the stakeholders come to recognize the necessity for system-wide solutions. Also, achieving consensus and comprehensiveness become more possible at higher levels. Thus, in the final analysis, stimulating economic recovery is important in making labor market adjustments with a view to prevent social crises and promote social cohesion, but the importance of taking adequate firm-level (using the terminology of the International Labor Office) "decent", measures should not be overlooked either.

Key Words: Crisis, Labor Market, Employment, Flexibility, "Decent" Responses

* Associate Prof., Işık University, FEAS, Business Department, E-mail: pinar@isikun.edu.tr

ÖZET

TÜRKİYE'DE 2008-2010 YILLARI ARASINDA YAŞANAN EKONOMİK KRİZE KARŞI SOSYAL YANITLAR

Bu makalenin amacı, kriz dönemlerinde işgücü piyasasında işletmeler ve işçilerin karşılaştıkları sorunlara ne gibi çözümler aranabileceğini ve yaşanan krizin aşılmasına yönelik temel önlemlerin neler olabileceğini tartışmaktır. Geliştirilen tepkiler makro veya mikro karakterde olabilir. Kriz zamanlarında özellikle ihtiyaç duyulan ve ulusal düzeyde geliştirilen uyumlu ve koordineli çalışmalar önem kazanır. Sosyal paydaşlar bu gibi durumlarda geniş kapsamlı sistemli çözümler üretmenin gerekliliğini kabul etmektedir. Ayrıca, fikir birliğine varmak ve kapsayıcılık yüksek kademelerde daha kolay hale gelmektedir. Böylece, sosyal krizleri önlemek amacıyla işletmeler içinde ve dışında yeterli önlemleri alarak sosyal uyumu teşvik etmek ve işgücü piyasasında gerekli düzenlemeleri yapmak, ekonomik iyileşme sağlamak için önemli hale gelmektedir.

Makalede giriş bölümünün ardından, önce mikro düzeyde uygulanabilecek tepkiler tanıtılmaktadır. Daha sonra, kriz sırasında uygulanan işgücü piyasası girişimleri ve sosyal diyalog dahil olmak üzere finans ve maliye politikası önlemleri gibi ulusal (makro) yanıtlar incelenmektedir. Bu incelemede mikro-işletme düzeyinde alınabilecek (Uluslararası Çalışma Örgütü terminolojisi ile) daha "insana yaraşır" önlemlere de yer verilmiştir.

Anahtar Sözcükler: Kriz, İşgücü Piyasası, İstihdam, Esneklik, "İnsana Yaraşır" Tepkiler

INTRODUCTORY REMARKS

It is understood that the adverse effects of the last decade's crises which have hit hard several emerging economies as well as Turkey will be long lasting, thus depriving the economies of the opportunity to make quick and sustainable recoveries. This feature has brought the unemployment problem to the center of public consciousness. The lengthening of the time period during which any person had been out of work within the previous year has intensified the need to develop adequate responses to this concern. The crisis seems to intensify as a result of recurring cycles of recession, leading to the dominance of a mass depression with persistent unemployment as the critical problem. The social effects of the crisis in developing countries are exacerbated in particular by the absence of basic social protection networks for the majority of workers and small businesses. However, the crisis should also be taken as an opportunity to reinforce the value of protecting and respecting workers' rights. (Rychly, 2009: 25). In addition to macro

approaches to cope with crisis problems, this paper discusses also the importance of decent and humane responses to dealing with the unemployment problem. Certainly, stimulating economic recovery is important in making labor market adjustments with a view to prevent social crises. First, the government must manage to maintain consensus on economic policy essentials under the current challenging circumstances and accommodate demands for expansionary policies to counter the marked economic contraction, thus largely embedding them in a broader development strategy entailing higher public investment, job creation and sectoral reforms. Progress requires upgrading the country's human and physical capital, although the economic crisis continues to represent a challenge to this process.

Practical measures announced by some countries to help workers and employers are generally debated as part of their macro-level fiscal rescue efforts. Naturally special programs to assist displaced workers and retrenched employment should be intensified during a crisis. More specifically this article aims to examine in detail the tools for reducing the adverse impact of the crisis on workers and enterprises as well as the essential roles to be undertaken in achieving employment objectives and improvement of social protection. Moreover, the lessons of the past, i.e. avoiding counterproductive measures such as trade protectionism and generalized wage deflation, are debated in addition to the fiscal rescue efforts with a view to help workers and employers. In pursuing this agenda, the article does not attempt to gauge how the crisis occurs in ways that deteriorate the present social and business life nor how the crisis would be anticipated when statements or other evidence reveal the inadequacy of existing resources.

