

***Turkey's Integration into the Neoliberal Global Market and its
Implications for Labour- Opportunity or Catastrophe?***

By

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A Thesis Submitted to
Saint Mary's University, Halifax, Nova Scotia
in Partial Fulfillment of the Requirements for
the Degree of Master of Arts
in International Development Studies

January, 2013, Halifax, Nova Scotia

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Date: January 29th, 2013

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List of Abbreviations

- AKP – Adalet ve Kalkınma Partisi (Justice and Development Party)
- ANAP – Anavatan Partisi (Motherland Party)
- CHP – Cumhuriyet Halk Partisi (Republican People’s Party)
- DİSK – Devrimci İşçi Sendikaları Konfederasyonu (Revolutionary Labour Unions Confederation)
- DP – Demokrat Parti (Democrat Party)
- DYP – Doğru Yol Partisi (True Path Party)
- HDI – Human Development Index
- IFIs – International Financial Institutions
- ILO – International Labour Organization
- IMF – International Monetary Fund
- ISI – Import-Substitution Industrialization
- LDCs – Less Developed Countries
- MDGs – (UN’s) Millennium Development Goals
- NGOs – Non-governmental Organizations
- OECD – Organization for Economic Cooperation and Development
- SAPs – Structural Adjustment Programs
- SPO – State Planning Organization (of Turkey)
- TNCs – Transnational Corporations
- TÜRK-İŞ – Türkiye İşçi Sendikaları Konfederasyonu (Confederation of Turkish Trade Unions)
- Turkstat – Turkish Statistical Institute
- TÜSİAD – Türkiye Sanayici ve İş Adamları Derneği (Turkish Industry and Business Association)
- UN – United Nations
- UNDP – United Nations Development Programme
- WB – World Bank

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Abstract

In spite of the distributive rhetoric of neoliberal economic globalization, we currently live in an increasingly fragmented world. Many developing countries, such as Turkey, which have implemented neoliberal economic measures in the 1980s and 90s, are confronted today with deep socio-economic disruptions. This thesis study will follow Turkey's experience with the implementation of neoliberal economic measures from 1980 onwards. Specifically analyzing the outcomes of domestic economic and labour policies, the thesis will posit that in Turkey's case the neoliberal development paradigm was a serious disappointment in regards to its unfulfilled promise for mass prosperity and sweeping socio-economic development. Furthermore, it will point out that instead of promoting development, practical applications of neoliberal economic theory have, on the contrary, eroded the living and working conditions of large portions of the Turkish population and first and foremost, those of the working class.

January 29th, 2013

Acknowledgements

First and foremost, I would like to thank to my thesis supervisor, Dr. Anthony O'Malley, who has supported me throughout my thesis with his patience and knowledge whilst allowing me the room to work in my own way. There is no doubt that without his encouragement and never ending support, this thesis would not have been completed or written. One could not wish for a better and more supportive supervisor.

I would also like to thank my reader Dr. Suzanne Dansereau, who has given me much support and valuable advice in regards to my thesis work throughout the past two and a half years. Furthermore, I would like to express my gratitude to Dr. Ozgür Müftüoğlu, who has made himself available to read and offer valuable comments on my thesis as my external. Many thanks also go out to the Faculty of Graduate Studies and Research and my colleagues in the IDS program, who have been key in making my graduate experience truly memorable.

Appreciation also goes out to my close friend Can, who has given me much needed advice and motivation during my time in Halifax. I would also like to express my deep gratitude to my girlfriend Ariane, whose love, guidance and support has given me the strength to overcome my weaker self and to complete this thesis. Last but not least, I would like to thank my parents, Refik and Gabriele, who, despite their hardships, have supported me throughout my entire life, and allowed me to become the person I aspired to be.

Chapter 1: Introduction

1.1: Framing the Study

For more than sixty years, development has been a powerful ideological agent, central to the functioning of the United Nations (UN) system. Yet an accurate definition of development has been elusive. Therefore, it is best to reflect on what policy-makers and scholars mean in their discourse on development. The multidimensionality and complexity of the concept of development explains its elusiveness. These characteristics have accrued to the concept of development as it evolved over the past six decades, incorporating positive and negative experiences, reflecting changing politico-economic configurations and intellectual fashions (Sachs, 2004).

Discussions of development have refined the concept, in sharp contrast to the poor record of empirical development in many countries. As a consequence, many intellectuals have constructed and argued in favor of different economic and social theories for the achievement of sustainable development. This thesis will reflect on one of these theories, the theory of neoliberalism. As further explained in the literature chapter, advocates of neoliberalism believe that development will occur as a natural result of economic growth thanks to a ‘trickle down’ effect, and thus, benefit all people in a given jurisdiction. In a global generalization of this logic, neoliberal policy-makers act on the assumption that a *laissez-faire* network of national economies will lead to economic growth and widespread prosperity internationally. Neoliberal policy-makers have, at the end of the 1970s, increasingly argued in favor of a global free market system in which market forces, as an alternative to governments, determine the social and economic outcomes of all people (Bhagwati, 2004; Sachs, 2004; Wolf, 2004).

However, the consensus in the development literature is that the neoliberal paradigm as an ideological construct, and the ‘Washington Consensus’, as the manifesto of neoliberal economics have not lived up to their promises. That is to say, both the neoliberal economic ideology as well as the Washington Consensus can be considered as having failed (George, 2004; Sachs, 2004). The only developing countries which fared reasonably well in the last three decades in terms of broad based social and economic development were precisely those that refused to follow the neoliberal prescriptions enshrined in the Washington Consensus and advocated by the World Bank (WB) and International Monetary Fund (IMF), such as South Korea and Taiwan (Naiman, 2008; George, 2004; Sachs, 2004).

Countries that did implement neoliberal measures are confronted today with deep socio-economic disruptions. The implications for the global labour force have been particularly severe, thus, making changing labour market conditions among the most prominent issues in the ongoing debate on neoliberal globalization (Mohamed, 2008; Haque, 2004). Observers argue that for many years, neoliberal policies have undermined the living conditions and livelihoods of workers all around the world. By noting that one-third of the world’s workforce is unemployed or underemployed, the International Labour Organization (ILO) seeks to confirm this observation. Similarly in recent years, the United Nations Development Programme (UNDP) has documented a widening gap between the incomes of wealthy minorities and poor majorities. Wealth distribution has become even more unbalanced. We live in an increasingly fragmented world, despite all the distributive rhetoric of neoliberal economic globalization. A high level of waste characterizes many economies (Naiman, 2008; George, 2004; Sachs, 2004).

Of all the forms of waste, the worst is the one that impairs human lives through the absence of dignified employment. Not that the victims of neoliberal economic globalization, which constitute a majority of the world population do not work. Many people, who are also called the ‘working poor’ or ‘precariat’ in development literature, struggle to make ends meet and are, in many cases, exposed to abject poverty, although they have a steady job. These and other issues will be discussed in the successive sections of this thesis. For now, it is enough to say that in its present form, neoliberal economic globalization, concentrates wealth in a few elite circles, whilst it contributes to inferior domestic and workplace conditions, and, in some instances, abject poverty for the majority of the people (Pons-Vignon, 2010; Naiman, 2008; George, 2004; Sachs, 2004).

This study explores Turkey’s experience with the introduction of neoliberal macroeconomic measures as advocated by the WB and IMF and implemented by the Turkish governments from 1980 onwards. Scholars suggest that under Turkey’s neoliberal macroeconomic regime, labour’s living and working conditions have notably declined. In spite of Turkey’s impressive aggregate macroeconomic growth during the last three decades, politicians, social activists, scholars and labour union officials repeatedly point to Turkey’s declining human development performance. A widening gap in the distribution of income, rising poverty, chronic unemployment, declining job security and low labour force participation are only some of the many development issues the country’s citizens are faced with today (Öztürk, 2011; Çoşar & Yeğenoğlu, 2009; Cam, 2002).

Joining the company of Turkish scholars, social activists and labour union officials that are skeptical of the value of neoliberalism in Turkey, I will argue that in Turkey's case the neoliberal development paradigm was a serious disappointment in regards to its unfulfilled promise for mass prosperity and sweeping socio-economic development. I conclude that data suggests that instead of promoting development, practical applications of neoliberal economic theory have, on the contrary, eroded the living and working conditions of large portions of the Turkish population and first and foremost, those of the working class. More specifically, I will argue that the imposition of neoliberal policies has seriously undermined the position of labour in Turkey. As in most developing nations, certain elements of the Washington Consensus and the overall neoliberal development strategy, such as labour market deregulation, have led to a rise in unemployment, part-time and temporary employment as in a decrease of worker's earnings. Furthermore, these developments have, along with cuts in social spending and privatization of social services, caused growing poverty and inequality in the distribution of income.

1.2: Research Question & Methodology

My research question is: Has Turkey's and the IMF's promise of mass prosperity by macroeconomic growth through integration into the neoliberal global market and the subsequent implementation of neoliberal policies led to an improvement of the Turkish citizens' living and working conditions, particularly those of labour? Therefore, this thesis will provide relevant academic debates and seek meaningful qualitative and quantitative data to capture Turkey's and its citizens' experience with neoliberalism from

1980 onwards. Aiming to fully explore and evaluate the research question, Turkey's case study will be of an analytical nature in order to examine neoliberalism as a theory and its effects on the Turkish labour force. More specifically, as mentioned earlier, the purpose of this thesis is to trace back the changes in the living and working conditions of Turkey's working class since the introduction of neoliberal policies in 1980. On a more general scale this thesis aims to provide a larger understanding of the impact of neoliberalism on the world's human capital emerging from its specific focus on Turkey's labour force.

For this purpose, the thesis brings together a wealth of data sources such as reports, studies, archival statistics, books, journals and newspaper articles. Sources include detailed surveys and reports such as *The Turkish Labour Market Study of 2006* by World Bank, *The OECD Social Indicators Report of 2009*, *The Labour Market Study of 2011* by Eurostat and *The Turkey Economic Reforms, Living Standards and Social Welfare Study of 2000* by the World Bank and scholarly works such as Berrak Kabasakal's *A Neoliberal Assault Through Employment Relations: Turkish Labour Market Flexibilization*, Kamil Necdet Ar's *The Changes in Wage Distribution in Turkey's Globalization Process* and Richard Rose and Yusuf Özcan's *First European Quality of Life Survey: Quality of Life in Turkey*. All data utilized is publicly available from online sources or printed publications. For the purpose of comparison, the empirical section contains comparative data from other OECD member countries. The data was acquired with a special focus on labour and thus, contains a wide range of information in regards to labour wages, organization, employment pattern and rates. In order to help the reader better grasp these issues and data relevant to the research question, this thesis is divided in four subsequent chapters.

1.3: Thesis Structure

In the next chapter, Chapter 2, a literature review will highlight the central issues in regards to the importance of labour and development, the two major macroeconomic regime models of the 20th century, namely Keynesianism and neoliberalism, and their impact on macroeconomic performance of national economies, with emphasis on growth and stability, social welfare, income distribution, and the living and working conditions of workforces in developing countries generally and then, specifically, Turkey. Chapter 3 will seek relevant qualitative as well as quantitative statistics according to a five axis parametric scheme, which will be pertinent to the research. Subsequently, Chapter 4 will provide an analysis and discussion of the data set out in Chapter 3 and provide lessons for less developed countries (LDCs) that plan to impose neoliberal policies. Finally, the concluding chapter, Chapter 5, will summarize the research findings, draw a final conclusion and will set a number of recommendations for labour in LDCs.

Chapter 2: Literature Review

2.1: Labour and Development

2.1.1: The Concept of Work

Work as a concept is attracting increasing attention in development studies. This topic is routine in discourses on personal development, and many scholars use it as a lens for broad based analysis of social and economic development issues (Öztürk, 2011; Naiman, 2008; Kabasakal, 2006; Stanford & Vosko, 2004).

Jim Stanford and Leah Vosko (2004) argue that work is a central aspect of human existence: people must work in order to achieve vital material objectives. Joanne Naiman (2008: 131) agrees: she holds that work is inherent in human reality; for instance we speak of “making a living”. In the literature of Stanford and Vosko (2004), work is a multi-faceted phenomenon. It occurs in different forms and different environments, incorporates different tools and techniques, and involves varieties of human interactions and relationships. Two fundamental reasons explain people’s participation in work. On the one hand, work is meaningful on its own, that is to say, work has intrinsic value, conferring dignity organically, and on the other hand, it is an instrument by which people can achieve material and social gains. Income derived from work enables people to meet essential basic needs such as food, clothing and housing, and to satisfy higher level needs such as social associations and recognition for accomplishment. In these reasons, work is a complement to Maslow’s famous hierarchy of human needs. Therefore, work is a core element of human life (Naiman, 2008; Kabasakal, 2006; Stanford & Vosko, 2004).

In contemporary society, paid employment is the common larger context for work. Voluntarily or compulsorily in some environments, people work in a relationship with employers. The key characteristic of this employment relationship is the exchange of intellectual and physical labour by workers for rewards, wages, salaries and benefits from the employer's profit. Stanford and Vosko (2004) point out that this relationship is conventional in capitalist free-market economies (market economies) such that 'employment' and 'work' are interchangeable terms. Much scholarly debate has been revolving around changing patterns of work and alterations in the contracts for paid employment as responses to various environmental forces in market economies (Naiman, 2008; Kabasakal, 2006; Stanford & Vosko, 2004).

Some critiques attack the commodification of work in postmodern 'wage-labour' societies to use the language of the critics. By postmodern, they refer to the Western model of society that has developed since the 1950s. Naiman (2008: 132) argues that work in the postmodern era, is seen as an asset that "allows us to consume and live". In other words, the innate human capacity to work is regarded as a possession that can be traded for certain rewards; these rewards, in turn, enable workers and their dependents to consume as they see fit for existence, and as well to contribute to the common good through voluntary patronage and through enforced taxation (Naiman, 2008).

2.1.2: The Historical Transformation of Work

Many scholars have explored the historical transformation of work. In her discourse, Berrak Kabasakal (2006) presents work as a field of productive activities performed for self-subsistence, self-fulfillment and, in some cases, as a transaction in

which labour is a bought and sold commodity, even on a non-material basis. Kabasakal (2006: 8) defines labour as “...the actual exercise of human productive powers to change the use value of, and add value to, [other] commodities”. She argues that commodification of “land, labour and capital” in the 18th century was a landmark passage in the transformation of work, from a pure human activity into commodified labour. In other words, according to Kabasakal, work became a commodity, when workers began to receive rewards from the capitalist class in return for their work (Kabasakal, 2006).

Kabasakal (2006) identifies a capital-labour relation system. In this system, the ‘labour contract’ is an agency for the subordination of workers to capital owners. Additionally, this system differentiates labour as a commodity from other commodities such as goods and services. Theoretically, the labour contract gives individual workers a voice in the engagement of their skills and talents. This voice is activated by the direct involvement of workers in the negotiation of the terms of exchange for their labour. In contrast, other tradeable commodities have no direct voice; they are inanimate and thus, are in the hands of traders (Kabasakal, 2006). Stanford and Vosko (2004: 4) delve into the issue of terms and conditions for paid labour in a comprehensive analysis, which contains the following noteworthy passage:

At the micro-level, individuals invest vast amounts of energy and creativity in negotiating employment relationships, attempting to better their terms and conditions, and in many cases simply trying to survive the experience with as much of their physical well-being and emotional integrity intact as is possible. At the social level, these challenges and conflicts play out with amplified political and economic repercussions.

Cultural attitudes, which change and evolve, are a profound factor in historical trends in politics, labour relations, social policy, and socio-economic development generally. In market economies, these trends reflect a relationship between capital and labour that is oriented towards the profit goals of the owners of capital and the means of production (Stanford & Vosko, 2004).

At some point in history, in order to intensify production processes and increase profit margins, capital-owners devised a 'labour market.' According to Stanford and Vosko (2004: 4), the labour market is an "amorphous socio-economic space in which property-less workers provide labour services for sale to prospective property-owning employers". The emergence of the labour market was possible because capital owners had access to pools of prospective employees whose labour they could buy with a supportive wage. Often, this wage has been no more than a subsistence level payment. As emotional and thinking human beings, workers may resist oppressive employment structures. This resistance is a definite but usually latent constraint on the power of capital owners to manage the employment contract selfishly, disposing of labour unilaterally as they see fit (Stanford & Vosko, 2004; Vosko, 2000).

Traditionally, in industrial relations, the state sets the rules and regulations that underscore the limitations to the actions of parties including employers and other owners of capital. In many jurisdictions, workers enjoy rights in the workplace based on legislation and associated judicial decisions. For example, legislation and the precedents in court judgments provide a framework for employees to challenge dismissals, which they may deem unfair and unwarranted. As a rule, extensive and strong workers' rights in a jurisdiction correlate with the constitutional freedom of the individual and their

existence has contributed to workers' mobility in pursuit of a better job. Incrementally, throughout the 20th century, the courageous struggle of trade unions and other representatives of labour improved workers' rights and worked against the commodification of labour (Vosko, 2000; Stanford & Vosko, 2004).

Workers have been throwing off labour commodification by tools which union activism secured against great obstacles from the business and political establishment especially in the first half of the 20th century. These tools include collective bargaining, unemployment insurance, minimum wage, social protection programs, job security, and union membership rights. Together policies and programs in the 21st century employment landscape of market democracies enhance the agency of workers in the labour contract. This workers' empowerment explains the still strong concern of the working classes to improve and sustain these rights. In an adversarial stance, the capital owning class tends to see these rights as a statist barrier to the accrual of corporate profit; thus, the capital owning class agitates for the restriction and even abandonment of these rights (Kabasakal, 2006; Stanford & Vosko, 2004; Vosko, 2000).

Both sides in the labour market contend for the best possible "bargain" for their constituency. Each side attempts to influence the formation of policies and practices that facilitate its vision of an advantageous employment relationship. This race for competitive positioning by parties in industrial relations contributes to the process of labour market regulation. Labour market regulation develops dynamically through negotiation and compromise between the competing parties and through government intervention to prevent macroeconomic damage from competition and conflict between these parties (Kabasakal, 2006; Stanford & Vosko: 2004).

According to Stanford and Vosko (2004: 5) labour market regulation is “...the complex of formal and informal laws, institutions, policies, and cultural attitudes that organize and constrain the relationships and practices of paid work”. This is a multi faceted complex of institutional structures and practices and organizational behaviors: it includes state directives, employer discourses, and discourses by civil society organizations such as trade unions. Additionally, explicit labour market policies bleed into labour market regulation. Measures such as minimum wage legislation, pension rules, and occupational health and safety regulations help to shape a labour market paradigm (Stanford & Vosko, 2004).

In this regard, Stanford and Vosko (2004, p. 6) note that:

The changing patterns and directions of labour market regulation reflect the broader economic and political context, which helps to determine the expectations and the forcefulness with which parties to the employment relationship can articulate and promote their respective interests. At the same time, trends in labour market regulation exert their own influence back onto broader social, economic, and political trends – since paid work is so central to both the individual and the collective consciousness of groups, to the creation and maintenance of a healthy and productive workforce, and to the productivity and development of the entire economy.

Going further in this logic, Stanford and Vosko (2004) argue that trends in labour market regulation both reflect and reinforce broader currents in the economy and in the political realm. Illustrating this point, they note that during the second half of the 20th century, the postmodern era, policies that cluster under Keynesianism had an impact on

labour market regulation globally. By Keynesianism they refer to the economic and monetary doctrines of John Maynard Keynes, the British economist and thinker whose ideas sparked much interest in the first half of the twentieth century, after the Versailles Treaty to conclude World War II, and also during the protracted Great Depression (Stanford & Vosko, 2004).

The most enduring chapter in Keynes's teaching is the theory of government intervention to liquefy the monetary system. According to this theory, government intervention in various forms provides capital for job creating investments by business organizations; increased employment, in turn, creates more consumers of products and services. In economic history, the period between 1945 and 1980 is often called the Keynesian era. During this period, most developed and developing nations adapted a Keynesian macroeconomic approach by focusing on unemployment reduction and employment protection. As employment increased, unionism rose exponentially. Thus, workers experienced an expansion of rewards and rights. In this experience, many workers gained sufficient autonomy to advance from a commodity status in the economy to a position closer to equal co-existence with employers, the owners of capital (Kabasakal, 2006; Stanford & Vosko, 2004; Munck, 2002).

In Stanford and Vosko's (2004) literature, a combination of progressive unionism, strengthened collective bargaining rights, expansion of government backed social welfare, and the growth of well-paid public sector employment contributed to steady improvement in the working conditions and general material living standard of millions of individuals. In future sections, this thesis presents some highlights from scholarly debates on labour-capital relations during the Keynesian era. For now, it is enough to say that the Keynesian

paradigmatic shift, to the benefit of the working classes, was a temporary phenomenon attributable to the contemporary political outlook. In that outlook, the priority of many nations was to avoid a reprise of the mass unemployment aspect of the Great Depression in 1929 (Kabasakal, 2006; Munck, 2002).

At the end of the 1970s, capital related economic and political problems began to dictate another global macroeconomic shift. Corporate profits were eroding and national economies were falling into recession. In this climate, the business and political establishment began to eye ways to shore up conventional business activity and sustain the dominance of capital. As a new macroeconomic regime shift developed, the so-called deregulation of labour markets became a popular idea. The fundamental underpinning of this idea is that reduced corporate expenditure on wages and workers' rights bleeds into corporate profits; this sequence, in turn underscores the survival and sustainability of firms which provide jobs. Labour market deregulation is now a central platform in the contested economic theory of neoliberalism, which I will discuss in more detail in the subsequent section (Kabasakal, 2006; Stanford & Vosko, 2004; Munck, 2002).

2.1.3: Labour Market Deregulation: A Problem for Development

Literature suggests that a labour contract should assure workers of income commensurate with certain standards of decent living in their society. Some scholars of labour markets contend that in the current postmodern age, employment alone does not provide people with this assurance. The gap that they observe between what employment delivers and what individuals require represents tension between the objectives of the

working class and the priorities of capital owners, the employer class (Kabasakal, 2006; Stanford & Vosko, 2004; Munck, 2002).

Generally, working class individuals seek steady improvement in benefits, wages, and workplace conditions whereas the employer class seeks continuous improvement in corporate profitability through increased productivity and tight control of labour costs. According to some scholars, this divergence between labour and capital has intensified radically in the contemporary neoliberal age. They hold that the labour market deregulation dimension of strategic economic liberalization crimps the income of working class individuals; therefore, and despite the rhetoric of rising prosperity associated with economic liberalization, internationally, most working class individuals experience serious struggle to make ends meet (Pons-Vignon, 2010; Stanford & Vosko, 2004; Carr & Chen, 2002). Moreover, according to Naiman (2008: 132), "...work is not only unsatisfying but also unsafe" for the present-day working classes.

In line with Naiman's critique of bleak working class experience, some scholars criticize the informality of work; an employment pattern characterized by irregular work, low pay, work insecurity and unreliable employment benefits. They argue that informality of work has grown correspondently to the retreat of the state from diligent oversight of the economy and the rights of workers. Consequently, for many labour class individuals, work life is a risky situation that does nothing to mitigate their vulnerability to poverty: these workers are vulnerable to the vagaries of impersonal and indifferent market forces (Pons-Vignon, 2010; Duman, 2009; Odekon, 2005; Stanford & Vosko, 2004; Carr & Chen, 2002). In one passage of their literature, Marilyn Carr and Martha

Alter Chen provide an excellent account of the relationship between the informal labour market and the anxiety producing insecurity of working classes:

There is a link between working in the informal economy and being poor. Average incomes are lower in the informal economy than in the formal sectors. As a result, a higher percentage of people working in the informal economy, relative to the formal sector, are poor (2002: 7).

In agreement, other commentators on labour and industrial relations identify ‘precarious work’ or ‘precarious employment’ as an issue deserving particular attention by the state and social leaders (see Naiman, 2008; Canadian Policy Research Initiative, 2004; Stanford & Vosko, 2004). Vosko (2006: 11) describes precarious employment as employment situations, where “limited social benefits and statutory entitlements, job insecurity, low wages, and high risks of ill health” are typical environmental features.

Job insecurity has given rise to a new category of workers, the working poor. This term, the working poor, designates people who live in poverty despite strong workplace performance. The experience of the working poor and the socio-economic implications of this emergent class are under researched topics. However, some aspects of this syndrome have been identified. The working poor have much in common with poor people generally. Both groups suffer from diminished social opportunities as a direct consequence of low income, are excluded from decent housing, and for both, there is room for improvement in health care and enriching nutrition. Şebnem Oğuz (2011: 7) points out that since the turn of the 21st century, the term precariat, derived from

‘precarious’ and ‘proletariat,’¹ has become conventional, in discourses on neoliberalism and work informalization, for a new class of workers around the world. In opposition to the spread of precarious employment, scholars, policy-makers and multinational organizations, such as the UN and the ILO advocate ‘decent work.’ For the ILO (2011), decent work incorporates employment that is,

...productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and quality of opportunity and treatment for all women and men.

This ILO discourse recognizes that employment is critical for the development of human and social capital. This recognition is all the more urgent, because labour power expended in labour contracts is the preeminent means to a livelihood for most of the world’s adults and, sadly, for many of the world’s children. At the same time, the ILO’s discourse on labour engagement also argues that if personal livelihoods are to be part of the cultivation of society, employment must have certain outcomes for workers: adequate pay and rewards against certain standard of living criteria; safe working conditions that minimize injurious and fatal accidents; an organizational culture of respect for the dignity of individual workers, and acceptance of the voice of workers in collective bargaining (ILO, 2011; McLeod, 2008).

¹ The term proletariat refers to the wage earning class living and working in a capitalism society whose only possession of significant material value is its labour power. In their writings, 19th century political thinkers Karl Marx and Friedrich Engels explicitly refer to the proletariat as the class of people which solely lives by its labour power and does not own any means of production and, thus, in contrast to the bourgeoisie, cannot profit from capital (McLean, I. & McMillan, A. , 2009: 437)

The application of such normative labour standards along with the compliance to workers' rights as well as the assumption of a constructive role of trade unions in the labour market, all helps to improve the welfare of workers. According to the ILO, employment is integral to optimal development, since it is the pathway to income and the potentialities of income (ILO, 2011). Heather McLeod (2008: 13-14) qualifies this generalization by arguing that

...it is not merely quantity but the quality of employment, or return to labour, that determines whether incomes will lift people out of poverty. If either the quantity of employment or the rate of return to labour is low despite working full-time, a worker is likely to live in poverty.

In other words, employment income must be sufficient to enable workers to provide for themselves and their dependents all that it takes to live above societal poverty levels. Put more simply, adequate wages are a prerequisite for optimal development of workers. At the societal level, workers who enjoy optimal development through their employment are likely to be active citizens whose behavior feeds broad based socio-economic development. While scholars applaud the ILO's decent work agenda, policy advisors regard it as a key initiative in global poverty reduction and sustainable development (McLeod, 2008; Naiman, 2008; UN, 2005).

Although, the ILO's decent work agenda is a praiseworthy companion step, scholars such as Naiman (2008), Stanford (2004), Vosko (2000, 2004 and 2006) and Munck (2002) remind us that flexible labour market policies are a key for the neoliberal market economy that is a mainstream vision in most developed and developing countries. The ideology of a flexible labour market implies an inequitable alteration in the social

contract, strengthening capital at the expense of labour. Furthermore, a wide range of scholars suggest that under the sweet of neoliberal free market economics, workers rights and secure employment opportunities are being eroded by the application of flexible, de-regulating labour market policies, subordinating the interests of workers to those of the capital owners. Having experienced the implications of an unregulated *laissez-faire* system in the interwar period, Polanyi argues in support of labour market regulation measures such “social legislation, factory laws, unemployment insurance, and above all, trade unions” stating that they have the ability to provide labour some degree of protection by “...removing it from the orbit of the market” (as cited in Munck, 2002: 3).

2.2: Changing Economic Regimes and their Implications for Labour

2.2.1: The Evolution of Politico-Economic Regimes

In this section, I will explore the two dominant politico-economic worldviews of the 20th and 21st century, namely Keynesianism and neoliberalism. These worldviews had a great impact on the development process of most developed and developing nations. Following Carl Sagan's dictum (as cited by Buzek, 2011: 1) "you have to know the past to understand the present"², I will trace the historical life of Keynesianism and neoliberalism. Keynesian theory is my first focus; logically so, since it is held as the predecessor of neoliberalism. As will be shown, Keynesian theory was influential in the formation of the welfare state system, which is now an established paradigm in advanced capitalist countries and less developed countries (LDCs), and in the creation of the Bretton Woods monetary system in 1944 (McLeod, 2008; Kabasakal, 2006; Munck, 2002; Regil, 2001).

However, my attention to Keynesianism should not distract the reader from the primary concern of this thesis, which is the exploration of the real world effects of neoliberalism on labour. In the subsequent sections, the contemporary experience of the working classes globally and in Turkey in particular will be discussed. However, a basic understanding of Keynesianism and neoliberalism is vital background to the reading of Chapter 3 and 4 of the thesis, which deal with issues in my primary research interest, the labour reverberations of Keynesianism and neoliberalism.

² Quote taken from a chronicle of Professor Jerzy Buzek's speech in the E.U. Parliament on March 1st, 2011. The chronicle was retrieved on February 15th, 2012 from <http://www.europarl.europa.eu>.

Before exploring Keynesianism and neoliberalism however, I would like to introduce the reader to the studies of Peter Bernholz (1998), who is a European expert on monetary issues. Bernholz has studied the ins and outs of the development of politico-economic worldviews such as Keynesianism and neoliberalism. His views deserve respect as a reference point for the enlightenment on alterations to and concomitant development of the capitalist economic system. In the 20th century, two major shifts have affected this system: the first shift was in the mid-1940s, when classical liberalism became intertwined with Keynesianism; the second was in the late 1970s, when neoliberalism displaced Keynesianism as the dominant intellectual model for the development of prosperous, sustainable economies (Buchholz, 1998; Munck, 2002).

Bernholz (1998) defines a macroeconomic regime by the set of relatively stable rules and governance organizations on which it operates. He argues that change in the politico-economic regimes is mostly an evolutionary process, marked by the abolition of certain rules and the abandonment of certain values and the exponential introduction of new ones, giving rise to the transformation of the politico-economic system. In this regard, Bernholz (1998) points out that crises and ideologies are important factors in this process of change, and, in some instances, they feed on the change. The capitalist market system, for example, has not survived on theoretical principles alone: the capitalist market system has been shaped by adaption to economic and non-economic crises such as depression, hyperinflation, pandemics and war. Often, these events have been passages for bold initiatives, significant reforms, the setting up of new politico-economic regimes, and concurrently, the normalization of new ideas for solution finding in the economic and political arenas (Bernholz, 1998).

