

COMPARISON OF LABOUR COSTS IN EEC COUNTRIES AND IN TURKEY

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In recent years wage system in Turkey has gained a very complicated structure. That situation depends on two main reasons. The first one is the complexity of tax system of our country and the other one is the demands of trade unions due to tax system. The demands of trade unions for fringe benefits, and for new social benefits are being increased gradually.

Table 1 : Trend of Direct Wages and Fringe Benefits In Turkey
1973-1987 (1)

Year	Direct Wages	Fringe Benefits
1973	60,0	40,0
1974	58,3	41,7
1975	56,5	43,5
1976	52,7	47,3
1977	49,7	50,3
1978	49,8	50,2
1979	49,3	50,7
1980	47,2	52,8
1981	49,7	50,3
1982	53,5	46,5
1983	52,6	47,4
1984	52,3	47,7
1985	50,8	49,2
1986	51,4	48,6
1987	46,8	53,2

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If we examine Table 1, direct wages are the 60 percent of total costs in 1973 while they are only 46.8 percent of total costs in 1987. On the other hand fringe benefits have risen to 53 percent of total costs while they were only 40 percent of total costs in 1973. That means a 13.2 percent reduce in direct wages.

Table 2 : Distribution of Total Labour Costs In Turkey and In EEC Countries (2)

Countries	Average Direct Wages(%)	Bonuses and Premiums(%)	Social Benefits(%)	Other Costs	Total Labour Costs
GERMANY	62,60	11,70	23,10	2,60	100,00
FRANCE	55,50	8,60	25,30	9,60	100,00
ITALY	60,60	11,40	26,90	1,10	100,00
NETHERLAND	64,30	10,00	23,50	2,20	100,00
BELGIUM	63,00	11,00	23,90	2,10	100,00
LUXEMBOURG	75,60	10,20	12,90	1,30	100,00
ENGLAND	71,50	7,40	18,10	3,00	100,00
IRELAND	72,00	6,80	19,40	1,80	100,00
DENMARK	86,10	1,40	10,10	2,40	100,00
GREECE	67,00	13,00	20,00	0,00	100,00
PORTUGAL	63,70	9,90	21,60	4,80	100,00
EEC	67,50	9,20	20,50	2,80	100,00
TURKEY	46,80	18,20	34,00	1,00	100,00

As it can be seen in Table: 2, average direct wages are the 67,50 percent of total labour costs in EEC countries while we know they are only 46,80 percent of total labour costs in Turkey. The distinction is 20,7 percent. That is an indicator of the degeneration of existing wage system in our country. The EEC average of bonuses and premiums are only 9,2 percent of total labour costs. In Turkey bonuses and premiums are too high comparing to EEC countries. They are about 18,2 percent of the total labour costs. Another considerable distinction between EEC countries and Turkey which is 13,5 percent is about social benefits and social security premiums. The EEC average of social benefits and social security premiums is the 20,5 percent of total costs while they are 34,0 percent of total costs in Turkey.

Such indicators show us the importance of the problem. Wage system in Turkey looks vexed and it should be revised as soon as possible.

Table 3 : Direct Wages and Fringe Benefits in EEC Countries and in Turkey (3)

Countries	Direct Wages (%)	Fringe Benefits (%)
GERMANY	62,6	37,4
FRANCE	55,5	44,5
ITALY	60,6	39,4
NEETHERLAND	64,3	35,7
BELGIUM	63,0	37,0
LUXEMBURG	75,6	24,4
ENGLAND	71,5	28,5
IRLAND	72,0	28,0
DENMARK	86,1	13,9
GREECE	67,0	33,0
PORTUGAL	63,7	36,3
EEC	67,5	32,5
TURKEY	46,8	53,2

As we can see in Table: 3 there is a big cliff of direct wages and fringe benefits between EEC countries and Turkey. In EEC countries the main factor of labour costs is the direct wages. Fringe benefits and social benefits are not widespread as they are in Turkey. After retaining of taxes and social security premiums from the labour cost expenditures of employers the rest is being paid to labours. Meals, transportation, fuel pay, family and children allowances, education allowances are very common in Turkey. Such benefits are not being included into the wage systems in EEC countries. Therefore whenever the labours get a rise in wages and salaries, that rise has been directly reflected to the direct wages. That means a real increase of wages or an increase in real wages. However the same amount of a rise in wages in Turkey has not been directly reflected to the direct wages. 35,9 percent of the rise has been retained by the State. Additionally the demands of trade unions have reduced the rate of the direct wages.