Suffice it to say that the crisis, together with a host of domestic problems, has left Turkey and other countries with pressing social problems as a result of which workers tend to see themselves as the losers or the cost bearers. The crisis has affected adversely almost all sectors of the economy. The industry was particularly hit by a large fall in domestic and mainly in external demand, including demand for cars and electrical appliances. On the demand side, private consumption and particularly private investment were affected severely by the crisis. Unemployment increased significantly. In a difficult economic environment, the structural reform process has somewhat decelerated, in particular in the first half of 2009. The absence of credible fiscal plans and anchors added some uncertainty to the investment climate. (Sonmez, 2010: 57).

It is inevitable, however, that crises are often necessary to bring about basic changes in planning and decision making in industrial settings. "Crisis is composed of 2 characters, one representing danger, and the other opportunity." (Bryson, 1981: 181; Alinsky, 1971). Expert goes on to argue that reciprocal interdependence is best coordinated by mutual adjustment, in which all relevant parties interact with one another. (Thompson, 1967: 54-56). An example would be the comprehensive planning process at the local level where various governmental

divisions, political leaders, and citizens' groups interact to create a comprehensive plan. A crisis tends to increase the possibility of consensus at tripartite parties by changing the nature of perceived costs and benefits of any proposed action. When the actors of society have felt the perceptions of danger, their relationships with one another have been altered. This altering of constraints broadens "opportunity spaces" for governmental planning and activities.

It should be noted that, while almost all the studies which aim to explore responses to deal with unemployment resulting from crisis situations have focused on macro-economic measures, this paper attempts to contribute to this issue by inquiring also the applicability of micro-level employer initiatives through the various flexibility provisions foreseen by Turkey's new Labor Act of 2003 (no. 4857).

1. The Story of the Recent Crisis and Implications for Turkey

During financial crises governments try to stimulate their economies generally in ways that overcome the credit crunch resulting from the insolvency of banks or their reluctance to lend money at such an uncertain time. At present the crisis seems to spread worldwide through international linkages. Especially, export-led economies are negatively affected by the scarcity of trade financing. Export oriented activities particularly tourism and commodity sectors are suffering from falling world demand and declining prices. Some trade prices, notably for oil and other commodities, have declined significantly as a result of the recession. Remittances also fall, impacting the economic security of households around the globe.

When we look at the falling growth rate of world economy from the point of global trends, trade liberalization affects labor demand in Turkey. First, the more open the economy is, the more it is going to be exposed to external shocks. Hence, one would expect that shocks become more frequent, and their magnitudes are larger in open economies. Second, the increased competition coming from foreign firms operating in product markets as well as from domestic firms forces them in an open economy to increase the speed of adjustment in order to minimize the costs and to increase profits. As a result, developing countries will suffer due to the contraction of credit and demand brought on by the crisis. It is also assumed that the increased competition due to the entrance of foreign firms forces firms in an open economy to increase the speed of adjustment in order to minimize their costs and to increase profits. These pressures have weakened mostly the economies of poor countries that are dependent on commodity exports, such as the Turkish economy whose exports depend mostly on Central Europe which fell to minus 4.1 in 2009. A picture of the current level of the financial crisis have made attrition in the investments relative to the GDP of Turkey; while it was 23.5 percent in 2008, it fell to 19.9 in 2009. The decline has affected private sector investments considerably. The economic crisis complicated the access of SMEs to financial

sources and slowed down the sectoral transformation of the Turkish economy; thus various new initiatives to be launched by the Turkish government are required. One would expect labor market elasticity to become higher after crises. During 2009 Turkey's unemployment rate rose to 14 percent which was 11 percent in 2008. Furthermore, differences between the official unemployment rate and real unemployment rate exist in Turkey. Real unemployment rate had reached 21 percent in 2009 which was 18.4 percent in 2008. Furthermore the social effects of the crisis in developing countries are exacerbated by the fact that majority of workers and small businesses do not have access to basic social security. Thus quick action, including interest rate cuts, was essential; interest rate was cut to 11.5 percent in February, 2009, International Institute for Labor Studies (IILS).

