12. Crisis in Turkey: Aggravating a segmented labour market and creating new inequalities

Seyhan Erdoğdu

1. INTRODUCTION

Even before the global crisis began to exert its effects on Turkey – more specifically, from 2005 – the country was already experiencing constraints on economic growth. With falling rates of growth and high rates of unemployment, Turkey was facing economic problems well before the outbreak of the recent crisis. Some employment measures to tackle the problem of rising unemployment in Turkey were launched in early 2008.

Meanwhile, Turkey has been undergoing structural change in terms of social policy and public administration, which gained pace in particular after 2006. The new system introduced by the Law on Social Security and General Health Insurance of 2006, and the amendments to this Law in 2007 and 2008, reflect the most significant recent changes in the domain of health and social security (SGK 2010). Public administration is another domain which is undergoing structural transformation. Important changes are taking place in the missions and functioning of labour administration at both central and local levels. The effects of the global crisis have combined with the impact of the changes in social policy and public administration which took effect prior to the crisis.

This combination of pre-crisis changes at the economic, social and administrative levels with changes triggered by the crisis makes it very difficult to distinguish the effects of the crisis.

Another constraint is the fact that the global crisis is continuing and it is impossible to fully anticipate its future depth, duration and scale. Economists vacillate between maintaining that the ‘worst is over’ and that ‘the worst is yet to come’. While the crisis persists in some countries, its internal phases and the effects of the monetary and financial measures adopted are resulting in short-term changes in the economic and social effects of the crisis. Quarterly changes in data on growth, employment, fiscal balances
and trade deficits all influence assessments regarding the trajectory of the crisis and thus the measures adopted and being considered for adoption.

The chapter is organized as follows. Section 2 examines the effects of the global crisis on the world of work in Turkey. Section 3 looks at measures taken against the crisis in Turkey in relation to working life. For this section, in addition to a review of related legal and institutional documents (ÇSGB 2010a; İş Teftiş Kurulu 2010; SGK 2010; SYDGM 2010; İŞKUR 2010), interviews were undertaken with representatives of the Ministry of Labour and Social Security (MLSS), the Labour Inspection Board, the Public Employment Agency (İSKUR) and the Social Security Institution (SSI) in 2009 and 2010. In Section 4, the views and activities of the social partners with regard to the global crisis and the anti-crisis measures are examined. To this end, semi-structured interviews were conducted with representatives of the workers, civil servants and employers’ confederations in 2009 and 2010, as well as a review of the documents and periodicals of these Confederations published in 2008–2010. This section also explains the anti-crisis measures adopted by the trade unions and employers at the enterprise level, relying on the information and documents provided by the trade unions in response to our questionnaire in 2010. In Section 5, which is a case study, the effects of the economic crisis on enterprises in the city of Bursa and the anti-crisis measures at the local level are examined. The section draws on the findings of the group interview with representatives of government, trade unions and employers’ organizations at the local level, as well as interviews with workers and employers at the firm level, all conducted in 2009.

2. EFFECTS OF THE GLOBAL CRISIS ON WORKING LIFE IN TURKEY

2.1 Impact Channels of the Global Crisis in Turkey

Turkey went into the global crisis with a high current account deficit, an import-dependent industry, a heavy external debt burden and high rates of unemployment. All this made Turkey particularly vulnerable (BSB 2008, 2009; Boratav 2009; Durmuş 2009; Eğilmez 2009; Sönmez 2009; UNCTAD 2008).

The impact of the global crisis on Turkey has been shaped through the channels of foreign trade, capital flows and expectations.

Close to 50 per cent of Turkey’s exports are to the EU. In parallel to the effects of the global crisis on the real economy of the EU, Turkey experienced shrinking foreign demand. Starting from November 2008, Turkey’s
total exports fell, which was reflected in both production and employment (UNCTAD 2009: 6).

In association with the repercussions of the global crisis, Turkey experienced net capital outflows starting from October 2008 and the real economy began to face difficulties in external financing. In addition to the constraints in international capital markets, the high leverage ratios of private corporations and the expectations of a decline in future profits due to continuing economic uncertainties caused the banking sector to become reluctant to lend to the real sector. This played a major role in the significant decline of private investments. The rate of medium- and long-term debt servicing of the non-banking private sector, which was 191 per cent in 2008, decreased to 73 per cent in the first seven months of 2009 (DPT 2009a: 5). The privatization of the banking system to foreign banks played a role in the closing of credit lines to the domestic market. The inactivity of credit channels affected small and medium-sized enterprises to an even greater extent (SPO 2009a: 12).

The global crisis had a negative effect on public finances. Tax revenues fell in parallel with declining growth, due to several tax and social security contribution reductions and exemptions introduced to revive the real economy, leaving them well below the original budget estimates. Lowered social security contributions, the high cost of the transformation of the health care system and increases in various items of public spending augmented the budget deficit and the debt burden. The central government budget deficit for 2009, which had been projected as 10.4 billion lira at the beginning of 2009, reached 52 billion lira at the end of the year and the primary balance, which had originally been envisaged to yield a surplus of 29.8 billion lira, was in deficit in the amount of 14 billion lira (Undersecretariat of the Treasury 2010).

All of these developments increased uncertainties and thus undermined confidence and expectations. While consumers suspended certain spending decisions, investors did the same with intended investments, which combined to generate economic stagnation.

2.2 The Economy: Decline and Contraction

The impact of the global crisis on Turkey echoed the previous crisis. Following the financial crisis of 2001, the Turkish economy experienced a fairly rapid recovery, with the remobilization of capacity which had lain idle during the crisis and also due to favourable trends in international markets: average growth in 2002–2007 was 6.8 per cent. As shown in Figure 12.1, within this period, the highest rate of growth was in 2004, at 9.4 per cent. After 2004, which was the last year of cyclical growth, the rate of growth started to fall in relative terms; the rates of growth for 2005,
Work inequalities in the crisis

2006 and 2007 were 8.4 per cent, 6.9 per cent and 4.7 per cent, respectively. In the last quarter of 2008, GDP shrank by 6.5 per cent and the rate of growth over the year was 0.9 per cent.

A similar course can be observed in manufacturing, which is the driving force of growth. The contribution of an increasing rate of capacity utilization in the manufacturing industry to growth in production disappeared after 2005 and rates of output growth also slowed. Output growth in manufacturing which had climbed to 11.9 per cent in 2004, later declined to 8.2 per cent, 8.4 per cent and 5.6 per cent in 2005, 2006 and 2007, respectively. The decline of 10.8 per cent in the manufacturing industry observed in the last quarter of 2008 pulled down the average annual growth rate of this sector to 0.8 per cent.

As the effects of the global crisis began to be felt more deeply in Turkey, the decrease in the growth rate observed before the crisis turned into a contraction, beginning with the last quarter of 2008 (DPT 2009a, 2009b; İSO 2009; Türkiye Kalkınma Bankası 2009a, 2009b).

Leaving aside agriculture, financial institutions and some public services, significant contractions were observed in almost all sectors and GDP contracted by −4.7 per cent in 2009.

2.3 Direct Employment Effects

The employment effects of the crisis began to be felt strongly from the third quarter of 2008, becoming milder towards the end of 2009.
As shown in Figure 12.2, the first direct effect of the economic contraction in the Turkish economy on the world of work concerned employment; Turkey was confronted with the problem of the economic crisis turning into an employment crisis.

Like many other developing countries that cannot generate quality jobs even with high rates of growth, Turkey was facing a serious problem of unemployment and idle labour prior to the crisis. An important characteristic of the period 2002–2007 was the existence of ‘jobless growth’. While the average annual rate of growth in 2004–2007 was 7.3 per cent, the average annual growth in employment, according to data revised on the basis of new population projections, remained at 1.4 per cent. Jobless growth was more salient in import-dependent manufacturing. Thus, despite the strong growth performances that followed the 2001 crisis and some expansion in employment associated with this growth, unemployment rates climbed by 3 percentage points above the pre-crisis period, reaching 10 per cent.

In the crisis year of 2009, this 10 per cent band increased by 4 percentage points, settling around 14 per cent. The non-agricultural unemployment rate was 17.4 per cent with a 3.8 percentage point increase in comparison to 2008. This rate was 16 per cent for males, with a 3.7 percentage point increase, and 21.9 per cent for females, with a 3.8 percentage point increase.

During the first quarter of 2009, as the unemployment rate rose to 16...
per cent and the rate of non-agricultural unemployment to 19 per cent, there were concerns that the country was heading for a serious social crisis. As of February 2009, the overall rate of open unemployment was 16.1 per cent. Adding to this the underemployed and those not looking for a job but ready to work, the actual rate of unemployment in February 2009 climbed to 29.2 per cent.

2.3.1 Urban–rural differences

Table 12.1 shows that in the pre-crisis period, Turkey was confronted by the problem of low and steadily falling labour force participation and employment rates. However, during the crisis the labour force participation rate (2008–2009 seasonally adjusted) increased from 46.7 per cent to 47.3 per cent and the employment rate fell from 42.1 per cent to 40.3 per cent.

Looking more closely at the picture of urban–rural differences in Turkey, it becomes clear that the labour force participation rate increased more in rural areas during the crisis period of 2008–2009 in comparison to the urban areas. As for the employment rate, the reverse holds true: while the change in the employment rate in the rural areas was positive,
The change in the employment rate in the urban areas was negative (−1). This difference is explained by the fact that some of the new entrants to the labour force and some of the unemployed unable to find urban jobs returned to rural areas. This tendency is in the opposite direction to labour market trends in Turkey, which are characterized by a continuous and marked rural to urban migration, which entails changing sectoral employment patterns from agriculture to industry and, over the past decade, to services. It also indicates that in the crisis period, while industrial full-time jobs were lost in the urban areas, employment creation in the rural areas mitigated the effects of the crisis, with job creation for persons becoming self-employed and among unpaid family workers.