Let us suppose hundred percent of an increase of wages in Turkey. That may be possible in return for a four times increase of employer expenditures.

Table 4 : Comparison of Direct Wages and Fringe Benefits, 1988 (4)

Industry	Direct Wages	Fringe Benefits
Wood	36,5	63,5
Glasswork	37,5	64,3
Cement	36,9	63,1
Leather	38,5	61,5
Food	36,8	63,2
Construction	57,9	42,1
Paper	36,9	63,1
Chemicals	34,4	65,6
Metal	34,3	65,7
Sugar	34,2	65,8
Textile	34,4	65,6
Clay	36,9	63,1
AVERAGE	35,9	64,1

If we examine table: 4, we see the average of direct wages is 35,9 percent of total costs where fringe benefits are 64,1 percent. Among the twelve industries which are stated in table: 4 the amount of fringe benefits are quite more than the direct wages. The highest rate of fringe benefits has been seen in sugar industry (65,8 percent) which is followed by metal, chemicals and textile industries.

Only in the construction industry, the rate of direct wages (57,9 percent) is more than the rate of fringe benefits (42,1 percent). That result is likely due to the structure of the industry. Because as we all know, seasonal working is common in the construction industry. The labour turnover is too high and the percentage of syndicalised workers among others is not high.

Table 5 : Distribution of Social Benefits, 1988 (5)

Social Benefits	%
Social Security Premiums	31,8
Meals	16,9
Severance Pay	10,1
Housing Provided by Employer and Housing Fund	8,6
Transportation	8,0
Compulsory Savings Fund	7,3
Fuel Pay	5,6
Work Outfit, Protective Material, etc	3,8
Holiday and Additional Holiday Pay	3,1
Notification Intemnity	1,0
Family and Children Allowances	0,6
Education Allowances	0,6
Birth, Death, Marriage Allowances	0,3
Health Services, Day Nursery, Sports and Construction of Sports Centers	0,3
Other	0,2
TOTAL	100,0

The rate of social benefits are being increased gradually year by year. In the labour statistics of 1987 and 1988 (6) the fourteen main groups of social benefits have been stated only. But there are much more social benefit categories in reality.

Social security premiums which are paid by employers have the highest rate among the others. It has been followed by meal expenditures and severance pay.

Table 6 : The Trend of Social Benefits (7)

Year	Social Benefits
1984	% 26,8
1985	% 27,9
1986	% 28,2
1987	% 34,0
1988	% 36,3

As we can see on table: 6, the rate of social benefits has risen up to 36,3 percent in 1988 which was 26,8 percent in 1984. There has been a 9,5 percent increase only in a four years period. Such a wage structure is unjust and it can not be proportional with productivity. As a consequence labour costs in Turkey are far from being controllable.

«Labour cost» is a very important concept which is being used for the comparison of wages at international level. Let us examine the labour costs in Turkey by industries from table : 7. Later on it will be useful to compare the labour costs in Turkey and in EEC countries by the help of table : 8.

As it is known the sum of actual working days is below 365 days. Totally there are about 90 days in a year in which labours are not working but employers are paying for those days. There are 52 days of week ends, 22 days of annual, holidays, 10 days of public holidays and etc. So there are only 275 days actually worked in a year, and as required by Turkish labour law, working period normally per day is 7,5 hours. ($272 \text{ days} \times 7,5 \text{ hours} = 2062,5 \text{ hours}$) is the basis for labour cost calculating.

As it can be seen in table: 7, the least labour cost is 1,250,31 TL in the leather industry and the highest labour cost is 1,958,45 TL in the chemicals industry. The average labour cost of twelve industries is 1,622,12.

As we can see in table : 9, the total cost of a labour whose direct wage is 100.000 TL per-month is 213.675 TL. This is the highest amount among twelve countries. The second highest labour cost is belong to France which is 180,180 TL. The average labour cost of eleven EEC countries is 148,148 TL. The labour cost in Turkey is 19 percent higher than the total cost in France, and 44,2 percent higher than the EEC average. The lowest total labour cost can be seen in Denmark. The total cost is only 116,144 TL. which is 84 percent lower comparing to the labour cost in Turkey.