The inevitable result of the spreading crisis is that consumers and investors lack confidence and try to save rather than spend. This affects firm's prospects for growth and leads to job losses. The latest crisis also plunged the growth rate of Turkish economy to minus 0.7 percent in 2008 from minus 4.7 percent in 2009 before a revival to plus 5.2 percent in 2010, while wage and salary increase rate was 1.1 percent in 2008 from 1.4 percent in 2009. Generalized wage deflation to protect individual economies would aggravate the crisis even more than a wave of competitive devaluations. Avoiding wage deflation through coordinated systems of collective bargaining and protecting workers' rights would not only provide adequate support to victims of the crisis but also pave the way for a more sustainable economy. But both the number of collective agreements and workers covered by them have declined over the years since 1990. In order to cope with the crisis, firms have employed fewer workers' but still have remained productive in Turkey. (Sonmez, 2010: 59). In the opinion of the European Commission the progress made towards meeting the economic criteria for accession, that is, "the earlier regulatory and supervisory reforms launched in Turkey are paying off and a full-fledged financial crisis has been avoided so far".

2. Employment Dimension of the Crisis Agenda of Turkey

A significant contributor to the crisis is where global imbalances come in as decent work inequalities force to downsize labor in many organizations. (Hepple and Brown, 2006: 58). He referred to export oriented sectors, which in many developing countries are the major providers of formal jobs, stating the prospect of their rapidly being adversely affected by shrinking world markets. The impact of the crisis on labor markets go beyond job losses. The incidence of informal employment and poverty will necessarily rise. Social hardship is heightened in developing countries where social protection is often limited. (Berg and Kucera, 2008: 38). The result is that millions of workers will be left without adequate support. It is also an obstacle to the achievement of objectives set out in the EU Employment Strategy. After economic recovery is constructed, labor market tends

to recover in four to five years, as lessons from past financial crises have taught us. (Betcherman and Islam, 2001).

2.1. Firm-Level Responses of the Crisis in Turkey

Responses to the crisis at the firm level are dealt with in three basic ways of labor market strategies in Turkey. The first strategy entails permanent work force reductions either due to plant closures or permanent layoffs. Second category of measures announced by firms as responses of a rather decent character (i.e. redistributing supply to areas of demand by retraining and transfers or incentives to early retirement) is generally implemented less relative to other strategies. Unfortunately, programs of retraining and transfers are not implemented much during the crisis periods. Finally, some strategies favor more decent responses such as retention of surplus workers with accompanying cost-saving measures, temporary shutdowns, temporary layoffs, reduced work week, work-sharing and cutting or freezing pay and/or benefits. Firm level measures on the other hand, are more conducive to "decent" employer responses to the crisis as flexibility measures are more likely to fall into this category.

Drastic measures such as plant closures and permanent-layoffs are usually not preferred, yet when they are called on, they affect thousands of workers; such measures are usually taken in response to reductions in product demand which make continued operation impractical or impossible. While planning seeks to avoid drastic solutions, sometimes they become inevitable. Planning does make it possible, however, for management to give workers legal advance notice of closures or layoffs. Another alternative is letting the work force shrink by offering incentives to early retirement. These are emergency responses, aiming to avoid problems of crises. Offering incentives to early retirement is a fairly recent solution to decrease labor costs. They are viewed by many as a humane alternative to layoffs. However they sometimes result in the loss of employees the company would like to retain.

Cost-saving measures include temporary shutdowns, temporary layoffs, reduced work week, work-sharing programs, and cuts or freezes in pay. Under a reduced work week, employees work fewer hours and receive reduced pay, receiving unemployment insurance benefits for hours not worked, means short time work. Turkish firms experienced de facto work-sharing between 1994 and 2000 crises, and then reintroduced the program in 2009, in line with the flexibility measures of the 2003 Labor Act, in the face of a substantial increase in unemployment.

In times of economic crisis, work sharing is based on the reduction of working time, which is intended to spread a reduced volume of work over the same or similar number of workers in order to avoid layoffs or, alternatively, as a measure intended to create new employment. (Messenger and Rodriguez, 2010: 2). It enables employers to retain skilled employees and avoid the costly process of

recruiting and training new employees when business returns to normal levels and helps employees maintain their skills and jobs by supplementing their wages with Unemployment Insurance Benefits for the days they do not work¹.

There was a notable tendency, following the shocks of the recent crisis in Turkey to make more use of the provisions on "short-time work" in which both the duration and amount of short time work benefits were increased by an amendment in 2009. This amendment made it possible for many firms to make use of short-time work extensively and led to the protection of thousands of jobs. (MESS Employer Gazette, No. 844. 2010:4). But it is difficult to estimate the employment creating effects of other flexibility provisions due to the obfuscating impact of increased unemployment resulting from the recent crisis. Short-time work foreseen by the Labor Act no. 4857 as one of the nonstandard working arrangements which was later incorporated into Act no. 4447 aims to avoid the need to dismiss workers in cases of economic crisis or *force majeure* by shortening the working time which in turn enables the workers to share the available work among them. Thus, though job sharing has not been regulated in the Labor Act as a special working pattern, it (job sharing) may be executed in those situations where the weekly working time is either considerably shortened or operations are suspended partially or temporarily by the employer due to a general economic crisis or *force majeure*. As the annex article of Act no.4447 provides, the employer who decides to temporarily suspend work wholly or partially in his establishment due to said reasons must communicate this matter, along with the reasons, immediately to Is-Kur, to the union signatory to the collective agreement, if there is one, as well as to the Ministry of Labor and Social Security which will then evaluate the compatibility of the request to the conditions required for short-time work. During short-time work employees shall have access to "short-time work benefits" provided by the Unemployment Insurance Fund².