2.3.2 Gender dimension

One other dimension that deserves attention is male and female differences in labour market performance under crisis conditions. As shown in Table 12.2 the Turkish labour market has always been very much segregated on a gender basis. The labour force participation rate for women has been on the rise (from 23.3 per cent in 2005 to 26 per cent in 2009),

Table 12.2 Labour market indicators: gender aspects, Turkey, 2005–2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Labour force participation rate (%)</th>
<th>Unemployment rate (%)</th>
<th>Non-agricultural unemployment rate (%)</th>
<th>Employment rate (%)</th>
<th>Population not in labour force (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female 15+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>23.3</td>
<td>11.2</td>
<td>18.7</td>
<td>20.7</td>
<td>18 935</td>
</tr>
<tr>
<td>2006</td>
<td>23.6</td>
<td>11.1</td>
<td>17.9</td>
<td>21.0</td>
<td>19 164</td>
</tr>
<tr>
<td>2007</td>
<td>23.6</td>
<td>11.0</td>
<td>17.3</td>
<td>21.0</td>
<td>19 464</td>
</tr>
<tr>
<td>2008</td>
<td>24.5</td>
<td>11.6</td>
<td>18.1</td>
<td>21.6</td>
<td>19 526</td>
</tr>
<tr>
<td>2009</td>
<td>26.0</td>
<td>14.3</td>
<td>21.9</td>
<td>22.3</td>
<td>19 466</td>
</tr>
<tr>
<td>2010</td>
<td>27.3</td>
<td>13.2</td>
<td>20.1</td>
<td>23.7</td>
<td>19 355</td>
</tr>
<tr>
<td>Male 15+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>70.6</td>
<td>10.5</td>
<td>12.2</td>
<td>63.2</td>
<td>6 969</td>
</tr>
<tr>
<td>2006</td>
<td>69.9</td>
<td>9.9</td>
<td>11.3</td>
<td>62.9</td>
<td>7 258</td>
</tr>
<tr>
<td>2007</td>
<td>69.8</td>
<td>10.0</td>
<td>11.4</td>
<td>62.7</td>
<td>7 415</td>
</tr>
<tr>
<td>2008</td>
<td>70.1</td>
<td>10.7</td>
<td>12.3</td>
<td>62.6</td>
<td>7 441</td>
</tr>
<tr>
<td>2009</td>
<td>70.5</td>
<td>13.9</td>
<td>16.0</td>
<td>60.7</td>
<td>7 471</td>
</tr>
<tr>
<td>2010</td>
<td>70.6</td>
<td>12.4</td>
<td>14.3</td>
<td>61.8</td>
<td>7 558</td>
</tr>
</tbody>
</table>

but is still much less than that of men (70.5 per cent in 2009). Women have low employment rates and higher unemployment rates, notably in non-agricultural sectors. Behind women’s low labour market participation, there are a number of socio-cultural factors which assign women to the position of housewife. Furthermore, the neoliberal agricultural policies pursued in Turkey accelerated the decline in rural employment, with closely associated falling rates of employment. Since female employment is concentrated mainly in agriculture, any shrinkage in this sector will leave women out of work. Women ejected from agriculture en masse would not have employment opportunities, even in labour-intensive manufacturing. While falling employment in agriculture led to the shift of the male labour force to informal employment in the form of waged work, own-account working or small family enterprises in industry and services, females tended to leave the labour force and become economically inactive (Toksöz 2009).

On closer scrutiny, we see that during the crisis year of 2009, labour force participation rates for men increased by 0.4 percentage points and those for women by 1.5 points. Thus the crisis helped to continue the long-term reduction in the gender gap that had started before the crisis. In 2009, the employment rate for women in both urban and rural areas increased by 0.4 and 1.4 percentage points, respectively, while it decreased for men by –2.3 percentage points in urban and –1.1 points in rural areas. These figures reflect the added worker effect observed in most countries during crisis periods (temporary increase in the labour supply of women due to the unemployment of male breadwinners).

2.3.3 Change in the sectoral distribution of employment
The sectoral breakdown of post-2001 crisis employment patterns reveals massive depopulation in the rural economy. Agricultural employment was reduced by just over 3 million workers between 2001 and 2008. In the 2008–2009 crisis, this pattern was interrupted and the share of agricultural employment increased, while that of industry declined. Employment in agriculture increased by 1 percentage point and services increased by 0.5 percentage points, while that of industry decreased by 1.6 and the share of construction did not change (Figure 12.3). As in the 2001 crisis, it was industry which was most affected by shrinking external demand. The increase in agricultural employment reflected the increase in female employment in agriculture as unpaid family labour, while the decrease in industry meant a decrease in male employment. The increase in service sector employment was mostly in small-scale, family-owned services, with low productivity and insecurity of employment.
2.3.4 Change in employment status

With the shift in the sectoral distribution of employment towards agriculture and away from industry, the work status of the employed also shifted from wage work towards own-account and unpaid family work. Turkey experienced a continuous commodification of labour during the post-crisis period of 2001–2007. However, in the global crisis we saw, for the first time in years, the reversal of this trend as the share of wage and salary earners in total employment decreased. Potential wage earners in urban areas were either transferred to own-account work, still in urban areas, or returned to agriculture to work on family land as self-employed or unpaid family labour. In both cases, the transformation took the form of informalization (Figure 12.4).

2.3.5 Young and unqualified workers hit harder

As shown in Figure 12.5, one critical development has been in the rate of youth unemployment. Between 2008 and 2009, youth unemployment increased from an already very high rate of 20.3 per cent to 25.3 per cent. In urban areas, it increased by 5.6 points from 22.6 per cent to 28.2 per cent. In rural areas, it increased by 3.4 points from 15.5 per cent to 18.9 per cent. The toll of unemployment in the crisis has been particularly heavy for urban youth (15–19 years, from 22.8 per cent in 2008 to 27.5 in 2009, and 20–24 years, from 22.5 per cent in 2008 to 28.5 in 2009). As unemployment increased and took its toll on young people the relative weight of long-term unemployment in total unemployment diminished.
Employers chose to release unqualified workers and preferred to retain qualified workers during the crisis. Short-time working helped in this. Consequently, as shown in Table 12.3, the unemployment rates of less educated and secondary school graduates increased more than those of vocational graduates and those with a higher education.

Source: TURKSTAT.

Figure 12.4 Employment status, Turkey, 2005–2009 (%)

Source: TURKSTAT.

Figure 12.5 Unemployment rates of wider age groups, Turkey, 2005–2009 (%)

Employers chose to release unqualified workers and preferred to retain qualified workers during the crisis. Short-time working helped in this. Consequently, as shown in Table 12.3, the unemployment rates of less educated and secondary school graduates increased more than those of vocational graduates and those with a higher education.
2.3.6 The rise in the number of registered unemployed

In December 2009, the number of unemployed registered with İŞKUR (Public Employment Agency) increased by 71.01 per cent over the same month of the previous year, reaching 1,689,349 persons. Of these registered unemployed, 35 per cent were secondary school graduates and graduates of equivalent institutions and 15 per cent were university graduates; 30 per cent of the registered unemployed were women (İŞKUR 2009). Overall, registered unemployed decreased by –11.6 per cent between November 2009 and November 2010 (Figure 12.6).

### Table 12.3 Unemployment rates by educational status, Turkey, 2005–2009 (2005=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Illiterate</th>
<th>Literate but no school completed</th>
<th>Primary school</th>
<th>Junior high or equivalent vocational school</th>
<th>Lycee</th>
<th>Vocational lycee</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>2006</td>
<td>97.8</td>
<td>96.7</td>
<td>96.6</td>
<td>91.5</td>
<td>101.4</td>
<td>87.2</td>
<td>93.1</td>
</tr>
<tr>
<td>2007</td>
<td>115.6</td>
<td>116.5</td>
<td>97.8</td>
<td>86.4</td>
<td>100.7</td>
<td>90.2</td>
<td>95.1</td>
</tr>
<tr>
<td>2008</td>
<td>140.0</td>
<td>133.0</td>
<td>105.6</td>
<td>92.4</td>
<td>102.2</td>
<td>88.0</td>
<td>101.0</td>
</tr>
<tr>
<td>2009</td>
<td>177.8</td>
<td>168.1</td>
<td>137.1</td>
<td>118.6</td>
<td>130.4</td>
<td>117.3</td>
<td>118.6</td>
</tr>
</tbody>
</table>

Source: TURKSTAT, author’s calculations.

### Figure 12.6 Number of registered unemployed, Turkey, 2008–2010
2.3.7 Increase in informality and undeclared work

An important point which needs to be addressed in relation to Turkey’s pre-crisis employment composition is the proportional weight of unregistered employment. From 2004 to 2008, the share of unregistered employment decreased from 50.1 per cent to 43.5 per cent.

However, the same declining trend is not observed in the crisis period of 2008–2009. Despite all the measures taken to tackle undeclared work, the proportion of working people not covered by any security scheme increased by 0.3 points to 43.8 per cent in 2009 (Figure 12.7). According to the observations of labour inspectors, undeclared work tends to spread during a crisis. In some workplaces, social security registration of workers was withdrawn as if their work contracts had been terminated while they continued working. As one labour inspector put it during our interview in 2009: ‘In May 2009 we went to Konya without prior notification to examine the workplace conditions for short-time working requests. These requests were mostly from the metal industry and its suppliers in Konya and Aksaray. There was a significant shift to informal status, especially in casting.’

The Social Security Institution (SSI) statistics also suggest that the number of workers covered by social security decreased significantly in May 2009 over the same month of 2008 (−10.6 per cent), starting to rise only at the beginning of 2010 (Figure 12.8).

The decrease in the number of self-employed persons covered under social security is even more marked and did not improve even after 2009.
Workers’ insurance contributions are deducted at source and transferred to the Social Security Institution (SSI) by the employers, whereas the self-employed pay their insurance contributions themselves. Under the severe conditions of recession many of the self-employed were unable to pay and shifted to undeclared/informal employment. However,
Work inequalities in the crisis

the total number of self-employed increased in the crisis period, which may reflect the move away from waged work in industry to self-employment in agriculture and services.

