

**UNEMPLOYMENT INSURANCE APPLICATION: COMPARATIVE EXAMPLES OF TURKEY AND GERMANY****Doç. Dr. Özgür SARI\***, [sosyologozgur@gmail.com](mailto:sosyologozgur@gmail.com)**DOI:** 10.47525/ulasbid.815680**Abstract**

After the 1980s, with the domination of neo-liberal policies and global capitalism, the decline of the social state and the widespread use of flexible working conditions made unemployment chronic and weakened the safeguards in business life. One of the various social policies implemented in combating unemployment is unemployment insurance. Since 1999, the unemployment insurance is being implemented in Turkey, it is considered in this study. It has been compared with the unemployment insurance application of Germany, which is one of the few examples in the world in social policy implementation and is seen as the castle of the social state. Beside the process of Turkey's application for EU, unemployment insurance application of Turkey and Germany, which is the leading locomotive economy of the EU was analysed around the differences between them.

**Keywords:** Unemployment, Unemployment Insurance, Social Policy**İŞSİZLİK SİGORTASI UYGULAMASI: KARŞILAŞTIRMALI TÜRKİYE VE ALMANYA ÖRNEKLERİ****Özet**

1980'ler sonrasında neo liberal politikaların ve küresel kapitalizmin egemen olması ile sosyal devletin düşüşe geçmesi ve esnek çalışma koşullarının yaygınlaşması, işsizliği kronik hale getirmiş ve iş yaşamındaki güvenceleri örselemiştir. İşsizlikle mücadele konusunda uygulanmakta olan çeşitli sosyal politikalardan bir tanesi de işsizlik sigortası uygulamasıdır. 1999 yılından itibaren Türkiye'de uygulanmakta olan işsizlik sigortası, bu çalışmada ele alınmıştır. Sosyal politika uygulamada dünyanın sayılı örneklerinden olan ve sosyal devletin kalesi olarak görülen Almanya'nın işsizlik sigortası uygulaması ile karşılaştırılmıştır. AB üyelik süreci yaşayan Türkiye'nin işsizlik sigortası uygulaması ile AB'nin lokomotif ve lideri olan Almanya'nın işsizlik sigortası uygulaması arasındaki farklar analiz edilmiştir.

**Anahtar Kelimeler:** İşsizlik, İşsizlik Sigortası, Sosyal Politika

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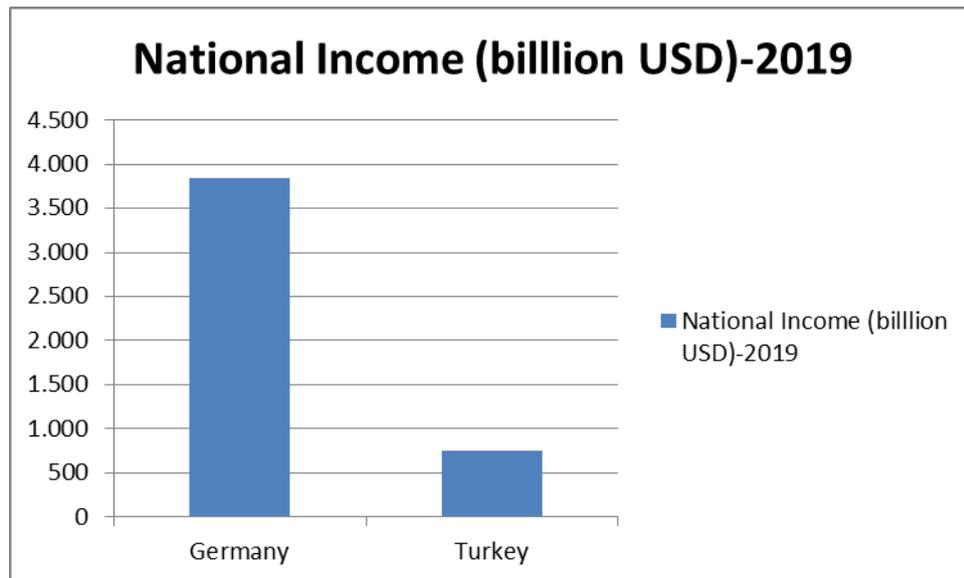
## Introduction: Unemployment as the Risk of the Millennium

Today, the biggest risk for the salaried working people in the labour market is unemployment. After the 1980s, flexible and insecure working conditions brought about by global capitalism and neo-liberal policies enabled unemployment to be seen in all segments and professions. Today, unemployment is a risk in all sectors. Even shrinking of public sectors and declining of social states led to flexible and insecure work of public sector employees. Even civil servants working in the public sector shifting to contractual and performance-based working life shows how widespread the risk of unemployment and insecurity has become.