Short-time work should be understood as reduction of working time at a ratio of at least one third of normal working time. Short time work shall not exceed the period during which force majeure was effective and in any case three months. In order to have the right to insurance benefits for short time work, the employee must meet the conditions required for entitlement to unemployment benefits both in terms of his length of employment and the number of days for which

¹ International Labor Organization (ILO) (2010) "Conditions of Work and Employment Programme"[<http://www.ilo.org/public/english/protection/condtrav/pdf/polbrief2.pdf>] (Erişim Tarihi: 22.08.2010)

² Article 65, later incorporated into the Unemployment Insurance Act into Act no. 5763, dated 15 May 2008, Official Gazette 26 May 2008, and no. 26887.

unemployment insurance contributions should have been paid.³ (Dereli, 2006: 125-126).

Several stimulus packages have placed emphasis on the viability of large firms around the world in 2009, especially in the financial and automotive sectors which are also the leading sectors in Turkey. However Turkey did not announce a fiscal stimulus package however Turkey was in the process of receiving IMF aid as part of the crisis resolution tools. The alternative used to mentioned above, i.e. cutting or freezing pay in order to avoid layoffs, was debated in Turkish auto and textile industries. Since then it has been used in a number of Turkish companies, which cut pay to managerial employees and withheld salaries of other personnel. Another factor affecting choice of a planning strategy is expected duration of the change in demand. If the change is only temporary, temporary solutions often suffice. In some cases, with a view to avoiding layoffs, employers who faced financial difficulties assigned some of their staff to employers of related companies. Temporary work agencies are not yet legalized in Turkey though in practice they exist and function on a de facto basis, but only "staff leasing" is permitted under Article 7 of the Labor Act. According to Article 7 of Act no.4857, temporary employment, based on a triangular relationship involving the temporary transfer of employees to other establishments within the structure of a holding company or the same group of companies, generally, meets the needs of related companies for skilled labor or for undertaking joint projects⁴. In this triangular relationship, while the employment contract between the transferor and employee subsists, the employee is obliged to perform the work for the transferee (user) employer. Work was under way in order to legalize temporary work agencies in Turkey. (Dereli, 2006: 99). Trade unions reacted strongly to the proposed law. Finally, by inserting 7/A into the Labor Act (no. 4857), Article 1 of the Act of 26 June 2009, no. 5920 amending the Labor Act, Unemployment Insurance Act, Social Insurance Act, permitted temporary agency work on a professional basis with a view to further increase flexibility and to encourage employment creation. But article 1 of this Act was vetoed by the President mainly on grounds of the alleged void concerning the principle of "equal treatment" in the said Article. Thus the proposed Article 1 dealing with private temporary agency work was sent back to the Parliament by the President in July 2009 for further discussion and revisions to be made in accordance with the stipulations foreseen by the relevant EU Directive. Presently the said law is pending on the agenda of the Parliament.

³ In the event of unemployment benefits shall commence after the lapse of the one-week foreseen in Article 24 and Article 40 of the Labor Act.

⁴ For another study with similar conclusions, see "The Implementation of Flexible Work Provisions in the Labor Act, F. Hendrickx and K. Sengers, "Flexibilisation and Modernization of the Turkish Labor Markets," Kluwer Law International, 2006.

During a crisis, special programs to assist displaced or retrenched workers should be intensified. Since the *acquis communautaire* includes instruments on flexible work, Turkey, while preparing itself for accession to the EU, has to take measures to increase flexibility. Act no. 4857 has regulated various other forms of flexible work. For instance Article 14, has brought the concept of “work on call” as a special version of part-time work. It foresees the performance of work by the employee upon the emergence of a need for his services. Other forms of flexibility are “compressed work week” (Article 63), “compensatory work” (Article 64), “short-time work and its pay” (Article 65, later incorporated into the Unemployment Insurance Act) and “flexitime” (Article 67)⁵. Surprise changes in the supply-demand equation for labor are costly to both employer and employee. Without ample lead time, an organization has a limited number of responses available. Measures can certainly be handled more effectively if an organization has sufficient lead time to prepare for them.