2.4 Working Time Reduction: A Policy Alternative Used in the Crisis

According to TURKSTAT data, for 2008, the average weekly working time for a worker in the manufacturing industry was 55.32 hours which is considerably higher than the legal maximum of 45 hours. Average weekly working hours increased from 51.79 in 2002 to 55.32 in 2008 in the manufacturing industry and from to 55.38 to 56.20 in services. However, during the crisis year of 2009 average working hours decreased in the manufacturing industry to 53.99 and to 53.63 in services (Figure 12.10).

The industrial hours worked index in industry as a whole also decreased by 11 points from 2008 to 2009 (Figure 12.11), the decline being more pronounced in the export sectors of textiles, apparel, machinery and motor vehicles.

However, while changes in average working time have been an adjustment variable, labour adjustment by firms in response to the crisis took place mainly through changes in employment. According to calculations by Taymaz (2010), employment losses account for most of the decline in total hours worked in Turkey (79 per cent in manufacturing and 75 per cent in motor vehicles) (Table 12.4). The short-time working scheme and voluntary agreements between employers and trade unions for part-time
work or compulsory leave were not sufficiently widespread to dominate labour adjustment through reductions in working hours. Reduced working hours by means of short-time working or voluntary agreements between employers and trade unions took place in the primary sector, while secondary sector workers faced layoffs, in many cases without severance pay. This reinforced the dual structure of the labour market, leaving the secondary market workers more disadvantaged in the crisis period (TURKSTAT, *Quarterly Industrial Employment Surveys*, 2005–2009).

Source: TURKSTAT, author’s calculations.

**Figure 12.11** Industrial hours worked, Turkey, 2005–2010 (annual average)

**Table 12.4** Changes in hours worked in manufacturing and motor vehicles, Turkey, 2008Q3–2009Q3

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing industry (%)</th>
<th>Motor vehicles industry (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Number of employees</td>
<td>–7.5</td>
<td>–16.3</td>
</tr>
<tr>
<td>II. Average working time</td>
<td>–2.0</td>
<td>–5.5</td>
</tr>
<tr>
<td>III. Total hours worked (I + II)</td>
<td>–9.5</td>
<td>–21.9</td>
</tr>
<tr>
<td>Contribution of employment change (I/III)</td>
<td>78.9</td>
<td>74.6</td>
</tr>
</tbody>
</table>

Source: Taymaz (2010).
2.5 A Substantial Effect on Real Wages

The 2001 crisis in Turkey caused substantial real wage losses. Even though there was some increase in real wages after 2002, the previous real wage losses were not recovered and wage increases lagged considerably behind rising productivity in the period 2001–2007.

In 2008, led by the wages of unionized workers, real wages remained stable. According to information provided by TİSK, the employers’ organization, in unionized private enterprises wage increases arising from collective agreements signed in 2008 remained moderate, only slightly above inflation. In some cases, there was even a wage freeze due to the difficulties enterprises were facing under crisis conditions.

In 2009, the effects of the present crisis hit hard and real wages fell sharply. The decline was felt in particular in industry and construction, while workers in services were less affected (Table 12.5).

Figure 12.12 depicts the sharp decline in the unit wage index. A decade ago, high inflation rates and high devaluations in the crisis period in Asia and Latin America facilitated sharp declines in real wages. In the global crisis of 2008–2009, many countries experienced limited price and currency fluctuations, implying that dramatic real wage decreases would be difficult. Moreover, in times of crisis, downward adaptation of wages is slow in comparison to the changes in other economic variables (ILO 2009). In contrast to these findings, in the 2008–2009 crisis period, Turkey witnessed a significant decrease in real wages (Figure 12.12). The overall decline in the textile and garment sectors in Turkey started well before 2008–2009 under pressure from global market competition, quotas imposed on textiles and garments and the overvalued Turkish lira. Employers unable to lower other production costs resorted to economizing on labour costs as a survival strategy; some even moving their enterprises to North Africa and Central Asia. There was a marginal revival of the sector in 2007, but it was

Table 12.5 Real gross wages, Turkey, 2005–2009 (2005=100)

<table>
<thead>
<tr>
<th>Years</th>
<th>Industry</th>
<th>Construction</th>
<th>Trade–Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>2006</td>
<td>103.3</td>
<td>117.0</td>
<td>110.0</td>
</tr>
<tr>
<td>2007</td>
<td>109.1</td>
<td>118.1</td>
<td>116.3</td>
</tr>
<tr>
<td>2008</td>
<td>109.5</td>
<td>118.4</td>
<td>120.2</td>
</tr>
<tr>
<td>2009</td>
<td>100.3</td>
<td>103.1</td>
<td>119.5</td>
</tr>
</tbody>
</table>

Source: TURKSTAT, Quarterly Industrial Employment Survey, author’s calculations.
Turkey

short-lived. In the crisis period, layoffs in the textile sector were massive, and some employers even went bankrupt. The employment index in the textile and garment sectors went down from 94 to 80 and from 94 to 81, respectively (2005 = 100). Real wages were further depressed and in 2009 fell to record lows in textiles by –15 per cent, and in apparel by –13 per cent.

Closer scrutiny reveals that, in addition to wages in labour-intensive sectors, wages in capital-intensive sectors were also squeezed in the crisis. Wages in the more capital-intensive sectors of manufacturing were not declining in the pre-crisis period. In fact, real wages improved in sectors such as the manufacturing of machinery and equipment and the automotive industry. In 2009, the contraction of foreign demand hit these sectors very hard. For example, within the first eight months of 2009, the number of vehicles produced by the automotive industry declined by 21.6 per cent and exports by 33.6 per cent, compared to the same period in the previous year. Firms started to lay off workers and negotiated lower wages where unions existed or simply lowered wages in non-unionized sectors. It was in the capital-intensive manufacturing sectors that larger enterprises applied for the short-time working schemes offered by the Government. But these practices did not solve the problem of layoffs in the sector as a whole, and small firms which produced parts for larger companies as subcontractors mainly adjusted by means of layoffs, dragging down the sector’s employment index dramatically, from 122 to 98.

Source: TURKSTAT, Treasury.

Figure 12.12 Productivity and real wages in the industrial sector, Turkey, 2005–2010 (per hour worked)
Work inequalities in the crisis

Real wages were also depressed in the capital-intensive sectors, an example being motor vehicle manufacturing with a wage fall of –16 per cent (TURKSTAT, Quarterly Industrial Employment Surveys, 2005–2009).

2.6 Minimum Wages: Not Used as the Adjustment Variable

According to the 2006 data provided by the SSI (2006), 52 per cent of workers employed in the private sector have wage earnings at the level of the minimum wage. This proportion is higher in labour-intensive sub-sectors of the manufacturing industry, such as textiles. The minimum wage is not only important for employees paid at this level, but also as a reference point that affects the overall level of wages.

Figure 12.13 shows that gross minimum wages fell by 3.1 points between 2005 and 2008. In 2008, gross minimum wages continued to fall, however there was an increase of 8.2 points in net minimum wages as a result of lower taxes. In 2009 and 2010, gross minimum wages increased by 2.9 and 2.5 points, respectively. But these increases were able to bring the minimum wage only to its pre-crisis level. In the crisis period it seems that, while the legal minimum wage – as the minimum labour cost – was kept almost crisis-neutral, thanks to the decrease in 2008 of the tax wedge on the minimum wage, especially for workers with families, the real value of the net minimum wage increased (ÇSGB 2010b).

Source: MLSS, author’s calculations.

Figure 12.13  Real Gross and Net minimum wages, Turkey, 2005–2010

(2005 = 100). Real wages were also depressed in the capital-intensive sectors, an example being motor vehicle manufacturing with a wage fall of –16 per cent (TURKSTAT, Quarterly Industrial Employment Surveys, 2005–2009).
2.7 Increase in Unfair Working Conditions Not Adequately Dealt with by Labour Inspectorate

During the crisis period complaints to the MLSS increased significantly with regard to such problems as delays in the payment of wages, unfair dismissals, non-payment of severance pay and health and safety violations.

This situation increased the burden of the Labour Inspection Board and labour inspectors, as the unit in the Ministry in charge of examining such complaints. In the face of ever-increasing complaints, the Labour Inspection Board could not achieve its aim of reducing the share of labour inspections associated with complaints within total inspections.

As one of the most important anti-crisis measures adopted by the Government, short-time working also increased the burden of inspectors. According to Article 5 of the Regulation on this practice, the eligibility of applications by employers to benefit from this scheme is examined by labour inspectors, who also prepare the final reports. According to information supplied by the Ministry, labour inspectors had examined crisis-related short-time working applications from 4,879 enterprises as of September 2009. Workers' complaints which had been a priority before the crisis were replaced by short-time working applications during the crisis period. Having to spare more time for such applications, which had been increasing since November 2008 and reached their peak in March 2009, labour inspectors had to reduce the time spent on examining other crisis-related complaints and postpone a number of field inspections. Consequently, the average time it took to examine and bring to a conclusion one worker complaint increased from 78.18 days in 2007 to 91.38 days in 2008.

Tables 12.6 and 12.7 show the declining number of inspections during the crisis in terms of both working conditions and workers' health and safety and the increasing share of inspections based on complaints.

2.8 Poverty Increasing

During the global crisis, per capita GDP in Turkey fell from 10,440 US dollars to 8,578 US dollars. The estimates for 2011 and 2012 indicate that Turkey will not be able to recover its pre-crisis level of GDP per capita even with robust projected growth rates for 2010–2012 (Figure 12.14).

TURKSTAT poverty data for 2002–2007 suggest that, in urban areas, the rates of both food and non-food poverty and relative poverty (based on 50 per cent of equivalized median consumption expenditure) have fallen. In rural areas, food and non-food poverty remained above the urban rate throughout the period without showing any significant fall. In
Work inequalities in the crisis

In 2008, the first year of the crisis, on the other hand, it appears that urban food poverty and spending-based relative poverty in rural areas both increased. In 2009, there was a fall in urban food poverty which might be attributed to various social assistance programmes. But rural food and non-food poverty, as well as rural relative poverty, increased (from 1.18 to 1.42 per cent, from 34.62 to 38.69 per cent and from 31 to 34.20 per cent, respectively).