In the historical perspective, Bernholz opines that a crisis is a golden opportunity for a politico-economic theory to achieve ascendancy provided the theory has attractive responsiveness to existing problems. Both Keynesianism and neoliberalism took hold in the mindset of leading actors in economics and politics precisely because they had this responsiveness quality (Bernholz, 1998; Munck, 2002).

2.2.2: Keynesianism: An Overview

Keynesianism is a macroeconomic theory. It is considered the intellectual underpinning for the so-called Golden Era of Capitalism (the Golden Era), from the mid-1940s to the late 1970s. According to many scholars, Keynesianism overthrew classical liberalism as the dominant economic approach for capitalist market economies, by its introduction of a radical twist in the relationship of capital and labour. As previously discussed, historically, capital holds sway over a dependent labour force. Keynesianism challenged this relationship by empowering labour with an unprecedented level of rights and freedoms. In the Keynesian era, labour could negotiate a compromise with capital enabling working classes to enjoy an economically stable and socially fulfilling life (McLeod, 2008; Mohamed, 2008; Kabasakal, 2006; Munck, 2002; Regil, 2001).

Alvaro Regil (2001) explains that the experience of the Great Depression in 1929 and World War II in 1939 undermined the authority of the classical liberal paradigm. In the light of mass bankruptcies and mass unemployment, the classical paradigm appeared as a critical failure. Thus, it was deemed essential to reform the classical liberal economic system in such a way, that its conventional ills such as mass unemployment and poverty were eliminated in the long run (Stillwell, 2006: 264). Ha-Joon Chang (2003) argues that

this intention translated into a postwar society, in which the achievement of class compromise, full employment and social welfare were on the top of the politico-economic agenda (Stillwell, 2006; Chang, 2003; Regil, 2001).

Focusing on the demand side of economics rather than on the supply side, Keynesian economists argued that appropriate government policies could substantially reduce, if not eliminate, mass unemployment and poverty (Stillwell, 2006). Therefore, active state intervention to smooth the free-market mechanisms through the use of Keynesian policy tools was deemed imperative (Chang, 2003). In other words, a state-managed equilibrium of full-employment was prioritized over a market-driven equilibrium. At the time, the overriding belief was that a state-managed equilibrium could create a more stable macroeconomic environment within which other economic and social ills could be more readily addressed (Stillwell, 2006).

Seeraj Mohamed (2008) and Ronaldo Munck (2002) among others argue that the Keynesian ideological shift was influenced by views such as those of Karl Polanyi in *The Great Transformation*. Polanyi argued that society needs structures of solidarity to offset social tensions caused by the negative effects of market competition, unrestrained acquisitiveness and outside inequality for instance. The relationship between the market and society concerned Polanyi deeply. Polanyi (as cited in Munck, 2002: 2) believed that a free, self-regulating market “could not exist for any length of time without annihilating the human and natural substance of society”, and that an unregulated market would destroy humanity under wilderness culture (Mohamed, 2008; Munck, 2002).

Whereas in the current era of neoliberal *laissez-faire* capitalism, economic policy-makers prefer to rely on private market agents to maximize economic growth, which, in

their thinking, is the key for the achievement of socio-economic development, governments in the Keynesian era have heavily invested in physical and human capital formation to raise productivity of factors and the competitiveness of the national as well as the global economy. Concerned both about achieving economic growth and improving the welfare of workers and the least well-off sectors, Keynesian policy-makers attempted to raise the productivity of capital and labour through the public sector and appropriate government policies, as mentioned above (Stillwell, 2006).

In this context, Frank Stillwell (2006: 265) elucidates that the root problem of liberal economic theories (e.g. classical liberalism or neoliberalism) is the denial that there are systematic flaws in the capitalist economy. Economic liberalists hold that the labour market acts and operates like any other market in the economy. It is believed that changing conditions of demand and supply can be best mediated by adjusting market prices. The wage, being the price of labour, is the adjustment mechanism. If supply exceeds demand, rather than there being prolonged unemployment, the wage of workers falls. That increases the demand for labour, as employers become more willing to employ cheaper workers. Consequently, it is assumed that the market clears and that unemployment is eradicated. Liberal economists believe that if unemployment continues to exist, it must be because of some impediment or in other words labour market rigidities, which prevent the price mechanisms from working properly. The solution is simple: governments must seek to remove these impediments. If for instance, labour organizations are preventing wages from falling their power to do so must be broken (for the workers' own collective good) (Stillwell, 2006: 265).

Stillwell (2006: 265-266) explains that in contrast to this thought, Keynesian policy-makers did not consider the labour market as “one market among many”. Being aware that broad-scale socio-economic development could only occur if the labour market was monitored and coordinated by the state, they treated the labour market with more care. For instance, they believed that if needed the state had to actively create new jobs by constructing new roads, schools, buildings or bridges. Keynesian policy-makers assumed that the extra worker incomes stemming from these jobs would translate into more spending, and boost the economy as a whole by stimulating higher outputs and creating more economy-wide jobs. This in turn, they believed, would ultimately lead to broad-scale development. Underlying this thinking is the Keynesian belief that “the government can, and should, contribute to social progress, working within the general context of a capitalist economy to eradicate its most antisocial features” (as cited in Stillwell, 2006: 268). Put another way, Harvey (2005) describes that in the Golden Era, it was the priority of every state to achieve steady economic growth, stable employment, and the basic welfare needs of its citizens. Therefore, as explained above, every state deployed all of its available forces, in cooperation with the private sector or in unilateralist intervention if necessary, to achieve these goals (Harvey, 2005).

The Keynesian drive also culminated in the establishment of the Bretton Woods credit union system in 1944 (Regil, 2001). In the scholarship of Harvey (2005), this historical background explains the main objective of the Bretton Woods credit union system, which was a system that was structured along Keynesian lines. Balancing the historical class rivalry between capital and labour by finding some sort of class compromise through the establishment of appropriate democratic government and market

institutions ensuring peace and the well being and stability of the population, was perhaps the most important priority of the time (Harvey, 2005)

Summarizing the accomplishments of the Golden Era, Harvey (2005: 11-12) notes that:

In the advanced capitalist countries, redistributive politics (including some degree of political integration of working-class trade union power and support for collective bargaining), controls over the free mobility of capital (some degree of financial repression through capital controls in particular), expanded public expenditures and welfare state-building, active state interventions in the economy, and some degree of planning of development went hand in hand with relatively high rates of growth. The business cycle was successfully controlled through the application of Keynesian fiscal and monetary policies. A social and moral economy [...] was fostered through the activities of an interventionist state. The state in effect became a force field that internalized class relations. Working-class institutions such as labour unions and political parties of the left had a very real influence within the state apparatus (2005: 11-12).

The legacy of this accomplishment in the Golden Era can be seen as a historical reminder of the feasibility of a society without socio-economic inequalities. That kind of society moderates the alienation as well as exploitation of labour, as discussed in the Marxist teachings literature (Stillwell, 2006; Harvey, 2005; Chang, 2003).

2.2.3: Keynesian Economics in Practice and Welfare State Consolidation

Regil (2001) states that internationally, in the Golden Era, many capitalist countries experienced solid economic expansion and authentic social progress. According to Munck (2002), during this age, the compromise between capital owners and labour minimized tensions between employers and employees. Furthermore, as earlier discussed by Chang (2003), there was a general recognition that the market was unable to regulate itself fairly for labour and capital. In Harvey's (2005: 10-11) observation the Golden Era labour-capital concord

...was generally advocated as the key guarantor of domestic peace and tranquility. Both developed and developing states actively intervened in industrial policy and moved to set standards for the social wage by constructing a variety of welfare systems (health, education, and the like).

In agreement, Regil (2001) adds that the social security system was entrenched in the post-war Golden Era. Tülay Arın (2002: 73) discusses the importance of the social security system, describing it as a legislated body "to maintain individual or family income, to provide income when some (or all) sources of income are disrupted or terminated or when exceptionally heavy expenditures (e.g. [...] paying for health care) have to be incurred". In her account, social security is a balm in adversity: "...social security may provide benefits to persons faced with sickness and disability, unemployment, crop failure, loss of martial partner, maternity, responsibility for the care of young children, or retirement from work" (2002: 73). Accordingly, Arın argues in support of a social security system, stating that:

Social security provides social rights to individuals for protection against social risks, especially those arising from the labour market. Social risks arise from the nature of [the] social organization of capitalism based on generalized commodity production and labour power as a commodity. Under capitalism, people's needs can be met only on the basis of incomes privately earned in the market. If individuals are not able to earn this income or if they lose it, they are deprived of their means of subsistence.

The lack of social protection means social exclusion and social dumping.

In other words, social security assures individuals that they will be able to satisfy their basic needs at all times irrespective of their status in the capitalist market system. Social rights provide individuals protection against social risks, independent of their own resources. In that sense, social security modifies the commodity character of labour, by converting subsistence needs without a condition of work (Arin, 2002). In Arin's point of view, social rights help to decommodify labour to some extent. For instance, the welfare state system mediates the operation of market forces in at least three ways: (1) a minimum income guarantee; (2) relief in sickness, old age and unemployment, which, in turn, moderates potential crisis for individuals and their family; (3) universality of certain basic social services. The provision of financial and material resources on the basis of need and without connection to work and income earned is discordant with the fundamental tenets of capitalism, a point that will be further discussed on the section on neoliberalism. For now, it should be noted that the welfare state system has been designed to moderate the tension between universal provision for need and the logic of the capitalist free market system (Arin, 2002: 73-74).

According to Regil (2001), the consolidation of a welfare state system in the Golden Era improved the general well being of the populations. He states that in this period the number of people in poverty fell and the gap between rich and poor decreased. In agreement with Regil (2001), Munck (2002:33) notes that the Keynesian welfare system "...fundamentally reform[ed] the *laissez-faire* capitalism of the 1930s and provide[d] it with a 'human face'". This development was one of the factors that inspired the public acceptance of state intervention in the economy to avert excesses and unconscionable inequities from free market forces (Munck, 2002; Regil, 2001).

As discussed earlier, many scholars believe that under Keynesianism, labour was the main beneficiary of the socio-economic changes during the Golden Era. The tendency of capital to increase its profits at the expense of labour was constrained by a distributional bias inherent in the macroeconomic stability that prevailed in the Golden Era (Kabasakal, 2006; McLeod, 2008; Munck, 2002; Vosko, 2000). Additionally, in the Keynesian logic that mass consumption and mass production are absolute conditions for economic development and growth, policy-makers prioritized the reduction of unemployment and improvement of employment stability to cultivate a mass of reliable consumers. According to Rogers and Rogers (as cited in Vosko, 2000), employment models in the period after World War II provided an element of social stability, which, in turn, underpinned economic growth as workers felt secure in the workplace and in their income. In this new system, the free-market attitudes towards employment were discredited by prioritizing the achievement of full employment, or at least minimal mass unemployment (Kabasakal, 2006; Munck, 2002; Vosko, 2002).

Capital's tendency to increase profits at the expense of labour was also restricted by a popular consensus on equitable distribution of national income and the merit of state protections to shield the working classes from exploitation. Karen Armstrong (as cited in Munck, 2002: 25) calls this popular opinion an "acceptance of the so-called mixed economy- that is, a capitalist framework within which state enterprise was tolerated and the government held responsible for managing the economy". This marked progress to a state in which "workers obtained certain rights and material benefits", a significant outlook of this thesis (Armstrong, as cited in Munck, 2002: 25).

Employment relationships during the Keynesian era were characterized by full-time, long-term contracts that situated most workers with one employer for their whole work life. In many of these relationships, employees enjoyed bargaining rights and experienced pay rises and remuneration in such benefits as pension, unemployment insurance and medical coverage. Moreover, the standard work schedule was reduced on average to eight hours daily and five days weekly, giving labour the time to enjoy social life. These improvements in working conditions plus the expansion of the welfare state system, and the strengthening of unionism provided a foundation, on which working classes could achieve higher socio-economic status and quality. Overall, the domestic and work life conditions of workers improved substantially during the Keynesian era (Kabasakal, 2006; Stanford & Vosko, 2004; Munck, 2002; Regil, 2001; Vosko, 2000).

2.2.4: The End of the Keynesian Era

An examination of the circumstances that contributed to the end of the Keynesian era helps us to understand the reprise of the *laissez-faire* economic ideology and its

implementation in the deregulation of markets, particularly those of labour markets. The impact of this economic regime shift on the working classes has been significant. No single event has been attributed definitely to this turnaround in macroeconomic policy-making. However, many scholars suggest that the dramatic rise in oil prices in the early 1970s, the legendary oil shock, was one of two major catalysts for the collapse of the Golden Era model that had gained strength in the post-war environment. The other catalysts factor in this phenomenal movement was the squeeze on corporate profitability from the pressure of labour bargaining for rewards (Munck, 2002). Stephan Marglin (as cited in Munck, 2002: 46) points out that well before the oil shock, the profits of business organizations in the Organization for Economic Cooperation and Development (OECD) countries had been experiencing the costs of general “full employment”, a “profit squeeze”. This was not a cyclical phenomenon since it was the result of a long period of sustained growth, rising wages, high employment, and increasing security for working people, and its effects on profit accumulation had become delicate for the corporate world (Munck, 2002).

Stanford and Vosko (2004: 7) state that the economic expansion after the end of World War II was “...crucial to social and economic gains and to the consolidation of the welfare state”, but “it also contained the seeds of its own demise”. In other words, the Keynesian era shift in the capital-labour relationship that benefitted the working classes heavily became a competitive force against investment-driven capital owners. The power of labour unions, state regulation on business activities, and the growth of rivals in economic expansion proved adverse to profit accrual. The owners of capital, the employer class, wanted and sought relief from the brakes on their freedom to generate

wealth. Their dissatisfaction with the Keynesian system and their willingness to abandon the compromise between capital and labour manifested itself in a slowdown in private-sector investment and job creation. This in turn, weakened the demand side of the economy, and together these trends undermined the legitimacy and sustainability of the Keynesian order (Stanford & Vosko, 2004; Munck, 2002).

Kabasakal (2006) observes that as the Golden Era order began to lose its glow, economists and policy-makers turned a critical eye on labour markets. Stanford and Vosko (2004: 8) note that from the mid-1970s onwards employers increasingly adopted “flexibility-enhancing” strategies, such as the outsourcing of jobs and adoption of atypical forms of employment, in order to reduce payroll numbers and increase profit. Kabasakal (2006: 15) also notes that wage structures, unemployment security, occupational safety measures and unionism became objects of hostile attention from the business and political establishment. Also statutory measures protecting labour from unfair treatment in the labour market were re-defined as ‘labour market rigidities’, a term connoting disability, and it became an increasing trend to mention them as obstacles to corporate profitability and economic growth (Kabasakal, 2006).

As the forces of capital and labour struggled to cope for a valid policy under pressures from the supply and demand sides of the labour market, neoliberalism emerged, offering a new compact between organized capital and the nation state. According to Stanford and Vosko (2004), neoliberalism denotes a form of politico-economic governance, based on the extension of free-markets and the implementation of certain political projects. The central goal of neoliberalism is the dominance of capital in the economy and society. Mohamed (2008) believes that the shift towards neoliberalism in

the global political economy was momentous. For one, it ushered in the process of economic globalization. Although a certain degree of internationalization of finance and business was apparent in the Keynesian system, the narrative of neoliberalism proposed the intensification of this feature through a global integration of goods and financial markets in an essentially *laissez-faire* economic system (Mohamed, 2008).

To some extent, the globalization narrative might be read as an evolutionary sequel to the Bretton Woods system that inaugurated the Keynesian era. However, once the US government abandoned the fixed dollar-gold exchange standard in 1971, Bretton Woods establishments, such as the IMF and WB, and advanced countries gradually moved away from the application of Keynesian policy-tools to the adaption of neoliberal policies. Furthermore, neoliberal policies were enhanced by the rise of Thatcherism in the UK and Reaganism in the US at the end of the 1970s and early 1980s respectively. Both approaches provided cover for a revival of interest in the traditional or classical liberal economic ideology of Friedrich von Hayek and Milton Friedman. This ideology is skeptical of state intervention in the economy and celebrates the initiative and responsibility of the individual (see Hayek, 1994; Friedman, 1982). The ideas of Friedman (1982) and Hayek (1994) eventually competed with the ideas of Keynes (1936) and Polanyi (1944), which supported the intervention of the state to wring social justice out of the free-market realm (Mohamed, 2008; Munck, 2002).

2.2.5: Neoliberalism: An Overview

In Harvey's (2005) account, the years between 1978 and 1980 constitute a revolutionary juncture in the world's economic history. In this period, neoliberalism

became a normative principle of economic thought and management. He argues that the respectability of neoliberalism began in the UK and the US, after the election of Margaret Thatcher as UK Prime Minister and Ronald Reagan as US President in 1979 and 1980 respectively. At the time, both politicians felt that the revitalization of the economy required stern restrictions on unionism, relaxation of business regulations, and considerable freedom for players in the financial industry. Gradually, other countries came to imitate 'Thatcherism' and 'Reaganism' or some of their neoliberal pattern. Moreover, the economic philosophy of Thatcherism and Reaganism entered important institutions like the IMF and the WB, and through these institutions neoliberalism was able to affect many countries. In consequence, neoliberalism became the mantra of the day in worldwide politico-economic planning and management (Harvey, 2005). In this regard, Odekon (2005: 15) notes that:

Politicians, the intelligentsia, the media, business leaders, and ordinary people alike have come to accept that a free-market economy is indisputably the most efficient, the most humane, the most socially and economically just, and, hence, the most desirable system.

In this respect, Odekon (2005) explains that the neoliberal ideology is based on the assumption that a free-market economy is superior to any other economic structure in that it almost automatically produces allocative efficiency and promotes growth and development. The liberalization of trade and all input and output markets leads to this superior economic structure. More specifically, in the logic of the maxim 'a rising tide lifts all boats', or in the perspective 'trickle down' beneficence, neoliberal theory suggests that the elimination of poverty, domestically and globally, can be best secured

through free markets and free trade. To this end, forces of neoliberalism engineered deregulation, privatization, and diminished state involvement in social welfare (Harvey, 2005; Odekon, 2005). Harvey further expands the discussion around neoliberalism, stating that:

Neoliberalism is, in the first instance, a theory of political economic practices that proposes that human well being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee for example, the quality and integrity of money. It must also set up those military, defense, police and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second guess market signals (prices) and because powerful interests groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit (2005:2).

To put it another way, neoliberalism advocates the supremacy of free enterprises, free trade and markets in addressing the economic and social concerns of a country. Thus, Harvey (2005) believes that neoliberal policy-makers emphasize the privatization of all available state assets and the protection of property rights as the cornerstone of optimal economic and social development. Although this may be true in theory, Odekon (2005) claims that practically speaking the ideology of neoliberalism has several pitfalls. He argues that in an unregulated free-market system only a few producers and consumers are eventually able to participate in the market at the factor and output prices set by supply and demand conditions. In other words, the market equilibrium pay rewards only to consumers and/or producers who can afford the market-set prices. Moreover, Odekon (2005) believes that in reality the free-market is predominantly concerned with the satisfaction of consumer demands rather than with issues such as poverty or unequal distribution of income and wealth (Harvey, 2005; Odekon, 2005).

Given that the state's "traditional" role as a provider is being undermined by the neoliberal ideology, it is no longer able to protect and look after the people who are not able to participate in free-market system. Consequently, Odekon (2005) suggests that economically vulnerable groups are left without protection, and to the mercy of the market. Furthermore, he notes that the public fails to recognize that cuts in the state budget, mean less public goods and services that provide a safety net for the poor and marginalized sectors of the population. In agreement, Harvey (2005) states that the steady decline in welfare provision and the withdrawal of the state from such areas such as health care and social services, that were fundamental elements of the Keynesian era,

have negatively impacted large segments of the world's population during the last three decades (Harvey, 2005; Odekon, 2005).

In a wider gaze, Naiman talks to the internationalization of the neoliberal ideology in the larger context of globalization:

There are a number of distinct but interconnected components of neoliberalism, which have been enforced around the world *via* what have been termed structural adjustment policies [SAPs]. These policies were implemented by the World Bank and the International Monetary Fund [IFIs]. Their purpose – in theory to help poorer nations advance their economies and to create a single global market – is actually to increase the private accumulation of capital on a global scale. Governments around the world have been pressured to remove any restrictions that have been placed on TNCs; to increase productivity and lower wages by disciplining workers; and to provide new sources of investment that help deal with the global excess of capital (2008: 206).

In agreement with Naiman (2008), Alfredo Saad-Filho and Deborah Johnston (2005) note that the current age of neoliberalism, which, according to them, is equally the age of globalization, has been first and foremost characterized through the concentration of wealth and exponential power in the hands of elite groups and TNCs, following an international adoption of the neoliberal ideology. Furthermore, focusing on the SAPs addressed by Naiman (2008), Odekon (2005) agrees that they had severe consequences on LDCs worldwide. Furthermore, he suggests that SAPs, which are standard policy items for nations with acute balance of payments problems, provided the blueprint, and

the WB and the IMF the institutional means to spread the neoliberal development strategy in the LDC world. Similarly, Dani Rodrik (2006) explains that SAPs as part of the so-called 'Washington Consensus' were vital for the spread of the neoliberal ideology in the 1980s and 1990s. According to Rodrik (2006: 973), the purpose of the Washington Consensus was to "stabilize, privatize, and liberalize" the national economies and to "get macro-balances in order, take the state out of business, [and] give markets free rein".

Thus, Odekon (2005) states that through the IMF and WB advocated SAPs, state institutions around the world were restructured to support the neoliberal agenda. Also, Harvey (2005) notes that today a majority of states have embraced some version neoliberalism, voluntarily, or in compliance with conditions in agreements with such international governing bodies as the IMF and the WB. These trends have knitted many nations into a market friendly global environment where conventional dynamics of the free market prevail. According to Susan George (2004), this policy recommendation followed the faith that a free-market and private ownership create intense economic efficiency and mass prosperity. Washington Consensus policies focused on economic dynamics that were eventually pressed on LDCs as facilitators of economic growth, development, and prosperity (Harvey, 2005; Odekon, 2005; George, 2004).

Albeit, George (2004) challenges this view, arguing that SAPs have degraded the average standard of living, especially in LDCs. John Feffer (2002) agrees, noting that neoliberalism and SAPs in particular, have generated precarious employment and widened the gap between rich and poor. In agreement with George (2004) and Feffer (2002), Odekon (2005) argues that the concentration of wealth and capital accumulation in the hands of the capitalist class, has led to increasing economic inequality on a global

scale. Summarizing the distributive aspect of the neoliberal ideology, James Petras and Henry Veltmeyer note that:

The world ascendancy of globalist classes has provoked a serious social crisis affecting wage workers, peasants, employees and self-employed throughout the world. The growth and penetration of globalist policies have engendered a significant increase in inequality between the minority within the globalist loop and those exploited by it (2001: 50).

In contrast, economists David Dollar and Aart Kraay (2001), conclude that neoliberalism is generally beneficial. They argue that neoliberalism has stimulated faster macroeconomic growth, general incline of working and living conditions and poverty reduction in a wide-range of LDCs (Dollar & Kraay, 2001). Agreeing with Dollar and Kraay (2001), Martin Wolf (2004) promotes the rhetoric of neoliberal globalization arguing that its elements are primary positive factors for sustainable development internationally. Moreover, in Wolf's (2004) argument, neoliberal globalization moves countries towards both economic prosperity and a democratic political system, in which individuals experience more freedoms than in authoritarian, undemocratic states. Thus, he declares that "the failure of our world is not that there is too much globalization, but that there is too little"; and that "the [global] market economy has been the only system to have generated large and sustained rises in real incomes per head over lengthy periods" (2004: 4-30).

In the discourse of Wolf (2004) in order to leverage gains from neoliberal globalization, the population of a country requires, first of all, a government that is humble and reliable; that is a government run by politicians and bureaucrats whose core

interests are the common good and not their own privileges and perks. In Wolf's (2004) point of view, such a government is, of course, an indispensable condition for an equitable society, with or without globalization. Secondly, in Wolf's (2004) logic, governments should widely implement such neoliberal policy measures such as free trade agreements, free movement of capital, and free movement of labour in place of protectionist policies (Wolf, 2004).

In his own right, Wolf (2004) rejects the argument that neoliberal globalization is the decisive contributor to the problem of economic inequities or unequal human development, points mentioned by scholars such as Harvey (2005), Odekon (2005) or George (2004), that are within the sphere of the global neoliberal market economy. He does not deny the existence of these problems. But, unlike neoliberal globalization opponents, he blames the absence of typical characteristics of prosperous democracies as outlined in the following comment: "What successful countries all share is a move towards the market economy, one in which private property rights, free enterprise and competition increasingly took the place of state ownership, planning and protection" (2004: 144).

Economist Jagdish Bhagwati (2004) thinks along the same lines. He strongly favors neoliberal globalization and its conceptual partners 'free trade' and 'free flow of capital'. Agreeing with Wolf (2004) and Dollar and Kraay (2001), he notes that despite some shortcomings, such as mass poverty, child labour, income disparities and repressive politics, the benefits of neoliberal globalization clearly outweigh the costs. He believes that many socio-economic problems need to be analyzed on a case-to-case basis. He believes that these typical LDC problems are mainly caused by LDC governments

themselves, which tend to apply SAPs half-heartedly, and not as advised by IFIs. In regards to labour, Bhagwati (2004) believes that the inclusion of many LDCs into the neoliberal global market has created more jobs and thus, raised the general standards of living of LDC citizens (Bhagwati, 2004).

On the contrary, skeptics of neoliberal economic globalization counter that neoliberal ideas foster exploitative approaches to human resources and tolerance for income disparities, a phenomena that produces poverty and undermines human development. For instance, Merilee Grindle exposes some these and other potentially negative effects of neoliberal globalization:

...citizens of developing countries have more reason to be apprehensive about the impact of [neoliberal] globalization on their lives than to be certain that they will benefit from it. In worst case scenarios, [neoliberal] globalization has the potential to cause economic dislocation, destruction of important social safety nets, accelerated environmental damage, loss of cultural identities, increased conflict, and the spread of disease and crime. Policy-makers in poor countries have reason to worry that... [Neoliberal] globalization will constrict rather than expend the capacity to develop (2000: 178-179).

Moreover, Feffer (2002) charges that neoliberal globalization generates “3D jobs” (dirty, dangerous and difficult). He further believes that neoliberal globalization has turned each and every sphere of human life into a commodity, whose price and value was to be determined by the market forces. Feffer explains that with the removal of tariffs and the lessening of controls on the flow of money, governments have fewer levers to control

TNCs and private investors. In other words, neoliberal globalization has led to a weakening of state power and an increase in economic insecurity, particularly in LDCs. Feffer claims that after all, markets are about risk and insecurity and quite the opposite of worldwide economic prosperity. He adds that free trade has further undermined national agreements on labour and social services that have traditionally ensured them economic security and protected them from the relentlessness of the free market. Feffer argues that process of deregulation remove the safety nets that protect the vulnerable and the firewalls that protect the market (Feffer, 2002).

Similarly to Naiman (2008) and Saad-Filho and Johnston (2005), Feffer (2002) believes that the biggest beneficiaries of deregulation have been the TNCs. Extensive mergers and privatization after 1980, have created powerful TNCs. He argues that in a quest for ever cheaper labour, TNCs have created global assembly lines, in which the production of their products is segmented among different countries, to leverage economies in human resources. Moreover, in contrast to scholars such as Wolf (2004) and Bhagwati (2004), Feffer argues that the even though advocates of neoliberalism, such as IFIs, always promote a certain degree of democracy along with their neoliberal measures, they themselves operate undemocratically (Feffer, 2002: 12).

Feffer's critique of autocratic IFIs enforcing neoliberalism resonates with George (2004) or Petras and Veltmeyer (2001), who think that IFIs are manipulated by Western corporate powers to internationalize the neoliberal agenda. In this perspective, globalization is not simply part of a historical economic process: globalization is a conscious political project to concentrate power in the hands of Western capital (Feffer, 2002).

2.2.6: Neoliberalism and Labour

Munck notes “This new era of globalization is having a decisive impact on workers worldwide [...]” (2002: 51). Similarly, Irfan ul Haque (2004) states that the impact on the labour market conditions is among the most critical issues in the ongoing debate on neoliberal globalization. Arguing that for its proponents, neoliberalism is a context for corporate investment, which, in turn, stimulates economic growth and, concomitantly, job creation, mass consumption and better living standards across the population; whereas for its opponents, it is a revival of an economic pattern in which capital subordinates labour and the survival of the fittest is the rule of the market, pitting the strong against the weak (Haque, 2004; Munck, 2002).

As noted by Haque (2004), proponents of neoliberalism are optimistic, speculating that in the long-run LDC workers will derive the most notable gains from ‘market solutions’. As far as Mauricio Rojas (1999) is concerned, the internationalization of weak economies in general will improve employment prospects in LDCs. From this point of view, foreign direct investment (FDI), in particular, is seen as an effective remedy for unemployment in less developed capitalist economies. James Markusen and Anthony Venables (1997) suggest that international capital inflow to LDCs will yield job opportunities by sparking new economic activities in developing economies. Furthermore, Matthew Slaughter and Phillip Swagel (1997) as well as Jeffrey Williamson (1998) hold that the integration of LDCs into the global neoliberal market system will in the long-run boost the production of technology and instigate increases in workers’ wages and salaries

as a result of higher labour productivity (Rojas, 1999; Williamson, 1998; Markusen & Venables, 1997; Slaughter & Swagel, 1997).

Furthermore, other proponents argue that ‘market solutions’ will ultimately undermine existing conflicts between capital and labour. In this account, privatization of state assets will not only strengthen the entrepreneurial spirit by dispersing the ownership of public enterprises to the wider stratum of society (see Vickers & Yarrow, 1988), but also deliver mutual benefits for employers and employees in particular, by distributing company shares to workers (see Heller, 1984).

In contrast, Stanford and Vosko (2004) state that labour market deregulation seems to be a prime factor in the social reality of neoliberalism. They interpret this factor as a sign that the objective of neoliberalism is to ensure the dominance of capital in the economic and political realm. According to other critics, a main goal of neoliberal policy makers is to shrink economic and social state interventions to reduce the obligations they impose on capital owners and employers. To illustrate their argument, they point to the privatization of state owned enterprises, which provided stable and well-paying jobs for millions of workers in the Golden Era and to cut backs in income security programs that have been beneficent to the working classes especially to low socio-economic status individuals. The flip side of this disciplinary trend in the labour market has been growing expectation among government and employers that individuals and third-sector organizations will absorb and redress its insecurities for the working classes. As the state reduces its social welfare role and as employers limit the scope of rewards for employees, families and community organization face financial pressure to relieve basic needs of individuals whom poverty threatens (Stanford & Vosko, 2004).