One should note, however, that most of the other flexible work patterns envisaged by the new Labor Act, such as work on call, job sharing, internal transfers, compensatory work and compressed work week, have not yet proven to be so effective in practice.⁶ Among the reasons for this failure, one could cite the following; as the applicability of most flexibility provisions has been predicated on the approval of the worker, the initial reluctance of labor unions to give their approval to such a typical types of work in major collective agreements; the fear of the unknown felt by workers as well as by labor unions; and labor unions' general opposition to flexible employment. Thus, the enforceability of flexible work is not based solely on the employers' initiative. The employer can implement them only by incorporating these new labor law provisions into employment contracts of new workers or into the written rules of work at his workplace, or by making essential alterations in employment conditions, a procedure which in Article 22 of the Labor Act requires additional formalities which may lead, in some cases, to dismissals.

2.2. Macro Dimensions of the Crisis in Turkey

The job losses stemming from the crisis have only just begun, so the full extent of the impact on labor markets may not be felt for some time in Turkey. Job losses have been contained to some extent due to recourse to shorter hours together with payment of partial unemployment benefits. However, job losses lead to rises in the long term unemployment and increase labor market informalization by movement

⁵ For detailed, see Turkey's 2003 Labor Act, T. Dereli, “ILO Benefits of Freedom of Association for Development,” at the Turin Conference, on July 22-23, 2010.

⁶ Dereli (2010), The New Labor Act of Turkey, “ILO Benefits of Freedom of Association for Development,” presented at the Turin Conference, on July 22-23, 2010.

from formal to informal jobs. (Betcherman and Islam, 2001). The reality is that in many emerging and developing countries, the majority of workers do not benefit from to basic social security coverage, including unemployment benefits. This is due mainly to the fact that most employment is in the informal economy. The effect of this lack of support is the rising of the threshold for the formal market. Perhaps the basic underlying factor is the predominance of employment with low added value. Therefore there is a need for more productive and qualified employment to deal with this problem. Countries have attempted to address the crisis mainly through the adoption of massive financial rescue measures and the announcement of fiscal stimulus packages cutting taxes and boosting spending. Supporting the economic recovery first by macro level packages is important in trying to social crises and to promote social cohesion.

Export-led strategy of Turkey has increased the use of subcontracting firms in order to reduce production costs considerably. In addition, the wage increases amongst skilled and unskilled workers led to growth of the informal market. Currently unregistered work compromise about 50 percent of total employment in Turkey. According to (Kumlu, President of Turk-İş, 2009), the crisis and diffusion of flexible working conditions put an upward pressure on the size of working child labor in the informal economy. The study of Uysal and Darbaz (2008)⁷ figured out that 320 thousand children were presently working in 2006, of whom 125 thousand did not continue their education, and approximately 30 thousand of them had never gone to school. The International Labor Office (ILO) has warned that efforts to eliminate the worst forms of child labor are slowing down and called for a “re-energized” global campaign to end the practice.⁸ Turkey was selected as a pilot country to deal with the theme of Employment Promotion and Addressing Unregistered Employment⁹ based on the ILO Resolution adopted in June 2002. Initially Corum and Gaziantep were selected as pilot provinces to which in 2005¹⁰ Bursa was also added under the support of the European Union. High levels of unemployment push workers to the informal sector characterized by low wages, workplace hazards and lack of health, disability or unemployment insurance as well as an uncertain future with denial of pension rights. This project was successful in bringing together all relevant actors under a broad and inclusive

⁷ Child Labor Survey, 2006 / Turkey Date 6/2008, IPEC/HQ

⁸ International Labor Organization (ILO) (2008) " International Programme on the Elimination of Child Labor (IPEC)" {<http://www.ilo.org/ipec/lang--en/index.htm>} (Erişim tarihi: 11.07.2010)

⁹ KADIM Project Official Gazette, No 26309

¹⁰ Dereli (2010) proposed similar measures in another study with similar results; see “Social Dialogue as A Tool to Address the Informal Economy in Turkey, T. Dereli, “ILO Benefits of Freedom of Association for Development,” ILO, 2010.

social dialogue to reduce the prevalence of unregistered employment in Gaziantep, Corum and Bursa.