A survey supported by TEPAV (Economic Policy Research Foundation of Turkey), UNICEF and the World Bank covering living conditions in five large provincial centres (Adana, Ankara, İstanbul, İzmir and Kocaeli) showed that three-quarters of families reported a fall in their incomes in the period October 2008–June 2009 (TEPAV 2009). According to the survey, the incomes of over 90 per cent of the poorest households have fallen. A fall in income was associated not only with unemployment; even

**Table 12.6  Inspection statistics relating to working conditions, Turkey, 2005–2009**

<table>
<thead>
<tr>
<th></th>
<th>Overall inspections</th>
<th>Control inspections</th>
<th>Investigative inspections (based on complaints)</th>
<th>Total inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7220</td>
<td>1130</td>
<td>26645</td>
<td>34995</td>
</tr>
<tr>
<td>2006</td>
<td>5897</td>
<td>871</td>
<td>27728</td>
<td>34496</td>
</tr>
<tr>
<td>2007</td>
<td>4902</td>
<td>1038</td>
<td>35724</td>
<td>42044</td>
</tr>
<tr>
<td>2008</td>
<td>3691</td>
<td>839</td>
<td>34589</td>
<td>39119</td>
</tr>
<tr>
<td>2009</td>
<td>592</td>
<td>488</td>
<td>35306</td>
<td>36386</td>
</tr>
</tbody>
</table>

*Source:* MLSS.

**Table 12.7  Inspection statistics relating to workers’ health and safety, Turkey, 2005–2009**

<table>
<thead>
<tr>
<th></th>
<th>Overall inspections</th>
<th>Control inspections</th>
<th>Total inspections</th>
<th>Total number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17378</td>
<td>4181</td>
<td>27374</td>
<td>1178264</td>
</tr>
<tr>
<td>2006</td>
<td>16245</td>
<td>4196</td>
<td>26615</td>
<td>1158372</td>
</tr>
<tr>
<td>2008</td>
<td>14141</td>
<td>1496</td>
<td>23443</td>
<td>875186</td>
</tr>
<tr>
<td>2009</td>
<td>6082</td>
<td>1011</td>
<td>19709</td>
<td>867605</td>
</tr>
</tbody>
</table>

*Source:* MLSS.

rural areas, the spending-based relative rate of poverty increased during the same period.

In 2008, the first year of the crisis, on the other hand, it appears that urban food poverty and spending-based relative poverty in rural areas both increased. In 2009, there was a fall in urban food poverty which might be attributed to various social assistance programmes. But rural food and non-food poverty, as well as rural relative poverty, increased (from 1.18 to 1.42 per cent, from 34.62 to 38.69 per cent and from 31 to 34.20 per cent, respectively).

A survey supported by TEPAV (Economic Policy Research Foundation of Turkey), UNICEF and the World Bank covering living conditions in five large provincial centres (Adana, Ankara, İstanbul, İzmir and Kocaeli) showed that three-quarters of families reported a fall in their incomes in the period October 2008–June 2009 (TEPAV 2009). According to the survey, the incomes of over 90 per cent of the poorest households have fallen. A fall in income was associated not only with unemployment; even
when jobs were maintained, wage earnings and returns to self-employment fell for the lowest quintile. For informal workers, this fall was relatively higher. Families stated that family incomes, rental revenues and other supporting income all stagnated during the crisis. One-third of the poorest families declared their inability to pay for utilities and 9 per cent had their electricity cut off occasionally.

In response to this situation, families adopted the strategy of reducing their food expenditure to cover other essential needs. The urban poor had to adjust the most. Among the poorest 20 per cent of families in the urban centres, 75 per cent reported that they had reduced food consumption and 50 per cent said they had reduced the level of food consumed by their children. Also, 29 per cent of the poorest population reported a reduced resort to health services.

Survey results indicate that 10 per cent of the poorest urban households had access to public social assistance programmes, such as cash payments or fuel or food support, which accounted for 7 per cent of poor households' income.

Informal mechanisms of solidarity in the form of borrowing from neighbours, friends and relatives were used during the crisis and applications for assistance provided by the Social Assistance and Solidarity Foundations and local governments increased. Borrowing amounted to half of total income for poor and middle income households. However, despite these channels, one-fifth of the poorest families still stated that they could find no support at all during the crisis period.
3. MEASURES RELATED TO WORKING LIFE TAKEN IN RESPONSE TO THE CRISIS

3.1 Anti-crisis Measures

In Turkey, the Government adopted a series of measures collected under the heading of ‘anti-crisis packages’ which aimed at boosting domestic demand and exports, encouraging capital inflows and opening up domestic credit channels (SEDEFED 2009).

The Undersecretariat of the Treasury classifies the measures adopted by both the Government and the Central Bank as follows: ‘liquidity support’, which includes measures related to the banking sector to facilitate money flows to the markets; ‘tax support’, designed to reduce rates of VAT and special consumption tax (SCT); ‘investment support’, ‘credit and guarantee support for production and exports’, ‘arrangements concerning credit use and credit cards’, ‘research and development support’ and ‘employment support’ (T.C. Hazine Müsteşarlığı 2009). It is estimated that the cost of these support packages constituted 0.8 per cent, 2.1 per cent and 1.6 per cent of GDP in 2008, 2009 and 2010, respectively (DPT 2009a).

As can be seen from this list, which is revised on a monthly basis, anti-crisis measures in Turkey are essentially based on the idea of transferring resources to financial and industrial capital and boosting domestic demand by reducing the prices of durable goods.

In the context of mitigating the effects of the economic crisis on employment, the Government adopted both active and passive labour market policies. Among its active labour market policies, employment incentives provided to employers and vocational training and community work provided by İŞKUR, Turkey’s Public Employment Agency, were at the fore.

Passive labour market policies included the short working allowance and the wage guarantee fund. There was a minor improvement in the amount of unemployment benefit, but the conditions of eligibility and terms of entitlement to unemployment benefits remained extremely restrictive and were not alleviated during the crisis period.

3.2 Active Labour Market Policies

The Government adopted three major legislative acts to promote employment and counteract the effects of the global crisis. The first one, commonly known as the ‘employment package’, was adopted on 15 May 2008, well before the full effects of the global crisis were felt in Turkey. The second one was adopted on 18 February 2009, which introduced amendments to existing legislation. The last one, dated 11 August 2009, amended
existing unemployment insurance, social security and health insurance legislation.

The measures introduced by the 2008 employment package to boost demand for labour by reducing labour costs were centred on decreasing the tax wedge on employment of certain groups, such as women, young people and the disabled, who are more vulnerable to the effects of the crisis. The employer’s share of social security contributions for disabled persons employed under compulsory employment legislation was henceforth to be covered by the Treasury, while at the same time the quota for compulsory employment was reduced from 6 per cent to 3 per cent for private sector employers. The employers’ share of the social security contributions of women recruited in addition to existing employees, as well as of young persons aged 18–29, will be covered retrogressively for a period of five years by the Unemployment Insurance Fund. The number of jobs created by means of these incentives totalled 53,296 in 2009, 27,322 of them for women. In 2009, 81 million lira were transferred from the Unemployment Insurance Fund to the Social Security Institute to cover these incentives. Starting from October 2008, the employers’ share in employees’ disability, old age and death insurance were to be covered by the Treasury.

On 11 August 2009, further employment incentive measures were introduced to promote the employment of persons receiving unemployment benefits. However, these employment incentives were conditional on employers not being in arrears in their social insurance contributions. In 2009, 55,093 jobless people benefited from this incentive, 16,690 of them women. Another incentive was for new employment, applying to all workers hired in addition to those on the company payroll between April 2009 and December 2009 and in employment at the time of the application: the employer’s share of social insurance contributions calculated at the minimum earnings level could be covered from the Unemployment Insurance Fund for six months.

On 14 July 2009, the Council of Ministers announced its new system of incentives for new investments. With regard to employment incentives, the system provided for state coverage of the employers’ share of the social security contributions of newly recruited workers for two to seven years, differentiated on a regional basis. The second group of measures within the context of active labour market policies are intended to increase demand for labour by increasing productivity. Again, the employment package of 2008 introduced the basic changes in this regard.

Both new labour market entrants and other unemployed shall be covered by the Unemployment Insurance Scheme in the context of active labour market policies. Thus, the scheme has been given a wider scope and
arrangements have been made to use the Unemployment Insurance Fund to finance job placement, counselling, vocational training, labour force adaptation, community work and similar services for all unemployed, whether or not they have paid contributions to the Fund, as well as labour market research and planning efforts.

A total of 30 per cent of the state share transferred to the fund as unemployment insurance contributions will be allocated to financing such services as extending training services to all unemployed persons, labour force adaptation, labour market research and planning and training and counselling. The Council of Ministers was authorized to raise this amount to 50 per cent, which it did.

With this facility, in 2009 and 2010 İŞKUR launched a vocational training initiative. Programmes implemented in 2009 were attended by 213,852 trainees (120,099 males and 93,753 females). The amount transferred in 2009 was 595 million lira. Planned funding for 2010 is also 595 million lira. This means that within two years İŞKUR will have expended more than 1 billion lira in its active employment programmes, for which it procures services from vocational training institutions.

In addition to the advantages that might be obtained from being awarded a certificate, another reason for the popularity of vocational training courses was the 15 lira allowance given to participants. Some of these courses come with an employment guarantee; however, employment created through this channel remains relatively limited (in 2009, only 15,000). Community work, where a minimum wage is paid for six months’ manual employment in public schools or other public services, provided employment for 45,000 people after brief training in 2009.

İŞKUR’s internship programme, under which interns are paid 15 lira per day, fell well below the target: only 1,285 interns were taken on by companies. The same is true of the business training programme, from which only 19 people benefited.

While İŞKUR monitors the labour market positions of its course attendants, no impact analysis has yet been carried out (İŞKUR, Interview 2009).

3.3 Passive Labour Market Policies

The 2008 employment package introduced reorganization of the Wage Guarantee Fund and short-time working allowances, given the likelihood that there would be more call for them during the crisis. The scope of the Wage Guarantee Fund was expanded: eligibility now also included cases in which workers cannot be paid due to the insolvency of their employers. Also, limitations on the period of payment were lifted. The number
of beneficiaries and the amount paid from the Wage Guarantee Fund increased considerably in 2009 (Table 12.8).