Guy Standing (as cited in Kabasakal, 2006) notes that the general discourse of the post Golden Era economic regime, including neoliberalism, listed sources of worker security as causes of labour market rigidity. For instance, chronic unemployment was attributed to high pay and protected wages. Therefore, it was proposed that collective bargaining and trade union activity should be severely controlled by the state. The argument for the assault on unionism has several points that have become conventional. First, legally based labour rights have become too generous bleeding into unacceptably high labour costs for industries; and second, social security systems devalue work, undermine personal industriousness and therefore cause voluntary unemployment; third, the state is responsible for excessive, unsustainable guarantees to workers (Kabasakal, 2006; Stanford & Vosko, 2004).

For neoliberals, an economic revival presupposes a root and branch transformation in the relationship between the state and the labour market: the state must assert market principles to employment relations, limit the power of trade unions, and grant capital more maneuverability. Implying the removal of third party regulations on wages and working conditions, this arrangement is known as “labour market flexibility” in the neoliberal discourse. This flexibility would allow the market to function more freely without interference by what is perceived to be non-market interventions, from trade unions or government regulation. As opposed to the Keynesian discourse, the neoliberalism script moves employment relations from stable, full-time arrangements to atypical forms of employment such as seasonal or temporary work. The latter employment formats are held to give industries resilience with which to react to economic vagaries (Kabasakal, 2006).

Since the 1980s, another justification for the neoliberal employment discourse has been that the globalization imperative of integrated international markets implies intensification of competitive positioning by business organizations, and low labour costs are a vital factor in such competitive positioning (Kabasakal, 2006). This stress on lower labour costs represents part of a dynamic shift to global competitiveness. In this global perspective, theoretically, the best benchmark for labour costs is international not national. Thus, the flexible labour market in neoliberalism implies that poor pay for workers in authoritarian markets like China and India could erode workers' rewards in more enlightened, liberal markets (Haque, 2004).

There is much concern in certain quarters that relentless equity market pressure to raise profits and intense global competition are tempting business organization to minimize their human resources management and even treat the workforce poorly. Among the indications of this downward trend for the working classes are corporate abandonment of pension plans and group medical insurance; decentralized wage setting replacing centralized bargaining, and increased use of casual employment. Many firms are able to get away with gross short shrift for the workforce because they can raise a credible threat to relocate internationally to a cheap labour region or country. Mohamed (2008) points out that a distinguishing aspect of the neoliberal age is the geographic relocation of firms to capitalize on cheap labour, weak regulations and lack of regulations. This movement of firms has reversed the gains of labour during the Golden Era and contributed to the creed that sustainable prosperity and robust workers' rights are incompatible (Mohamed, 2008; Kabasakal, 2006; Haque, 2004).

Accordingly, Devan Pillay (2007) concludes that the notion of economic growth as well as the achievement of full employment in a secure and decent work environment, which was once a received thinking in the Golden Era, has been undermined by the processes of neoliberalism and economic globalization. Feffer (2002) believes that increased competition for jobs and investments have led to the erosion of the regulatory capacity of the state and trade unions to defend the social achievements of the Golden Era. All of this, Harvey (2005) explains, has led to some of the following outcomes: lower wages, increasing job insecurity, loss of benefits and loss of job protections. Additionally, the decline of welfare provision and the withdrawal of the state from areas such as health care and education, that were once so fundamental areas, have led to the decline of the living and working standards of millions of people. Harvey (2005) asserts that these negative tendencies are visible in all countries that have implemented SAPs and, thus, argues that, given the determined assault on labour organization and labour rights as well as the reliance upon vast but largely disorganized labour pools in LDCs, it seems that managed labour control and high degree of labour exploitation have been central to the neoliberal project from the beginning (Pillay, 2007; Harvey, 2005; Feffer, 2002).

Considering these insights, the following section will explore how the literature assesses the changes in macroeconomic regimes, namely Keynesianism and neoliberalism, and their impacts on Turkish labour's living and working conditions.

2.3: Changing Economic Regimes and their Implications for Turkish Labour

2.3.1: Keynesianism and Turkish Labour

Coupled with Keynesianism, as the overriding macroeconomic guiding template of the times, Turkey moved from an outward-oriented liberal macroeconomic development model to an inward-oriented import-substituting industrialization (ISI) development model in 1960. Literature suggests that under the ISI regime, Turkey not only enjoyed macroeconomic stability and growth, but also experienced significant improvements in the social and political realm (Blind, 2009; Hiç, 2008). Speaking to these positive changes, Zeynep Aklar holds that “This period was the turning point not only for the working class but also for the whole society” (2008: 50).

As far as Mükerrerem Hiç (2008) is concerned, a social compact between the state, capital and labour, led to increased domestic productivity and employment, higher labour wages and job security, improved citizenship rights, better social welfare mechanisms, and, above all, to the increased welfare of the Turkish population. In other words, the social dimension of the state was developed. Talking to this social compact, Yüksel Akkaya (2002) explains that Turkey’s state-led inward-oriented economy, which was based on the domestic production and trade of consumer durables and agricultural produce, required a socio-economically strong labour class, which was able to afford the produced goods, and thus, ensure the running of the economic system. To this end, the Turkish government, as the main producer of consumer durables and agricultural produce, not only supported high wage policies, but also equipped the working class with an

unprecedented level of socio-political rights and freedoms (Aklar, 2008; Hiç, 2008; Akkaya, 2002).

However, scholars note that the Turkish ‘father state’ not only equipped working class people with rights and freedoms that allowed them a higher living and working standard, but also guaranteed their adherence through the necessary legal framework laid down in the socially progressive Constitution of 1961 and subsequent laws regarding industrial relations and social security. Aklar (2008) notes that thanks to these rights and freedoms Turkey’s working class was given many opportunities to be organized and strengthened during the 1960-1980 period. Consequently, Turkey’s good economic performance and rapid inward-oriented industrialization along with the legal gains resulted in both the qualitative and quantitative increase in the power of working class individuals (Aklar, 2008; Kabasakal, 2006; Ünay, 2006).

The Turkish state’s attempts of increasing the overall living standards of its population through domestic oriented economic production were also promoted by the legal regulations in the political and industrial field. Besides leading to high wages, the new legal framework led to long-term employment opportunities, backed by strong collective bargaining rights and far-reaching social security provisions. Meryem Koray and Aziz Çelik (as cited in Aklar, 2008: 51) assert that the socially progressive Constitution of 1961 as well as Turkey’s ISI outlook, which was underlying Keynesian principles, were fundamental for the deep change in Turkey’s new social policy orientation. By declaring Turkey as a ‘social state’, the 1961 Constitution subsequently expanded the scope of rights and freedoms for all Turkish citizens (Aklar, 2008; Koray & Çelik, as cited in Aklar, 2008).

As part of this expansion of rights and freedoms, Aklar (2008) notes that the new constitution assured the right of workers to organize, to establish unions, to make collective bargaining and even to strike. Thus, these changes along with the rising size of Turkey's domestic manufacturing economy and increasing number of workers, Turkey's labour class not only became the driving force of the economy but also allowed them to become a significant share of welfare from the economy. Thus, the power of the working class increased both legally and practically, and thus, put it on equal terms with domestic capital (Aklar, 2008).

However, literature suggests that this upward trend was short-lived. Peride Blind (2009) argues that despite initial socio-economic success, the ISI model came to an abrupt halt in the late 1970s. Turkey's increasing debt, which was required to finance the domestic production of goods ushered into a major balance of payments crisis in the period between 1978 and 1980. This crisis not only led to a fundamental shift in Turkey's macroeconomic development regime, but also to a reversal in the relationship between capital and labour. As Turkey opted for integration into the global capitalist economy and proceeded to implement the IMF and WB advised SAPs, the working class' social, economic and political achievements of the ISI period were severely undermined. In the context of neoliberal economic liberalization and labour market flexibilization, state officials and corporatist class sought for a new way to regain investors' confidence and stabilize the economy (Blind, 2009; Ercel, 2006; Özar & Ercan, 2002).

2.3.2: Neoliberalism and Turkish Labour

Literature suggests that the indoctrination of neoliberalism in Turkey began under the military rule in 1980, and has been constantly pursued under different right-wing governments between 1983 and now. In this context, Özlem Onaran (2009: 245) notes that in Turkey, “economic policy in general has been a rather conflict-free area between the government, business circles and the military elite, despite the political conflicts between them”. Agreeing with Onaran (2009), other scholars further suggest that neoliberal programming in Turkey was not only concerned with the economic sphere, but rather, with a far-reaching socio-political transformation of Turkish society along neoliberal lines (Onaran, 2009; Ünay, 2006; Odekon, 2005).

Sadık Ünay (2006) for instance notes that since 1980, the fundamental dynamics of Turkey’s political economy and the legal, ideological, institutional underpinnings of socio-economic policy-making were reconstructed in connection with the country’s new macroeconomic outlook. Speaking to the outcomes of this overall change, Ünay (2006: 115) states that:

The neoliberal discourse that was instilled by such phrases as ‘establishing a genuine free market’ or ‘getting rid of bureaucratic obstacles’ contradicted not only Turkey’s welfare state but also the paternal cultural figure, as a ‘father state’ (devlet baba), that was attached to that framework.

Agreeing with Ünay (2006), Henry Rutz and Erol Balkan (2009) emphasize that Turkey's liberalization period witnessed a dramatic change in the role of the state, from being a provider of social benefits and social investments to a regulator of income distribution in the interest of capital. Cem Emrence (2008) also talks to this change, pointing out that in subsequence to Turkey's macroeconomic regime change, the market has emerged as a key social and economic institution that has expanded its influence both in the public and private spheres (Rutz & Balkan, 2009; Emrence, 2008).

This replacement of the state through the market as the chief negotiator in the social and economic life has impacted Turkish class relations, namely capital vs. labour. In fact, Emrence (2008: 52) notes that "Starting in the 1980s, class balances have shifted dramatically in favor of capital. The Turkish [market] transformation began with expanding the freedoms of capital owners in the workplace". Responding both to a changing international environment and domestic concerns, the Turkish state has first pursued policies aimed at the integration of the labour force into the global neoliberal system, and later, allowed the capitalist class to reframe labour market conditions to their advantage. Interestingly, Onaran (2009: 244) notes that:

The promise of neoliberal policies has been that liberalized markets and specialization in the comparative advantages of the country will increase efficiency, exports and growth, attract foreign capital, provide fair distribution, where each factor of production receives a return consistent

with its marginal productivity, and eventually returns to labour would also increase.

Within the new class dynamic however, Turkey's labour was the loser. According to the literature, the rise of 'market fundamentalism' has been the main factor behind the worsening of the living and working conditions of Turkey's labour force in the post-1980 period. For instance, Onaran (2009) states that Turkey's economic instability, which also led to major financial crises in 1994 and 2001, along with its general strategy of integration into the neoliberal global market through cheap labour, led to the weakening of the working and living conditions of the Turkish working class. Odekon (2005) on the other hand states that neoliberal policies implemented in Turkey were mostly concerned with allocative efficiency, disregarding distributional efficiency issues and, thus, were not always politically or socially desirable. Furthermore, he notes that they constantly favored capital over labour and created an economic system that makes the rich richer and the poor poorer (Onaran, 2009; Odekon, 2005).

In more detail, Kabasakal (2006) argues that Turkey's labour force has been exposed to various types of political and economic repressions in the aftermath of the 1980 military coup. Furthermore, she states that while labour has benefited from certain rights and freedoms facilitating better living and working conditions during Turkey's ISI regime, these rights and freedoms have gradually declined since the beginning of the neoliberal era. Onaran (2009) adds that throughout Turkey's neoliberal history, changes in labour legislation have significantly contributed to the losses in the workers' share. Amongst others, she suggests that a downward flexibility in wages has helped to maintain high profit margins for capital even during periods of economic recession and intensified

international competition. More specifically, Onaran (2009) explains that Turkey's government compensated financial losses of Turkish business cycles and satisfied the demands of domestic and international capital by drastically cutting wages and social expenditure. Supporting such views, Özdemir and Özdemir (2005: 70) describe that current "Employment practices, [...] point to the forward march to the 'ecological dominance of capitalism' in the peripheral capitalist economy of Turkey" (Onaran, 2009; Kabasakal, 2006; Odekon, 2005; Özdemir & Özdemir, 2005).

Moreover, widespread privatization, in the name of raising allocative efficiency, contributed to increasing poverty and social inequality. In a wider gaze, Serkan Öngel (2011) sees privatization of Turkey's public services such as health and education, leaving individuals with more responsibility for their education, healthcare costs, and income in retirement years. Furthermore, many scholars, such as Kabasakal (2006), Odekon (2005) and Onaran (2009), note that Turkey's labour movement has failed to take effective steps against the negative effects of neoliberalism on Turkey's human capital (Öngel, 2011; Onaran, as cited in Öniş & Şenses, 2009; Kabasakal, 2006; Odekon, 2005; Balkan & Savran, 2002).

In this context, Onaran (2009) explains that the 1982 Constitution and subsequent labour legislation in 1983 concerning labour organization have restricted the framework of union activity. Onaran concludes that such labour restrictions have increased the attractiveness of the Turkish market for global capital. She believes that these changes explain the political economy aspect behind the 1980 military coup and three decades of neoliberalism that followed (Onaran, 2009).

2.4: Summary

Many of these issues within this debate call for an assessment of the changes in the working and living conditions of Turkey's working class over the past three decades. Therefore, the thesis will now turn to the data section, in which relevant data will be presented according to a five axis parametric scheme, which will allow us to depict the changing living and working environment within Turkey's neoliberal context. Highlighting five parameters: changes in labour organization, changes in labour's wage share of income distribution, changes in employment pattern and rates, changes in social policy (health, education and welfare) and changes in poverty and other development indexes, the scheme will allow for a more disaggregated analysis.

The variables of the five axis parametric scheme are important to understand against the often-mentioned criticism that is a strong trend toward decreasing union representation of the Turkish workforce. This phenomenon means that an increasing number of Turkish workers are ever more vulnerable to the effects of unilateral corporate boardroom decisions from the imposition of which they have little or no recourse. With this thought in mind, the discussion that will unfold within the five axis parametric scheme context will have a humanitarian basis in order to shed more light on the impact of paradigmatic socio-economic and political changes on everyday Turkish working class people and through them on the wider Turkish society.

Chapter 3: Empirical Study on Turkey's Labour Class

3.1: Background of Turkey

Modern Turkey, which is officially known as the Republic of Turkey, was founded on October 29th, 1923 by its founder and first president Mustafa Kemal Atatürk as the successor state of the former Ottoman Empire.

Map 3.1: The Republic of Turkey



Source: CIA, 2012

Turkey is situated in the Anatolian Peninsula (more generally known as “Asia Minor”). It borders eight countries: Bulgaria to the northwest; Greece to the west; Georgia to the northeast; Armenia, Azerbaijan and Iran to the east; and Iraq and Syria to the southwest (see Map 3.1 above). The country is surrounded by the Black Sea in the north, the Aegean Sea in the west and the Mediterranean Sea in the south. The Bosphorus, the Sea of Marmara and the Dardanelles located on Turkey’s western frontier, not only compose the centerpiece between the Black- and the Mediterranean Sea (together known as the “Turkish Straits”), but also the boundary between Europe and Asia.

The vast majority of the country’s 79.75 million citizens (2012 estimate) are Muslim. Turkey is a democratic, secular, constitutional republic that has become increasingly integrated with the West since the late 1940s. Today, Turkey holds memberships in organizations such as the UN, Council of Europe, NATO, OECD, OSCE and the G-20 economies. The country, which has been an associate member of the

European Economic Community since 1963 and the European Customs Union since 1995, began full European Union membership negotiations in 2005. Turkey has also fostered close cultural, economic, political and industrial ties to the US, Israel as well as several Arab nations in the Middle East and Turkic nations in Central Asia, through memberships in the Turkic Council and the Organization for Islamic Cooperation, and many other bi- and multilateral agreements and pacts. Turkey's location at the crossroads of Europe and Asia makes it a country of significant geostrategic importance. Given its strategic location, military strength and large, fast growing economy, Turkey is considered a major power in the Middle East.

Although Turkey has emerged as a major regional power broker in the last decade due to its rapidly growing economy (15th largest GDP-PPP in the world) and significant military strength, the aim of its founder Atatürk, that Turkey should be among the most advanced countries in the world, has yet to be realized. The country still faces a wide array of typical development problems that remain unsolved. In recent years, Turkey has been identified and received much attention as an important country for case studies related to development issues such as unequal distribution of income, income disparities, endemic corruption, poverty, child labour, rapid urbanization or undemocratic governance. In their contributions, a large group of scholars have associated some of these shortcomings with the implementation of neoliberal economic policies from the early 1980s onwards, which data suggests have had a profoundly negative impact on Turkey's social, political and economic sphere (see Blind, 2009; Onaran, 2009).

3.2: Turkey's Macroeconomic and Labour Policy before 1980

When the Republic of Turkey was proclaimed in 1923, it was a highly underdeveloped, poor country with a heavily agrarian land economy. The republic's founder Mustafa Kemal Atatürk, who ruled the country through a 'single-party system' led by the Republican People's Party (Cumhuriyet Halk Partisi – CHP), put a strong focus on social as well as economic development. Atatürk relentlessly advocated for a wide-range of political, social and economic reforms in the 1920s and 1930s, which ultimately aimed at converting Turkey into a modern, economically strong and developed country that is in no way inferior to the Western world (Mango, 1994: 151-154).

In pursuit of this, Atatürk put much effort into widening and diversifying the scope of Turkey's limited economic activity and attracting foreign capital. To this end, he decided to implement a macroeconomic regime based on liberal economic principles in 1923, which took the encouragement of the private sector and foreign investment as a basic principle. In subsequent years, the liberal economic outlook not only led to high economic growth rates (annual average on 9.2 percent in the first seven years), but also to improved living conditions in Turkey (Hiç, 2008: 1-8).

However, the success story of Turkey's liberal macroeconomic regime was short lived. As in many other countries, negative repercussions of the 1929 Great Depression (e.g. balance of payments crisis), ushered in major changes in Turkey's economic philosophy and macroeconomic regime. On the verge of an economic collapse, the Turkish state adapted a so-called *étaist* economic development framework (a third way between socialism and capitalism) in the early 1930s. This 'protectionist' framework depended on central planning and increased government involvement in the economy in

key sectors such as textiles, sugar, iron and steel through the establishment of State Economic Enterprises (SEEs), as well as greater control of foreign trade and exchange. The *étaist* framework was first incorporated into the CHP party program in 1933, followed by the First Five Year Industrial Development Plan in 1934. Later, *étaism* also entered the Turkish Constitution in 1936 (Hiç, 2008: 5-8; Pamuk, 2007: 277).

After Atatürk's death in 1938, his political successor İsmet İnönü further intensified the state's role in the economy by withdrawing the government support for the private sector. Instead, İnönü decided to rather focus on the development of the public sector and SEEs in particular. He brought a strict 'government official' status to SEE executives and employees with equal salaries depending on their position and seniority and not depending on the profitability of the respective SEEs. Moreover, with the establishment of the Pension Fund for Civil Servants (Emekli Sandığı) in 1949, SEE workers, along with other government officials, were among the first to enjoy social security in Turkey. This new social security mechanism was quite extensive, offering government officials benefits such as retirement pension, job disability pension, retirement bonus, death grant, marriage bonus, lump-sum payment and repayment of contribution. Compared to other occupational groups (e.g. farmers), the living conditions of government officials improved significantly under these new policy changes (Elveren, 2008: 217; Hiç, 2008: 13).

It was with the transition to multi-party system in 1946 and the coming into power of the Democrat Party (Demokrat Partisi - DP) in 1950, that government policies began to re-focus on the private sector. Reviving Atatürk's liberal economic model, the DP government recommenced the encouragement of the private sector and foreign

investment. For this aim, the DP government funneled large quantities of government support into the private sector (e.g. agriculture) in the early and mid-1950s. At the same time however, the DP continued to protect the public sector by restricting foreign imports and intervening in the economy to keep the market forces in check (Hiç, 2008: 19-21).

Carried along by an economic boom stimulated through the Korean War and the gradual recovery of the European states, the Turkish economy of the 1950s took huge steps forward. Cereal production, for instance, was 85 percent higher in 1953 than in 1950, and the number of tractors, which farmers generally purchased on credit from the state, increased from 14,000 in 1950 to 44,000 in 1956. Besides supporting the agricultural sector, the DP also improved the country's infrastructure by building all-weather roads, dams and irrigation and drainage systems (Hiç, 2008: 29; Mason, 1997: 154; Mango, 1994).

This economic upswing clearly benefited large sectors of the Turkish population, particularly the labour force, whose material and social welfare increased noticeably under the DP rule. Amongst others, Turkish workers were able to benefit from rising employment opportunities, increasing wages, paid holidays and far-reaching advances in the public pension and health care system. The literature agrees that this economic upswing and improvement of the living and working conditions of the Turkish population subsequently led to the re-election of the DP in 1954 (Hiç, 2008: 29; Mango, 1994).

However, as early as 1955, the Turkish population's widespread support for the DP began to deteriorate due to the nation's worsening economic situation. The boom stimulated by the Korean War and revival of the big European economies began to slow down, and, by the end of the 1950s, the Turkish economy faced serious economic

problems. Balance of payments difficulties, which had become one of the country's chronic problems, high inflation and rising foreign debt dragged Turkey to the verge of another economic collapse. Alarmed at the DP's repressive political measures (e.g. targeting the opposition party, press, intellectuals and labour unions), Turkey's rising sovereign debt and growing popular dissatisfaction, the Turkish military decided to step in and take over political control in May 1960 (Öniş, 2010; Hiç, 2008; Mason, 1997; Mango, 1994).

From a political economy vantage point, the military agents of the May 1960 coup laid the foundations of yet another macroeconomic development model and structural transformation based on ISI (see Table 3.1). By shifting from a liberal economic model to an

Table 3.1: Turkey's Macroeconomic Regimes

Phase	Characteristic of Phase
1923 - 1945	Economic Restructuring & Protective-State led Industrialization
1945 - 1961	Post-War Economic Readjustment
1962 - 1979	Import Substituting Industrialization
1980 - Current	Trade-Financial Liberalization & Integration into the Global Market

Source: Ar, 2007:300

inward-oriented model based on ISI, the military government responded to the escalating pressures from the US government and IFIs, which demanded more government control over the economy and a swift re-payment of Turkey's foreign debt (Ünay, 2006: 56).

As in most developing countries at the time, Turkey's ISI model consisted of import controls such as high tariffs, quantitative restrictions, and import licenses. Coupled with Keynesianism as the guiding economic template of the times, ISI was taken as more than a mere macroeconomic policy in Turkey. It was the main driving force behind major political, economic and social policy implementations (e.g. workers' rights,

social welfare provision etc.) throughout the 1960s and 1970s. In this context, the already existent *étaist* ideology provided the perfect breeding ground for the ISI model to become widely accepted among political parties, large scale industrialists and workers (Blind, 2009: 87; Pamuk, 2007: 283; Ünay, 2006: 56).

The country's new macroeconomic approach was further backed by a new social democratic constitution, which was adapted in 1961. This constitution was also characterized by a number of very important rights such as the right to work, to fair working conditions, to demand a fair and equal pay, to establish trade unions, to collective agreement and strike and to social security, which provided Turkish labour a legal basis for the achievement of better living and working standards. The Turkish bureaucrats were well aware of the fact that economically sufficient consumption under the ISI framework was only achievable, if enough domestic demand existed. Thus, it was in everyone's best interest to assure that Turkey's working class, not only produced, but also consumed the domestically manufactured goods. For this purpose, the 'father state' not only equipped workers with rights and freedoms that ensured them a higher living and working standard, but also guaranteed their adherence through the necessary legal framework laid down in the constitution and subsequent laws regarding industrial relations and social security (Kabasakal, 2006; Ünay, 2006).

In this respect, Ünay (2006: 99) refers to Article 41 of the 1961 Constitution that stipulates that Turkey's economic and social life is to be regulated in accordance with the principles of full-employment and provision of a decent life-style for the whole population. Realizing economic, social and cultural development through democratic means, and to this end increasing national savings, directing investments towards national

priorities and preparing development plans are among the essential duties of the Turkish state. In Ünay's view (2006: 103), this comprehensive vision appreciating 'growth with distribution' was fully compatible with the prevalent socio-economic development discourse of the IFIs and the international development community (Ünay, 2006).

Therefore, besides adapting meaningful laws within the scope of the new 'welfare state' principle, the constitution also institutionalized economy-wide planning by the creation of the State Planning Organization (SPO) of Turkey. The SPO was responsible for monitoring the country's overall economic progress and implement comprehensive economic and monetary measures, which were reflected in their five-year development plans and annual investment programs. It also played an important role in private-sector decisions, since its approval was required for all private-sector investment projects that sought to benefit from subsidized credit, tax exemptions, import privileges and access to scarce foreign exchange. In summary, the economic policies of the 1960s and 1970s aimed, above all, at the protection of the domestic market and industrialization through import-substitution. To achieve the ISI objectives, the government made heavy use of a restrictive trade regime, investments by SEEs and subsidized credit (Kabasakal, 2006: 21; Pamuk, 2007: 283; Mason, 1997: 155-156; Sachs & Collins, 1989: 621).

The domestic production of consumer goods in the 1960s and 1970s, brought relative prosperity to the country, in which, the GNP per capita increased at an average annual rate of 4.3 percent during 1963-1977. This economic growth was coupled with the steady rise of real wages during the same period as well as numerous laws improving social security and retirement provisions, creating a comparatively generous social safety net for the Turkish labour force. Furthermore, socially progressive reforms in Turkey's

1970 Labour Act (No.1475) put labour on equal footing with capital, granting the former significant labour rights as well as a certain degree of job security. Moreover, increasing unionization rates provided labour organizations with an increasing political power in the 1970s. Thus, Turkey's ISI model not only led to rapid economic growth, but also to substantial improvements in the Turkish people's living standard (Blind, 2009: 87; Pamuk, 2007: 284; Kabasakal, 2006: 21; Mango, 1997: 156).

In spite of the previous economic success, the ISI era abruptly ended in the aftermath of the global economic recession in 1979. As discussed in the earlier sections of this thesis, a sharp increase in the global oil prices in the mid-1970s, followed by recession, inflation and rising unemployment in the industrial nations, led to the global crisis, which played a major role in the deterioration of the Turkish economic situation. As imports and exports remittances began to decline, the government responded to a renewed balance of payments problem by borrowing money from foreign lenders. As a result, a confidence crisis developed and Turkey faced severe balance of payments issues in the late 1970s (Ünay, 2006: 53; Togan & Balasubramanyam, 1996: 6).

In order to regain investors' confidence and re-achieve stable economic growth, Turkey shifted to an export-oriented macroeconomic model in 1980, based on trade and financial liberalization. This macroeconomic regime shift was strongly advised by the IMF and the WB. In this context, it is also important to underline that Turkey's capitalist class, formerly accepting wage increases and labour right improvements, deeply supported this macroeconomic regime change, thereby, looking to escape the high wages, vigorous labour organizations and rigid labour market conditions (Pamuk, 2007: 284; Erçel, 2006: 4; Ünay, 2006).

3.3: Turkey's Macroeconomic and Labour Policy after 1980

For more than three decades now, Turkish capitalism has taken the form of neoliberalism. Turkey's adaption of the neoliberal development paradigm and the initiation of its liberalization period began right after a deep politico-economic crisis in the years 1978-79, following several years of turmoil between the political left and right. The crisis culminated in major bottlenecks for the economy. A slowdown of growth, high inflation, balance of payments difficulties and high accumulation of external debts were only some of the factors contributing to the crisis. A solution to the crisis that would help stabilize Turkey's economy was found in the imposition of a far-reaching SAP, which was agreed upon between the Turkish government, the IMF and the WB (Coşar & Yeğenoğlu, 2009; Rutz & Balkan, 2009: 18; Mason, 1997).

However, the IMF and WB advised SAP was not only thought of as a simple measure that would help stabilize Turkey's volatile economy, but it was seen as a tool that would signal as well as enable a new phase in Turkey's national development strategy. More precisely, on the basis of the SAP initiated on January 24th, 1980, Turkey shifted from an inward-oriented development model based on ISI to an outward-oriented development model based on exports and a free functioning market economy. Thus, matching the economic mantra of the day, Turkey joined the bandwagon of countries that sought a place in the newly established neoliberal global market economy on the basis of IMF and WB advised structural adjustment policies (Coşar & Yeğenoğlu, 2009; Rutz & Balkan, 2009; Ünay, 2006, Mason, 1997).

In this context, Ünay (2006: 66) notes that the announcement of Turkey's SAP at the height of ongoing economic and socio-political turmoil, represented a strategic milestone in Turkish history in that it symbolically concluded the twenty year reign of ISI-cum-planning and signaled the commencement of a profound process of long-term restructuring in the Turkish political economy towards a broadly neoliberal and export-oriented framework. In the eyes of the IMF and WB, Turkey seemed a potentially perfect role model for a successful case of structural adjustment. It was a middle-income country equipped with substantial experience in industrial production, a sufficient infrastructural base and a young and highly educated labour force. Thus, Ünay (2006: 66) agrees that the scope of the SAP program went far beyond emergency measures designed to tackle the country's economic problems (Ünay, 2006: 66).

Since an uncontested shift in the missions of the state as a social mediator, and a substitution of the inward-oriented development strategy, which benefitted the society at large through far-reaching social benefits and investments, with an export-oriented development model, which entailed wide cuts in social spending and an anti-labour stance, was not possible due to Turkey's strong labour opposition and the political left, the military seized power on September 12th, 1980 to ensure a hassle-free implementation of the neoliberal policies (Karadağ, 2010; Blind, 2009; Coşar & Yeğenoğlu, 2009).

In this regard, scholars such as Ünay (2006) or Blind (2009) note that by dissolving political and social opposition, the military coup provided the necessary socio-political environment for an unproblematic implementation of neoliberal policies. Amongst others, the Turkish military dissolved the parliament, all political parties, trade unions and civil society organizations and detained thousands of politicians, trade union

officials and working class individuals opposing Turkey's new neoliberal development course and credit arrangements with the IMF and WB. The 1982 Constitution, which was prepared by both military officials and neoliberal technocrats, further intensified the pressures on the opposition, outlawing labour unions and any other form of social opposition (Blind, 2009; Ünay, 2006).