Unemployment does not only have negative effects at the individual level, it is also a major disadvantage for national economies. High unemployment rates indicate that a significant portion of the population does not contribute to the national economy. This situation indicates that the national economy is in low productivity. A population that consumes instead of producing, lives dependent and does not pay taxes is a disadvantage for countries.

This study emphasizes on a comparison of two countries, Turkey and Germany, in regards to unemployment insurance policies by looking at the procedures and legality on unemployment insurance. The reason for choosing Germany is that Germany is one of the locomotive countries of the social welfare states and as leading country of the EU. Turkey, as a candidate for EU membership, has too many lessons to learn from the Germany case.

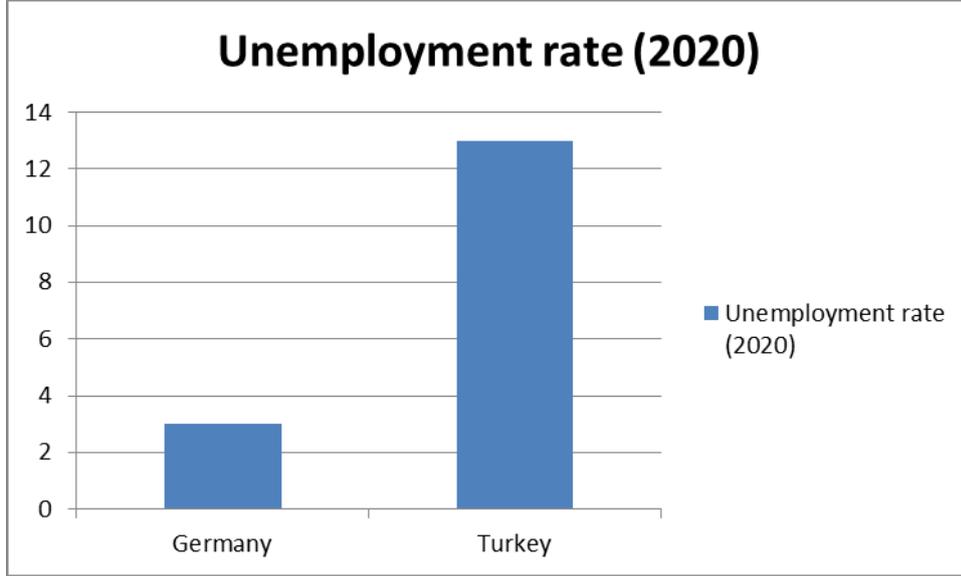
In this study, the method of description was used as a method. Thought literature review and statistical data analysis, Germany and Turkey has been described and compared as cases.



Ref: <https://data.worldbank.org/indicator/> , 10.10.2020.

The main limitation of the study is the huge gap in between the development levels of Germany and Turkey. Germany as one the most developed industrial countries of the world, has a great national

income and budget to supply the welfare state expenditures and unemployment insurance compared to the lower income level of Turkey. Germany has 3845 billion USD GDP while Turkey has only 754 billion USD in 2019. According to unemployment rate, again Germany has advantaged position with 3% rate compared to Turkey's 13% unemployment rate in 2020.



Ref: <https://data.worldbank.org/indicator/> , 10.10.2020.

The definition of unemployment is basically the fact that the person does not find a job despite seeking a job at the current wage in the market, although s/he has the will and ability to work (Taş, 2016: 29). On the other hand, the state statistics agency TÜİK gives a time interval in the definition of unemployment. It defines people who are able to start work within fifteen days but have not worked for three months as unemployed. This definition shows unemployment rates well below the reality. It is always claimed that low unemployment rates do not reflect the truth. As can be understood from this definition, desperate masses and chronically unemployed people who are looking for a job for a long time and are tired of looking for a job were not included in the group.

Unfortunately, these general definitions of unemployment do not provide a detailed explanation. For this reason, it will be more useful to look at the types of unemployment. Seasonal unemployment is one of the most common types of unemployment. It is mostly seen in tourism, agriculture and construction sectors. These sectors produce goods and services depending on the season. Working life is also seasonal in these sectors. In emerging economies such as Turkey these three sectors are the dominant sectors, therefore seasonal unemployment is common (Zaim, 1997: 179).