Law no. 5838, adopted on 18 February 2009, improved the conditions under which it was possible to benefit from short-time working arrangements.

Under the original short-time work measure provided for first by the Labour Law and then by the Law on Unemployment Insurance, if the employer, in conditions of an overall economic crisis or other compelling factors, temporarily shortened weekly working hours (shorter work) or suspended enterprise activities partly or fully, he could then provide a short-time allowance for employees eligible for unemployment benefits, as long as the Public Employment Agency İŞKUR was duly informed about the situation and the approval of the Ministry of Labour was obtained. In such conditions, workers would be paid from the unemployment insurance fund for the period they were out of work for a maximum of three months. The daily allowance was equivalent to unemployment benefit. If short-time beneficiaries lost their jobs permanently, the period during which they received short-time allowance would be deducted from the period during which they would be eligible for unemployment benefits. In other words, this arrangement brought employees nothing in addition to unemployment benefits. Indeed, as a result of these strict limitations no person could benefit from this scheme in 2008, which was a crisis year.

Later, however, with Law no. 5838, dated 18 February 2009, the period envisaged for the short-time allowance was extended to six months and the amount of the allowance was increased by 50 per cent. Furthermore, in case of permanent job loss, the period of short-time payments will not be deducted from the period of eligibility for unemployment benefits.

As shown in Table 12.9, after these improvements in the regulations on short-time working, applications for short-time allowances increased

Table 12.8  Payments from the Wage Guarantee Fund, Turkey, 2005–2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Persons</th>
<th>Total Amount Paid, TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1269</td>
<td>3 352 330</td>
</tr>
<tr>
<td>2006</td>
<td>1134</td>
<td>1 640 989</td>
</tr>
<tr>
<td>2007</td>
<td>2223</td>
<td>3 602 134</td>
</tr>
<tr>
<td>2008</td>
<td>827</td>
<td>1 071 806</td>
</tr>
<tr>
<td>2009</td>
<td>12371</td>
<td>22 338 534</td>
</tr>
<tr>
<td>2010 January–July</td>
<td>10 590</td>
<td>16 497 184</td>
</tr>
</tbody>
</table>

Source: İŞKUR, Unemployment Insurance Fund Bulletins.
Work inequalities in the crisis

The short-time working scheme is aimed at protecting jobs in order to maintain workforce attachment during the crisis. As such, it is used mainly to preserve the employment of skilled workers. It also helps employers to reduce the costs of shedding workers (particularly severance pay), which can be high for skilled workers on regular employment contracts who have been at the same firm for a long period. These workers also constitute the backbone of unions in Turkey, who prefer working time adjustment to labour adjustment. However, unskilled workers employed in small enterprises or through subcontractors within the framework of flexible and sometimes unregistered employment relations are more likely to be laid off during crises instead of being subjected to lengthy short-time arrangements. Furthermore, such workplaces are almost all ‘union free’ in Turkey. The relative narrowness of the primary sector and the generality of flexible and/or unprotected working arrangements in many enterprises in Turkey explains the limited number of beneficiaries of short-time working. Strengthening both labour market institutions and the trade unions would result in better use of the current system and allow for more efficient use of internal flexibility.

During the crisis period there was only one minor improvement concerning unemployment benefits. The amendment to Article 3 of Unemployment Insurance Law no. 4477 provides that, in calculating unemployment benefits, not the net but the gross amount of the minimum wage will be taken as the base, which increases the level of payment, to some extent, without any alleviation of the conditions of eligibility and terms of entitlement to unemployment benefits.

Table 12.9  Short-time working payments, Turkey, 2005–2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Persons</th>
<th>Total Amount Paid TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>21</td>
<td>10,566</td>
</tr>
<tr>
<td>2006</td>
<td>217</td>
<td>64,398</td>
</tr>
<tr>
<td>2007</td>
<td>40</td>
<td>22,051</td>
</tr>
<tr>
<td>2008</td>
<td>650</td>
<td>70,639</td>
</tr>
<tr>
<td>2009</td>
<td>190,223</td>
<td>162,506,260</td>
</tr>
<tr>
<td>2010 Jan-July</td>
<td>22,945</td>
<td>34,251,635</td>
</tr>
</tbody>
</table>

Source: IŞKUR, Unemployment InsuranceBulletins.
Table 12.10  Unemployment Insurance Fund income and expenditure, Turkey, 2007–2010 (current prices, million lira)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009 (est.)</th>
<th>2010 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I: Revenue</td>
<td>7,390</td>
<td>9,587</td>
<td>9,382</td>
<td>9,054</td>
</tr>
<tr>
<td>Contributions</td>
<td>2,413</td>
<td>3,090</td>
<td>2,919</td>
<td>3,320</td>
</tr>
<tr>
<td>State contribution</td>
<td>814</td>
<td>1,022</td>
<td>986</td>
<td>1,107</td>
</tr>
<tr>
<td>Interest</td>
<td>4,100</td>
<td>5,367</td>
<td>5,389</td>
<td>4,531</td>
</tr>
<tr>
<td>II: Expenditure</td>
<td>404</td>
<td>1,940</td>
<td>6,290</td>
<td>5,011</td>
</tr>
<tr>
<td>Insurance expenditure</td>
<td>324</td>
<td>475</td>
<td>1,328</td>
<td>883</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>81</td>
<td>1,464</td>
<td>4,961</td>
<td>4,128</td>
</tr>
<tr>
<td>III: Balance</td>
<td>6,986</td>
<td>7,647</td>
<td>3,092</td>
<td>4,043</td>
</tr>
<tr>
<td>IV: Total fund assets</td>
<td>30,712</td>
<td>38,359</td>
<td>41,451</td>
<td>45,494</td>
</tr>
</tbody>
</table>

Source: SPO.

3.4 Transfer of Revenues from the Unemployment Insurance Fund to the Budget

One controversial arrangement introduced by the Employment Package is the permission given to the Government to transfer revenues from the Unemployment Insurance Fund to the budget. According to this arrangement (dated 2008), in 2008 an amount totalling 1.3 billion TL was transferred and in the period 2009–2012 one-quarter of the Fund’s interest revenues will be transferred, on the decision of the Higher Planning Board, to relevant institutions and agencies, to be used in ‘investments in the context of the South-eastern Anatolia Project (GAP) and in other investments for regional economic and social development’. This arrangement was later expanded by Law no. 5921. Instead of one-quarter of the Fund’s interest revenues, now three-quarters will be transferred to the general budget for 2009 and 2010, the ratio decreasing to one-quarter again in 2011 and 2012.

With this amendment, an amount totalling 4.2 billion TL was transferred from the Fund to the budget in 2009 and 3.6 billion TL in 2010. These investments and their employment effects have not been accounted for.

Both workers’ and employers’ organizations opposed the transfer of Fund revenues to the general budget. Trade Union Confederations TÜRK-İŞ and DİŞK further accused the Government of financing the budget deficit with Fund revenues which instead should have been used for the unemployed.

Table 12.10 shows that as a result of this transfer, the ratio between Other Expenditure and Insurance Expenditure which was 1 to 4 in 2007, was reversed in the crisis period to 4 to 1.
3.5 Social Protection During the Crisis

In the Treasury list of anti-crisis measures no mention is made of additional social protection measures during the crisis period. However, using the social protection statistics we can discover something about social protection trends during the crisis.

The State Planning Organization (SPO) groups public sector social spending under three headings: education, health and social protection. Social protection spending comprises three main components: (i) pensions and other expenditure, (ii) social assistance and unfunded expenditure and (iii) direct income support payments (SPO 2009b).

The ratio of public sector social spending to GDP was 14.65 per cent in 2007, 15.08 per cent in 2008, 17.1 per cent in 2009 (estimated) and 17.58 per cent in 2010 (projected). However, given the contraction in GDP in the crisis period, the evolution of total real social spending and its components would better reflect trends in social protection. As shown in Table 12.11 the index score of total real social spending (2007 = 100) rose to 105 and 112 for 2008 and 2009, respectively.1 The increase in social expenditure manifests itself mainly in the massive expansion of social assistance programmes implemented via poorly coordinated means tested programmes. The index score of the real value of social assistance and unfunded expenditure increased to 127 in 2008, 176 in 2009 (estimated) and 181 in 2010 (projected). The expansion of cash and in-kind transfers was not specifically designed to counteract the social impact of the crisis, but rather functioned as built-in protection measures.

Table 12.11  Public sector social expenditure (real), Turkey, 2007–2010 (2007=100)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>100</td>
<td>108</td>
<td>114</td>
<td>120</td>
</tr>
<tr>
<td>Health</td>
<td>100</td>
<td>112</td>
<td>117</td>
<td>118</td>
</tr>
<tr>
<td>Social protection</td>
<td>100</td>
<td>100</td>
<td>108</td>
<td>113</td>
</tr>
<tr>
<td>Pensions and other expenditures</td>
<td>100</td>
<td>100</td>
<td>107</td>
<td>111</td>
</tr>
<tr>
<td>Social aids and unfunded expenditures</td>
<td>100</td>
<td>127</td>
<td>176</td>
<td>181</td>
</tr>
<tr>
<td>Direct income support payments</td>
<td>100</td>
<td>69</td>
<td>36</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>105</td>
<td>112</td>
<td>116</td>
</tr>
</tbody>
</table>

Source: SPO, 2009 estimate, 2010 projected. Author’s calculations.
4. SOCIAL PARTNERS ON THE GLOBAL CRISIS AND ANTI-CRISIS MEASURES

4.1 Social Dialogue Mechanisms During the Crisis

During the economic crisis, a number of initiatives were launched to assign a different role to social dialogue mechanisms and to reach consensus through these mechanisms on measures to be adopted to counter the effects of the crisis.

The Economic and Social Council under the Ministry of Labour and Social Security, the Tripartite Advisory Board, İŞKUR, SSI and other institutions in which the social partners are represented, including provincial employment and vocational training boards at local level were brought to the fore as arenas for social dialogue.