As Kabasakal holds, post-1980 politics transformed Turkey's social opposition and its labour movement specifically, in a way that it would not be able to produce counter-hegemonic strategies and thus, would not interfere with the implementation of the neoliberal policies of the day. The neoliberal agenda of the military regime and the subsequent Motherland Party (Anavatan Partisi – ANAP) governments seriously curtailed the rights of workers in Turkey. More specifically, the wide constitutional rights granted to workers through the 1961 Constitution eroded with the 1982 Constitution. The Constitution of 1982 and enactments of the Collective Labour Agreement, Strike and Lockout Law (No. 2822), on May 7th, 1983, and of the Trade Union Law (No. 2821), on May 5th, 1983, introduced very restrictive measures in respect to trade union formation, collective bargaining, strikes and lockouts. In other words, the laws regulated into detail the competences, composition and structure of Turkey's labour movement and subsequently led to a juridification and bureaucratization of the collective bargaining process and strike activity in Turkey's ongoing neoliberal era (Kabasakal, 2006).

Henceforth, the latitude of labour organization and left leaning political bodies was restricted significantly and the prevailing legal situation of such organizations, have hampered a drafting of a meaningful response to the labour market flexibilization and social security reforms at the social opposition side. In fact, the only organization to be

expelled from any constitutional or similar jurisdictional measures was the Turkish Industry and Businessmen's Association (TÜSİAD), the organization of large-scale capital owners, which were supportive of both the neoliberal economic measures and the 1980 military coup d'état (Karadağ, 2010; Blind, 2009; Coşar & Yeğenoğlu, 2009; Kabasakal, 2006; Ünay, 2006).

Balkan and Rutz (2009: 18-20) explain that major elements of the January 1980 SAP program, entailed the gradual removal of trade restrictions towards full commodity trade liberalization, the liberalization of interest rates and the exchange rate regime, the reduction public spending, the elimination of price controls and subsidies and finally the elimination of labour market rigidities through wage and labour union regulations. More generally, the SAP policy recommendations, which today are widely referred to as the '24 January Decisions', encapsulated a drastic re-orientation of the domestic political economy, a paradigmatic shift in the philosophy of public policy and the overall weight of the state in economic affairs. The new neoliberal mentality prioritized a substantial reduction of the public sector in the industry and the degree of state interventionism in the market, through accelerated privatizations and economic as well as financial deregulation to allow the flawless integration of the Turkish economy into the global neoliberal networks of production and trade (Ünay, 2006: 66-67).

According to Rutz and Balkan (2009: 17), Turkey's far-reaching policy changes favorable to free trade and economic growth virtually opened every sector of the national economy to domestic and international investors alike. The curtailment of state interventionism through large-scale privatizations and economic and financial deregulation along with FDI was in the eyes of many Turkish technocrats, the most

efficient cure for all social, political, and economic problems in Turkey (Rutz & Balkan, 2009: 17).

Thus, in line with the ongoing neoliberal project, the Turkish state has sold or privatized some large public enterprises such as the CITOSAN cement industry, the Ereğli Demir-Çelik steel and iron industry, the PTT and TÜRK TELEKOM postal and telecommunications industries, the MKK arms industry, and the TEKEL liquor and tobacco industry (Cam, 2002: 94). In this context, Rutz and Balkan (2009: 19-23) note that since privatization initiatives gained momentum in the mid-1980s, over 200 public enterprises have either been sold or privatized. More disturbing is the fact, that the state currently only holds minor shares in about ten of these enterprises. As a result of Turkey's ongoing privatization project, many SEE workers have lost their jobs or switched to part-time or casual working arrangements. In the same vein, since 1984, health and education services have been increasingly privatized and catered for those segments of society that can afford paying for such services, whereas the poor need to settle for the few remaining underfunded and technologically backward state schools and hospitals (Emrence, 2008).

Within this context, many scholars note that Turkey's neoliberal period witnessed a dramatic change in the role of the state. The Turkish state shifted missions, from being a provider of social investments and social benefits to a regulator of income distribution in the interest of domestic and international capital (Rutz & Balkan, 2009: 18-20). Interestingly, Onaran (2009: 234-244) adds that the pro-capital distribution of income accompanied by changes in the labour code has been a major tool of Turkey's export-oriented development strategy, where the drastic decline in the wage share moderates the

competitive pressures of capital. The promise of these neoliberal policies has always been that liberalized markets and specialization in the comparative advantages of the country will increase efficiency, exports and growth, receive a return consistent with its marginal productivity, and eventually returns to labour would increase.

However, when Turkey faced its first major setback in economical terms in 1994, it had to agree to further stabilization measures and new market reforms as framework conditions for further IMF and WB credit lines. In the context of the 1994 economic crisis, the failure of the neoliberal policies and the crisis per se, were attributed to the existing rigidities in the labour market legislation. Consequently, the IFIs as well as Turkey's capitalist class called for a further restriction, weakening and abolishing of statutory protections for workers against employer practices in the labour market (Öztürk, 2011:99; Özdemir & Özdemir, 2005: 66). In due course, wages, which were briefly raised in the 1989-1991 period due to labour protests, continued to decrease after 1995. Furthermore, the economic crisis was surmounted through drastic cuts in Turkey's social expenditure. Also when Turkey faced its second larger economic crisis in 2001, cuts in the social expenditure, wage freeze and wage cuts were maintained and further extended in the post-2001 era. Put another way, IFI recommendations have led to a deeper neoliberal re-structuring of the state-economy relations through the implementation of a wide set of social and economic reforms (e.g. labour market flexibilization reforms) intending to re-attract FDI and thus, fostering long-term socio-economic development. Within this context, the results of the 2002 general elections reflected the discontent of the people, specifically the working class, with the IFI advised reforms and the poor

governance of the existing coalition government (Onaran, 2009; Keymen & Öniş, 2007: 19; Kabasakal, 2006).

All three parties constituting the coalition government at the time failed to pass the 10 percent national election threshold and were left outside of the parliament. As a result a strong single party majority was created. The winner of the 2002 elections was the newly established Islamic-conservative Justice and Development Party (Adalet ve Kalkınma Partisi –AKP) receiving almost 35 percent of the popular vote and occupying 66 percent of the seats in parliament in its first term in office. In due course, the AKP managed to further broaden its constituency by receiving almost 47 percent and 50 percent of the popular vote during the 2007 and 2011 general elections respectively (BBC, 2011; Keymen & Öniş, 2007: 29).

Literature suggests that from an politico-economic point of view, the AKP's three consecutive terms in office have been somewhat successful when assessing its political and economic achievements such as the ongoing accession negotiations with the EU, which initiated a comprehensive politico-economic reform process within the scope of the *Copenhagen Criteria*, the increase in FDIs and exports, and fluctuating but steady macroeconomic growth; thus, making Turkey one of the most dynamic economies in Europe today. On the other hand however, the outcomes of the AKP's political and economic success has not yet been felt by Turkey's population, specifically the working class, and thus, raises serious questions as to whether the AKP is a party of the people, as continuously proclaimed by its leader Recep Tayyip Erdoğan, or a party at the service of Turkey's capitalist class and large-scale TNCs (Emrence, 2008; Onaran, 2009).

More specifically, scholars such as Emrence (2008) or Onaran (2009) note that today, despite high macroeconomic growth and overall economic well-being, the AKP continues to push for neoliberal market reforms, amongst others targeting the labour market or the social security system, thus, negatively effecting Turkey's working class. In this context, the 2003 Labour Act (No.4857) and the 2006 Social Security and General Health Law have been the most decisive elements of the AKP's ongoing neoliberal reform program. For instance, the 2003 Labour Act has significantly contributed to the further flexibilization of Turkey's labour markets by legalizing atypical forms of employment and easing up the hiring and firing of workers for example (Onaran, 2009; Emrence, 2008; Kabasakal, 2006).

Therefore, Onaran (2009) points out that despite its promise for poverty reduction, increased social welfare and mass prosperity through equally distributed growth; the AKP follows a solely neoliberal program, thus, serving the interests of large-scale domestic capitalists and TNCs. As referenced earlier, the socio-economic policy stance in general has incontrovertibly been a conflict-free area between the government, the military regime and the business circles in Turkey since the onset of neoliberal policies in 1980 (Onaran, 2009).

Emrence (2008: 59) holds that due to this invincible neoliberal pattern in Turkish socio-economic policy making, the majority of the Turkish population has been left behind in Turkey's outward-oriented economy. Due to the cuts in social spending, wage cuts, privatization and insufficient poverty reduction as well as employment-creation measures, low-skilled workers, public servants, people doing casual work, and the poor along with the elderly now find themselves in economic dire straits. For them, the

destruction of the national inward-oriented economy that underlay a Keynesian pattern has translated in unbearable pensions, low wages, chronic unemployment and declining social support from the state (Emrence, 2008).

Furthermore, with the enduring privatization of health and education services the poor are not only being marginalized from society, but are also being deprived of their fundamental and universally accepted human right to equal access to education and health. Hence, Emrence (2008: 61) notes that in Turkey's labour market, which is now characterized by informal and precarious employment and immature social protection schemes, the socio-economically marginalized are being forced to mobilize all the human resources at the household for economic survival. Furthermore, if needed, they are being forced to resort to larger social units such as the extended family, neighbors or religious institutions for further living support due to the disappearance of Turkey's social welfare state. This in turn, as we will discuss in later sections, has ushered in a deep identity crisis and consequently, triggered socio-political clashes between the left and the right as well as increased religious fanaticism and ethnic conflict in the post-1980 period (Emrence, 2008).

3.4: Methodology

Now that we have reviewed some of the key issues that are central to this thesis as well as provided sufficient background on the country in question, I will provide relevant data to clarify and address my research question. For the convenience of data acquisition, I have aligned my data along a five parametric axis, which I believe is the most efficient way to address my research question. The axis will consist of the following five parameters: changes in labour organization, changes in labour's wage share of income distribution, changes in employment pattern and rates, changes in social policy (health, education and welfare) and changes in poverty and other development indexes.

My five axis parametric scheme will combine both quantitative and qualitative data retrieved from secondary sources such as journal articles, books, government documents, surveys, reports, newspaper articles and archival data. Amongst others, sources include the 2006 World Bank *Labour Market Study* and the 2000 *Turkey Economic Reforms, Living Standards and Social Welfare Study* of the World Bank and scholarly works such as Berrak Kabasakal's *A Neoliberal Assault Through Employment Relations: Turkish Labour Market Flexibilization* and Kamil Necdet Ar's *The Changes in Wage Distribution in Turkey's Globalization Process* and Richard Rose and Yusuf Özcan's *First European Quality of Life Survey: Quality of Life in Turkey* (EQLS). Based on data found through these and other sources, I will be able to draw conclusions in regards to changes in the working and living conditions of Turkey's labour force from 1980 onwards. This in turn, will allow me to provide a larger understanding of the impact of neoliberalism on the world's human capital based on Turkey's experience.

3.5: The Outcomes of Domestic Economic and Labour Policies and their Implication for the Turkish Labour Class

3.5.1: Changes in Labour Organization

Compared to other countries, Turkish labour movements, except for the 1960s and 1970s, never possessed sufficient power to influence Turkish policy-making in their favour. Shortly after the foundation of the republic, the economic policy of *étaism*, aiming at rapid industrialization and swift accumulation of capital, was accompanied in political life, by consolidation of the CHP's single-party regime, trying to prevent class struggle on the basis of the claim that Turkish society was untouched by class differentiation. This whole process made the state the sole authoritarian regulating agent of industrial relations. In this context, the first Labour Law of 1936 was promulgated as an instrument to prevent conflicts of interests between capital and labour. This law accorded a one-sided regulatory power to the state in collective industrial relations, was mute on labour unions, and explicitly outlawed strike and lock-out action. On the other hand however, at the level of individual industrial relations, the law adopted an attitude of benign interventionism of the state to the benefit of the worker (Akkaya, 2002).

Although the formation of independent labour unions was officially allowed after the transition to the multi-party system in 1946, it took six years until the first noteworthy labour organization, the Confederation of Turkish Trade Unions (Türkiye İşçi Sendikaları Konfederasyonu - TÜRK-İŞ) was established. TÜRK-İŞ officially began its dealings on July 31st, 1952. Under the strict observation of the Turkish government, TÜRK-İŞ was not able to act independently from the state. Quickly adapting the pro-nationalistic and statist economic and development rhetoric of the state, TÜRK-İŞ became a government

institution rather than an autonomous labour organization. For its survival, TÜRK-İŞ needed to maintain friendly relations with the governing party or parties, regardless of the political leanings, their democratic character, or workers' interests (Akkaya, 2002).

In counter position to TÜRK-İŞ, which was seen as a puppet of the government and not accepted as a 'legitimate' labour organization defending the rights and freedoms of the Turkish working class, the Revolutionary Labour Unions Confederation of Turkey (Türkiye Devrimci İşci Sendikaları Konfederasyonu - DİSK) was founded on February 13th, 1967. DİSK wanted to be perceived as an alternative to TÜRK-İŞ's "policy above parties" stance, by adopting what it called "class and mass based" unionism that would be political, independent, and revolutionary at the same time. A considerable influence for the founding of DİSK was the Workers Party of Turkey (Türkiye İşci Partisi – TİP), founded in 1963 and in full ascendancy at that moment. At the same time in 1960s, Turkish workers experienced a golden age in terms of rights such as right to collective bargaining or to strike that were secured by Labour Law No's 274 and 275 in the Constitution of 1961. The working class started to embrace its own intellectuals and to step up the struggle for its class interests. The appearance and acquaintance with socialist ideas, of a militant mass of vanguard workers acquiring a higher class consciousness in ever more embattled struggles no doubt played an important role. Successful strikes by DİSK and the consequent increase in the material well-being as well as in the rights and freedoms of its members' accelerated the flow of workers into DİSK. Having remained under the auspices of the state and the capitalist class in the past, the working class now started to move towards political independence (Blind, 2009; Akkaya, 2002).

This was in harmony with Turkey's ISI policy, which, with its focus on the domestic market, required the enlargement of the spectrum of demand and consequently an increase in wage levels. For this reason the state did not interfere with the organizing activities of unions such as DİSK and, setting high wages for Turkish workers, created an outlet for the products of industrial capital. By the mid-1970s, as a result of its rapidly increasing member count (from 50,000 members in 1967 to 500,000 members in 1980) and its backing by both the socialist TIP and the co-governing CHP, the confederation gained enough influence to actively engage in Turkey's decision-making process. It was the first chance for DİSK to shape Turkey's political economy according to its own interests, and thus, it eventually became the symbol of Turkey's independently growing labour movement (Blind, 2009; Akkaya, 2002).

However, this momentum was interrupted in the late 1970s, when the Turkish state began to repress DİSK and other independent trade unions. While workers' action was not perceived to be a threat under the ISI orientation of the 1960s, in the late 1970s this perception began to change. In view of Turkey's wide range of political and economic problems (e.g. balance of payments difficulties, high inflation and sharp confrontation between labour and capital) as well as gradually shrinking profits, high wages and rigid workers' rights became a burden too difficult to shoulder by the capitalist class by the late 1970s. By the year 1980, the state's ISI-led economic development model was no longer compatible with the needs of capital accumulation. As discussed above, a way out of the economic crisis was found in the implementation of neoliberal economic policies through a SAP implemented in January 1980 (Blind, 2009; Akkaya, 2002).

For the new neoliberal orientation to be successful however, the removal of certain barriers to unrestrained capital accumulation was required. At the forefront of those barriers was the highly politicized labour movement. This problem was solved through the military coup in September 1980, which removed the ‘labour’ obstacle on behalf of Turkey’s capitalist class. Following the coup, the parliament was dissolved and a new constitution, which was restrictive both in terms of labour and political rights, was implemented in 1982. On the very first day of the coup, the activities of DİSK and its affiliates, which were perceived as the greatest obstacle to capital accumulation, were suspended. The military junta also prohibited all strikes and lockouts for an indefinite time. Moreover, hundreds of trade union leaders were arrested, trade union bank accounts were frozen and trade union properties were seized by the Turkish state. The trade union officials and regular union members were trailed and received sentences ranging up to sixteen years. In total, the military coup saw over 600,000 people imprisoned and tortured and 30,000 workers fired from their jobs (Ünsal, 2008; Blind, 2009; Fox, 2006; Akkaya, 2002; Benin, 2001).

The 1982 Constitution, which was prepared by the Turkish military, eliminated the ‘principle of social state’ and replaced it with the ‘principle of equilibrium among non-equals’. Furthermore, the 1982 Constitution brought a wide range of restrictions that made it harder to establish new trade unions. For worker rights, it specifically addressed that strikes could not go against the national interest or the public good. It only allowed ‘strikes of interest’, which refers to the conflicts during and arising from collective bargaining. In 1983, the Trade Union Act (No. 2821) and the Act of Collective Bargaining, Strike and Lockout (No. 2822) were enacted in subsequence to the

constitution. The 1982 Constitution also nullified the membership of persons who are registered in multiple unions and becoming a union leader, from that point on, required having worked in a sector for more than ten years. Moreover, the widespread implementation of the so-called Unionization Act in 1982 further limited the organizational capacity of trade unions in Turkey (Ünsal, 2008; Blind, 2009).

This act was not only designed to discourage unionization, but also enabled employers to eliminate existing unions through a laundry list of restrictions and requirements. Under this act, the right to strike was severely restricted if not outright banned. More specifically, laws in this act required labour organizations to get official permission before organizing meetings or rallies. They dictated that if a union wants to hold a meeting or rally, it must invite the police, who then recorded the proceedings. In 1984, all trade unions were re-taken under the state's control. These regulations are preserved until today. Thus, the suppression of labour unions after the 1980 coup created a process of deterioration in the organizational power and political engagement of the Turkish working class (Blind, 2009; Onaran, 2009; Fox, 2006).

As workers' conditions gradually declined throughout the 1980s, independent labour actions started all over the country in 1987 and 1988. In 1989, a wide array of workers' action (called as "Spring Actions") occurred, during which hundreds of thousands of workers protested for collective bargaining rights and improvement of their conditions. In the early 1990s, further strikes and other democratic mass movements followed these labour actions. Although the Turkish state began to violently suppress these labour protests, the struggle against neoliberal policies such as the privatization of SEEs and declining labour wages continued to be carried on by two independent labour

movements called the ‘Democracy Platform’ and ‘Labour Platform’ (Akkaya, 2002; Duman, 2009).

Following the re-establishment of DİSK in 1991, and with the help of the Spring Actions of 1989, union competition began to revive. However, it must be noted,

Table 3.2: Unionization Rates, 1970-2010

Years	1970	1980	1990	2000	2010
OECD	33.3	32.7	25.3	20.4	18.1
Turkey	19.6	17.0	19.2	9.9	5.9

Source: Can, 2011: 62

that it never reached the level of the pre-1980 period because of the threshold requirement needed to fulfill in order to organize both at the workplace level and in the industry. According to Akkaya (2002), there are several factors that affected the fate of unionism in the post-1980 period.

Firstly, unions were forced to keep their distance from the academia and the intellectuals. Secondly, it became more and more difficult to pursue a kind of unionism that necessitates the observance of good relations with governments and rests on political

Table 3.3: Number of Workers Covered By Collective Agreement, 1988-2006

Year	Number of wage workers	Workers covered by collective agreement
1988	7.170.000	1.591.360
1994	8.323.000	1.407.682
2000	10.345.000	1.042.473
2006	12.906.000	902.345

Source: Aklar, 2008: 83

maneuvering. Finally, as the eligibility to collective bargaining is severely restricted, union membership is a foreign prospect to Turkey’s labour force. Accordingly, data reveals that the rate of unionization has dropped from 19.6 percent in 1970 to 5.9 percent in 2010 (see Table 3.2) (Can, 2011: 62; Akkaya, 2002).

Currently, a union has to organize 10 percent of the workers employed countrywide in any of the 28 sectors, if it is to obtain “the right to bargain collectively” from the Ministry of Labour. According to Article 3 of the Collective Bargaining, Strikes and Lockouts Act, unions can only bargain for work-place wide or enterprise-wide agreements, whereas industry-wide bargaining is prohibited. The same article also bans strikes in certain areas such as banks, notary publics as well as educational and health centers. Moreover, public employees are prohibited to strike according to the Labour Law No.4688. Thus, only union members who work outside these sectors and pay comparatively high solidarity fees are able to enjoy the fruits of collective bargaining (Ünsal, 2008: 10; Akkaya, 2002).

Findings suggest that a total of around 3.300 collective agreements were signed between 2004 and 2005, covering less than 900.000 workers. When taken into account that the labour force in the industry sector consists of almost 13 million workers, the number of worker’s with collective bargaining agreements is relatively low (see Table 3.3). Furthermore, the anti-union attitudes of employers also play as much of a role as the legal arrangements in the decrease of unionization rates in the post-1980 era. Literature suggests that Turkish employers are unwilling to register their workers to labour unions and fire or force them to resign if they intend to become union members (Can, 2011: 62; Aklar, 2008: 83; Ünsal, 2008: 9; Fox, 2006: 36).

3.5.2: Changes in Labour's Wage Share of Income Distribution

Prior to the insertion of Turkey's neo-liberal program, the wages of Turkish civil servants and workers increased by 25 percent (in real terms) between 1968 and 1978. On one hand, this wage rise can be explained through the abovementioned labour solidarity and, on the other, through the increased need for domestic demand to sell the industrial commodities produced within Turkey's closed ISI-economy.

However, once Turkey opened up its markets and turned to an export-oriented economic model in 1980, workers' earnings and wage share began to decrease considerably (Cam, 2002: 102-103).

Data suggests that between the years 1980 to 1989 and 1994 to present, public and private sector wages (in real terms) and the wage share of workers have continually declined (see Table 3.4 & Figure 3.1).

Table 3.4: Real Salaries and Wages of Civil Servants and SEE Workers, 1960-1997

Years	Salaries of Civil Servants ¹	Wages of SEE Workers ¹
1960	-	81.46
1965	-	83.96
1970	125.00	106.89
1975	127.00	111.57
1980	126.00 ²	128.25 ³
1985	47.16	68.28
1988	43.21	65.21
1990	63.24	111.42
1997	38.36	85.53

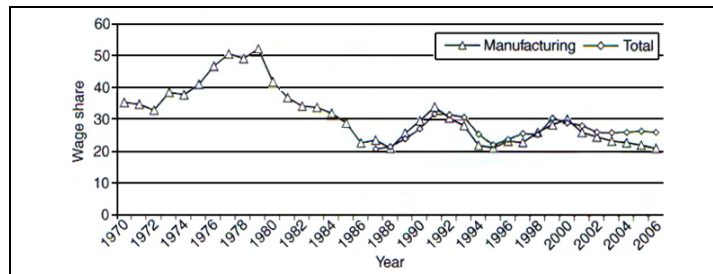
¹ Index of real salaries/wages – daily per worker, 1968=100

² Figure for the year 1978

³ Figure for the year 1979

Source: Cam, 2002: 108

Figure 3.1: Turkey's Wage Share in Value Added (%), 1970-2006



Source: Onaran (2009: 249)

In support of these findings, Necdet Ar (2007) shows that the share of labour wages in GNP has dropped from an average of 32 percent in the 1970s to 23.3 percent in the 1980s (see Table 3.5). Contrary to this general trend, a slight increase in public and private sector wages and wage share is observable between 1989 and 1991 (see Table 3.4, Figure 3.1 & Figure 3.2) (Onaran, 2009: 248-251; Ar, 2007: 388; Cam, 2002: 103).

According to Sürhan Cam (2002), Özgün Duman (2009) and Onaran (2009) the rise in real labour earnings and wage share in the 1989-1991 period can be explained through the declining public approval of the governing party (MP) as well as through the

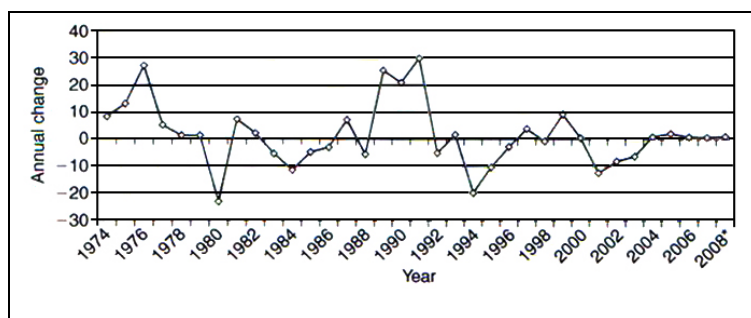
Table 3.5: The Share of Labour Wages in GNP (%), 1960s-1980s

Period (Average)	Share of Labour Wages in GNP
1960s	27.8%
1970s	32.0%
1980s	23.3%

Source: Ar, 2007: 388

working class resistance in the late 1980s and early 1990s, which have subsequently led to pay-rises from 1989 onwards (e.g. wage increase

Figure 3.2: Annual Percentage Change in Real Wage (Deflated by CPI), 1974-2008



Source: Onaran (2009: 251)

of 42 percent in the public sector). Yet, the upward trend was short lived, and workers' wages and wage share continued to decline

shortly after. Data indicates that the real wages and wage share of Turkish workers began to fall once again when the economic crisis of 1994 took hold (see Figure 3.1 & 3.2) (Oyvat, 2011: 125; Onaran, 2009: 248-251; Ar, 2007: 388; Cam, 2002: 103).

In 1995, labour's wage share had cumulatively declined by almost 25 percent (24.8 percent) compared to 1993. The economic recession in 2001 had even a bigger impact on labour's wage share with an initial decline of 13.7 percent. In 2006, the wage share decreased by 30.2 percent compared to 2000. Similarly, the rate of decline in real wages following the 1994 and 2001 crises reached 30 percent in 1997 and 24.5 percent in 2004. Other statistics reveal that this downward trend in real labour wages has resumed after 2004. According to Yasemin Özgün and Özgür Müftüoğlu (2011), Turkey's annual real wage average has declined annually by almost 0.5 percent between 2003 and 2008. In view of this negative trend, it is little surprising that real wages in 2007 were 21.5 percent lower than in 1979, despite significant increases in productivity and GDP growth during these almost three decades (Özgün & Müftüoğlu, 2011: 1; Onaran, 2009: 248-251)

When comparing the decline in real wages in the labour market generally, to the decline in real wages of the public sector specifically, one can see that the fall in wages has been even more severe for the latter. In 1997, the salaries of civil servants in real terms were 70 percent less than they were in 1978.

Table 3.6: Ratio (%) of Wage Cuts in Turkey, 1985-2002

Years	Wage Cuts (%)
1985	24.95
1990	35.41
1995	30.34
2000	28.04
2002	29.59

Source: Ar, 2007: 356

Likewise, in 1997, the wages of SEE workers were 33 percent lower than in 1979 (see Table 3.4). The overall trend in declining wages and wage share can also be observed when analyzing the change of wage cuts in Turkey between 1985 and 2002, which has increased by almost 5 percent (see Table 3.6) (Ar, 2007: 356; Cam, 2002: 103).

Further statistics provided by the OECD, supports the above outlined data, suggesting that the real hourly wage has dropped from 2,53 US Dollars in 2000 to 1,60 US Dollars in 2009 (OECD, 2011). Another representative data sample for the low wages in Turkey is provided in the WB's Labour Market Study of 2006, which shows that in 2004, the labour cost (per unit value added) in Turkey's manufacturing industry was the lowest among all OECD countries (see Table 3.7) (WB, 2006).

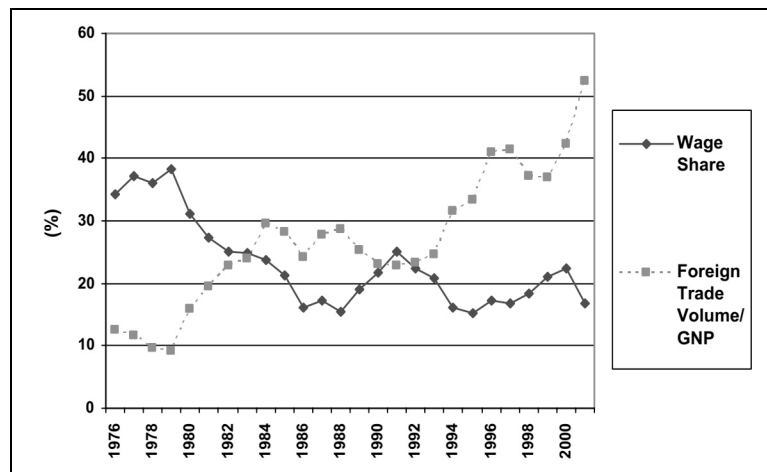
Table 3.7: Manufacturing Labour Cost Per Unit Value Added, 2004

Turkey	0.27
Portugal	0.65
Spain	0.68
Greece	0.44
Poland	0.61
Hungary	0.54
Mexico	0.31
Korea, Rep. of	0.49

Source: WB, 2006: VI

Scholars such as Sürhan Cam (2002) and Cem Oyvatt (2011) suggest that the decline in labour earnings and wage share need to be assessed in the light of Turkey's post-1980 economic strategy, which relied on the cheapening of its labour cost in order to attract FDI and, thus, to remain competitive in the global export market. The correlation between labours' declining wage share and the rising foreign trade volume in Turkey can be best observed in Figure 3.3 (Oyvatt, 2011; Cam, 2002).

Figure 3.3: Private Sector Wage Share and Foreign Trade Volume (GNP), 1976-2000



Source: Oyvatt, 2011: 125

Relevant data suggests that overtime this downward trend in labour earnings and wage share led to the impoverishment of large sectors of the Turkish working class. According to a recent OECD study, nearly half of the Turkish population (49 percent) finds it difficult or very difficult to live on their current income. Other OECD data shows that the share of the working poor living at or below 1,25 US Dollars a day has increased from 2.8 percent in 1994 to 3.9 percent in 2005. Affirming these findings, data provided by Ar (2007) illustrates that currently 55 percent of the Turkish working population counts as poor, which is more than twice as much of the EU average (see Table 3.8) (OECD, 2011; Ar, 2007: 399).