Periods of depression and stagnation experienced in national economies cause unemployment that will last for a long time. This type of unemployment is called cyclical unemployment. Recession leads to a lack of demand. Production decreases and firms fire workers (Uyar Bozdağlıoğlu, 2008: 48). In such cases, national economic reform packages are implemented. Turkey has also been a time when cyclical unemployment. Unemployment rates started to increase in times of economic recession. There have been such periods in their past in their developed countries today. During the

protracted First World War and the Second World War, Germany's cyclical unemployment rates were high.

Structural unemployment occurs as a result of the structural transformations experienced in national economies. As unemployment in shrinking sectors shifts to emerging and expanding sectors, unemployment decreases. For example, in the transition from agricultural societies to industrial societies, unemployment arises due to increasing mechanization in agriculture (Oktay, 2002: 191). Unemployed people emerging in the agricultural sector migrate to cities and start working in factories. As a result, unemployment decreases. In the 1950s, the structural transformation of agriculture in Turkey, particularly in mechanization and the tractor into a field with a critical mass remained unemployed in rural areas. The unemployed in rural areas migrated to the cities and decreased as they started to work in the industrial sector that emerged in the cities. In some countries, this unemployment became permanent when other sectors did not develop with the mechanization in agriculture. The same situation has led to the emergence of unemployment with the decline of the industry and the domination of technology and especially robots in the industry. Switching from labor-intensive production to technology-intensive production has also created the type of unemployment called technological unemployment (Unay, 1996: 210). Developed countries have been able to develop different sectors in parallel with the technological transformation in the industry. With the development of the finance and services sectors, they were able to reduce unemployment. In countries that do not manage transformation well, no new jobs have been created for the unemployed. In this case, there is a brain drain from developing countries to developed countries. Transition from labour intensive mass production (fordit and toyotist) to flexible, technology intensive, just in time production style created another type of structural unemployment, that is youth unemployment in Germany. To decrease the youth unemployment, the governments applied structural change programs and policies in German vocational training system (Kohlrausch, 2012: 8).

Wages are also low in economies with low productivity. Low wage and chronicity of unemployment is destroying job seeking prospects. For this reason, there are thousands or even millions of people who do not apply to employment agencies and do not enter the job search process. The unemployment of these people is called hidden unemployment. If we take into account these masses that are normally not included in the statistical data, unemployment rates are even higher. Hidden unemployment has become the most important problem of developing and undeveloped countries (Koray, 2000: 142-143).

Lastly, informal economy in Turkey leads unregistered employment; therefore, the labourers in informal economy cannot make use of unemployment insurance and other policies against unemployment (Saraç, 2012: 100).

Unemployment is a very broad concept in itself and shows different structural features from country to country, from economy to economy. It is therefore important to address different types of unemployment. In addition, it is necessary to examine each country with its own dynamics. Because every country and national economy has its own historical processes and economic conditions.

## **Policies to Combat Unemployment and Unemployment Insurance**

The serious unemployment after the 1929 Great Depression and its deep shaking in global economies revealed that an effective fight against unemployment was urgently necessary. The Second World War, after the 1929 Great Depression, had a devastating effect on the global economy. The social welfare states that emerged afterwards implemented social policies in all areas. Social policies started to come into play in the fight against unemployment. Europe has become the most important center in this field. In this study, Germany as the precursor country from the European continent, which is the homeland of social welfare states and social policies, has been discussed. The comparison with Germany, Turkey clarifies us two points. The neo-liberal policies and the global capital of a developing country such as Turkey and open the devastating effects of the social welfare state like Germany is seen as a fortress and social policies, it is important to compare countries applying the most effective manner. It shows that the social welfare state model is still the most effective method in combating unemployment. Second, see what applications you need to do in front of Turkey to become a member of the European Union will be enlightening.

However, the German economy is heavily depends on global economy, since the major economic activities are based on export oriented industries. Therefore, the purchasing power of the World economy effects directly the German economy. When there are economic crisis in partner countries, the export revenues of Germany declines and the unemployment rate may increase easily (Silvia, 2002: 18-19).

Policies to combat unemployment are divided into two as active and passive employment policies. Active employment policies include wage and employment subsidies, monetary and fiscal policies, vocational training programs. Passive employment policies are unemployment insurance and unemployment allowance.

The most important employment subsidy is government subsidies. Governments provide financial support for the private sector to employ more workers. There are a variety of employment subsidies, from tax deductions to payment of insurance premiums. However, the private sector in developing countries is not strong. There are no big capital owners. In this case, the state itself becomes a source of employment. Many workers are recruited in the public sector. Unemployment is largely reduced by employment in the public sector. This is not an advantageous policy in the long run. It causes an increase in public expenditures, an increase in budget deficit and inefficiency in the public sector (Biçerli, 2004: 90).