The social partners (Turkey and EU) as well as the key agencies have a common interest in tackling the informal economy. The Turkish Employment Organization (Is-Kur) and its advisory body, provincial employment boards, have also proved to be valuable partners, providing a forum for tripartite meetings. As stated in the European Commission Treaty, one of the objectives of the EU is to reach a high level of employment. Recognizing that the rate of unionization in Turkey is low and that unregistered work is concentrated in sectors where employers' and workers' organizations are weakly represented, communication and collaboration with other institutions, i.e. chambers of commerce, small business associations, universities and local media, represent important components of the proposed joint action plans in this project. In line with the Lisbon strategy, the European Employment Guidelines¹¹ adopted since 2005 are integrated with the macroeconomic and microeconomic policies. In accordance with the Lisbon Strategy for Growth and Jobs, the Joint Assessment of Employment Policy Priorities (JAP)¹² helps candidate countries to reform their employment systems. The Commission points out that Turkey should accelerate its efforts to develop a national employment policy in line with the European Employment Strategy. At present the Turkish government is working on a National Employment Strategy Document. A committee for this purpose was shaped at the meeting of the Economic Coordination Council in June 2010. The proposed document points out that Turkey must strive for higher employment rates and target the low level of disadvantaged people, youth and female unemployment as a beginning. In addition to the problem of official unemployment, the extent of the informal economy also remains to be a concern. Turkey should take the necessary steps to enhance the administrative capacity of the Social Security System, and the Turkish Employment

¹¹ European Employment Strategy Guidelines: “-Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion. -Promote a lifecycle approach to work -Ensure inclusive labor markets for job-seekers and disadvantaged people -Improve matching of labor market needs -Promote flexibility combined with employment security and reduce labor market segmentation -Ensure employment-friendly wage and other labor cost developments - Expand and improve investment in human capital. -Adapt education and training systems in response to new competence requirements.”
ec.europa.eu/employment_social/.../guidelines_en.htm

¹² JAP unites the Commission, national governments, trade unions, and other social partners for the following common goals: improving work conditions, increasing employment, developing workers' skills, establishing a well-functioning labor market, and ensuring competitiveness and sustained economic growth. JAP requires countries to develop a strategic approach for employment policy, addressing their specific employment challenges in line with EU policies and practices.

Organization should take flexibilization measures in the labor market as well as establish better linkage between education and the labor market.

9th National Development Plan (NDP) covering the 2007-2013 period is the main policy document of Turkey identifying priorities in economic, social and cultural fields. The priorities of the NDP relevant to HRD-OP¹³ (Human Resources Development Operational Programme) are as follows. The HRD-OP supports the aims of “increasing employment” under its first priority axis by means of special measures which include improving public employment services, increasing female participation and employment, decreasing young unemployment and promoting registered employment. It aims to improve the employability of the target groups and strengthen the capacity of public employment services. Establishing a better linkage between education and labor market aims to improve school enrolment rates especially for girls, thus enabling them to be more qualified. It is placed under the second priority axis. Improvements in income distribution and the efficiency of the Social Security System are placed under the third axis. The Life Long Learning¹⁴ (LLL) and Adaptability serves this aim by promoting LLL through the development of the skills and competencies through formal education for the labor market. Sectoral strategy document on human resources is the HRD Study a project output proposed in the EU supported Active Labor Market Programmes (ALMP) Project implemented by Is-Kur which has started in October 2003. The project founded by EU, with 10 million Euros contributions from the Turkish Government; has a total budget of 50 million Euros. ALM has helped universities and local administrations to deliver vocational training, retraining and entrepreneurship courses for target groups. One of the most effective means of combating informal economy is the education and awareness raising of the uneducated and unskilled labor force (Toka, 2005:98). Public and private sectors have started various programmes which will inevitably contribute to this process. Programmes by the public sector through non- formal education and training activities are mostly carried out under the Ministry of National Education (MoNE). For the strengthening of cooperation in Vocational Education Training (VET), some projects are implemented with the cooperation between MoNE and relevant sector and industrial institutions. Aim of these projects is to provide education and training in the new fields of occupations and to upgrade the existing departments. As regards informal education, MoNE has organized vocational courses with various municipalities and employer organizations (such as TUSIAD, MUSIAD, TESK). Turkish government has launched

¹³ Human Resources Development Operational Programme, Ministry of Labor and Social Security Republic of Turkey. The HRD-OP axes on “increasing employment” and “strengthening the human capital and social solidarity” are particularly relevant for the HRD-OP as they define the overall national frameworks on human resources policies. The NDP aims to – improve labor market conditions- establish linkage between education and labor market – and develop policies.