Table 3.8: Percentage of Working Poor Population in Selected EU Countries, 2006

E.U. Average	25%
Denmark	13%
Hungary	21%
Germany	24%
England	24%
Turkey	55%

Source: Ar, 2007:399

Parallel, EQLS data suggests that only one quarter of Turkey's workers consider themselves well paid (Rose & Özcan, 2007: 28). In addition, findings from the 2003 Turkstat Quality of Life Survey reveal that 16 percent of people in Turkey reported a wage income of less than 250 Turkish Liras a month (about 140 US Dollars as of November 2012), while 41 percent declared a monthly income of between 250 and 500 Turkish Liras (about 278 US Dollars). Twenty-nine percent of those questioned reported monthly earnings between 500 and 1000 Turkish Liras (about 556 US Dollars). At the top end of the income distribution scale however, 3 percent of the respondents reported a wage income of more than four times the size of the national average income of 500 Turkish Liras (Turkstat, 2003). The EQLS and Turkstat findings are in line with the data

presented by Mustafa Sönmez (2011), who reports that in 2008, the top 20 percent of income earners had an income that was 8.1 times higher than those of the bottom 20 percent. Moreover, statistics presented by Sönmez indicate that in the same year, the top 20 percent of income earners made 46.7 percent of the total income in Turkey, while the bottom 20 percent's contribution only equaled 5.8 percent. Consequently, it becomes evident that the post-1980 downward trend in wages has had an adverse impact on Turkey's distribution of income, which is currently the second most unequal among all OECD countries after Mexico (Sönmez, 2011).

3.5.3: Changes in Employment Pattern and Rates

Scholars suggest that under Turkey's neoliberal outlook, the country's overall employment pattern has shifted from full-time, formal and secure jobs to temporary, informal and unsafe jobs (see Erinç & Yeldan, 2011; Onaran, 2009; Rose & Özcan, 2007; Kabasakal, 2006; Cam, 2002; Tansel, 2002). Consequently, the EQLS suggests that the pattern of employment in Turkey today has much in common with patterns found in countries at an earlier stage of socio-economic development than with the patterns observed in E.U. member states. Only 52 percent of working Turks either have a salaried job or are employers, while roughly half of Turkey's working population is employed in insecure jobs (Rose & Özcan, 2007:27).

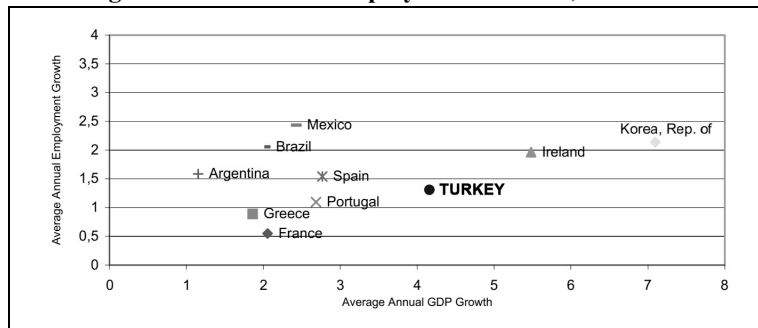
Hence, EQLS data indicates that Turkey's employed population is substantially more likely to perceive negative features in their work compared to their European counterparts. For instance, fewer than half of E.U. workers describe their job as being stressful and hard compared with 75 percent of workers in Turkey. Moreover, the proportion of workers who do perceive health or safety risks in their jobs is 10 percentage points higher in Turkey than it is in E.U. (Rose & Özcan, 2007:29).

Other findings suggest that persistence in high unemployment and a slowdown in the employment creation capacity of the Turkish economy go hand-in-hand with declining labour wages. In manufacturing average annual rate of increase in employment was 5.7 percent during 1963-1979, but fell to 3.3 percent during 1980-1995. For the 1999-2005 period the record is even more dramatic: manufacturing employment has

actually declined by an average of 1.2 percent per year despite a decrease in real wages by an annual average of 4 percent. Productivity (output/labour) on the other hand has increased by 6.43 percent per year. This is particularly remarkable since it is taking place at a time when labour wages are falling and the labour market is becoming increasingly more flexible, as we will be discussed in more detail below (Onaran, 2009: 252; Kabasakal, 2006; Cam, 2002).

Data shows that the post-2001 period has been particularly devastating for Turkey’s working class due to the “jobless growth” pattern that has dominated

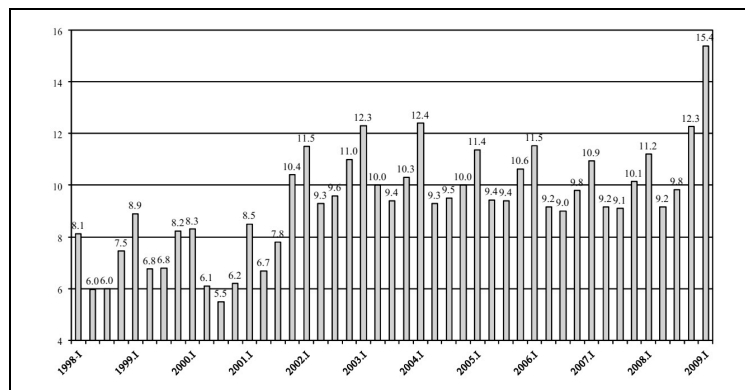
Figure 3.4: GDP and Employment Growth, 1981-2003



Source: WB, 2006: 16

the 2000s. Accordingly, the 2006 WB Labour Market Study suggests that despite an annual average GDP growth rate of more than 4 percent between 1981 and 2003, Turkey has had the lowest employment growth rate (approximately 1.4 percent) among all OECD countries in the same period of time (see Figure 3.4). After the 2001 economic crisis, the unemployment rate hiked to

Figure 3.5: Rate of Open Unemployment by Quarters, 1998-2009



Source: Yeldan & Ercan, 2011: 15

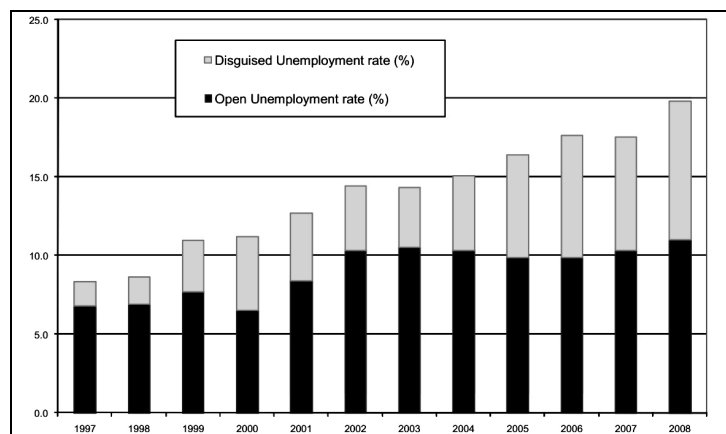
8.5 percent in the country compared to a rate of 6.2 percent in 2000 (see Figure 3.5). The

recovery started only five years after the 2001 crisis (Yeldan & Ercan, 2011:15, WB, 2006:16).

However, as of 2008, unemployment was even higher than the 2001 level (12.3 percent). Also in terms of youth unemployment numbers are alarming. According to the 2011 Eurostat Labour Market Statistics, youth unemployment in Turkey has risen from 17.2 percent in 2007 to 19.7 percent in 2010. Moreover, Eurostat data suggests that in 2009, the employment rate within households consisting of three or more adults has only been 43.6 percent compared to 55.6 percent in the E.U. (Yeldan & Ercan, 2011: 15; Eurostat, 2011: 52; Onaran, 2009: 252-253; WB, 2006: 16).

Another important issue is the increasing number of discouraged workers. Unemployment rates reflect only the number of unemployed as a ratio to labour force. However, Turkey also experienced an

Figure 3.6: Extended Definition of the Unemployment Rate, 1997-2008



Source: Yeldan & Ercan, 2011: 15

increase in the numbers of discouraged workers, who are ready to work, but do not look for a job, because they do not have any hope finding a job. Since these people are not recorded as unemployment, most available unemployment statistics are not considered accurate. A study conducted by Erinç Yeldan and Hakan Ercan (2011) suggests that as of 2008, the real unemployment rate (including disguised workers) in Turkey is close to 20 percent (see Figure 3.6) (Yeldan & Ercan, 2011:15; Onaran, 2009: 253).

Hence, Turkey's labour-force participation rate is strikingly low in international comparison. More precisely, if considered in a historical perspective, data suggests that employment to

Table 3.9: Population, Total Labour Force, Labour Force Participation and Employment Rate, 1988 - 2009

Years	1988	1998	2009
Population (Million)	53.3	64.0	70.5
Labour Force (Million)	33.7	44.3	51.7
Employed Labour (Million)	17.7	21.8	21.2
Labour/Population (%)	63.2	69.2	73.3
Labour Force Part. Rate (%)	57.5	52.8	47.9
Employment Rate (%)	52.6	49.2	41.2

Source: Can, 2011: 12

working age population has been steadily declining since the 1970s and this suggests that a smaller portion of Turkey's potential labour force is economically active and employed today than it was in the 1960s and 1970s. In 1975 for instance, Turkey's employment rate was one of the highest among OECD countries - second only to Japan (Auer & Popova, 2003: 3). Today however, at 41.2 percent of the total population employed, Turkey has by far the lowest employment rate in the OECD league (averaging at 66.1 percent), and over 10 percent points below the next lowest Hungary, at 55.4 percent. Furthermore, although there has been an increase in the labour force/total population ratio, the percentage of labour force participation and employment has notably decreased since 1988 (see Table 3.9). Turkey's employment rate has declined from 52.6 percent in 1988 to 41.2 percent in 2009; and the labour force participation rate has decreased from 57.5 percent in 1988 to 47.9 percent in 2009 (Can, 2011: 12; OECD, 2011).

According to Onaran (2009) these downward trends are even more striking when evaluated in the light of Turkey's already overly flexible labour market conditions and ever growing informal sector. Turkey is a notable example for the fact that a flexible

labour market alone does not produce increased employment prospects, as argued by neoliberal policy-makers. In the context of the flexibilization of labour markets, authors Şemsa Özar and Fuat Ercan (2002) explain that Turkish firms increasingly recourse to temporary, part-time and contingent hiring and opt-out for subcontracting schemes by outsourcing jobs to the informal labour market. Accordingly, Cam (2002: 100) notes that in the course of Turkey's privatization, most SEE workers were laid off or employed on a temporary/seasonal basis. Between 1986 and 1996 alone, nearly 300,000 workers were dismissed from SEEs, whereas temporary/seasonal employment rose from 5 percent to 14 percent in the same period of time. However, Cam (2002) suggests that this trend may be understated, since temporary/seasonal employment of women engaged in home-based jobs is not always declared in labour surveys. Also, Onaran (2009) states that firms in the formal sector take advantage of the large informal labour market through subcontractors in the informal sector (Onaran, 2009; Özar & Ercan, 2002; Cam, 2002: 100).

Talking to one such subcontracting scheme, Cam (2002: 95) explains that under the so-called 'tacheron' system, workers are hired via subcontracting firms ('tacherons') without any officially recognized contract, while these organizers may sign a contract with the formal employers to fix their prerogatives and responsibilities, but only vis-à-vis each other. The system does not give any chance for workers to describe themselves as 'employees' in legal terms. In this sense, it distinctively lacks legality when compared to the formal employment models in Turkey. Owing to the absence of official recognition, *tacheron* workers are deprived of their social and economic rights. Workers employed in the *tacheron* system are not able to benefit for the Turkish social security system. They are also paid lower wages than the already low 'mandatory' minimum wage. Interestingly,

the *tacheron* system was first and foremost introduced in formerly state-owned factories, which began to re-employ former workers using subcontracting firms. Cam (2002: 96) notes that currently 25 percent of the labour force in privatized SEEs is supplied through the *tacheron* system (Cam, 2002: 95-96).

Within this context, Aysit Tansel (2002) shows that a sample of around 500 retrenched workers from the cement and petrochemical industry had post-dismissal earnings of only around 35 per cent of their former SEE wages. They also lost social security coverage and other fringe benefits (subsidized meals, heating fuel, child support). Consistent with Cam's (2002) findings, Tansel notes that the majority of the post-dismissal jobs were provided by *tacherons* in the informal sector, which have meant welfare losses for former SEE workers (Tansel, 2002).

According to Onaran (2009: 255), a different practice to sidestep labour legislation in regards to trade unionism and to create wage flexibility in the Turkish labour market, has been the fragmentation of the main company into smaller companies that employ fewer than 10 workers. Legal control on these workplaces is very weak and hence working conditions are bad. Accordingly, Özdemir and Özdemir (2005: 67) note that the number of wage earners employed in the informal sector has gradually increased in recent years. In this respect, Ebru Voyvoda (2009: 47) notes that in the first quarter of 2010, two third of the newly created 2.3 million jobs were in the informal sector. Moreover, 56.7 percent of Turkey's workers are employed in companies with less than 10 workers (Turkstat, 2012).

Concomitantly, data provided by Onaran (2009: 256) indicates that more than 50 percent of total employment, 34.2 percent of non-agricultural employment and 22.7

percent of waged workers in the non-agricultural sector, are not registered to any social security institution and thus, are not able to benefit from such social safety provisions as old-age pension or health care. In the private manufacturing sector the share of informal sector in total employment and value-added in 2000 were 41 percent and 25 percent, respectively (Onaran, 2009).

The extent to which employment in Turkey is informally rather than legally regulated is also reflected in the EQLS data, which reveals that 53 percent of employed Turks do not have a written employment contract; this is in stark contrast to the 90 percent of E.U. workers, who report having a written contract. Moreover, only 27 percent of the workers report that they have a permanent contract of employment, compared with up to 75 percent of workers living in Europe (Rose & Özcan, 2007: 28).

Equally important, are the more or less recent changes in Turkey's 2003 Labour Act (No.4857), which have further intensified the pressure on labour by further reducing the rights of workers in the scope of labour market flexibilization. The Labour Act of 2003 has been instrumental in further deregulating the labour market in a number of ways. First, it provides a legal basis for atypical forms of employment including fixed term contracts, temporary employment, part-time work and call-on-work. The new changes allow employers to lower labour costs by legally switching back and forth between standard and atypical forms of employment. Second, it reduces the cost of layoffs for the employers. Third, it reduces the coverage of employment protection by excluding those establishments employing fewer than 10 workers. Fourth, it permits flexible working hours up to a maximum 66 hours per week. Provided that the working time was formerly limited to 45 hours per week in the 1970 Labour Act, and the E.U. only permits up to 48

hours per week (including overtime), this change is particularly striking (Onaran, 2009: 255; Şişli & Limoncuoğlu, 2007).

Correspondingly, data for the year 2004 suggests that with an average of 52.1 working hours per week, Turkish manufacturing employees worked the most hours among all E.U. and OECD manufacturing workers (see Table 4.0). In 2003, 77 percent of the urban male employees worked more than 40 hours

Table 4.0: Hours Worked Per Week in Manufacturing, 2004

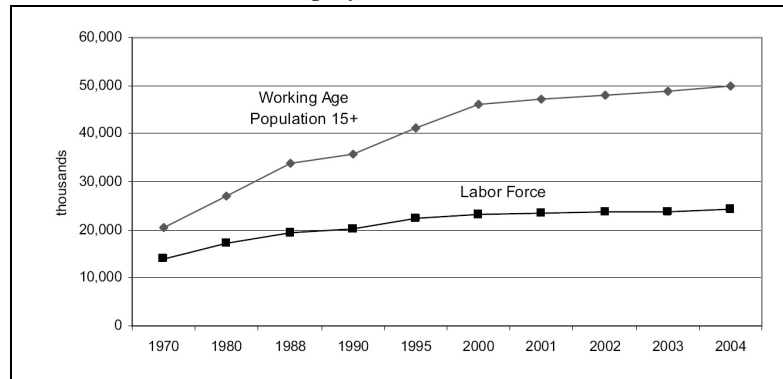
Turkey	52.1
E.U.-15	38.5
Hungary	40.3
Greece	42.7
Mexico	45.0
Korea	48.0

Source: WB, 2006: 83

per week; and 55 percent worked longer than 50 hours. Similarly, İnci Kuzgun and Derya Güler Aydın (2009) note that in most sectors the workweek exceed 60 hours per week. Data holds that between 1988 and 2001, weekly working hours in the manufacturing industry have increased by more than five hours for men and more than six hours for women. Turkey is also way behind the E.U. standards regarding the annual leave allowance: 14 days per year up to five years of tenure; 20 days for 6-14 years of tenure as opposed to a minimum of four weeks in the E.U. (Kuzgun & Aydın, 2009; Onaran, 2009: 256; Şişli & Limoncuoğlu, 2007: 6; WB, 2006: XI; Tunalı, as cited in Kara & Duruel, 2005: 376).

On top of this, Onaran (2009: 255) notes that due to high volatility in Turkey's labour market and growing number of potential labour supply due to the high population

Figure 3.7: Population Growth vs. Labour Force Participation and Employment, 1970-2004



Source: WB, 2006: 1.

growth (see Figure 3.7) many workers are willing to obey to non-decent employment practices such as unpaid vacations, underreporting of actual wages (affecting the amount and scope of workers' social security premiums) and arbitrary wage cuts to sustain their job. Hence, she notes that a study by the union of metal workers has shown that job security was more important than wages even for workers with low wages (Onaran, 2009).

3.5.4: Changes in Social Policy (Health, Education and Welfare)

Identical to the previous constitution, the current constitution, which was adapted in 1982, stipulates that:

The fundamental aims and duties of the state are, [...] to ensure the welfare, peace, and happiness of the individual and society; to strive for the removal of political, social, and economic obstacles which restrict the fundamental rights and freedoms of the individual in a manner incompatible with the principles of justice and of the social state (Sönmez, 2007: Unknown).

Interestingly, although Turkish policy-makers moved away from the former “social welfare state” principle, which formed the basis of the 1961 Constitution, and adapted a “regulatory state” principle instead, they conserved terms such as “welfare”, “fundamental rights and freedoms” and “social state” in the current constitution. In this context, Sinan Sönmez (2007) points out that considering the ongoing market-oriented changes in Turkey’s overall socio-economic structure and more specifically in its social security system, the notion behind terms such as “social state” and “welfare” can be waved aside as “wishful thinking” (Duman, 2009; Sönmez, 2007).

In fact, literature data suggests that Turkey’s current social security system can be characterized as a formal and heterogeneous structure, in which social rights are unequally distributed and universal health care is absent. The whole social security system is linked to holding a job in the formal sector, in which the employer pays monthly contributions to the social security scheme on behalf of his employee. The cost

to employers of social security contributions encourages the employment of low-skilled workers in illegal jobs in the informal economy. Therefore, since workers who do not have any connection to the formal labour market are being excluded from social protection, a growing informal economy automatically translates into rising number of workers without social protection. Given that Turkey's social security system combines both retirement and health insurance, the repercussions for those not employed in the formal sector are severe, since they have no health care and pension benefits (Buğra & Adar, 2008; Rose & Özcan, 2007: 33; Sönmez, 2007).

The Turkish social security system is comprised of three institutions: The Social Security Organization for the Artisans and Self-Employed (Bağ-Kur) covering the self-employed, the Retirement Chest (Emekli Sandığı)

Table 4.1: Membership in Social Security Institutions, 2003

Membership status	Number of workers	Percent
Registered	10,205,000	48.3
<i>Social Security Institution (SSK)</i>	<i>5,551,000</i>	<i>26.2</i>
<i>Retirement Chest (ES)</i>	<i>2,177,000</i>	<i>10.3</i>
<i>Bağ-Kur</i>	<i>2,455,000</i>	<i>11.6</i>
<i>Private institutions</i>	22,000	0.1
Not registered	10,944,000	51.7
Total employed workforce	21,149,000	100.0

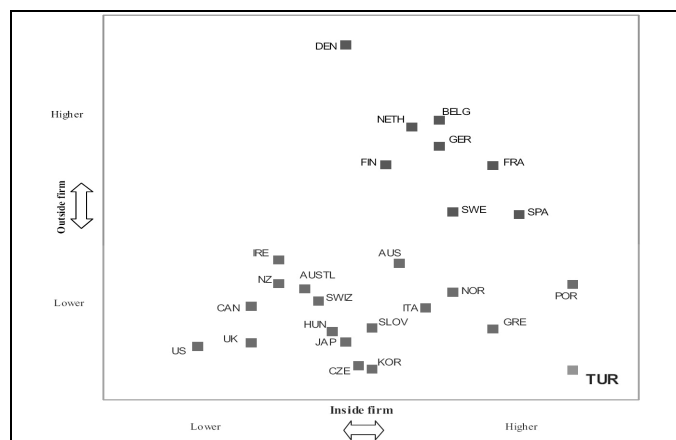
Source: WB, 2006: 68

covering white-collar public employees, and the Social Insurance Institution (SSK) covering blue collar workers, who are employed under a service contract (Gök, 2002). According to EQLS survey, benefits provided by these institutions differ: the Retirement Chest for white-collar public employees offers the best range of benefits. The benefits provided to the self-employed and manual workers however, restrict the health facilities

that are accessible to members and offer lower pension entitlements. The two social security funds that together cover the greatest proportion of people in Turkey (37.8 percent of the population in 2003) – that is, the SSK and Bağ-Kur – provide a lower level of benefits than the Retirement Chest, which is restricted to white-collar public employees (Rose & Özcan, 2007: 33; WB, 2006: 68).

Generally speaking, social protection funds in Turkey fall short in guaranteeing coverage for the entire population: in 2003, 51.7 percent of the Turks were not members of an institution that provides social security and health insurance benefits (see Table 4.1). Thus, while only 48.3 percent of Turkey’s population was able to enjoy pension and health care benefits, 51.7 percent of the Turks were excluded from social protection. It is important to underline that the majority of those covered consisted of dependents (Buğra & Adar, 2008; Rose & Özcan, 2007: 33; Sönmez, 2007; WB, 2006: 68).

Figure 3.8: Approaches Used by OECD Countries to Provide Social Protection for Workers, 2004



Source: WB, 2006: 64

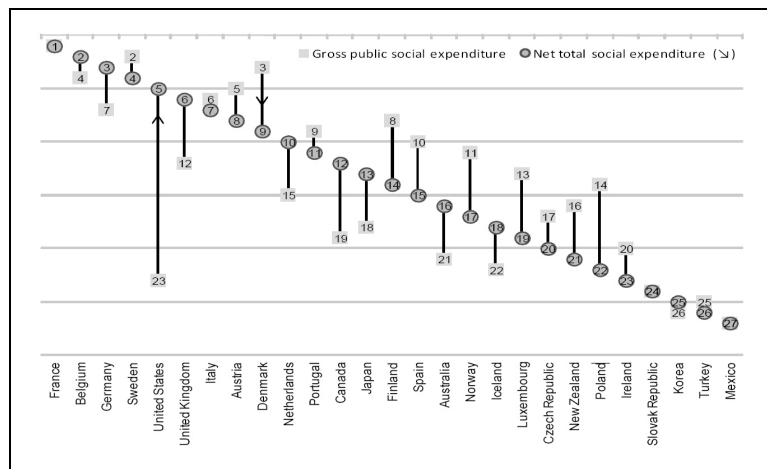
In this regard, Figure 3.8 demonstrates the differences between formally and informally employed workers: while employed workers enjoy the most advanced social protection among all OECD member countries, the informally employed workers do not have any access to social protection at all, and thus, are ranking at the bottom of the OECD league (WB, 2006: 64).

Although, Turkey's Social Security Code rules out employment without social security, informal workers such as those working in the *tacheron* system are not entitled to or able to benefit from social protection (Cam, 2002). This is particularly problematic in a country where every year, nearly 1150 workers die and 1900 workers are injured, becoming permanently disabled, due to work related accidents (Ceylan, 2012: 1). Data suggests that between 2001 and 2011 alone, more than ten thousand workers have died due to occupational accidents, thus, ranking Turkey number two on the OECD list of highest workplace fatalities following Korea, with 20.6 deaths per 100,000 workers (Unknown, 2011; Sharpe & Hardt, 2006).

The only social assistance informal sector workers and their families can rely on, is the *ad hoc* assistance provided through the insufficient Social Solidarity Fund as well as by very limited state or privately sponsored programs targeting children, disabled or elderly. According to Carlos Iguaran (2011: 9), such social aids only constituted 0.7

percent of the total social expenditure in 2010. Thus, Iguaran (2011: 9) claims that social allowance expenditures are very low compared to other OECD countries (including Mexico or Korea). Also,

Figure 3.9: Rank of Countries in Terms of Gross and Net Public Spending-to-GDP Ratios, 2007



Source: OECD, 2011: 34

unlike the E.U. and many neighboring countries, there are no systematic cash transfers that would help the

vulnerable and socially excluded segments of Turkey's society through universal child or housing allowances (Iguaran, 2011: 9; WB, 2006; Buğra & Keyder, 2003: 14; Cam, 2002).

In this respect, Öztürk (2011: 114) notes that especially the absence of a systematic child benefit system in a country where around 8.5 percent of the households with three or more children and 38.2 percent of the households with seven or more children live below the poverty line, is very problematic. Likewise, Öztürk (2011: 114) notes that currently 6 percent of the old-age population aged 65 and over, have to depend on their families for care and financial support. Concomitantly, data suggests that in 2005, 37 percent of the population over 65 years of age lacked a pension of any kind, state or private (Öztürk, 2011).

Within this context, EQLS data reveals that while only 13 percent of Turks receive pensions, almost 25 percent of citizens do so in the E.U. states. Moreover, only 2 percent of Turkey's citizens report receiving benefits from the state on the grounds of being unemployed or disabled (Rose & Özcan, 2007: 30). Concurrent data suggests that in comparison to the average OECD levels, Turkey's gross social expenditure compared to its GDP was the second lowest after Mexico, ranking 26th among 27 countries in 2007 (see Figure 3.9 above). Consequently, Turkey's literacy and life expectancy rate is still low in comparison to other OECD nations. For instance, the life expectancy for men is five years and for women six years below the OECD average in 2007. Similarly, Turkey's overall literacy rate was at only 87.4 percent for men and 79.6 percent for women in 2004. Additional data indicates that the country is also suffering from high inequality with regards to accessing health and education services, especially in the

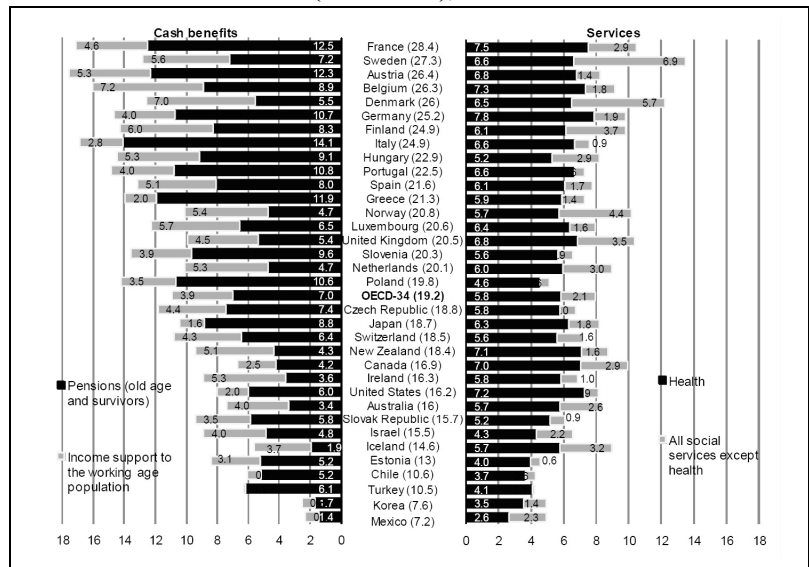
eastern part of Turkey. Also EQLS findings indicate that in Turkey more people experience difficulties in accessing health care services than citizens in E.U. countries do, where a comprehensive system of universal health care exists. Accordingly, an overall 33 percent of people in Turkey cite the cost of health care services as an obstacle to seeing a doctor, which is more than four times the proportion of those living in the E.U. who cite this to be the case. Moreover, 30 percent of Turkey's citizens experience delays in getting an appointment or have to face long waiting times in a treatment center. At the same time, 28 percent of the citizens have to travel long distances to see a doctor due to the insufficient number of health care facilities in Turkey

(Adema *et al.*, 2011; Iguaran, 2009:12; OECD, 2009: 161; Rose & Özcan, 2007: 35).

In consequence, policies concerning health and education –areas of primary importance for individual well being and for human capital contributing to socio-economic development

– are rated poorly by a large majority of Turkey's people. The EQLS survey indicates that based on a 10-point scale, the country's health provision is rated at the bottom half of the scale

Figure 4.0: Public Social Expenditure By Broad Social Policy Area (% of GDP), 2007



Source: OECD, 2011: 17

(averaging 3.9 points) by 78 percent of the people in Turkey. In contrast, 71 percent of

E.U. citizens rate their country's health services positively. Also in terms of education, which is far more dependent on government policy than health, there is a widespread dissatisfaction among Turks, as reflected by the country's average score of 4.7 out of 10 points for satisfaction with education. The EQLS survey suggests that the negative evaluation of education is consistent with the fact that free public provision of education in Turkey is lagging at least a generation behind services provided in the E.U. (Rose & Özcan, 2007: 35-36, 47).

Although Turkish government authorities are well aware of the rising public dissatisfaction with the country's health and education system, their efforts in the neoliberal restructuring of Turkey's social security system along, as evident on the basis of rising public expenditure cuts and the ongoing privatization and commoditization of the health and education services, have increased in recent years. Throughout the 1990s and 2000s, government authorities have aimed to finance deficits in the social security system by increasing the contribution fees or extending the contribution periods. In this context, the Social Security and General Health Law of 2006 represents a significant step in the ongoing process of commoditization of social security in Turkey (Sönmez, 2007).

According to Çoşar and Yeğenoğlu (2009), the 2006 Social Security and General Health reform-package enacted by the current AKP government, has further impeded the accessibility to and payments by the social security system. Under the new law, contributions to the system have increased, the contribution period has extended, and the scope as well as quantum of payouts, already among the lowest in the OECD league (see Figure 4.0), has been limited. In terms of pension, the new law has extended the statutory retirement by five years (OECD, 2011; Çoşar & Yeğenoğlu, 2009; Sönmez, 2007).