The most important goals of monetary and fiscal policies are to provide price stability and to achieve economic growth. Price stability and economic growth lead to the opening of new business areas. As a result, unemployment decreases. Increase in public expenditures, expansionary monetary policies and tax cuts cause capital to shift to more investments. New investments mean new business fields. Such policies have started to be implemented especially after the Second World War. In this process, also called the social welfare state period, the social welfare states of both the USA and Europe have created business areas by increasing public expenditures and investments. These policies have been implemented effectively in Turkey during the same period (Taş & Özcan, 2015: 165). In the 1960s and 1970s were the years when these policies are

effectively implemented in Turkey. However, in the global capitalist order after the 1980s, neo-liberal policies came into play. The social state has shrunk and public investment has declined. In this case, unemployment started to increase.

Another active policy is vocational training programs. Rickety even if it is implemented in Turkey. In Turkey, local governments (municipalities) and private sector (private courses), universities and central government (Ministry of Education and TEO) which is provided by vocational training are available. There is no comprehensive and holistic policy for vocational education and training of the young workforce to the needs of the industry and changing technology. Germany stands out as the country that best implements vocational training policy. Especially as a result of the collapse of the Eastern Block and the unification of East Germany and West Germany, youth unemployment increased. To solve this, a holistic and inclusive vocational education policy has been implemented throughout the country (Biçerli, 2004: 152-168). It is necessary to determine the direction in which the industry, agriculture and services sectors will move. For this reason, the public and private sectors should act jointly. It should also encourage universities to implement training programs for these labor force needs. Coordination between institutions is essential.

Unemployment benefits and insurance come to the fore as passive employment policy. It is a type of insurance that aims to compensate partially or temporarily the income losses of dependent employees who are terminated for various reasons against their will. This type of insurance is a type of insurance that participation is mandatory and is regulated by the state (Andaç, 2010: 57).

The first applications of unemployment insurance were seen in England and Sweden. Aid was given to those who were unemployed by the aid funds established by the trade unions. Later, state-assisted unemployment insurance was implemented in England in 1911. Unfortunately, Turkey has started too late in the unemployment insurance application. With the Unemployment Insurance Law numbered 4447 in 1999, it was put into practice in 2000. The fact that unemployment insurances are made by the state in the world has made the practice more widespread and healthier. It differs from other types of insurance in that it is compulsory to pay premium for the continuity of the fund, it is under state guarantee and it is a compulsory insurance type (Andaç, 2010: 58).

### **The Unemployment Insurance in Turkey**

It is known that the first unemployment insurance application was implemented by the state in England in 1911. After 90 years, this practice has been realized in Turkey. With the Unemployment Insurance Law No. 4447, which entered into force in 1999, the first premiums started to be paid in 2000. Among OECD countries, the unemployment insurance scheme has been the latest country to Turkey.

Article 46 of this law states who will benefit from unemployment insurance. According to this, workers working within the scope of Social Insurance and General Health Insurance Law No.5510 and Social Insurance Law No.506, paid and permanent domestic workers, public and private sector employees in forest and agricultural enterprises, all fine arts workers, based on reciprocity as foreigners working in Turkey can benefit from unemployment insurance. It is clear that its scope is quite wide (statik.iskur.gov.tr 10.10.2020).

In addition, apart from unemployment benefits, sickness and maternity insurance premiums are paid within the scope of the law. Again, within the scope of this law, services such as finding a new job and providing vocational courses are also available. Before the termination of the service contract, at least 600 days of insurance premium must be paid in the last three years. It is essential to have worked for the last 120 days before the service contract expires. The unemployed person must apply within 30 days after the end of the service contract. It is required to have worked for 120 days. In some cases, missing days are not counted. The days when a person who cannot go to work due to economic crisis, illness, strike, natural disaster, lockout, detention are not considered absent. (statik.iskur.gov.tr 10.10.2020).

Within the scope of unemployment insurance, a salary between a minimum of 40% and a maximum of 80% of the gross minimum wage is attached. The duration of the salary is also determined by the premium period paid. 6 months if the premium was paid between 600 days and 900 days, 8 months if the premium was paid between 900 days and 1080 days, 10 months if the premium was paid in full, 10 months unemployment pension is paid (statik.iskur.gov.tr 10.10.2020).

Unemployment salaries of those who reject the job found by the employment institution without stating a valid reason, those who do not attend the vocational course recommended by the employment institution, those who enroll in the course but do not attend, are cut off. In addition, unemployment salaries of those who receive a salary elsewhere while receiving unemployment benefits are also cut. In addition to this, those who do not provide the information and documents requested by the institution on time are also paid unemployment benefits (statik.iskur.gov.tr 10.10.2020).