¹⁴ 30 October 2000, EU prepared a “Memorandum on Life Long Learning in Brussels.

an extensive cooperation with the EU within the field of VET in order to strengthen Turkey's VET system. Another programme is carried out under Is-Kur affiliated to the Ministry of Labor and Social Security. Is-Kur¹⁵ offers various training activities to the unemployed, women, young workers, disabled people and ex-convicts. There are market oriented courses leading to the acquisition of specific skills. Some educational activities offered to unemployed people also involve a job-guarantee. It depends on whether the trainees complete the course successfully. These courses are offered in agreement with a private agency and accordingly the agency is expected to place at least 60% of the trainees to suitable jobs. The Small and Medium Industry Development Organization (KOSGEB) does provide training and development services for its members. Besides, there are widespread training programmes prepared and offered by trade unions to their members. These tools for reducing the impact of the crisis on all workers, communities and enterprises demonstrate the wide range of possible responses by enterprises, communities and workers to economic downturns on reducing potential job losses. Targeting temporarily laid-off workers can be very efficient, since workers with firm-specific training are often expected to return to work at the same firm (or sector) when the business climate improves. This may mean allocating additional resources to public employment services. Moreover, flexibilisation contributes under the new Labor Act to modernization of the Turkish labor market, as it has to increase the participation of women in work and to reduce the size of the huge informal labor market.

2.2.1. Macro Agenda of the Crisis: In General and in Turkey

In the presence of a crisis, consensus of the parties is difficult to achieve. Still many more proposed changes of a macro nature can be seen as beneficial measures to the system, particularly since extraordinary costs are likely to be borne by everyone if at least some basic changes are to be made. However, overcoming problems is difficult as they involve multiple, conflicting and often difficult to define objectives. Any financial crisis has serious consequences on the entire real economy which depends so vitally on financial markets in order to grow and create jobs. The G-20 commitment at the meeting in Washington in November 2008 has taken action plans as key determinants of decent work and agreed on the importance of coordinating macro-economic policies. Economic Recovery Plan was approved by the European Council in 2008 (involving 200 billion Euros) which aims to boost demand through joint fiscal stimulus action as well as temporary support for the unemployed through cash transfers and extension of unemployment benefits.

¹⁵ A regulation in 1988 on labor force training, ISKUR started to implement active employment programmes.

"Decent work" represents a primary goal of ILO. It is a global demand today, confronting political and business leadership worldwide and shared by people, families and communities in every society. It seeks to create unity of purpose among governments, workers and employers. Fortunately, new quality of life employment programs set up by the ILO are providing a political impetus for improved data analysis and policymaking in the countries concerned. The motto of the program is the "right to earn a living" for labor force and it sums up the aspirations for opportunity and income; rights, voice and recognition; personal development and gender equality. Measures are best implemented through social dialogue at the national level, but greater cooperation at the international level can also have usually reinforcing benefits; thus the need for a pact arises.

The global jobs pact in which Turkey is not involved seeks to support economic recovery through decent work and friendly policies and reduce the risk that the crisis spreads further across countries. It is also providing credit lines and direct access of small businesses to government loans until demand is restored. The ILO's Small Enterprise Development Programme provides policy advice and support to SME's in clusters and value chains, particularly those with job creation potential, to improve quality and productivity by enhancing good workplace practices and management-labor collaboration; they take advantage of new opportunities that arise from public investments in infrastructure, construction and housing. Some countries have announced explicit measures to help workers and employers as part of their fiscal rescue efforts. In most cases, entrepreneurship begins within SME's this is also the case in Turkey. However, although they have links with the formal market, a considerable number of SME's in Turkey operate in the informal market. The Confederation of Turkish trades and craftsmen TESK informed that SME's face several problems which prevent them from becoming part of the formal market. The financial burden caused by tax payments and social security contributions is the major problem faced. Capital injections by the Turkish government would help alleviate the problems of the SME's.

Hence, supporting the existing jobs through encouraging firms to use shorter working hours, partial unemployment benefits and training to, reduce labor taxes on low wage employment and as well as to enhance social protection through well designed programs can support aggregate demand with consistent work incentives. For job losers and new entrants who do not find jobs, granting at least minimal unemployment benefits or employment guarantees for those not able to access income support implementing; active labor market programs and training administered through solid, well-resourced public employment services as well as specific programs and approaches to vulnerable groups, notably women and youth are measures that help. In addition, ILO has proposed to enhance financial space and technical support to developing countries in times of crisis through the creation of global jobs fund. Employment guarantees are another employment-intensive measure which, as experience from earlier crises shows, can be

especially cost-effective in the face of the crisis - if well-designed and targeted to increasing labor force participation and reducing extreme poverty. To be successful, employment-intensive investments need to go hand-in hand with efforts to promote skills development." The conclusions of the 2008 International Labor Conference discussions on skills for improved productivity, employment growth and development can help in this regard. They aim to facilitate the use of active labor market programmes in order to make adjustment of individuals to changing labor market conditions. Such programs can take many forms, including job-search assistance and monitoring, personalized action plans for jobseekers, training, and targeted programs for disadvantaged groups. They help to improve labor market mobility and enhance employment. Similarly, in Turkey, Turkish Confederation of Employers Associations (TISK) and its affiliates have provided various training courses for the workers. Cooperation between trade unions and employers has led to a considerable boost for vocational training at the sectoral level, bringing benefits for workers and businesses alike. (Toka, 2005: 109). A good example for the benefits of this sort of cooperation is the joint training project between MESS (Metal Employers' Association of Turkey) and Turk Metal (Metal Workers' Union of Turkey).