Sinan Sönmez (2007) points out that especially the commoditization of education and health already started in the previous years of structural adjustment and was further accelerated under the AKP government. The privatization as well as the commercialization of education and health is supported by generous incentives given to private investors. In this context, data suggests that in 1996, the private sectors' share in both education and health, reached almost 50 percent. The formation of a luxurious and technologically advanced private health care and education system led to the further marginalization of the majority of Turkey's population, which is unable to make use of private health and education services due to insufficient income. Parallel, public expenditure on health and education has gradually decreased in the previous years. Starting in the mid-1980s, the ratio of public spending on education and health services to GDP showed a continuous downward trend in Turkey. According to Korkut Boratav, Erinç Yeldan and Ahmet Haşim Köse (2000: 30), the ongoing commoditization of the education and health system induces a dual system in the formation of human capital, and leads to the polarization between upper and lower income groups. Furthermore, they believe that the commoditization has further deepened

Table 4.2: Increase in the Number of Private Universities in Turkey, 1984-2010

Year	Number of Private Universities
1984	1
1995	3
2000	20
2005	25
2010	40

Source: Turkish Council of Higher Education, 2012

inequalities and reinforced societal hierarchies (Rutz & Balkan, 2009; Sönmez, 2007; Boratav, Yeldan & Köse, 2000: 30).

In terms of education, the number of private high schools and universities is rapidly increasing (see Table 4.2 above). The user fees are high and scholarships do not cover a significant portion of the tuition expenses. Parents, whose income is already low due to the labour market flexibilization measures, have to make extra efforts to ensure quality education for their children. At the same time, the quality of education in public schools deteriorates each day due to the decreased social expenditure. Thus, as the educational quality in public schools is diminishing, private institutions remain the only viable alternative for children coming from middle- or high income households. Given that the majority of the people cannot afford private education and the capacity of public school remains insufficient given this situation, the enrollment in public schools is being restricted through state administered central high school and university entrance examinations. In most cases, the successful preparation for these examinations comes at high cost. Besides regular school tuition, most parents have to additionally cover for privately organized night schools (so-called “Özel Dershaneler”), which prepare the students for both the high school and university exams (Gök, 2002).

Therefore, it is no surprise that differences in the access to education are significant in Turkey. EQLS data indicates that the minority of students whose parents can afford to pay for private tuition are more likely to pass the central high school and university entrance examination or to enroll in a private high school or university than the majority of young Turkish citizens whose parents do not have the financial means to pay for private schooling (Rose & Özcan, 2007: 26) According to Gök (2002), these *Özel*

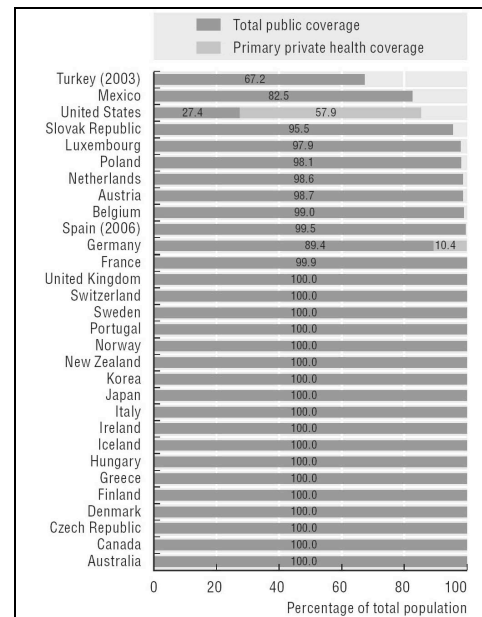
Dershaneler violate the equal educational opportunities for low-income families, who are not able to afford them (Sönmez, 2007; Gök, 2002).

Also in terms of vocational training, EQLS survey suggests that Turkey lags far behind E.U. countries. In recent years, the already low number of vocational schools in Turkey has further declined. Given that a rising number of young Turks need to leave school to provide for additional family income, vocational training is of utmost importance. This finding is particularly striking considering that young people who do not succeed in an academic setting and who do not receive additional vocational training are more likely to work in semi-skilled or precarious jobs in the informal economy. Thus, the earlier a young person leaves school and enters working life to support his family, the greater the importance of training during working life to provide skills, or to enable people to retrain or increase their skills in an

increasingly open and competitive Turkish economy (Rose & Özcan, 2007: 25).

Regarding health, the social expenditure as a percentage of GDP accounted for 2 percent in 2010, while it was 6.7 percent in Belgium and 5.5 percent in the Netherlands in the same period of time. Furthermore, Turkey's health coverage range of 67.2 percent is remarkably low compared to other OECD nations (see Figure 4.1). Concomitantly, data provided in the OECD Health at a Glance Study of 2009 suggests that in the fiscal year of

Figure 4.1: Health Insurance Coverage for a Core Set of Services, 2007



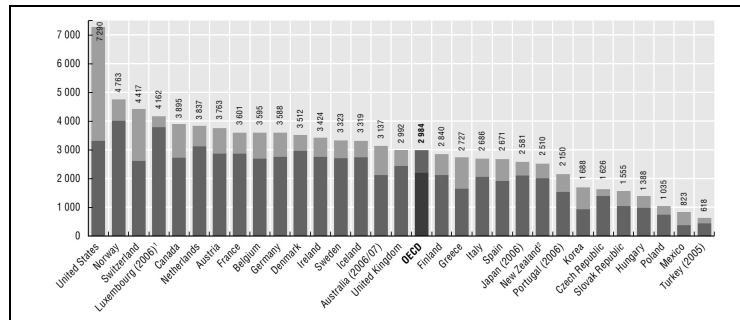
Source: OECD, 2009: 145

2007, Turkey has had the lowest per capita health expenditure (618 US Dollars) among all OECD member states (see Figure 4.2). As the public health spending along with the

treatment quality decreases, many high-income families turn to the private health care centers for treatment.

However, scholars point out that the treatment in private health facilities is only

Figure 4.2: Total Health Expenditure per capita (Public & Private), 2007



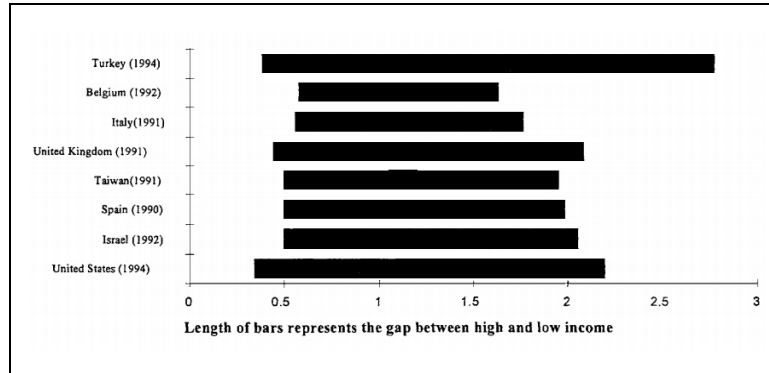
Source: OECD, 2009: 161

partly covered through the three social security institutions. Thus, along with low-income families, also formally employed white and blue collar civil servants have to turn to the under-resourced public hospitals to get treatment. All of this, as earlier noted by Boratav, Erinç and Köse (2000: 30) leads to the deepening of social inequalities and the reinforcement of societal hierarchies (Adema *et al.*, 2011: 17; Çoşar & Yeğenoğlu, 2009; OECD, 2009: 145; Boratav, Erinç and Köse, 2000: 30).

3.5.5: Changes in Poverty and other Development Indices

According to the WB's *Turkey Economic Reforms, Living Standards and Social Welfare Study* of the year 2000, income inequality in Turkey is above the median for

Figure 4.3: Income Decile Ratios, Several Countries, 1997



Source: WB, 2000:18

upper and upper-middle income economies (see Figure 4.3). WB data suggests the social distance between rich and poor in Turkey is higher than in other OECD countries, even after adjusting for taxes, transfers, and family size. Also, Öztürk notes that Turkey has “...the most imbalanced income distribution amongst OECD countries” (2011: 102).

Data provided by Öztürk indicates that between 1987 and 2006, the gap in the distribution of income remained unchanged (see Table 4.3). Accordingly, WB data suggests that in 2000, the incomes of the

Table 4.3: Income Distribution in Turkey as a share of the National Income, 1987-2006

Household income group	Total share of national income (%)						
	1987	1994	2002	2003	2004	2005	2006
Lowest 20%	5.2	4.9	5.3	6.0	6.0	5.1	5.8
Second 20%	9.6	8.6	9.8	10.3	10.7	9.9	10.6
Third 20%	14.1	12.6	14.0	14.5	15.2	14.8	15.2
Fourth 20%	21.2	19.0	20.8	20.9	21.9	21.9	21.5
Highest 20%	49.9	54.9	50.1	48.3	46.2	48.4	46.9
Total	100	100	100	100	100	100	100
Gini parameter	0.43	0.49	0.44	0.42	0.40	0.43	0.41

Source: Öztürk, 2011:102

rich in Turkey were more than 7 times higher than the incomes of the poor, compared to an average for the Luxembourg Income Survey database of about 3.5. Therefore, the WB

recommends that Turkey’s average per capita income (US\$ 14,700 – 2011 est.) is not a good indicator of the financial well being of a representative Turk (CIA, 2012; WB, 2000: 18).

Broader WB comparisons of income inequality show that inequality in Turkey is high, and close to the levels observed in some

Table 4.4: GINI Coefficients for Income and Consumption, 1998

<i>Income</i>		<i>Consumption expenditures</i>	
Chile (1994)	0.51	Peru (1994)	0.45
Costa Rica (1996)	0.47	Philippines (1994)	0.43
Russia (1995)*	0.47	Ecuador (1994)	0.43
Turkey (1994)	0.45	Turkey (1994)	0.41
Bolivia (1990)	0.42	Tunisia (1990)	0.40
Bulgaria (1995)	0.38	Morocco (1991)	0.39
Italy (1995)*	0.35	Portugal (1990)	0.32

Source: WB, 2000:19

highly polarized economies such as Peru or Russia (see Table 4.4). Supporting these findings, the OECD Society at a Glance Report 2011 suggests that currently more than 17 percent of Turkey’s population lives below the poverty line and counts as ‘relatively poor’. The report also states that the poverty level in Turkey is significantly above the OECD average of 11.1 percent. Moreover, data presented by Buğra and Keyder (2005:

20) suggests that ‘general poverty’ (more generally known as ‘food and non-food poverty’) affected almost 25 percent (22.5%) of Turkey’s population in

Table 4.5: Individual poverty rate in Turkey, 2002 – 2008 (according to purchase base poverty line)

Method	Individual poverty rate (%)						
	2002	2003	2004	2005	2006	2007	2008
General poverty (food + non-food)	26.96	28.12	25.60	20.50	17.81	17.79	17.11
Relative poverty based on expenditure	14.74	15.51	14.18	16.16	14.50	14.70	15.06

Source: Öztürk, 2011:103

2004. In this regard, supporting data by Öztürk indicates that although ‘general poverty’ has declined from 26.96 percent in 2002 to 17.11 percent in 2008, ‘relative poverty’ based on expenditure has increased from 14.74 percent in 2002 to 15.06 percent in 2008

(see Table 4.5). Furthermore, OECD data suggests that in 2010 nearly half (49%) of Turkey's population found it difficult or very difficult to live on their wage income (OECD, 2011; Öztürk, 2011: 102-103; WB, 2000: 19).

In this respect, the WB suggests that the main factor driving the worsening of the distribution of income in Turkey appears to be the labour market. More specifically, the emergence of growing

Table 4.6: Detailed Decomposition of Inequality in Annual Income (per equivalent adult), 1994

Groups	Ratio of group income to average income in Turkey	Ratio of inequality within group to average	Share of population (equivalent adults)	Contribution to total inequality
<i>Education of household head</i>				
Illiterate	0.48	0.53	10%	5%
Literate w/o diploma	0.60	0.58	7%	4%
Primary	0.82	0.72	54%	39%
Secondary*	1.29	0.99	22%	22%
Higher	2.71	1.24	7%	8%
<i>Between groups</i>	<i>5.7 (high/low)</i>			22%
All	1.00	1.00	100%	
<i>Employment status of household head</i>				
Not employed	0.82	0.94	8%	7%
Regular employee	0.99	0.65	41%	27%
Casual employee	0.52	0.48	11%	5%
Employer	3.57	1.99	6%	11%
Self-employed	0.77	0.70	35%	25%
<i>Between groups</i>	<i>6.8 (high/low)</i>			25%
All	1.00	1.00	100%	

Source: WB, 2000:23

wage differences by educational attainment and employment status seem to have the strongest correlation to income inequality and poverty risk. One half of all households headed by an illiterate person are economically vulnerable, and nearly 15 percent are poor in an absolute sense (see Table 4.6). These households represent only 14 percent of the total population of Turkey, but account for nearly a third of all poor households. As outlined above, labour market status is another important correlate of poverty. The risk of poverty is the highest for households in which the head is employed in temporary, seasonal or casual jobs. Households whose income depends solely on temporary, casual or seasonal work are even more vulnerable than the unemployed. As discussed in Section 3.5.2, the percentage of casual employees in the Turkish labour market is outstandingly high. Self-employment ranks second in terms of poverty risks for all the employed and 45

percent of the poor in Turkey live in families where the head is self-employed. Both education and labour market status have an immense effect on labour income and poverty rates in Turkey (WB, 2000: 19-23).

Overall, labour income (wages and self-employment income) account for 77 percent of total income inequality between households in Turkey (see Table 4.7). In this

Table 4.7: Decomposition of Income Inequality by Income Components, 1994

Source of income	Structure of incomes, percent	Contribution to total inequality, percent
Total labor income	73.7%	76.9%
Wage earnings	31.8%	28.1%
Additional wages (bonuses etc.)	3.7%	5.0%
Income from self-employment**	38.1%	43.8%
Total capital and property income	5.3%	8.0%
Interest and income from securities	2.4%	3.9%
Rent and other property income	3.0%	4.1%
Total transfers	13.2%	8.4%
State transfers	7.5%	3.8%
Transfers from abroad	2.1%	2.6%
Other transfers	3.6%	2.0%
Other income (imputed rents)	7.8%	6.7%
Total household monthly income	100.0%	100.0%

Source: WB, 2000:19

regards, comparing data gathered in 1987, 1994 and 2000, shows that an increasing number of Turkish households rely on wages as the sole source of household income. In other words, while wage workers have to rely on their wages as their only source of income, capital owners and well-paid professionals have a growing fraction of their income coming from non-wage sources such as financial assets such as bank deposits, stocks and bonds, or tangible assets such as real estate and land properties. In this regard, the WB study concludes that the ongoing downward trend in real wage and salary growth in Turkey since the beginning of the 1980s plays a role in the country's persistent income inequality despite high macroeconomic growth (WB, 2000: 19).

As briefly discussed in Section 3.5.2, Turkey's relatively wide gap in terms of income distribution, stands in direct contrast to the country's overall GDP and GDP per capita growth, which has increased from around 70 Billion US Dollars in 1980 to almost

734 Billion US Dollars in 2010 and from around US\$ 4.000 in 1980 to more than 10.000 US Dollars in 2010 respectively (WB, 2011; Pamuk, 2007). Aside from the highest GDP growth in the Middle East, Turkey also possesses the highest amount of per capita billionaires in the region. Currently, Turkey has about 35 percent more US Dollar billionaires (37 in total) than the Gulf Region and North African states combined (24 in total) (Petras, 2011). Concomitantly, a recent article in the Turkish *Vatan* newspaper backs these findings, reporting that in the fiscal year of 2010 alone, the number of Turkish US Dollar millionaires has increased by 5.8 percent. Thus, the current number of Turkish US Dollar millionaires now amounts at 38.000 people (Unknown, 2011).

While the income inequality is generally reduced through progressive social safety nets and other redistributive measures in OECD countries such as Great Britain, Italy, France or Mexico, which have similar levels of income; Turkey's *ad hoc*, underfunded and insufficient social protection system does not serve as an instrument to cushion the market-driven inequalities (Öztürk, 2011: 113). Öztürk (2011), in this perspective, notes that while in the E.U. the social protection expenses are equivalent to 19.5 percent of the GDP, in Turkey, this rate is only equal to 8.4 percent of the GDP (including pension funds). Although an important step has been taken towards poverty alleviation in Turkey through the establishment of The Social Aid and Solidarity Fund (Sosyal Yardımlaşma ve Dayanışma Teşvik Fonu, short: *SYDTF*) back in the late 1980s, the financial support distributed through this fund however; is extremely low compared to similar disbursements of Turkey's European neighbors. In Turkey payments/cash transfers towards poverty alleviation are only compromising 0.5 percent of the GDP, whereas the E.U. spends 2.8 percent of the GDP towards the same cause. Consequently,

Öztürk (2011: 113) notes that Turkey's underfunded social security system combined with rising living costs and declining labour wages, leads already poor low-income families to finance themselves through going into debt. Therefore, one can say that market-driven inequalities are left to determine the shape of the final distribution of income, and hence living standards (Öztürk, 2011: 113; WB, 2000: 20).

More importantly, as Öztürk (2011) reports, the lack of a child benefit system puts further pressure on households with more than 3 persons. According to him, some 8.5 percent of 3-4 person families live below the complete poverty line, whereas for households comprised of seven or more the rate is close to 40 percent (38.2%). As a result, the proportion of children at risk of poverty in Turkey today is 34 percent, as opposed to the general poverty average of 17 percent, and nearly a third of a million of 6-17 year olds are working, regardless of its illegality. Data suggests that between the years 1995 to 2002, nearly half a million (440,000) children began earning a living even before completing their primary education. Öztürk suggests that the problem of child labour is linked to unequal distribution of income, low labour incomes and the insufficiency of social provision of Turkey, which forces thousands of low-income families to send their children to work in order to support the household (2011: 114).

In order to appreciate the subject more deeply, the following statistics should be of particular interest to the reader. According to Turkstat statistics, 42.2 percent of the Turks encounter recurring problems with their residence such as leaking roofs, damp foundations or rotten windows, frames or floors. Moreover, 42.9 percent of the citizens experience heating problems with their residence due to poor isolation resulting from poor construction. In regards to outstanding debts, 59.3 percent of the Turks are heavily

indebted, having open installments or loans that constitute a heavy burden for almost half of them. Meanwhile, 87.4 percent of the Turkish workforce does not have the financial capacity to afford paying for one week of travel during its annual holiday leave and thus, has to stay home. Furthermore, 62.5 percent of the citizens, do not have the capacity to afford paying for “unexpected expenses” and 82.1 percent cannot afford to replace their “worn-out furniture or clothes” due to economic reasons (Turkstat, 2011).

In a wider gaze, data obtained from the 2010 Socio-Economic Indicators Report prepared by Turkey’s main public sector trade union Kamu-Sen, indicates that although the national economy has grown on a yearly average of 5 percent between 2002 and 2010; it has accumulated more foreign debt in the period 2002-2010 (297 Billion US Dollars) than in the previous 80 years combined (221 billion US Dollars). This in turn, has led to the fact that the per capita debt of Turkish citizens has risen from 3.317 US Dollars in 2002 to 7.034 US Dollars in 2010. Similarly, the per capita tax ratio has increased by 233 percent from 857 Turkish Liras to 2.856 Turkish Liras, between 2002 and 2010. At the same time, the purchasing price for agricultural goods and natural resources has increased asymmetrically. For instance, the purchasing price for 1 Kilogram of wheat has increased by almost 1000 percent from 0,053 Turkish Liras in 1998 to 0,52 Turkish Liras in 2010, and 1 Liter of unleaded gas has increased by almost 300 percent from 1,098 Turkish Liras in 2002 to 3,25 Turkish Liras in 2010. Consequently, Kamu-Sen data suggests that an increasing number of Turkish workers are not able to make ends meet. Concomitant data suggests that the purchasing power of state employees has declined by 23 percent in real terms between 2002 and 2010; thus, leaving 75 percent of them below the poverty line (Kamu-Sen, 2011).

At this point, it is perhaps crucial to observe the current standing of Turkey within other internationally known and accepted development indices to evaluate its overall development performance. In respect to Turkey's human development

Table 4.8: Changes in Turkey's HDI Rank, 1990-2011

Year	HDI Rank
1990	72
1995	66
2000	85
2005	94
2011	92

Source: UNDP, 2012

record for instance, data suggests that it is significantly weaker than the country's economic growth performance. To be precise, UNDP data suggests that between the years 1990 and 2011, Turkey's UNDP HDI³ rank has dropped 20 ranks (see Table 4.8). While Turkey was at rank 72 in 1990, it stood at rank 92 (out of 177 countries) in 2011 with an HDI of 0.757 in comparison to Norway, which was ranked first place with an HDI of 0.9685 (UNDP, 2012; Sorman, 2007: 13).

Further UNDP data suggests that regarding gender equality measures such as the Gender Development Index (GDI) and Gender Empowerment Measure (GEM), Turkey's performance is poorer than its HDI ranking. For instance, GDI value pertaining to 2007, 0.788 is considerably lower than its HDI value of 0.9685. Out of 155 countries with both HDI and GDI values, 125 countries had a better ratio than Turkey's in 2009 (UNDP, 2009). Likewise, The Happy Planet Index (HPI) Report of 2006 suggests that Turkey ranks 98th among 178 countries with an HPI of 41.40⁴. Also regarding the progress of achieving the UN's MDGs, Turkey lags far behind other countries with the same

³ The Human Development Index (HDI) measures countries' achievements in terms of development based on factors of life expectancy, adult literacy and GDP per capita (Sorman, 2007: 13).

⁴ The HPI is an index designed contrary to the indices that measure human well-being in terms of GDP but takes sustainability as the main center of approach and operationalizes the concept of well-being around 'Happy Life Years' (Sorman, 2007: 13)

macroeconomic performance. The MDG Dashboard⁵ suggests that Turkey currently ranks 85th among 137 countries (Sorman, 2007: 13). Overall, all of these complementary development indices suggest, that Turkey's current macroeconomic performance does not coincide with its current state socio-economic and human development.

⁵ The MDG Dashboard is a database that shows countries' overall assessments towards achieving the Millennium Development Goals (Sorman, 2007: 13).

3.6: Data Trends

Data suggests that Turkey's ISI period served as a positive impetus in the creation of labour rights and the increase of the country's overall living standards, particularly in those of Turkey's working class individuals. In Turkey, as the case in most developing countries, two decades of successful ISI planning, was replaced by a neoliberal economic regime under whose auspices, the previously gained labour rights' significantly deteriorated, the gap between rich and poor increased, social safety nets diminished and the labour force has faced a rapid decline of its working and living conditions (Onaran, 2009; Blind, 2009; Emrence, 2008; Ünay, 2006).

In terms of labour organization for instance, data suggests that labour unionism in Turkey has been severely restricted due to certain legal arrangements that were enforced (e.g. The Trade Union Act and The Act of Collective Bargaining, Strike and Lockout) in the post-1980 period (Blind, 2009; Duman, 2009). Concurrently, comparative data indicates that labour unionization rates have significantly dropped from the year 1980 onwards. While the unionization rate of Turkey's working class was at 17.0 percent in 1980, it declined to 5.9 percent in 2010 (Can, 2011: 62). Simultaneously, data findings show that the number of workers covered by collective agreements has dropped from about 1.6 million in 1988 to around 900.000 in 2006; thus, clearly picturing the government's anti-labour stance in the neoliberal era (Aklar, 2008: 83).

Furthermore, data confirms that in addition to the anti-labour stance of the political establishment that can still be observed in the labour union restrictions in Turkey's current legal framework, the Turkish business class' negative attitude to labour

unions has led to the systematic erosion of the influence of labour unions, and thus, of workers rights in the last three decades. In other words, the capitalist class' aversion towards basic labour rights such as unionization, collective bargaining and strikes, which is reflected in their inclination to fire or not employ workers wanting to unionize or demanding collective bargaining agreements, has significantly contributed to the deterioration of the far-reaching labour rights that existed during Turkey's ISI-oriented development framework in the 1960s and 1970s (Can, 2011; Blind, 2009; Duman, 2009; Akkaya, 2002).

In regards to labour's wage share, we can also observe the same downward trend. While the wages of public servants and workers increased by 25 percent (in real terms) between 1968 and 1978, data suggests that except for the short-lived wage rise in the 1989-1991 period, public sector wages have gradually decreased since the implementation of neoliberal economic policies in 1980. From a cross-sectorial point of view, data indicates that despite significant increases in productivity and GDP growth, real wages declined by almost 22 percent (21.5%) between 1979 and 2007. However, when comparing the data given for the cross-sectorial decline in real wages to the data showing the decline in real wages of the public sector in the same period of time, one can see that the fall in real wages has been even more severe for the latter. In this regard, Cam (2002: 103) suggests that in 1997, the salaries of civil servants employees were 70 percent less compared to 1978. Likewise, in 1997, the wages of SEE workers were 33 percent lower than those in 1979. This negative tendency can be also observed when analyzing the change in wage cuts between 1985 and 2002, which has increased by almost 5 percent (Ar, 2007: 356)

Further labour market indicators suggest that under neoliberalism, the overall employment pattern has shifted from formal, secure and full-time jobs, to informal, unsafe and temporary jobs. Moreover, data signals that high unemployment and a slowdown in the employment creation capacity of the Turkish economy goes hand-in-hand with declining labour wages. Statistics show that the post-2001 era has been particularly harmful for the labouring class due to the ongoing “jobless growth” pattern characterizing Turkey’s economy (Yeldan & Ercan, 2011: 15).

More specifically, the 2006 WB Labour Market Study suggests that despite an annual average GDP growth rate of more than 4 percent between 1981 and 2003, Turkey has had the lowest employment growth rate (approximately 1.4 percent) among all OECD countries (WB, 2006:16). Simultaneously, Turkey’s unemployment rate gradually increased in the post-1980 era, especially in the years after the 2001 economic crisis, and finally reached an all-time high of 12.3 percent in 2008. Accordingly, youth unemployment has also increased from 17.2 percent in 2007 to 19.7 percent in 2010 (Eurostat, 2011). Furthermore, Yeldan and Ercan (2011: 15) note that if discouraged workers would be taken into account, the real number of unemployed citizens in Turkey would have amounted close to 20 percent in 2008. Hence, data suggests that Turkey’s labour force participation rate is low in international comparison. Moreover, data holds that Turkey’s labour force participation rate has declined by almost 10 percent (9.6%) from 57.5 percent to 47.9 percent between 1988 and 2009. Likewise, labour market statistics suggest that Turkey’s current employment rate of 41.2 percent is very low compared to the overall OECD average of 66.1 percent (Can, 2011: 12; OECD, 2011).

Besides declining wages, high unemployment and low employment rates, labour market reports indicate that an increasing number of workers seek employment in the informal sector in which workers do not qualify for official social protection or any other type of statutory regulations such as maximum working hours or annual leave, due to the declining number of formal employment opportunities in Turkey (Can, 2011; Cam, 2002).

Moreover, in regards formal labour market regulations, data indicates that the latest labour market reform in 2003, has not only provided a legal basis for atypical forms of employment, but has also reduced the layoff costs for employers, decreased the number of workers with job protection by excluding establishments employing fewer than 10 workers, and permitted flexible working hours up to a maximum 66 hours per week. Provided that the working time was formerly limited to 45 hours per week in the 1970 Labour Act, and the E.U. only permits up to 48 hours per week (including overtime), scholars note that this reform has been particularly striking in Turkey's ongoing liberalization process (see Onaran, 2009: 255; Şişli & Limoncuoğlu, 2007). More strikingly, data indicates that in the face of high unemployment and limited job opportunities in Turkey, an increasing number workers are willing to obey to disadvantageous employment practices such as unpaid vacations, underreporting of actual wages (affecting the amount and scope of workers' social security premiums) and arbitrary wage cuts to sustain their current jobs (Onaran, 2009).

From a social policy point of view, literature data suggests that Turkey's current social security system can be characterized as a formal and heterogeneous structure, in which social rights are unequally distributed and universal health care is absent. The whole social security system is linked to holding a job in the formal sector, in which the

employer pays the social contributions of the employee. Therefore, workers who do not have any connection to the formal labour market are being excluded from social protection. Given that Turkey's social security system combines both retirement and health insurance, the repercussions for those not employed in the formal sector are even more severe, since they have no access to medical care and also allocation to pensions (Buğra & Adar, 2008; Sönmez, 2007). Within this context, WB data indicates that as of 2003, 51.7 percent of Turkey's citizens were not covered by the country's social security system (WB, 2006: 68).

Further data indicates that in comparison to the average OECD levels, Turkey's gross social expenditure compared to its GDP was the second lowest after Mexico, ranking 26th among 27 countries in 2007 (OECD, 2011: 34). Moreover, literature data holds that throughout the 1990s and 2000s, it has become a popular government method to finance deficits in the social security system by increasing user fees or extending contribution periods. In this context, data suggest that the Social Security and General Health Law of 2006 represents a significant step in the ongoing process of commoditization of social security and health in Turkey (Sönmez, 2007). Data suggests that the 2006 Social Security and General Health Reform has further impeded the accessibility to and payments by the social security system. Under the new law, contributions to the system have increased, the contribution period has extended, and the scope as well as quantum of payouts, already among the lowest in the OECD league, has been limited. In terms of pension, the new law has extended the statutory retirement by five years (OECD, 2011; Çoşar & Yeğenoğlu, 2009; Sönmez, 2007).

Furthermore, data indicates that in Turkey the provision of education and health services have increasingly shifted from the public to the private sphere due to generous state incentives given to private investors. In this context, data suggests that in 1996, the private sectors' share in both education and health, reached almost 50 percent. In this context, literature holds that the formation of an expensive, technologically advanced private health care and education system has led to the further marginalization of the majority of Turkey's population, which is unable to make use of private health and education services due to insufficient income. Parallel, public expenditure on health and education has gradually decreased in the previous years (Rutz & Balkan, 2009; Sönmez, 2007; Boratav, Yeldan & Köse, 2000: 30).

Moreover, comparative data indicates that income inequality in Turkey is above the median for upper and upper-middle income economies (WB, 2000: 18). More specifically, the incomes of the rich in Turkey were more than 7 times higher than the incomes of the poor in the year 2000. Supporting these findings, OECD data shows that with more than 17 percent of the population living below the poverty line, Turkey's poverty rate is almost 6 percent above the OECD average of 11.1 percent. In addition, further OECD data suggests that in 2010 nearly half (49%) of Turkey's population found it difficult or very difficult to live on their wage income (OECD, 2011: 1).

In this respect, WB data suggests that the main factor driving the worsening of the distribution of income and poverty rate in Turkey appears to be the labour market. The risk of poverty is the highest for households in which the head is employed in temporary, seasonal or casual jobs. Households whose income depends solely on temporary, casual or seasonal work are even more vulnerable than the unemployed. Within this context, the

WB concludes that the ongoing downward trend in real wage and salary growth in Turkey plays a role in the country's persistent income inequality despite high macroeconomic growth (WB, 2000: 19).