As we pointed out before, this is another indicator to show the untidy and irregular structure of wage system in Turkey.

Table 7 : Labour Cost. Per Hour Actually Worked (8)

Industry	Number of	Payments for Payment			Payment for	Bonuses	Social	Other	Total
	Workers	Direct	Weekends	for					
	Annual	Wages	and Public	Annual		Premiums			Cost
	Average		Holidays	Holidays					
Wood	826	627,22	117,72	36,58	1,53	289,75	503,16	15,80	1,591,76
Glasswork	10438	715,23	136,86	44,71	2,32	387,95	570,31	5,72	1,863,10
Cement	8150	748,92	142,29	43,65	2,86	350,89	585,67	21,55	1,895,83
Leater	1822	528,95	93,85	28,82	2,74	185,25	407,75	2,95	1,250,31
Food	12297	583,78	107,19	34,74	2,08	244,63	436,34	21,86	1,430,62
Constiuction	8973	803,05	35,34	5,33	0,71	49,83	385,72	10,35	1,290,33
Paper	3020	632,32	124,21	35,62	2,47	294,89	479,25	23,66	1,592,42
Chemicals	19213	700,27	144,82	45,04	1,94	366,92	679,73	19,73	1,958,45
Metal	103505	614,17	134,35	44,10	1,44	369,76	609,45	13,26	1,786,53
Sugar	25357	466,15	91,18	28,31	1,62	247,97	434,66	25,80	1,295,69
Textile	73000	509,79	116,79	40,78	9,27	234,60	546,77	11,48	1,469,48
Clay	7432	509,65	88,95	29,00	1,10	215,25	403,29	17,36	1,264,60
	273,033	598,56	120,03	39,00	3,68	295,12	551,72	14,01	1,622,12
%	—	(36,9)	(7,4)	(2,3)	(0,2)	(18,2)	(34,0)	(1,0)	(100)

Table 8 : Comparison Of The Costs of Labours in Turkey and in EEC Countries Whose Direct Wages are 100.000 TL. per-month (9)

Countries	Monthly Direct Wages	Average Labour Cost
GERMANY	100,000	159,744
FRANCE	100,000	180,180
ITALY	100,000	165,017
NETHERLAND	100,000	155,521
BELGIUM	100,000	158,730
LUXEMBOURG	100,000	132,275
ENGLAND	100,000	139,665
IRLAND	100,000	138,889
DENMARK	100,000	116,144
GREECE	100,000	149,254
PORTUGAL	100,000	156,986
EEC	100,000	148,148
TURKEY	100,000	213,675

CONCLUSION

Industrial relations in Turkey have a lot of problems. But the main problem in our opinion is the structure of the wage system. The present wage system has become degenerated and it is unfavourable to employers and to labour. Therefore it should be revised immediately.

The competition capacity of our economy depends on the competition capacity of the industry. A justly and logical wage system is essential for a healthy industrial growth. That will make possible the new investments. The new investments will help to reduce the unemployment. All these are for the benefit of labour.

A rational wage system in EEC countries was produced by using job evaluation system. In this system by the help of objective criterion, wages are determined according to the importance and difficulties of jobs. Most of wage increases in Turkey have been occurred in equal parts or as a determined rate of present wages. In addition to that there are unproportional State deductions.

It should be emphasized that the revision or reorganization of wage system in Turkey will be for the benefit of labour.

In the first stage the fringe benefit categories and the social benefit categories should be decreased in number. Birth, death and marriage allowances, premiums and bonuses against to successful production can be excluded of course. Direct wages should be encouraged as the main wage category. For the calculation of severance pay and the notification indemnity the direct wages only should be the base. The tax immunities for some social benefits must be cancelled. Otherwise the international wage comparison will be more difficult or impossible in the future.

In the second stage the reorganization of tax system in Turkey is essential. For instance the minimum wage should be tax free. Job evaluation system must be used as the main factor for the determination of the wages.

The third and the most important stage is the realization of connection between wages and productivity. In other words wage increases should be in relation with increasing production. Such a wage system will ensure justly wage increases for labour and new investment and employment opportunities for employers.

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