A social dialogue arena independent of the Ministry of Labour and Social Security was created on 3 November 2008 when the Economic Coordination Board met under the chairmanship of the Prime Minister with the participation of key ministers. The Board included the crisis on its agenda and invited the social partners and NGOs to the meeting. TÜRK-İŞ, HAK-İŞ, DİSK, KAMU-SEN, KESK, MEMUR-SEN (trade unions), and TİSK, TESK, TZOB, TÜDEF, KEİG, the Community Volunteers Foundation, TOBB, the Women Entrepreneurs Board, KAGİDER and the Association of Private Employment Agencies also participated in the meeting, at which employers’ and employees’ organizations presented reports containing their remarks and suggestions on the crisis.

At its January 2009 meeting, the Tripartite Advisory Board decided to meet every month to work on the crisis. At this meeting the social partners also submitted their reports on the crisis, containing their suggestions.

The Economic and Social Council, another mechanism for social dialogue, met on 5 February 2009 with the economic crisis on the agenda. The social partners shared their suggestions on anti-crisis measures with the Prime Minister, as well as other ministers and top-level bureaucrats.

In addition to the abovementioned national social dialogue during the crisis period, efforts were made to promote social dialogue also at the local level through the local employment and vocational training boards.

4.2 A Process Interrupted at the Peak of the Crisis

The efforts made at the inception of the crisis to create an environment conducive to social dialogue at the national level came to an end towards the end of 2009. During the İŞKUR General Assembly meeting on 23 November 2009, the Minister of Labour and Social Security directed...
criticisms towards the trade unions, accusing them of ‘irresponsibility and a lack of vision’. In response to these accusations, in a joint declaration, both the employers’ and the workers’ organizations – TİSK, TÜRK-İŞ, HAK-İŞ and DISK – described these criticisms as an expression of a ‘conflict-based culture biased against the unions’ (TİSK 2009a). After the joint protests of the social partners at İŞKUR’s General Congress, workers’ confederations issued another declaration and stated that they would not be participating at the meeting of the Tripartite Advisory Board planned for 25 November 2009 since they did not expect that a fruitful dialogue would be possible after the Minister’s heavy criticism of the trade unions (TÜRK-İŞ 2009a). It seems that towards the end of 2009, a climate of conflict rather than dialogue prevailed between the Government and the social partners (TİSK 2009a).

4.3 Elements of Divergence

The trade unions have many points in common with regard to their demands within the framework of the social dialogue, which call mainly for increases in wages, pensions and other benefits and tax and price abatements in public services.

Such employer demands as short-time working, reductions in VAT, the Special Consumption Tax and employment taxes were supported by the trade unions, while they rejected other suggestions, including the introduction of further flexibility in labour markets, particularly temporary agency work, limitations on severance pay and maintaining the IMF anchor.

The Minimum Wage Commission is one of the most important social dialogue platforms in Turkey. It is interesting that the decisions taken in the crisis era were not based on consensus.

One point that both employers’ and workers’ organizations agreed on in the context of anti-crisis measures was the need to boost domestic demand. However, the two sides differed when it came to specific measures for that purpose. The employers suggested capital-focused measures, most of which were geared to boosting spending on investment and automotive and consumer durables. To be more specific, the private sector proposed the following, considering itself the main agent in each: boosting public investment in infrastructure, including railways, ports, irrigation and housing; reintroducing investment discounts and incentives; exempting both domestic and foreign investors from all taxes for a period of 10 years; credit allocation on favourable terms; free investment sites; and reducing the tax burden on energy. Employers also asked for further tax reductions in the sub-sectors of automotive and durable consumer goods, in which the effects of the crisis were more acute.
Workers’ organizations proposed the following to increase domestic demand: increasing wages and benefits; raising the level of the minimum wage; expanding the coverage of collective bargaining; increasing retirement pensions; more favourable conditions for eligibility for unemployment benefits; introducing minimum income support; improving short-time working arrangements and strengthening of collective agreements.

One issue on which the parties had completely opposed stances was the introduction of new forms of flexibility in the Labour Code. While the employers wanted, for example, temporary employment through private employment agencies, the trade union organizations strongly rejected it.

4.4 Bilateral Anti-crisis Agreements

In the crisis period, action was also taken by trade unions and employers at the enterprise level, mainly by means of protocols and agreements on wages, social benefits and working time. On the part of the trade unions, the obvious aim of the protocols was to protect employment, especially in the textile/garments and automotive sectors, which were hit hard by the global crisis.

TEKSIF (Textile, Knitwear and Garment Workers’ Union of Turkey), an affiliate of TÜRK-İŞ, and TTSIS (Textile Industry Employers’ Association of Turkey) agreed a protocol regulating working time under crisis conditions. The protocol, signed concurrently with the 21st Session Group Collective Agreements of 2008 and valid until 1 December 2008 for the first group of enterprises, and 2 July 2009 for the second group of enterprises, suspended the implementation of the clauses of the collective agreement regulating overtime and weekend work payments for 60 enterprises. With the protocol, the level of overtime wages was decreased from 100 per cent to the legal minimum of 50 per cent, and the payment of two additional daily wages in the case of weekend working was reduced to 1.5 additional daily wages. A new protocol signed between TEKSIF and TTSIS extended the period of application of the first protocol until 31 March 2010, which is the expiry date of the 2008 collective agreement.

The Textile Workers’ Union, an affiliate of DISK (Confederation of Progressive Workers’ Unions), and Coats Corporation Turkey – one of the signatories of the group collective agreement – also signed a protocol, based on the group collective agreement clauses regulating short-time working, on 9 February 2009. This protocol includes the implementation of a four-month period of short-time working in 2009. According to the protocol, unpaid leave of 7.5 hours a week was agreed, reducing weekly working hours from 45 to 37.5 and suspending Saturday working.
additional protocol signed on 17 April 2009 extended the validity of the agreements until 30 June 2009.

In the metal sector, which was also hit hard by the crisis, a 35 per cent wage decrease for a 16-month period was agreed by a protocol signed on 21 April 2009 between the Turkish Metal Union, an affiliate of TÜRK-İŞ, and Erdemir Corporation. Other contractual rights were preserved. The agreement on the wage cut applied to 5,224 members of the Turkish Metal Union and to 1,806 other employees, mainly managers and white-collar workers. According to the protocol, workers would resume receiving their regular wages and other rights based on wages without any deductions at the end of August 2009, the expiry date of the protocol, and payments would be made in accordance with the existing collective agreement.

Another protocol which modified certain clauses of the 2008 collective agreement was signed on 20 January 2009 between PETROL-İŞ (Union of Petroleum, Chemical and Rubber Workers), an affiliate of TURK-İŞ, and SODAŞ Sodium Corporation. The protocol froze wages for the first six months of 2009 at their 2008 levels, suspending the 3.87 per cent wage increase stipulated in the collective agreement. It also froze social benefits at their 2008 levels.

Similar actions have been taken by other unions and employers’ organizations through collective agreements, agreements on short-time working and written or verbal protocols concerning wages, social benefits and working time. The temporary provision in the collective agreement between the Sugar Workers’ Union and the Employers’ Organization of the Sugar Industry covering the period 10 February 2009–31 January 2011 provided for lower wages if seasonal and fixed-term workers were transferred to permanent jobs. AGAC-İŞ, the Wood Workers’ Union, agreed to unpaid leave and the postponement of wage increases and bonus payments stipulated in the collective agreements with Samedoglu Forest Products, Domsan Furniture and Agacoglu Forest Products. TES-İŞ, the Energy Workers’ Union, agreed to lower the entry-level wages, bonuses and social benefits for workers to be taken on by the Baskent, Sakarya, Aydem and Kayseri Electric companies for the collective agreements covering 2009–2010.

5. CASE STUDY: EVOLVING WORK PRACTICES IN THE CRISIS

To illustrate working conditions in the crisis and their effects on inequalities we present here what has been happening in one province hit
particularly hard by the crisis, Bursa, and the adjustment policies put in place at the local level, notably through social dialogue.

5.1 Bursa: A City in Crisis

According to TURKSTAT’s 2008 Regional Indicators, the population of Bursa Province is 2,507,963, with 88 per cent living in urban areas and 12 per cent in rural areas. Bursa is above the national average with regard to the rate of urbanization, the annual rate of population growth, per capita GDP and the share of industrial employment in total employment. The Province of Bursa occupies an important position in the automotive, machinery, textile and food industries.

Bursa was hard hit by the global crisis in 2008 and its effects only grew worse in 2009. This can be explained by the fact that exports play a significant role in the provincial economy: indeed, they accounted for 9 per cent of all Turkish exports in 2009. During the first seven months of 2009, when Turkey’s exports fell by 30.5 per cent in comparison to the same period of the previous year, the figure was 31.6 per cent for Bursa. Looking at the import figures we see that Bursa’s share in Turkey’s total imports was 4.7 per cent and that imports to Bursa declined by 36.6 per cent in the first eight months of 2009 in comparison to the same period in 2008 (Figure 12.15).

It applies not only to Bursa but also to Turkey as a whole that provinces in which production is mainly export-oriented have been harder hit.
by the crisis as a result of falling foreign demand. But what makes Bursa more prone to the effects of the crisis is that exports from this province are mainly to EU countries, where the contraction in demand has been more pronounced than in other regions of the world (Kalkan and Başdaş 2009a, 2009b).

Looking at the regional distribution of exports from Bursa, it seems that the share of EU countries gradually increased from 69.7 per cent in 2004 to 75.1 per cent in 2009. On the other hand, the share of Middle Eastern and Northern European countries increased very little: from 9.4 per cent in 2004 to 10.6 per cent in 2009 (BTSO 2009a).

The automotive industry (including support industries), textiles and clothing, machinery and metal processing constitute the province’s export base and have been seriously affected by the crisis. Textiles and clothing were under pressure even before the 2008 crisis. According to a survey by the Chamber of Industry and Commerce (BTSO 2008) covering the 250 largest firms in Bursa, the number of firms from the textile sector in that sample has been falling continuously since 1997. Turkish textiles and clothing firms trying to engage in price competition in export markets did not perform well against competitors while the value of the lira continued to appreciate under the economic policy of financing the current account by attracting speculative capital to Turkey. These firms found it difficult to cope with global competition in the domestic market as well. In fact, representatives of the social partners in Bursa said that many investors were pessimistic about the future of this sector and consequently had shifted to other sectors, including construction and tourism. Thus, the contraction in the textiles and clothing sector in Bursa should not be associated with the current crisis alone. The falling trend already evident before the crisis was only exacerbated.