Parallel, data obtained from the 2010 Socio-Economic Indicators Report prepared by Kamu-Sen, indicates that although Turkey's national economy has grown on a yearly average of 5 percent between the years 2002 and 2010; the per capita debt of Turkish citizens has risen from 3.317 US Dollars in 2002 to 7.034 US Dollars in 2010. Similarly, the per capita tax ratio has increased by 233 percent from 857 Turkish Liras to 2.856 Turkish Liras, between 2002 and 2010. At the same time, the purchasing price for agricultural goods and natural resources has increased asymmetrically. For instance, the purchasing price for 1 Kilogram of wheat has increased by almost 1000 percent from 0,053 Turkish Liras in 1998 to 0,52 Turkish Liras in 2010, and 1 Liter of unleaded gas has increased by almost 300 percent from 1,098 Turkish Liras in 2002 to 3,25 Turkish Liras in 2010. Consequently, Kamu-Sen data suggests that an increasing number of Turkish workers are not able to make ends meet. Related data suggests that the purchasing power of state employees has further declined by 23 percent in real terms between 2002 and 2010; thus, leaving 75 percent of them below the poverty line (Kamu-Sen, 2011).

From a more general development point of view, data suggests that Turkey's human development record is weak compared to its macroeconomic growth performance. To be precise, UNDP data suggests that between the years 1990 and 2011, Turkey's UNDP HDI rank has dropped 20 ranks. While Turkey was at rank 72 in 1990, it stood at rank 92 (out of 177 countries) in 2011 (UNDP, 2011). Likewise, the Happy Planet Index

(HPI) Report of 2006 suggests that Turkey ranks 98th among 178 countries with an HPI of 41.40. Also regarding the progress of achieving the UN's MDGs, Turkey lags far behind other countries with the same macroeconomic performance. The MDG Dashboard suggests that Turkey currently ranks 85th among 137 countries (Sorman, 2007: 13). Overall, all of these complementary development statistics suggest, that Turkey's current macroeconomic performance does not coincide with its current state socio-economic and human development (Sorman, 2007).

Now that we have a collection of relevant data, I will analyze the meaning of this data with respect to my research question "Has Turkey's and the IMF's promise of mass prosperity by macroeconomic growth through integration into the neoliberal global market and the implementation of neoliberal policies led to an improvement of the Turkish citizens' living and working conditions, particularly those of labour?" in the subsequent analysis discussion.

Chapter 4: Analysis Discussion

4.1: Initial Observations

Since the Middle Ages, the geo-economic position of Turkey has made it a critical location to understand economic and labour relations between Western European countries and those of the Middle East, Eastern Europe and Africa. The ushering in of the 21st century and the coming together of these worlds in the global drive have heightened Turkey's importance in the analyses of the roles and impact of neoliberal economic development on the world today. This thesis has sought through literature and data sources to answer the following research question: "Has Turkey's and the IMF's promise of mass prosperity by macroeconomic growth through integration into the neoliberal global market and the implementation of neoliberal policies led to an improvement of the Turkish citizens' living and working conditions, particularly those of labour?"

This thesis is written from a labour and development lens that assumes that for the average person, work and employment are the key facets through which the individual is able to develop socio-economically. Hence, work in all its forms becomes a significant contributor to a nation's socio-economic development. For the sake of analysis, this thesis has utilized five matrixes of entitlement bundles to measure how Turkey's labour force has been variously affected by neoliberal development policies. These five matrixes include changes in labour organization, changes in labours' wage share of income distribution, changes in employment pattern and rates, changes in social policy (health, education and social welfare) and changes in poverty and other development indices.

This analysis chapter will focus on these five indicators while incorporating other local and international political economic forces.

Amongst others, research has established that the position of organized labour in Turkey has been inextricably aligned to the issues of Turkey's political economy, and as a result of this dynamic, political realities have largely determined and controlled the fate of labour organization in Turkey since the foundation of the Turkish Republic in 1923 (Akkaya, 2002). More precisely, the strength of organized labour in Turkey has matured from a state affiliated entity in the in the mid-1950s, to its golden age of power brokering for workers in the ISI-cum planning era of the 1960s and 1970s; finally the inception of neoliberal policies in the 1980s to date have greatly repressed the power and influence of labour organizations (Blind, 2009; Ünay, 2006; Akkaya, 2002).

More specifically, as outlined in the empirical chapter, data indicates that parallel to the inception of neoliberal policies in Turkey; labour unionization rates have declined significantly from the year 1980 onwards. While Turkey's unionization rate was at 17 percent in 1980, it declined to 5.9 percent in 2010 (Can, 2011: 62). In addition, data findings show that the number of workers covered by collective bargaining agreements has dropped from 1.6 million in 1988 to around 900.000 in 2006 (Aklar, 2008: 83). Underlying these changes is a significant restriction in labour rights, formerly granted by the 1961 Constitution and subsequent labour legislation during Turkey's ISI development period, and far-reaching political repression of labour unions in the post-1980 period. In addition to the political legislative changes, data indicates that the capitalist class' aversion towards basic labour rights such as the freedom of unionization, collective bargaining and strikes, which is reflected in their inclination to fire or not employ

workers who are willing to join labour unions or are striving for collective work agreements (Blind, 2009; Aklar, 2008; Fox, 2006; Ünay, 2006).

Moreover, this thesis research has provided empirical evidence that the reduction of labour rights parallels with deteriorating labour conditions such as real income wages, hours of work and job tenure security (Oyvat, 2011; Onaran, 2009; Ar, 2007; Cam, 2002). For instance, data shows that since the onset of neoliberalism *via* IMF advised SAPs in the year 1980, public and private sector wages have disproportionately declined. From a cross-sectorial point of view, statistics show that despite significant increases in productivity and GDP growth, real wages declined by 21.5 percent between 1979 and 2007. Also, when comparing the data given for the cross-sectorial decline in real wages to data showing the decline in the real wages of the public sector employees in the same period of time, we can see that the decline in real wages for the latter has been more severe. Data provided by Cam (2002: 103) suggests that between 1978 and 1997 the wages of civil servants have dropped by 70 percent. Similarly, between 1979 and 1997 wages of SEE workers have declined by 33 percent (Cam, 2002). This downward tendency can be also observed when analyzing the public and private sector wage cuts, which increased by 5 percent between 1980 and today (Ar, 2007: 356).

In addition to the above, a study by Kamu-Sen suggests that despite Turkey's average macroeconomic growth of 5 percent between the 2002 and 2010; the per capita tax ratio has increased by 233 percent from 857 Turkish Liras to 2.856 Turkish Liras, between 2002 and 2010. Moreover, the purchasing price for agricultural goods and natural resources has increased asymmetrically. For instance, the purchasing price for 1 Kilogram of wheat has increased by almost 1000 percent from 0,053 Turkish Liras in

1998 to 0,52 Turkish Liras in 2010, and 1 Liter of unleaded gas has increased by almost 300 percent from 1,098 Turkish Liras in 2002 to 3,25 Turkish Liras in 2010. Consequently, Kamu-Sen suggests that an increasing number of Turkish workers are not able to make ends meet. Concomitant data implies that the purchasing power of state employees has declined by 23 percent in real terms; thus, leaving 75 percent of them below the poverty line (Kamu-Sen, 2011).

Therefore, based on this data, we can say that besides lower wage income coinciding with changes in labour legislation, increasing taxes as well as rises in the purchasing price for basic goods such as food and natural resources have duplicated the socio-economic burdens on Turkey's working class. Moreover, if the above is true, we can attest to Onaran's (2009) and Odekon's (2005) assertions that post-1980 changes in labour legislation have significantly contributed to the losses in the Turkish workers' share of aggregate income and that in a more general sense, rising costs of living conflict with lower living incomes in Turkey. Within a larger context, Onaran (2009) explains that the systematic decrease in wages has helped to consolidate high returns for capital despite economic crises and allowed them to compete in the neoliberal global economy *via* low labour costs. Moreover, competitive labour costs have allowed Turkey to secure high volumes of FDI in the post-1980 era (Onaran, 2009). Therefore, we can suggest that our data findings do not indicate that in the long-run, the integration of LDCs into the global neoliberal market system will automatically translate into higher labour wages and salaries, as suggested by Williamson (1998) or Slaughter and Swagel (1997). In contrast, we can say that there appears to be a correlation between declining labour wages and

more generally, the minimization of the workers' share of aggregate income parallel to the implementation neoliberal policies, as evident in Turkey.

In respect to changes in employment pattern and rates, data indicates that under neoliberalism, the overall employment model has shifted from formal, secure and full-time jobs, to informal, unsafe and temporary or seasonal jobs. Moreover, empirical data suggests that with ongoing privatization of SEEs and the parallel retreat of the Turkish state from the economy, an increasing number of jobs have been outsourced into the informal sector. Within this context, data indicates that currently 25 percent of the labour force in privatized SEEs is supplied through informal subcontracting firms (Cam, 2002: 95-96). Furthermore, Onaran (2009) states that an increasing number of firms in the formal sector outsource jobs to subcontractors active in the informal sector. In this respect, Voyvoda (2009: 47) notes that in the first quarter of 2010, two third of the newly created 2.3 million jobs were provided through subcontracting firms in the informal sector. As a result, Turkstat (2012) data suggests that currently 50 percent of the jobs in Turkey can be encountered in the informal sector (Turkstat, 2012; Onaran, 2009; Voyvoda, 2009; Cam, 2002).

Within this context, Cam (2002: 95) explains that when workers are hired through subcontracting firms, they are not being officially recognized as 'employees' and thus, do not have any entitlement to social security, wage increases, pay guarantee, legal minimum wage, paid holiday leaves, or the rights to collective bargaining or labour union membership. In this sense, informal sector employment distinctively lacks legality compared to the formal employment system in Turkey (Cam, 2002). More irritating is the fact that between 2001 and 2011 alone, more than ten thousand workers have died due to

occupational accidents, thus, ranking Turkey number two on the OECD list of highest workplace fatalities following Korea, with 20.6 deaths per 100,000 workers; thus, suggesting that there is a connection between the rising number of informal jobs and the increase of work related accidents as well as fatalities (Unknown, 2011; Sharpe & Hardt, 2006).

In addition to the increase in informal, unsafe and temporal jobs, data suggests that in Turkey's case, the rate of unemployment has gradually increased in the post-1980 period, peaking at 12.3 percent in 2008. Accordingly, data gathered in relation to youth unemployment suggests that, the number of younger Turks seeking a job has increased from 17.2 to 19.7 percent between 2007 and 2010 (Eurstat, 2011). Furthermore, Yeldan and Ercan (2011: 15) suggest that if discouraged workers would be taken into account, the real number of unemployed citizens in Turkey would have amounted close to 20 percent in 2008. Given this outlook, it is not surprising that data findings indicate that Turkey has currently the lowest labour force participation and employment rate in the OECD league. Moreover, statistics show that due to the dwindling formal job opportunities in Turkey, more and more people seek employment in the informal sector, which, as repeatedly emphasized above, does not underlie any statutory regulations (Can, 2011; Cam, 2002).

Consequently, we can suggest that, despite the assertion of Rojas (1999), Markusen and Venables (1997), Yarrow and Vickers (1988) and Heller (1984) in regards to the capability of neoliberalism to deliver a wide-range of socio-economic benefits to the existing labour force and to improve overall employment prospects and to yield job opportunities by creating new economic sectors; Turkey's ongoing market liberalization

drive has led to increasing job insecurity, loss of benefits and loss of job protections, as suggested by scholars such as Onaran (2009), Emrence (2008) and Odekon (2005).

Additionally, data findings capturing Turkey's current labour market conditions validate Feffer's (2002) judgment that neoliberalism generates "3D jobs" (dangerous, dirty and difficult), more generally known as 'precarious' employment (Feffer, 2002). Put in other words, data suggests that a growing number of Turkish workers suffer from precarious, insecure, uncertain, and unpredictable working conditions. The unemployment figures alone are cause for concern, but even these fail to capture the larger majority of people who work, but who do not have a decent job, with a sufficient wage, a secure future, social protection, and access to rights (Can, 2011; Onaran, 2009; Ar, 2007; Ünay, 2006).

At this point, I would like to remind my reader of the meaning and consequences of precarious employment, which entails employment situations characterized by "limited social benefits and statutory entitlements, job insecurity, low wages, and high risks of ill health" (Vosko, 2006: 11). More specifically, we can, on the basis of indicators depicting Turkey's current labour market conditions, validate Naiman's (2008: 132) claim that "...work is not only unsatisfying but also unsafe" for today's working classes. Considering the importance of quality employment for sustainable socio-economic development, this aspect of neoliberal globalization should linger in mind as we now proceed to the analysis of changes within Turkey's social policy and human development indices (ILO, 2011; Naiman, 2008; Vosko, 2006; Feffer, 2002).

In parallel to the empirical evidence in regards to the changes in labour organization, changes in labour's wage share of income distribution and changing

employment pattern and rates, this thesis research has also presented a wide-set of data in regards to changes in the social policy, poverty and other, equally important human development indices. Although, the changes in the social policy realm and in Turkey's poverty and other human development indicators associated with the ongoing liberalization drive appear to be of a broader nature, their analysis is nevertheless of utmost importance due to their implications for the post-1980 labour market development in Turkey.

More specifically, indicators suggest that there appears to be a correlation between the changes in the social policy realm and the current socio-economic status of labour, which are, amongst others, reflected in Turkey's poverty reduction and human development performance. Therefore, changes in social policy, poverty reduction and other human development indicators need to be discussed for two main, inseparable reasons: First, to give the reader a better understanding of the broader dimensions of the neoliberal policy-making pertaining to the changes in labour's living and working conditions; and second, to provide an accurate and deeper analysis of the current and future human capital formation in Turkey.

Regarding the changes in the social policy realm, data findings have shown that neoliberal SAPs have fundamentally affected the education, health care and broader social security systems (Buğra & Adar, 2008; Buğra & Keyder, 2005). However, before further analyzing the data trends in respect to the post-1980 changes in Turkey's social policy realm, it is important to re-address the importance of equitable social policy regarding its power to cater for socio-economic cohesion and protection through meaningful social security, education and health legislation and public social spending in

a given jurisdiction. Particularly for workers, social protection is important due to its capability to build a firewall against the deficiencies of the market system (Harvey, 2005; Odekon, 2005). For instance, Arin (2002: 73) claims that government-controlled social services provide social rights to workers for protection against the social risks stemming from the labour market. These risks, she notes, arise from the neoliberal logic that everything, including labour power, is a commodity that can or should be bought for a market-set value (Arin, 2002).

According to scholars such as Mohamed (2008), Harvey (2008) or Odekon (2005), proponents of neoliberalism claim that government-controlled services such as education, health and social security should be outsourced to the private sphere. As far as the neoliberal theory goes, the private market is more capable of allocating resources and thus, can distribute these services more efficiently. They further believe that the private distribution of social services will produce the best outcomes for society; given that they are optional, democratic and free of politico-bureaucratic and structural flaws compared to a centralized and government-controlled social welfare system. In their thinking, individuals should have the chance to decide the scope and amount of services they want to make use of; by paying for them individually and separately, and not through a centralized government system depending on taxes and the compulsory contributions of all citizens (see Mohamed, 2008; Harvey, 2005; Odekon, 2005). This decentralized and state-independent social welfare stance derives from the neoliberal notion that individuals are responsible for their own welfare. In the same vein, neoliberalism balks at the idea of the state spending money on the needy – it is in the responsibility of individuals to earn enough money to themselves and their family. Just as the individuals are responsible for

their own economic prosperity, they are responsible for their own social welfare (McCoy & Peddle, 2012).

Accordingly, in *The Constitution of Liberty*, Hayek (1960: 291-292), a prominent supporter of the *laissez-faire* market system, is confident that following the state's retreat from the social realm, suitable provision for risk and need will continue to emerge, if not thwarted by governmental policies, and that these alternatively emergent social welfare arrangements, unlike governmental ones, will be consistent with a free and equitable society. Broadly speaking, Hayek (1960: 294-302) expects that individuals should insure themselves against risks such as sickness, permanent disability and perhaps unemployment on their own account. He opposes the idea that people receive benefits 'as a matter of right what they have only to a small extent paid for'; thus, depending on the financial contributions of their fellow citizens (1960: 288-289). Underlying this contention is the simple belief that a government-controlled social security system shuts off 'the constant re-evaluation of available resources' and leads to long-term inefficiencies and injustices (Hayek, 1960: 287).

Thus, the neoliberal notion of unemployment and poverty as a choice puts the blame at the feet of the individual for his or her current socio-economic situation. Neoliberalism refuses to address what makes the individuals indigent in the first place. Thus, if individuals do not have the capacity to cater for themselves or their dependents economically, they face social exclusion and social dumping (McCoy & Peddle, 2012). Accordingly, Odekon (2005) claims in practice the discouragement of state involvement in the economy, especially in the social realm, means less public goods and services that

provide a safety-net for the poor and marginalized sectors of the population, who cannot afford to acquire these services at the market-set prices (Odekon, 2005).

Therefore, it appears that centralized and publicly disbursed social services are of utmost importance, allowing citizens to satisfy their basic needs at all times irrespective of their socio-economic standing in the capitalist labour market (Arin, 2002). In Arin's thinking, the provision of public social services on the basis of need and without any connection to work and income earned does not only decommodify labour to a certain degree, but is also essential for viable socio-economic development (2002: 73-74). Given the fact however, that public social expenditure is usually among the highest government expenditure lines; Harvey (2005) notes that it is one of the first targets of neoliberal policy-makers, who constantly query government's expenditure and intervention in the economy (Harvey, 2005).

In the Turkish context, scholars such as Öngel (2011), Öztürk (2011) or Odekon (2005) note that widespread privatization of public social services, in the name of allocative efficiency; have contributed to increasing poverty and social inequality in the post-1980 period. In a wider gaze, Öngel (2011) claims that the ongoing privatization of Turkey's public services such as health and education puts a heavy burden on the low income and poor citizens of Turkey, by leaving them with an agonizing responsibility for their education, healthcare costs, and income in retirement years. Odekon (2005) notes that cuts in Turkey's public social services, and increased privatization of the health and education sectors, have removed the safety nets that once protected the vulnerable sectors of society, thus, leaving them to the mercy of the "invisible hand" (Öngel, 2011; Öztürk, 2011; Odekon, 2005).

Analogously, data suggests that since the implementation of the January 24 decisions, which mark the beginning of neoliberal policy-making in Turkey, the delivery of services like education and health have been increasingly taken over by private entities. Data findings indicate that by the year 1996, the private sectors' share in both education and health has reached almost 50 percent. Parallel, public expenditure on education and health has gradually decreased in the previous years (Rutz & Balkan, 2009; Sönmez, 2007; Boratav, Yeldan & Köse, 2009).

In this regard, a recent newspaper article by Erdinç Çelikkan (2012) suggests that for the fiscal year 2013 health is among the lowest government expenditure items in Turkey. Interestingly, he points out that the current government's spending on religious affairs (4.6 billion Turkish Liras) is almost double the amount of the financial resources allocated to health (2.5 billion Turkish Liras). Given this circumstance, it is inevitable to ask if it is morally justifiable that a country, whose gross social expenditure compared to its GDP is among the lowest in the world, and in which every year thousands of workers are injured, becoming permanently disabled, due to work related accidents, can afford to spent nearly twice as much on religion than on health? (Ceylan, 2012; OECD, 2011)

Another salient indicator for the Turkish government's attitude towards public social services is the legislative changes in regards to social security and health that were implemented in 2006. Talking about the Social Security and General Health Reform of 2006, literature data suggests that on the basis of this reform, the current AKP government has further extended the contribution period, raised the statutory retirement age, and increased the contributions to the social security systems, which in Turkey's case, not only covers pension, but also health benefits. This in turn, appears to have

serious implications on Turkey's population, particularly the economically weakened and already struggling labour force by imposing additional financial burdens on them (Çoşar & Yeğenoğlu, 2009; Buğra & Adar, 2008).

More alarming is the fact however, that due to the growing informal labour force in Turkey, which is not monitored by the state and thus, not subject to pension and health provision, the majority of people are being further marginalized in that their last chance for income support and poverty alleviation expenditures are being undermined through cuts in social spending and the privatization drive within Turkey's health sector. Therefore, it is important to view the growing privatization of not only the health, but also the education sector, as more than a response to public deficits and subsequently, shrinking public budgets (Harvey, 2005; Odekon, 2005).

It appears that as the capitalist class is constantly seeking new sectors to invest in, sectors such as education or health, which were once managed by the state, become of particular interest due to their potential profitability. In this context, the continued growth the private health and education sectors in post-1980 Turkey can be explained as an extension of this investment phenomenon. Given this outlook, it seems that SAPs opened up local industries and services to the domestic and in further consequence, to the global neoliberal market, which in turn led to a privatization and internationalization of the private health and education services in Turkey (Çoşar & Yeğenoğlu, 2009; Gök, 2002). When taking into account that poverty risk in Turkey appears to correlate with educational attainment. The less educated a person is, the more likely he or she is to suffer from poverty. Given that this also concerns the active working class individuals,

the privatization of the education sector seem to diminish their last chance to get themselves and their dependents out of poverty (WB, 2000).

Moreover, it is important to stress that in a country that suffers from high occupation related accidents and fatalities, the commodification of the public health sector, which most workers are not able to access in the first place due to their informal employment status, bears long-term repercussions for the working population as well as the society at large (Öztürk, 2011; WB, 2000; Ceylan, 2012). Even if people have social security, scholars point out, that the treatment in private health facilities is not or only partly covered through Turkey's public social security system. Thus, the majority of Turkey's growing population has to seek medical attention in the under-resourced and insufficient public hospitals. All of this, as earlier noted by Boratav, Erinç and Köse (2000: 30) leads to the deepening of social inequalities and the reinforcement of societal hierarchies (Adema *et al.*, 2011; Çoşar & Yeğenoğlu, 2009; OECD, 2009: 145; Boratav, Erinç and Köse, 2000: 30).

In this respect, data indicates that the main factor driving the deepening of social inequalities in Turkey appears to be the labour market. More specifically, the emergence of growing wage differences by educational attainment and employment status seem to have the strongest correlation to income inequality and poverty risk. One half of all households headed by an illiterate person are economically vulnerable, and nearly one fifth are poor in an absolute sense. The risk of poverty is particularly high in households where the head is employed in temporary, seasonal or casual forms of employment. Households whose income depends solely on temporary, casual or seasonal work are even more vulnerable and at poverty-risk than the unemployed. This validates the

OECD's (2011) and Ar's (2007) assumptions that more than half of Turkey's working population counts as poor and find it difficult or very difficult to live on their current wage income. As discussed in the previous sections, the percentage of casual employees in the Turkish labour market is outstandingly high and further growing; thus, suggesting that in the near future the number of the working poor in Turkey will further increase. Generally speaking, it appears that both education and labour market status have an immense effect on labour income and thus, poverty rates in Turkey (Ar, 2007; WB, 2000).

Analogously, it appears that the ongoing downward trend in real wage and salary growth in Turkey since the beginning of the 1980s plays a significant role in the country's persistent income inequality despite high aggregate growth. Looking at Turkey's GINI ratio, we see that in the past 25 years the gap in income distribution of income remained unchanged. Concomitantly, Turkey currently suffers from one of the highest gaps in income distribution among all OECD countries. Thus, joining the bandwagon of scholars who claim that GDP per capita ratio for Turkey is not a good measure for the financial well being of a representative Turk, we can also suggest that the increasing per capita income does not reflect the true financial situation of most Turkish citizens (Öztürk, 2011; Pamuk, 2007; WB, 2000).

Moreover, data findings show that Turkey's insufficient, underpaid and increasingly privatized public social system combined with rising living costs and declining labour wages, leads already poor low-income citizens to finance themselves through going into debt. Concomitant data indicates that in fact, the per capita debt of Turkish citizens has risen from 3.317 US Dollars in 2002 to 7.034 US Dollars in 2010.

Therefore, we can suggest that market-driven inequalities are left to determine the shape of the final distribution of income, and hence living standards in Turkey (Öztürk, 2011: 113; WB, 2000: 20).

It appears that another, more alarming side effect of decreased and insufficient public services, declining wages and thus, increasing poverty, has been the rise in child poverty as well as child labour in the past three decades. Data indicates that the proportion of children at risk of poverty in Turkey today is 34 percent. The WB (2000) suggests that nearly a third of a million of 6 to 17 year olds are working, regardless of its illegality. Moreover, WB data indicates that between the years 1995 to 2002, nearly half a million children began earning a living even before completing their primary education. Thus, following Öztürk's (2011) suggestion that the problem of child labour is linked to unequal distribution of income, low labour incomes and the insufficiency of social provision of Turkey, which forces thousands of low-income families to send their children to work in order to support the household (Öztürk, 2011). Given this outlook, it seems that once a low-income working individual or family faces poverty in Turkey, it is very unlikely for them to lift themselves out of this precarious situation. The connection between the effects of labour market deregulation and the lack of meaningful public social provision creates a vicious circle ultimately leading to poverty (see Öztürk, 2011; Ar, 2007; Odekon, 2005; WB, 2000).

Also when looking at further human development indicators such as the HDI, HPI or the MDG Dashboard, we can sustain that Turkey's macroeconomic output does not coincide with its human development performance. Put it other words, it is evident that compared to its good international economical standing in terms of GDP and GDP per

capita growth, Turkey's human development record is not only weak but also in decline. Data has shown that Turkey has dropped twenty ranks within the HDI table of countries between 1990 and 2011. While it ranked at position 72 in 1990, the country fell back to rank 92 in 2011; thus, suggesting that in the last two decades despite increasing private wealth accumulation, FDI, GDP and GDP per capita growth, the country's state of human development has considerably worsened (UNDP, 2011). Likewise, the HPI report suggests that Turkish citizens rank below the global average in terms of life satisfaction and ecologic efficiency. Also regarding the progress of achieving the UN's MDGs, Turkey lags far behind other countries with the same macroeconomic performance (Sorman, 2007).

These findings clearly overlap with the observations above, namely that with the implementation of SAPs and neoliberalism, the living and working conditions of most Turkish citizens have deteriorated. Therefore, we can in more general terms suggest that another key finding of this study is that aggregate economic growth is not a good indicator for a country's state of development, as argued also by scholars such as Odekon (2005) or Petras and Veltmeyer (2001).

If the above is true, we can validate, on the basis of Turkey's neoliberal experience, that the contentions of scholars such as Naiman (2008), Feffer (2002) and Carr and Chen (2002), who argue that SAPs and neoliberalism have in most cases, lead to increasing poverty, precarious employment and a widening in the gap between the rich and poor; thus, leading to socio-economic deterioration and underdevelopment for the majority of LDCs citizens. Moreover, we can, in contrary to the assertions of scholars such as Dollar and Kraay (2001), Wolf (2004) or Bhagwati (2004), suggest that the

implementation of neoliberal policies along with macroeconomic growth, does not automatically lead to a general incline of working and living conditions, poverty reduction and on a more general scale, to socio-economic prosperity and a higher democratic structure in which citizens experience more rights and freedoms.

4.2: Complex, Multi-Dimensional Observations & Explanations

In the previous section, we have assessed the effects of the post-1980 structural transformation of the Turkish political economy with regards to the changes in Turkey's labour market, social policy realm and various development indices. Now, it is important to assess these changes vis-à-vis the changes in the dynamics of capital accumulation and their broad implications for class relations in Turkey. As discussed on the basis of literature in Chapter 2, and established through data in Chapter 3, the structural transformation of not only Turkey's economy but also the global economy as a whole along neoliberal lines starting in the late-1970s has clearly benefitted capital. More specifically, the global neoliberal market transformation has encouraged capital owners, by opening up new economic sectors to invest in, and freeing them from all sorts of legislative and political constraints existing in the Keynesian or ISI development era (e.g. labour market regulations); thus, facilitating high volumes of capital gains in the time thereafter through the re-vitalization or extension of business operations (see Harvey, 2005; Odekon, 2005; Munck, 2002, Petras & Veltmeyer, 2001).

Following the suggestion of Fuat Ercan (2002: 21), we may describe the structural change of the global political economy that came about in the early 1980s as “a deliberate act of will” on the part of the capital owners or as their submission to an “inevitable necessity”. In the Turkish context, the opening up of those big corporations that had reached a certain level may be considered to be the fruit of a strategic politico-economic regime shift, e.g. a deliberate act of will. Thus, while the deliberate aspect was directly

linked to domestic capital accumulation, the necessity aspect was related to the dynamics of neoliberal capital accumulation on the world scale, which determined to a large extent the evolution from an inward-oriented capital accumulation regime based on ISI to an outward-oriented based on exports and free-trade. In order to overcome or bring under control the economic and subsequently the capital accumulation crisis they faced in the late 1970s, Turkey's capital-owners actively supported government and IFI advised liberalization strategies. These liberalization strategies have consequently culminated in a macroeconomic regime shift in 1980 and thus, in the transformation of all social relations existing up until then in Turkey. This process, as established through data, has led to an intensification of the contradictions between short-term economic interests of domestic and international capital and the interests of Turkey's society at large, particularly the working class (Ercan, 2002).

Capital's search for new alternatives to maximize capital gains, as evident on the basis of Turkey, has resulted in the restructuring of the existing division of labour on a world scale. Data indicates that the decisive factor in the integration of Turkey into the neoliberal global market system was the military coup of 1980. As a result of the intensive calls on the part of capital for the internationalization of Turkey's economy and to this end the re-structuring of the economic system, the state set in motion a monopoly of violence to repress possible social opposition to the IFI guided SAPs. Thus, the military coup of September 12th, 1980 and the new neoliberal economic doctrines that were implemented on January 24th, 1980, need to be recognized as the diverse but interconnected struggles of capital, the state and the IFIs to overcome the ongoing crisis of capital accumulation in Turkey (see Emrence, 2008; Ercan, 2002).

Within this context, the military coup reshaped the political and legislative structure of the state in so far, that the authorities were strong in its dealings with labour and the social opposition. The January 24 decisions, on the other hand, were instrumental in implementing the policy measures appropriate to capital class' requirements in respect to the globalization drive of Turkey's economy. On the other hand it seems that the military, in catering to the requirements of the capitalist class, has provided for the harmonious integration of Turkey into the neoliberal global order on the basis of far reaching policy measures repressing labour and social opposition. In this context, the process of brining particularly labour under control accelerated the implementation of the requirements of export-based macroeconomic growth and thus, a new opportunity for creating surplus on the part of capital (Odekon, 2005; Cam, 2002; Ercan, 2002).