The most important source of income of the unemployment insurance fund is premium payments. Premium payments are mandatory. Deductions are made from the very beginning without paying the salary. 1% of the gross salary is deducted from the worker and 2% from the employer. In addition, the state contributes 1%. The fund also has incomes such as delay increase, interest and penalty received from employees and employers. Despite this, if the fund still runs a deficit, it is financially supported by money transferred from the central budget. As it can be understood from here, the most important guarantees are that premium payments are compulsory and they are state-run insurance (statik.iskur.gov.tr 10.10.2020).

### **The Unemployment Insurance in Germany**

Unemployment insurance practice in Germany is legally based on the German Social Law Book numbered 2 and 3. There are two types of unemployment insurance under unemployment insurance. The first type of unemployment insurance (Arbeitslosengeld) is the payment made by calculating the insurance premiums paid by a worker. The second type of unemployment pension is the state aid payments to the victims, who have insufficient premiums. (Hartz IV) ([www.calisma.de](http://www.calisma.de), 10.10.2020).

The unemployment rate in Germany sharply increased just after the 1990s because of the Unification of East and West Germany. The lower productivity of East German economy brought unemployed masses to the West economy. Therefore, the fast and effective unemployment policies

applied after the unification to eliminate the increased structural unemployment (Berthold and Fehn, 2003: 5).

In the first type of unemployment benefit, people who have left their job and are registered with the Employment Agency (Arbeitsagentur) benefit from unemployment insurance. They must have worked for at least twelve months and paid a premium in the last two years of their working life. Those under 65 years of age benefit. They receive an unemployment pension between 60% and 67% of their net income in the last twelve months. The duration of unemployment salary varies according to the age and working time of the person. Unemployment benefits can be obtained for at least six months and at most 24 months. They can also earn 15 hours per week and up to 165 euros per week during the period of unemployment benefit (www.calisma.de, 10.10.2020).

The second type of unemployment pension is the payments made by the state to individuals who have not paid sufficient premiums and are in need of assistance. Unemployed people between the ages of 15 and 65 who have no disability to work can benefit from this assistance. Individuals who do not have sufficient assets and are unable to take care of themselves or their families benefit from this right. A salary between EUR 359 and EUR 215 per person is attached to all family members, although it varies according to the age, marital status and the number of children in the household. In addition, additional payments are made in cases of pregnancy, widowhood and physical and mental disability (www.calisma.de, 10.10.2020).

The German system is also not rely on the declaration of the workers and worked, look at the declaration of the employer as in Turkey, it is understood that the grievances of the workers instead of calculating the number of primary and disclosure principles. It also allows those who receive unemployment benefits to have assets up to a certain amount or to do additional work during periods of unemployment benefit up to a certain limit.

### **Conclusion: The Comparison of Turkey and Germany**

Unemployment benefits in Turkey's salary is less than the unemployment rate in Germany in both quantity. In addition, Turkey is longer than the duration of unemployment benefits in Germany. This is due to the very front of Turkey in terms of Germany's national income. As it is known, unemployment insurances are insurances supported by state budgets. The size of the German state budget allows for a higher amount of unemployment pension in Germany and in a longer period of time. Amounts and durations of unemployment benefits also reflect the development levels of countries. Turkey is the country that pays at least among OECD countries of unemployment benefits.

Germany is also in a more advantageous position in terms of the proportion of the unemployed benefiting from unemployment benefits. In Turkey, only the unemployed can benefit from unemployment benefit up to 10%, only a proportion of the total unemployed of the first type of unemployment benefits in Germany exceeds 40% (Çelik, 2018: 32-33). This is the most important cause of the condition is prevalent in the informal economy in Turkey. A significant portion of the employees in Turkey are working in precarious jobs and the uninsured. Since the premiums of those employed in the informal economy are lacking, most of them cannot benefit from unemployment

salary. The number of days worked and other conditions can also be taken into consideration before the premium amount deposited in the German system. Turkey is heavily dependent on the number of premium payment system. As the state's resources are scarce, the unemployment insurance fund is based on premium revenues.

Thirdly, unemployment insurance payments are given more difficult in Turkey. Because the employer must also make a statement in order to pay the unemployed person. Unemployed people who cannot get paid while waiting for the declaration of the employer also cannot protect their rights against false or false statements of the employer. When the employer reports that the employee resigns, the person who is unemployed cannot receive unemployment pension. As a result of the application made to the labor court, the cases take a long time. Finally, the periods of unemployment benefits are also behind Germany. (Çelik, 2018: 35).

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