The ILO's Employment Intensive Investment Program works with governments, employers' and workers' organizations, private sector and community associations in orienting infrastructure investments towards the creation of higher levels of productive employment. Labor-based technologies provide several benefits for Turkey, they are less costly than more equipment-intensive options; foreign exchange requirements are reduced and direct employment opportunities are created for the same investment which has played a vital role in dealing with job creation and poverty reduction in rural and urban areas of Turkey. As the crisis unfolds, the risks that individuals around the world are facing are exacerbated by limited access to social security schemes and social safety nets. "Well-designed social policies can alleviate the consequences of the crisis in the short run ... Moreover, supporting low-income groups, which typically have a high propensity to consume, would help stimulate aggregate demand and restore confidence". (Lee, 1998: 54).

Social dialogue plays an essential role in protecting rights and achieving employment objectives ... More recently, in 2002, the International Labor Conference adopted a resolution concerning tripartism and social dialogue, recognizing that social dialogue plays an essential role in the achievement of employment objectives and the improvement of social protection. Social dialogue can be instrumental in adopting effective, concrete policy responses by helping to improve the design of reforms, and it can help to bolster support for reforms in

general¹⁶. (Rychly, 2009:30). At the Eighth European Regional Meeting of the ILO (Lisbon, February 2009), participants emphasized the significance of social dialogue as a key means of developing strategies to counter the recession and secure the commitment of governments, employers and unions for the implementation of the relevant strategies. The social partners and local governments in Turkey have agreed on a series of policy recommendations which envisage recommendations developed by the ILO and tripartite constituents and based on their experiences. "Lessons learned from the project were outlined in a working paper and presented at the final conference in 2007. These included (a) promoting social dialogue, including sectoral dialogue, as a method for addressing a wide range of economic and social issues, (b) creating decent job opportunities, (c) improving governance which also called for the strengthening of Is-Kur and the labor inspection services, reform in labor legislation and the need to regulate private employment services and temporary work agencies, (d) promoting entrepreneurship and fair competition, (e) combating poverty and (e) raising awareness and understanding". (Dereli, 2010:17).

CONCLUDING REMARKS

Various measures were designed in Turkey to complement enforcement mechanisms and regulations with targeted action, including the promotion of active labor market policies, the identification and reduction of barriers to formalization and the raising of public awareness. Developing countries as well as Turkey face a number of challenges in designing national occupational and training standards. They need to select alternatives that are appropriate for local conditions as well as to reflect the availability of resources to sustain the system. In response to those challenges, new methods for occupational analysis are being developed; attention has shifted from analyzing discrete job tasks to the analysis of broader occupational competencies. The purpose of "occupational competency" is to build a competent workforce through emphasizing development of human capital; adopted measures must improve wages and the economic status of workers who will be able to engage more fully in civil society. Micro approaches like the redistribution of workers at the firm level, is a possibility if surpluses exist in some areas but not in others. But this option requires advance planning since displaced workers often must acquire new skills in order to be useful in areas where surpluses exist; qualified and interested employees must be trained in new

¹⁶ Social dialogue mechanisms and processes, as outlined in the Tripartite Consultation (International Labor Standards) Convention, 1976 (No. 144), and the Tripartite Consultation (Activities of the International Labor Organization) Recommendation, 1976 (No. 152), as well as in the Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113). Declaration, need to be part of the strategy in Turkey, tripartite consultation board...

capacities and equipped for second careers in the company. The creation of dynamic labor markets which increase flexibility by removing existing rigidities is generally seen as contributing to economic and employment growth. Workers' and labor unions' reluctance to agree to flexibility measures is likely to weaken in the course of time, as expectations from flexibility seem to centre on creating employment (and thus reducing unemployment), increasing the adaptability of enterprises, social inclusion of marginal groups, in the labor market and combating undeclared work. In fact the integrated approach proposed herein to tackle unemployment problems, thereby involving certain job-based, micro-level methods in addition to the more traditional macro methods, may be seen as the unique emphasis of this article.

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