The same cannot be said for the automotive sector and its support industries. In Bursa, they experienced growth until 2008, making the province the leading centre in Turkey in terms of exports and employment (BTSO 2009b). In 2008, Bursa’s share of all vehicles produced in Turkey was 49.3 per cent. Such major concerns as TOFAŞ-FIAT, OYAK-RENAULT and KARSAN-PEUGEOT all have their facilities in Bursa. In the province there are also many firms engaged in the production of parts and spare parts for motor vehicles. During the 2001 crisis, automotive enterprises in Bursa managed to compensate for the fall in domestic demand by shifting to foreign markets. While the sector felt the effects of the crisis in 2008 and suffered some stagnancy, there was no significant downturn in terms of exports and employment. This situation completely changed in 2009, however, and as a result of contracting foreign demand due to the global crisis, automotive industry indicators
turned negative. Within the first eight months of 2009, the number of vehicles produced by the industry declined by 21.6 per cent and exports fell by 33.6 per cent compared to the same period in the previous year (BTSO 2009a).

Food is another major sector providing employment in Bursa. Bursa has a notable share in the production and export of fruit juices, soft beverages, canned food, tomato paste, processed food items, milk products and frozen foodstuffs in Turkey. During the crisis period of 2009, this sector too fell back in terms of output, exports, employment and profitability (BTSO 2009b). Between August 2008 and August 2009, the export of food and beverages fell by 22.8 per cent.

5.2 Job Losses High in Bursa

Heavily dependent on exports and EU markets which were deeply affected by the crisis, Bursa started to face serious problems, with increased unemployment and informalization. Furthermore, the contraction in exports had backward linkages to overall economic activities in the province, leading to a contraction in the domestic market oriented activities of firms and small enterprises.

According to data provided by the Social Security Institution for Bursa, the number of workers with insurance coverage decreased by 16 per cent in the period June 2008–June 2009, while the decrease for the insured self-employed was 22 per cent. As of September 2009, this falling trend had slowed down: there was a 13.5 per cent decrease in the period June 2008–September 2009. However, the decrease in the number of insured self-employed continued, rising to 23.5 per cent for the period 2008 June–2009 September. This fall in the number of insured wage earners and self-employed reflected increasing unemployment, on the one hand, and expanding informal employment, on the other.

Observations by İŞKUR confirmed the adverse affects of the crisis on employment in Bursa. The İŞKUR representative noted that firms applied the seniority principle in implementing dismissals, which thereby affected mainly younger workers. Other priority groups with regard to dismissals included workers with retirement rights or working while retired and younger workers about to be recruited to the military. There were dismissals not only of blue-collar workers but also of middle-ranking and top managers. According to the Regional Director of the Ministry of Labour and Social Security in Bursa, while the placement of blue-collar workers in new jobs was relatively easy, even in the crisis period, it could be difficult for white-collar workers.
5.3 Anti-crisis Measures and Local Reactions of the Social Partners

As the pressures of the crisis began to be felt more acutely, employers’ and workers’ organizations started to think about what could be done at the local level. The measures contemplated were mostly macro-level, and thus it was expected that central government would take responsibility. As measures to ease in particular the automotive sector, SCT reductions were considered and suggestions to lower consumption taxes were conveyed to the Government.

The automotive sector was in deep crisis by the first quarter of 2009 and in March 2009, the Government finally introduced special consumption tax reductions on a number of products, including motor vehicles. The SCT rate was reduced from 6.7 per cent to zero on white goods and electronic household goods; from 10 per cent to 1 per cent on commercial vehicles; from 37 per cent to 18 per cent on cars with an engine capacity not exceeding 1600 cm³; from 4 per cent to 1 per cent on lorries and buses; and from 22 per cent to 11 per cent on motorcycles with an engine capacity not exceeding 250 cm³. The reductions remained in place until 30 September 2009; the highest SCT reduction was on passenger cars.

Local representatives in Bursa affirmed the Government’s SCT reductions as a positive measure since demand for passenger cars, in particular, was stimulated. But they added that these measures came too late and were not very effective from an employment point of view since firms made their sales mainly from inventories, and SCT reductions also benefited motor vehicle imports. Taymaz (2010), in his study of the effects of the crisis on the automotive industry, confirms that the impact on employment of the SCT reduction was limited: motor vehicle producers continued to lay off workers.

One other measure considered by the local social partners aimed at boosting the automotive industry and its support industries in Bursa was to offer consumers willing to exchange their old car for a new one various incentives, such as a ‘scrappage discount’, whereby the value of the abandoned car would be considered as advance payment before instalments. A scrappage discount has been in force since 2007, but limited to trucks, tankers, trailers, midi buses and buses and not tied to new purchases of motor vehicles. The Government extended its application several times in 2008 and 2009, but still excluded passenger cars and did not introduce the conditionality of a new purchase. Application therefore remained limited to around 15,000 vehicles and did not meet local expectations.

During the crisis, İŞKUR’s Bursa Directorate increased considerably in importance (Table 12.12). According to monthly İŞKUR data for 2008, 17,846 persons were applying for unemployment benefits in Bursa as of September 2008. The number was 38,729 in 2009.
İSKUR Bursa became very active in the crisis period, carrying out most of the work of Provincial Employment and Vocational Training Boards. Participation in vocational training courses organized by İSKUR Bursa increased particularly in 2009, the daily payment of 15 lira to each participating trainee making the courses attractive, despite the lack of an employment guarantee in most schemes. In 2008, 2,768 trainees participated in 73 courses. In 2009, 455 courses were opened and 9,244 trainees took part, 46 per cent of them women.

Active labour market policies also included public works. The TİSK representative said that 800 persons were temporarily placed in jobs in 120 schools. However, he continued, this is not actually employment creation, but merely finding an excuse to pay such people wages. These measures were considered mere window-dressing and the social partners maintained that such measures would not represent a sustainable solution unless productive work opportunities were introduced.

According to İSKUR, 649 firms had applied for the short-time working scheme as of 30 September 2009, covering 62,303 employees.

6. CONCLUSION

In common with many other developing countries that cannot generate decent jobs even with high rates of growth, Turkey was facing a serious problem of unemployment and idle labour even before the global crisis. Despite the high growth rates experienced in the aftermath of the 2001 crisis in Turkey, job creation was not adequate and the official unemployment rate settled at around 10 per cent for all sectors and around 13 per cent excluding agriculture. The global crisis further deepened this employment crisis. By the end of 2009, the unemployment rate had increased to 14 per cent for all sectors and to 16.6 per cent excluding agriculture.

In the crisis period, while full-time jobs in industry were lost in the urban areas, employment creation in the rural areas mitigated the effects...
of the crisis, with job creation for persons becoming self-employed and among unpaid family workers.

During the crisis year of 2009, labour force participation rates for women increased by 0.4 percentage points and those for men decreased by 1.5 points. In 2009, the employment rate for women in both urban and rural areas rose by 0.4 and 1.4 percentage points, respectively, while it decreased for men by –2.3 percentage points in urban and by –1.1 points in rural areas. These figures reflect the added worker effect observed in most countries during crisis periods.

As in the 2001 crisis, industry was most affected by shrinking external demand. The increase in agricultural employment reflected the increase in female employment in agriculture in the form of unpaid family labour, while the troubles of industry resulted in a decrease in male employment. The increase in service sector employment was mostly in small-scale, family-owned services, with low productivity and no security of employment.

The work status of the employed shifted from wage work towards own-account and unpaid family work, and the share of wage and salary earners in total employment decreased. Potential wage earners in urban areas were either transferred to own-account work, still in urban areas, or returned to agriculture to work on family land as self-employed or unpaid family labour. In both cases, the transformation manifested itself as informalization.

The toll of unemployment effects in the crisis has been particularly heavy for urban youth. As unemployment increased and young people bore the brunt of it, the relative weight of long-term unemployment in total unemployment diminished.

Employers chose to release unskilled workers, preferring to retain skilled workers during the crisis. Short-time working helped in this. Consequently, the unemployment rates of less educated (for example, secondary school graduates) increased more than those of vocational graduates and those with a higher education.

The declining trend with regard to undeclared work is not observed in the crisis period of 2008–2009. Despite all the measures taken to tackle undeclared work, the proportion of working people not covered by any social security scheme increased by 0.3 points to 43.8 per cent in 2009.

In some workplaces, social security registration of workers was withdrawn, with the same effect as if their work contracts had been terminated, although they continued working. Social Security Institution (SSI) statistics suggest that the number of workers covered by social security decreased significantly in 2009. The decrease in the number of self-employed persons covered by social security is even more pronounced.
During the crisis year of 2009, average working hours decreased to 53.9 in manufacturing industry and to 53.6 in services. However, while changes in average working time have served as an adjustment variable, labour adjustment by firms in response to the crisis took place mainly through changes in employment.

The short-time working scheme and voluntary agreements between employers and trade unions for part-time work or compulsory leave were not sufficiently widespread to dominate labour adjustment through reductions in working hours. Reduced working hours through short-time working or voluntary agreements between employers and trade unions took place in the primary sector, while secondary sector workers were faced with layoffs, in many cases without severance pay. This reinforced the dual structure of the labour market, leaving secondary sector workers more disadvantaged in the crisis period.

In 2009, the effects of the present crisis hit hard and real wages fell sharply. The decline was felt in particular in industry and construction, while workers in services were less affected. In addition to wages in labour-intensive sectors, wages in capital-intensive sectors were also squeezed in the crisis.

During the crisis, complaints to the MLSS increased significantly with regard to such problems as delays in the payment of wages, unfair dismissals, non-payment of severance pay and health and safety violations.

Three-quarters of families experienced a fall in their incomes in the period October 2008–June 2009 (TEPAV 2009). Falls in income were associated not only with unemployment; even when jobs were maintained, wage earnings fell for the lowest quintile. For informal workers, this fall was relatively higher.

Social spending increased in the crisis period, considerably mitigating its effects on the most vulnerable. However, despite various support channels, one-fifth of the poorest families could find no support at all during the crisis period.

In the context of mitigating the effects of the economic crisis on employment, the Government adopted both active and passive labour market policies. Its active labour market policies included employment incentives to employers, and vocational training and community work provided by İşKUR, the Public Employment Agency, came to the fore. Passive labour market policies include the short-time working allowance and the Wage Guarantee Fund. There was a minor increase in unemployment benefit, but the extremely restrictive conditions of eligibility and terms of entitlement to unemployment benefit were not amended in the crisis period.

Even though there was recourse to tripartite social dialogue in the adoption of the crisis prevention packages, workers’ and civil servants’
trade union confederations stated that social dialogue remained just a
talking shop. In the crisis period, action was also taken by trade unions
and employers at the enterprise level, mainly through protocols and agree-
ments on wages, social benefits and working time.

Turkey’s employment crisis and the vulnerability of large sections of its
segmented labour market pre-existed the global crisis. With the deepening
of the employment crisis during the global financial crisis, new tenden-
cies emerged with regard to inequality. Some of these tendencies will be
short-lived, but some will be permanent, exacerbating existing structural
problems.

NOTES

1. Index values for the per capita increase in total social spending (2007 = 100) are 103.6
and 109 for 2008 and 2009, respectively.
2. There are three trade union confederations in Turkey: TÜRK-İŞ, the Confederation
of Workers’ Trade Unions in Turkey, was founded in 1952 and is the oldest. The
Confederation of Progressive Workers’ Trade Unions of Turkey, DISK, split from
TÜRK-İŞ in 1967, while the Confederation of Turkish Workers’ Unions HAK-İŞ was
founded in 1976. A small number of unions remain independent. There are three civil
servants’ confederations in Turkey: the Confederation of Public Employees’ Trade
Unions KESK was founded in 1995; the Confederation of Public Employees’ Trade
Unions of Turkey TÜRKİYE KAMU-SEN was founded in 1992; and the Confederation
of Civil Servants’ Trade Unions MEMUR-SEN was founded in 1995. The differences
between the three confederations are mainly political. A small number of unions belong
to other confederations. The Turkish Confederation of Employers’ Associations TISK,
which represents the employers in tripartite bodies, was founded in 1962. TISK has 23
members, four of which are public sector employers’ organizations.
3. For the social partners’ responses to the crises, see TÜRK-İŞ (2008, 2009a, 2009b, 2009c,
2009d, 2009e and 2009f); DISK (2008a, 2008b, 2008c, 2009a and 2009b); HAK-İŞ (2008
and 2009); TISK (2008, 2009a, 2009b, 2009c and 2009d); Kutadgobilik (2008a and
2008b) and Kumlu (2009).
4. The machinery sector produces and exports textile machinery, packing machines, CNC
hydraulic presses and heavy machinery. The metal sector processes office equipment,
industrial equipment and automotive industry products.

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Turkey

Available at: http://www.turkis.org.tr/index.dyn?wapp=haberdetay0&did=53723F36-45B4-4852-852EC1B7C32B61.


## APPENDIX

### Table 12A.1  Overview of the main anti-crisis measures, Turkey, 2008–2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Estimated fiscal cost, million TL</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue measures</td>
<td>5855</td>
<td></td>
</tr>
<tr>
<td>Tax on individuals</td>
<td>2009–2010 – 1289</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008–2010 197</td>
<td></td>
</tr>
<tr>
<td>Business taxes</td>
<td>2009–2010 1433</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009–2010 105</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009–2010 328</td>
<td></td>
</tr>
<tr>
<td>Consumption taxes on specific goods and services</td>
<td>2009–2010 212</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009–2010 1060</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009–2010 165</td>
<td></td>
</tr>
</tbody>
</table>
Table 12A.1 (continued)

<table>
<thead>
<tr>
<th>Years</th>
<th>Estimated fiscal cost, million TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009–2010</td>
<td>340 VAT reduction on new home sales above 150 m², from 18% to 8% for three months</td>
</tr>
<tr>
<td>2009–2010</td>
<td>135 VAT reduction on new office sales from 18% to 8% for three months</td>
</tr>
<tr>
<td>2009–2010</td>
<td>560 Temporary VAT reduction on furniture from 18% to 8%</td>
</tr>
<tr>
<td>2009–2010</td>
<td>85 VAT reduction on IT products from 18% to 8% for three months</td>
</tr>
<tr>
<td>2009–2010</td>
<td>150 VAT reduction on machinery 18% to 8% for three months</td>
</tr>
<tr>
<td>Other revenue measures 2009–2010</td>
<td>51 Removal of motor vehicle tax and fines for old vehicles to be scrapped</td>
</tr>
<tr>
<td>2009–2010</td>
<td>1690 Resource Utilization Support Fund deduction taken from consumer loans reduced from 15% to 10% on condition that loans will be used for commercial purposes by banks and financial institutions</td>
</tr>
<tr>
<td>2009–2010</td>
<td>320 Fee from real estate sales reduced from 1.5% to 0.5% for three months</td>
</tr>
<tr>
<td>2009–2010</td>
<td>313 Reduction in real estate transaction fee (permanent)</td>
</tr>
<tr>
<td>Expenditure measures</td>
<td>34 703</td>
</tr>
<tr>
<td>2008–2010</td>
<td>14 775 The government will invest an additional 20.8 billion Turkish lira between 2008 and 2012 for the south-eastern Anatolia Project GAP and other projects for developing infrastructure and irrigation</td>
</tr>
<tr>
<td>Measures to reduce labour costs 2009–2010</td>
<td>7 531 From October 2008 in order to reduce labour costs employers’ social security contributions were reduced by 5 percentage points, which will be paid by the Treasury</td>
</tr>
<tr>
<td>2009–2010</td>
<td>292 5 percentage points of employer social security contributions will be paid by the Treasury to funds within the scope of Temporary Article 20 of Law No. 506</td>
</tr>
</tbody>
</table>
### Table 12A.1 (continued)

<table>
<thead>
<tr>
<th>Years</th>
<th>Estimated fiscal cost, million TL</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008–2010</td>
<td>219</td>
<td>Within the context of the Employment Package from May 2008 social security contributions for young and female workers were reduced and will be paid by the Unemployment Insurance Fund</td>
</tr>
<tr>
<td>2008–2010</td>
<td>145</td>
<td>Within the context of the Employment Package employers’ share of insurance premiums for disabled workers will be subsidized by the Treasury</td>
</tr>
<tr>
<td>2009–2010</td>
<td>268</td>
<td>The amount of short-term working allowances was increased by 50%. Moreover, its duration was increased from 3 months to 6 months</td>
</tr>
<tr>
<td>2009–2010</td>
<td>923</td>
<td>The application of Incentive Law 5084 which has already been implemented in 49 provinces ended in 31 December 2008. Its implementation period was extended for one year. (Insurance premium support for employers)</td>
</tr>
<tr>
<td>2009–2010</td>
<td>229</td>
<td>New job opportunities created through public works programmes</td>
</tr>
<tr>
<td>2009–2010</td>
<td>373</td>
<td>Activities related to vocational training on the part of İŞKUR were expanded</td>
</tr>
<tr>
<td>2009–2010</td>
<td>3</td>
<td>Entrepreneurship training and consultation service are provided to those who intend to set up their own business</td>
</tr>
<tr>
<td>2009–2010</td>
<td>102</td>
<td>First entrance to the labour market supported by internship training</td>
</tr>
<tr>
<td>2009–2010</td>
<td>102</td>
<td>Employer’s premiums for new employees will be paid by the Unemployment Insurance Fund for 6 months on condition that new recruitment is in addition to those already employed before April 2009</td>
</tr>
</tbody>
</table>
Table 12A.1 (continued)

<table>
<thead>
<tr>
<th>Years</th>
<th>Estimated fiscal cost, million TL</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers to households</td>
<td>2008–2010</td>
<td>246</td>
</tr>
<tr>
<td>Transfers to business</td>
<td>2009</td>
<td>150</td>
</tr>
<tr>
<td>Transfers to business</td>
<td>2009–2010</td>
<td>724</td>
</tr>
<tr>
<td>Transfers to business</td>
<td>2010</td>
<td>161</td>
</tr>
<tr>
<td>Transfers to other public authorities</td>
<td>2008–2010</td>
<td>6962</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>2010</td>
<td>500</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>2008–2009</td>
<td>1000</td>
</tr>
<tr>
<td>Fiscal measures with no direct immediate impact on fiscal balance</td>
<td></td>
<td>12 773</td>
</tr>
</tbody>
</table>

*Table 12A.1 (continued)*
### Table 12A.1 (continued)

<table>
<thead>
<tr>
<th>Years</th>
<th>Estimated fiscal cost, million TL</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5100</td>
<td>The limit of export rediscount credit to be used by exporters has been increased from 500 million dollars to 1 billion dollars. In addition, the use of these credits has been rearranged and eased</td>
</tr>
<tr>
<td>Loans to enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008–2009</td>
<td>733</td>
<td>Small and Medium-Sized Industry Development Organization gave zero-interest loans to SMEs</td>
</tr>
<tr>
<td>2008–2009</td>
<td>2805</td>
<td>Small and Medium-Sized Industry Development Organization gave zero-interest loans to exporter SMEs</td>
</tr>
<tr>
<td>2009</td>
<td>1500</td>
<td>Under a protocol signed between the Turkish Union of Chambers and Commodity Exchanges (TOBB) and Halk Bank low-interest loans will be available. According to the protocol 800 million TL in cash and non-cash loans and 400 million dollars in export loans will be available</td>
</tr>
<tr>
<td>2009</td>
<td>935</td>
<td>Under a protocol signed between the Turkish Textile Employers’ Association and Ziraat Bank, association member SMEs can have access to loans at low interest</td>
</tr>
<tr>
<td>Total</td>
<td>53,331</td>
<td>GDP share 5.4%</td>
</tr>
</tbody>
</table>