Accordingly, data findings, which have been presented in the empirical section of this thesis, suggest that through the social transformation underlying the neoliberal politico-economic regime shift in 1980, Turkey's worker transitioned from a well-paid, secure employee with dignity, to an insecure and vulnerable worker whose labour and intellectual force can now be manipulated by capital to secure its own bottom-line profit (see Onaran, 2009; Emrence, 2008; Cam, 2002; Ercan, 2002; Tansel, 2002).

This trend speaks to a growing contradiction between capital and labour. Against the background of the weakening of labour unions by the military coup in 1980 and subsequent labour laws implemented in the post-1980 period, have curtailed the power and rights of Turkish workers; thus, allowing for the considerable decline in wages and a shift in the forms of labour employment mentioned above.

As argued by Ercan (2002: 28), it further appears that the ultimate aim of these changes observed in the regimes of production and labour has been the realization of “the highest and the most rapid production with the least input”, inherent in capitalism. Moreover, it seems that the use of cheap labour and increased production are the basic reference points for Turkey’s capitalist class to enjoy high profits. Within this context, the suppression of labour and the deregulation of the labour market vis-à-vis labour market flexibilization strategies have created the desired environment for the domestic capitalist class to accumulate sufficient surplus. Concomitant data findings suggest that although Turkey’s labour force works on average about 1.5 times more than their European counterparts, their income is often no mere than a subsistence level payment (see Eurostat, 2011; Onaran, 2009; Emrence, 2008; Ar, 2007; Kabasakal, 2006; WB, 2006; Cam, 2002).

In contrast, statistics provided by Ercan (2002: 31) suggest that between 1990 and 1996 alone, the net profits of the eleven largest holding companies in Turkey have increased by more than 2.9 billion US Dollars. Parallel to this, data provided by James Petras (2011) suggests that there are more US Dollar billionaires (37 in total) living in Turkey, than in the Gulf Region and North African states combined (24 in total) (Petras, 2011). Also, a recent article in the Turkish daily *Vatan* reports that in the fiscal year of 2010 alone, the number of Turkish US Dollar millionaires has increased by 5.8 percent; thus, now adding up to 38.000 people (Unknown, 2011).

Moreover, it is important to underline that international capital has equally profited from the globalization of Turkey’s economy and the positive balance sheets of domestic holding companies. In the post-1980 era, Turkey’s holding companies that

wield large-scale capital have established important ties with international capital at all the different levels of productive, money- and commercial capital. In this regard, the British weekly *The Economist* depicts the nature of these alliances stating that Turks may now shop at Carrefour, stay overnight at the Hilton, smoke cigarettes manufactured by Phillip and Morris and buy their computers at IBM. In this regard, *The Economist* reports that the Sabancı Holding for instance, has established 17 alliances with international known companies since 1985 (Unknown, 1997).

One could argue that the presence of foreign interests in itself is not a big problem. However, in a fully operative world system, Turkey's wealth and economic surplus are systematically transferred abroad along with profits. According to Cem Somel (2003), roughly one-tenth of the economic surplus in Turkey is transferred abroad annually. Naturally, the major SEEs, with their potential profit opportunities, attract the attention of domestic and international capital and thus, become the targets for privatization (Odekon, 2005; Somel, 2003).

Referring to the issue of wealth and capital accumulation in the neoliberal period, researchers such as Öztürk (2011) and Odekon (2005) have established that neoliberalism as an ideology based on the relationship between capital and labour, reinforces the concentration of wealth and income in the hands of the economic elite. This notion has been further supported by writers who assert that neoliberalism is not concerned with issues such as poverty or unequal distribution of wealth and income, but solely the creation of wealth through a free-functioning free market system. While the rich get richer in this neoliberal globalization process, the economic disadvantages faced by labour and other low-income groups are deepening, predominantly because of the

weakening of the nation-state and its replacement by the market-state (see Naiman, 2008; Kabasakal, 2006; Odekon, 2005; Stanford & Vosko, 2004; Munck, 2002; Petras & Veltmeyer, 2001).

In these premises, it becomes evident that although in Turkey's case neoliberal policies have enabled extensive aggregate growth and have positively transformed the economic outlook of Turkish capital, they have failed to uplift the economic conditions of Turkey's society at large, particularly those of labour. On the contrary, in comparison to the preceding ISI-led development era, neoliberalism has led to the deterioration of the incomes of most Turks as highlighted through relevant data in the previous sections. In a broader sense, it shows that the process of neoliberal globalization shapes the structure of income distribution, by lowering wage share and increasing inequality through raised labour market flexibility and reduced labour bargaining power (see Onaran, 2009; Emrence, 2008; Ar, 2007; Kabasakal, 2006; Odekon, 2005; Akkaya, 2002; Ercan, 2002).

Thus, based on our findings, we can suggest that the neoliberal drive has firstly ushered in a period of new winners and losers; while the capitalist groups have gained economically from the current politico-economic development model, the majority of workers find their fortunes eroding (see Onaran, 2009; Emrence, 2008; Ar, 2007; Odekon, 2005; Ercan, 2002). Therefore, we can ultimately opine that the so-called 'trickle-down' effect of the neoliberal drive has failed to improve the economic prospects of Turkey's society at large (Onaran, 2009; Emrence, 2008; Odekon, 2009).

Given that real income wages represents the avenue through which most workers are able to provide decent livelihoods for themselves and their dependence, a deterioration of wages bears negative consequences for society's current and future

socio-economic development path. In a country like Turkey, which has relatively low levels of income support, and in which more than half of the population is not able to enjoy the fruits of social security, wages further represent a way in which the ordinary person is able to attain basic social development entitlements such as education, health, food and the like (WB, 2006; Kabasakal, 2006; Odekon, 2005; Stanford & Vosko, 2004).

Besides the changes in the aggregate share of income, the social transformation that occurred in Turkey in the form of a capital-engineered change in Turkey's overall employment pattern represents a decline of the 'decent work' philosophy that was once constitutionally stipulated in the ISI era. The changes in the type and nature of employment that have occurred in Turkey since 1980 are essentially the result of neoliberal changes in the labour market (Blind, 2009; Emrence, 2008; Ünay, 2006).

According to Stanford and Vosko (2004: 4), the labour market is an "amorphous space in which property-less workers provide labour services for sale to prospective property-owning employers". The current labour market in Turkey is characterized through a large and growing pool of workers, who are willing to accept non-decent, hard, underpaid and unsafe jobs in the face of growing unemployment, declining social security provision and the existing "jobless growth" problem in Turkey (Onaran, 2009; Emrence, 2008; Cam, 2002; Tansel, 2002).

Referring to this issue, Sir Arthur Lewis exposes in his famous *Theory of Economic Growth* that as capitalism grows and seeks to reduce operational costs, it expands the labour market by unlocking cheaper and vulnerable forms of labour (see Lewis, 1955). As evident in the case of Turkey, domestic and international capital owners created their own pool of cheap, vulnerable and obedient labour through their ongoing

drive for labour market deregulation. As earlier clarified by Stanford and Vosko (2004), labour market deregulation is a central platform in the neoliberal development paradigm. The logic behind labour market deregulation has been that reduced corporate expenditures on wages' and workers rights bleeds into corporate profits; this sequence in turn, underscores the survival of firms which provide jobs (Stanford & Vosko, 2004).

Accordingly, for neoliberals, socio-economic development presupposes a root and branch transformation in the relationship between the state, capital and the labour. More specifically, the state must ensure that the market can function more freely without interference by what is perceived to be non-market interventions, from trade unions or any labour market regulations (Stanford & Vosko, 2004). So what does it mean and why does it matter?

The value of organized labour lies in the authority of the labour contract. The labour contract, as suggested by Kabasakal (2006), represents the space in which labour and capital define and determine the parameters of freedoms that each of these actors possesses. Inevitably, both labour and capital will try to strike the best bargain possible, from their contrasting perspectives (Stanford & Vosko, 2004). At the same time, each side also attempts to influence the rules of the game within which the bargain is struck – that is, determining and enforcing the formal and informal policies and practices that make it easier for one side or the other to attain a more desirable employment relationship (Stanford & Vosko, 2004).

Consequently, when organized labour is empowered; its ability to fight for jurisdiction for workers is also increased as the case in Turkey's ISI-cum planning development era in the 1960s and 1970s. A weakened labour regime on the other hand,

represents and uncoordinated labour pool that is at the mercy of capital (Kabasakal, 2006; Stanford & Vosko, 2004). With this in mind, the 1980 military coup and the subsequent labour acts in 1983 have severely undermined the influence of labour unions to collectively bargain for shop floor, constitution and wage rights. The diminished influence also ushered in a phase of the gradual receding of the labour contract; thus, empowering both state and capital to dominate labour (Can, 2011; Blind, 2009; Ünay, 2006; Akkaya, 2002).

Therefore, it appears that organized labour is at the vanguard in fighting for workers rights. Once the rights and legal framework have been decimated, the landscape is open to the abuse of labour and socio-economic underdevelopment. Put in other words, it seems that the impediment of labour unionism, as suggested by scholars such as Kabasakal (2006), Stanford and Vosko (2004) or Munck (2002), not only hinders the working class to throw of its commodity status in the market place, but also bears a wide-range of social and economic repercussions for the society at large as evident on the basis of Turkey (see Onaran, 2009; Emrence, 2008; Odekon, 2005; Ercan, 2002).

Within this context, it is important to recognize that the labour market is not simply an economic institution and to further understand that, not only conditions in the factory, hours of work and modalities of contract, but the basic wage itself, are determined outside the market. Labour is simply not a commodity like any other as it reflects the human capacity. Its 'price' is determined socially and involves the state, trade unions and other public bodies in its regulation. The ideology of neoliberalism behind the drive towards globalization has portrayed its policy of the 'free market' as one where capital is no longer restrained by government. In fact, what it has sought is to free capital

from any social and public restraints, while at the same time removing any social protection for labour rights (Odekon, 2005; Stanford & Vosko, 2004; Munck, 2002; Vosko, 2000).

Traditionally, the state and the government look after and protect the people. More precisely, the state supports those who cannot or only marginally participate in the free-market game (Odekon, 2005). Despite plenty of opportunities to improve the state of inclusive socio-economic development in Turkey, the governments' priorities in the post-1980 era were narrowed to further pursue market flexibilization, privatize all state assets and sustain free capital flows in the Turkish economy. It is evident that in the last three decades the policies were always geared to the needs of domestic and international capital. Furthermore, it seems that the socio-economic development of Turkey's population, particularly those of labour, was and is still not a priority of the Turkish government. Rapidly diminishing public services and social welfare, the dismantling of the nuclear family, and shrinking economic opportunities seem to conspire to marginalize labour and other economically disadvantaged groups. This is why indicators of socio-economic development such as distribution of income, levels of poverty, unemployment or HDI are continuing to be problematic despite the high level of aggregate economic growth and overall financial prosperity (see Öztürk, 2011; Onaran, 2009; Odekon, 2005).

Concluding this section, we can summarize that the socio-economic decline of labour and other low-income groups clearly coincides with neoliberal measures such as privatization, labour market flexibilization and the restructuring of Turkey's patrimonial state. Though one could argue that economic efficiency requires these changes, the costs of such changes are born asymmetrically, not by the groups that profit but by those that

suffer. Even though the Turkish public sector may not have been economically efficient in the past, a rational public sector could act as a catalyst to balance allocative and distributional efficiency and minimize the distributional costs of neoliberal globalization. The Turkish public sector, with a long history in the Turkish political economy and society, could effectively and efficiently be enlisted to establish that balance (see Öztürk, 2011; Sönmez, 2007; Odekon, 2005).

For now, only a very small circle has benefitted from the rise in per capital income in Turkey's neoliberal era. Therefore, it can be easily argued that despite the fact that the Turkish economy is the 15th largest and currently one of the fastest growing economies in the world, many socio-economic problems are still in place. As the case in many other countries, the concentration of wealth and capital accumulation has led to increasing economic inequality and to a systematic deterioration of living and working standards among Turkish workers (CIA, 2012; Öztürk, 2011; Odekon, 2005).

Turkey's macroeconomic success and growth, has led the country to gain exemplary status among international organizations. What the international organizations failed to recognize, however, was that the liberalization policies, by increasing income inequality and polarization, were at the same time inadvertently strengthening Islamic religious movements in Turkey with significant social consequences. The greatest challenge to neoliberal policies in Turkey appears to be emanating from the precarious workers whose economic impoverishment directly translates into a religious-cultural rights agenda. As further discussed in Section 4.3, the socio-economic repercussions faced by most Turks has allowed certain religious political groups to gain considerable ground in Turkey (see White, 2009; Ali, as cited in Schneider, 2007; Odekon, 2005).

4.3: Further Observations (Beyond Data Set)

Scholars note that in parallel with the globalization process, identity politics became an essential issue in Turkey. While the concept of national identity and the patrimonial state ('devlet baba') have been challenged, religious, ethnic and gender based identity claims started to be voiced in the post-1980 era (Arat, 2008; Bozarslan, 2008; Yükleven, 2008). Especially, the Islamic movement had a strong awakening in this period and it gradually turned into a strong player in Turkey's political economy. The rise of Islam as economic, social and political power can be seen as a direct consequence of neoliberalism and the discontent it produced among socially and economically vulnerable groups throughout the past three decades (Odekon, 2005).

In this context, intellectuals note that the attractiveness of Islam to socio-economically vulnerable groups derives from the teachings of the Koran. Economic and social justices are important and observable elements within Islam's broader concept of 'human justice'. Sharp departures from religious injunctions or justice, such as the widening gap between the rich and the poor, provide an opportunity for religion to strengthen and spread (Odekon, 2005; Işık, 1996). Accordingly, Sermin Sarıca (2012) notes that due to the increasing commodification of public goods and services, more working class and low-income families dive into the world of Islam, in which they seek additional assistance or at least answers to explain their deteriorating socio-economic situation (see Sarıca, 2012; Odekon, 2005). Accordingly, the fact that the highest levels of electoral support for political parties that have their roots in Islam come from poor and low-income families is not unexpected (Sarica, 2012).

In a public talk, the activist-scholar Tariq Ali (as cited in Schneider, 2007: 2) once suggested in passing an intriguing line of causality for the elusive connection between economic practice and religiosity in the political sphere that “the minimal governmentality proscribed by neoliberal ideology leads to an “empty” and hopeless political discourse, wherein radical religion can easily take hold”. According to Ali, “This, along with Cold-War era suppression, explains the process of the last several decades in which secular political activism around the world has largely been replaced by religious activism” (As cited in Schneider, 2007: 2).

In the Turkish context, the religious sectors, that have lost their visibility and importance in the post-1923 secular republican era, have re-emerged and taken their place as a viable social, economic and political force in society. The currently governing AKP for instance, which is labeled by most intellectuals and political scientist as a Islamist-rooted conservative party with increasingly fundamental religious tendencies, can rely on a voters consent currently estimated at 52-54 percent (Sarica, 2012; Mahçupyan, 2011). In regards to the AKP’s increasing popularity among voters, scholars warn that this development is alarming due to the threat the party poses on the secular foundations of the Turkish state (Odekon, 2005).

Another important tool, besides the Islamic rhetoric, assuring the AKP’s growing popular support among the low-income and poor segments in Turkey, has been the distribution of socio-economic benefits through various party channels throughout the past ten years. Banu Eligür (2007) notes that the AKP government selectively distributes food, clothing, coal, health services, scholarships, schoolbooks and small financial

donations to the poor and less educated citizens through its countless party organizations, municipalities and religious institutions, especially on the eve of parliamentary elections.

Given this fact, it appears that by establishing a link between economic and social assistance and the party itself, the AKP strategically manipulates the voters' consciousness; thus, receiving high popular support. Besides the poor and economically vulnerable groups however, the AKP also appeals to a large number of devout capital owners, who have actively supported the party during its founding years in the early 2000s. This class of devout capital owners appears to have made significant capital gains during the past ten years of the party's regime based on its connection to the AKP (Sarica, 2012; White, 2009; Kalnoky, 2008).

Referring to this issue, scholar Jenny White (2009) notes that parallel to the rise of the Islamist movement in the 1980s and 1990s, a new societal group of wealthy pious families with an enormous financial and political clout has entered Turkey's politico-economic scene. The emergence of this new Islamic bourgeoisie that, reflecting its regional and class origins, tends to be more pious than the previous republican elite (more generally known as the "Kemalist" elite) and generally does business explicitly on the basis of Islamic values. According to White, their influence, along with other factors, has culminated in the 2002 parliamentary election victory of the AKP. Thus, we can suggest that today, the AKP and Islamic businesses build the backbone of Turkey's Islamic movement, which has inevitably gained momentum in the preceding years characterized by neoliberal policy-making (Sarica, 2012; White, 2009; Kalnoky, 2008).

Overall, it seems that religion or more specifically Islam has become an important tool in the capital accumulation and labour process in today's Turkey. Linking

the networks they are in with their Islamic identity, it seems that these entrepreneurs try to conduct business relations via an Islamic sub-economy in which people satisfy their needs mutually. They both widened their relations universally and gained mutual benefits by creating funds for charity and educational services run by Islamic networks and for Islamic aims (Sarıca, 2012).

According to Timur Kuran (1993), the commitment to Islamic principles fulfills two important functions for the Islamic business community. First, it alleviates feelings of guilt associated with personal wealth accumulation in contexts where moneymaking activity is based on rather dubious legal arrangements, and thus, lacks social legitimacy. Second, it reduces the uncertainty associated with feelings of mistrust among businessmen through the formation of religiously motivated solidarity networks. Eventually, religious values become significant in settling disputes about fairness. Religious ties that bind the communities of believers are often evoked as an assurance of stable and productive industrial relations in Turkey (Kuran, 1993).

Corresponding to observations above, a recent article in the German daily *Die Welt* by Boris Kalnoky (2008), states that especially in Turkey's southern regions, large shares of the economy are now dominated by Islamic holding companies. There are an increasing number of religious schools and according to public opinions; the number of women wearing a headscarf has tripled throughout the last decade. Explaining this phenomenon, Kalnoky notes that the headscarf has become a pre-condition for participation in the labour market as well as society at large. He suggests that for the people living in the rural regions, the years under the AKP have culminated into a stifling Islamic societal-matrix, through which there is no escape unless they move to bigger

more secular oriented cities such as Istanbul or Ankara. Kalnoky concludes that it seems that in the rural regions, one needs to have a connection to the AKP to become a job, to create jobs, and especially to receive social assistance once the job is lost (Kalnoky, 2008).

Concomitantly, in a very recent piece on the Islamization of Turkey's job market transformation along Islamic lines, Hayriye Mengüç (2012) notes that studies indicate that the ratio of Turkish citizens praying at least five times a day is currently at 46 percent. Furthermore, more and more employees are pursuing what she calls an "Islamic Career". Mengüç states that in recent years, the number of people changing or seeking employment due to religious reasons have increased; thus, suggesting that Turkey's new social and political dynamics have led to the phenomenon that more and more people try to align their work lives to their religious dedication (Mengüç, 2012).

Further referring to the phenomenon of "politicized religion", Nathan Schneider (2007: 3) notes that "politicized religion" has been widely recognized as an empirical fact since the early 1980s. In this regard, he explains that religion is politicized "...when its discourse and authority venture into the presumably secular sphere of politics, where its presence is intrinsically evocative" (Schneider, 2007: 3). The rise of politicized religion dashed the mid-20th century predictions that throughout the secularizing world, religion was in decline. However, it is important to underline that the concept of religion existed before politicized religion came on the stage (Schneider, 2007).

In Turkey for instance, people were always pious. However, religion did not dominate secularized politics so obviously and boldly as it does today. As discussed above, political parties based in Islamic ideology have gained ground against Turkey's

secular regime more or less following the end of the ISI development era. Islamists have a distinct place in Turkey's economic, political and more generally public sphere. As rightly argued by Odekon, religion, at least, offers an alternative mode of discourse to the politico-economics of neoliberal exploitation. Therefore, in government and society more broadly, the politico-economic goals of parties with religious backgrounds or tendencies such as the AKP, the Nationalist Movement Party (Milliyetçi Hareket Partisi – MHP), or the Felicity Party (Saadet Partisi – SP) certainly hold more noticeable sway than those of any secular alternative such as the CHP (see Onaran, 2009; Schneider, 2007; Odekon, 2005).

There is, therefore, the coincidence of religious revival and neoliberal ideology that makes Tariq Ali's above quoted remark so suggestive. Importantly, both came onto Turkey's politico-economic scene at around the same time, beginning in the late 1970s and ultimately flourishing in the current decade. Nevertheless, it is not obvious that the two movements bear more than incidental relation to one another. The following explication of Ali's narrative in more detail should make the connection between them more transparent to the reader. When he spoke of "empty" politics, Ali contrasted neoliberal ideology to a kind of human rights discourse that he finds it has left unattended. Market consciousness only has concern for markets, the criticism goes, and never for people. Its politics is "empty" because no hope is offered for changing the declining socio-economic conditions humans in Turkey as well as in many other developed and developing countries, specifically the workers and the poor, live under (see Ali, as cited in Schneider, 2007).

Parallel to Ali (as cited in Schneider, 2007), Harvard-scholar and public intellectual Samuel Huntington (1996) points out in his famous *The Clash of Civilizations*, that in the 1980s and 1990s, Islamist movements have dominated and often monopolized the opposition to governments in Muslim countries. Their strength was in part a function of the weakness of alternative sources of opposition. Huntington comments that the “...success of Islamist movements in dominating the opposition and establishing themselves as the only viable alternative to incumbent regimes was also helped by the policies of those regime” (1996: 114). He claims that the strength of this revival and the appeal of Islamist movements induced almost all governments of Muslim countries to promote Islamic institutions and practices. Huntington also notes “...by the early 1990s the secular, Kemalist identity of Turkey was, for the first time, coming under serious challenge” (1996: 115). Also Huntington suggests that, like most other manifestations of the global religious revival, the Islamic resurgence is both a product of and an effort to come to grips with the socio-economic repercussions produced by neoliberal globalization. What scholars such as Huntington or Ali theorize is that politicized religion filled a vacuum left upon the retreat of the strong patrimonial states. Moreover, it is evident that it arose out of protest and reaction to the inability of governments to respond to the socio-economic needs and fears of their people.

One characteristic that pervades politicized religion in Turkey is an obsession with the specifically human scale. The AKP and the secular-republican CHP mark their identities not through economic theories but through more immediate issues such as the wearing of headscarves in universities, the inclusion of *Kemalistic* principles in school textbooks or more recently, the right to abortion. Thus, instead of addressing the wide-

range socio-economic issues attributable to the neoliberal market system, both groups draw attention to what is immediately and viscerally human. Especially the AKP forms a veiled foreground, even a public distraction, before the socio-economic dynamics of the neoliberal machinery (see Sarıca, 2012; White, 2009; Odekon, 2005).

It almost appears that the AKP wants to keep the *status quo*. Might this indifference of the AKP towards deteriorating labour conditions stem from the teachings of the Koran? What if Islam itself, to which many workers and low-income families resort to in hope for a better livelihood, indirectly instigates capital's domination over labour? Within this context, Yüksel Işık (1996) points to the 43rd sura or chapter of Koran, known as Al-Zukhruf, which entails the following noteworthy passage: "In order to ensure that some people can provide work to others [...], we have put some people above others" (As quoted in Işık, 1996: 52).

Given this case, it materializes that Islam is a religion that deliberately sides with capital – by legitimizing the creation of a two-tier society, and ultimately the domination of capital over labour. Islam indirectly advises the social obedience and subordination of labour through a social compact in which, according to Islamic scholars, it is essential that both tiers of society live in peace and harmony. In this context, Işık (1996) notes that in 1986 a group of Turkish Islamic scholars recommended during a symposium on employer-employee relations that:

Capital and labour are two inseparable friends. The breaking of this friendship can jeopardize the social harmony and composure. Friendship is not one sided and therefore both entities have take obligations and make sacrifices (57).

Although, Islam sees itself as a supernatural entity that stands above and beyond class, race and ideology the following noteworthy passage should make its market enthusiasm more clearly to the reader:

If there is no social moral and respect, than class and group struggles are unavoidable and such struggles will seriously harm society, capital and labour in its entirety. Islam's first and foremost interest is that there is a mutual respect between workers and employers. For a religious community there is nothing worse than a conflict between classes (Işık, 1996: 57).

Interesting passage isn't it? Although scholars such as Kabasakal (2006), Munck (2002) and Stanford and Vosko (2004) have underlined that class struggles in the 19th and 20th century have enabled labour to enjoy a wide range of comforts in the social, economic and political sphere, which have ultimately fed into better living and working standards for them; Islamic scholars on the other hand, oppose these class struggles by rating them as dangerous and immoral. Although it is evident that Islam intellectuals recognize class differences between capital and labour, they do not make any propositions to offset them. Moreover, they support them arguing that some people are fated to serve others. This in turn suggests that Islam, in a wider gaze, claims that it is a natural cause that some people in the current market-system destined to loose while others are destined to win. Eventually it appears that Islamic scholars preach that the working classes should arrange themselves with their current status, pointing out that it is the creator's will that they live as they do (Işık, 1996).

In this light, it is not surprising that trade unionists have accused the AKP of being afraid to grant the working class its fundamental rights and freedoms. In their perspective, the AKP government shows no genuine interest in labour issues or in the reduction of Turkey's increasing poverty levels. The party rather gives attention to the needs of the business world, such as the opening up of more state sectors to private investment. Moreover, they claim the party is only concerned with economic questions such the reduction of government expenditure, the lowering of public deficits and inflation as well as the attraction of foreign investment to keep the economy running. Given the increasing infringements of basic labour and union rights, trade unionists believe that it is more than an appropriate step of the ILO to put Turkey on its international labour black list (Demir & Gamm, 2010).

People have to realize that the AKP, which has so far, despite its religious undertone and development rhetoric, proven to be neoliberal *par excellence* in its overall economic strategy; thus, harming Turkey's society at large. Its wide-range of neoliberal economic policies, such as cuts in public spending, privatization and labour market deregulation, have further aggravated the existent social and economic injustices in Turkey. Furthermore, it appears that the AKP has not only exacerbated the fragmentation of Turkey's population between rich and poor, but also between religious and secular; thus, not only posing a threat to the secular character of Turkey's republican state, but also harming the country's social fabric. On a broader scale, Turkish citizens, particularly the working class, should recognize that neither the anticipation of an Islamic work life nor the teachings of Koran can make up for missing labour rights (see Sarica, 2012; Kalnoky, 2008; Schneider, 2007; Odekon, 2005; Işık, 1996).

As already suggested by Onaran (2009), the discussion of political economy has reached the point of consensus (or deadlock) in Turkey. No political party can evade the country's economical dependence on the globalized economy. But this neoliberal system, by insisting on the priority of the market, makes no claims for the socio-economic order of the individual life. It thereby draws alternative religious voices back into certain discussions in the public sphere. The option of politicization, seemingly, comes as a comprehensible entrance of religious logic into and upon the retreat of Turkey's patrimonial state (*'devlet baba'*), which, as we have established through data, has led to major socio-economic discrepancies in the post-1980 period. It would be worth investigating further, for instance, whether the relative lack of politicization in European Christian communities can be linked with the remaining vestiges of social democratic economies along with its social safety nets there (Onaran, 2009; Schneider, 2007).

Chapter 5: Conclusion/ Lessons for Development

This thesis project aimed to explore the neoliberal transformation of Turkey and its effects on Turkey's labour force around five parameters; namely the changes in labour organization, changes in labour's wage share of income distribution, changes in employment pattern and rates, changes in social policy (health, education and social security) and changes in poverty and other development indicators. More specifically, the thesis has addressed Turkey's transition from an inward-oriented development strategy based on ISI to an outward-oriented one based on export-promotion and *laissez-faire* economics. The research has established through empirical evidence that the neoliberal transformation of the Turkish political economy consequently led to the consolidation of the capitalist classes by granting market forces free reign; thus, prioritizing global economic ties over domestic structures, and consequently growth over social welfare at the expense of accelerating social and economic inequality in the country.

Despite macroeconomic gains, the majority of Turkey's citizens have been left behind in Turkey's neoliberal development path. The working class, the poor as well as Turkey's children and elderly now find themselves in economic dire straits as the destruction of Turkey's inward-oriented economy meant political repression, amassed layoffs, unbearable pensions and higher social security contributions, increasing tax rates and privatization of key sectors such as health and education, high personal debts, declining wages, chronic unemployment, job insecurity, precarious employment and declining social support from the state. It is evident that Turkey's neoliberal development model prioritizes economic growth over broad-scale socio-economic development and puts foreign investment, unrestricted capital accumulation and deeper integration into the

global market system before the long-term development of its own human capital. Moreover, social and economic injustices have not provided ground to breed for Islamic fundamentalism in Turkey, but will probably continue to aggravate the country's social and economic problems unless the existing problems of poverty, inequality, and unfulfilled expectations are solved.

Therefore, as Turkey faces its 90th Anniversary, it must confront a series of critical questions: Can it continue to afford its macroeconomic and jobless growth pattern on the back of its workers? Moreover, is it morally justifiable to further integrate its economy into the global market system, whilst neglecting the steadily rising number of poor and economically vulnerable citizens? What needs to be done to ensure that aggregate growth pays off in terms of broad-based improvements in the livelihoods of working class individuals, particularly in their employment and wage prospects? Is it realistic to envision a future growth path in which the majority of its citizens cannot enjoy the fruits of social security and in which half of the employment remains in the informal sector? Can the wide gap in income distribution somehow be reversed?

Based on the empirical evidence presented in this thesis it is clear that the Turkish governments need to re-address the structure of the current labour market and its social security provision, particularly when one considers the economic and social dangers posed by labour market deregulation and the privatization drive in Turkey's public sector, which have been central issues in Turkey's neoliberal experience. Though proponents of neoliberalism might argue that economic efficiency, which in their thinking consequently leads to broad-based socio-economic development through the so-called 'trickle-down' process, requires the deregulation of the labour market and the privatization of public

sectors, this research has established that the costs of these changes are born asymmetrically, not by the groups that profit but by those that suffer. Thus, it is essential that future economic and social policy changes need to be people-focused; thus allowing everyone a dignified and worthwhile live.

Is it a mere coincidence that governments all around the world, started to re-focus on the regulation of their labour markets and build up social safety nets since the turn of the current century? In the light of the negative consequences unfolded through the unrestricted implementation of neoliberalism, it is essential that Turkish policy-makers as well need to re-think their neoliberal development strategy, and pursue economic and human development geared to their citizens' needs, particularly those of labour, rather than to the requirements of domestic and international capital. Although, from a labour's point of view, the best alternative to the neoliberal development path may seem to be a Keynesian or "import substitution" kind of model, we must not forget that these "alternative development models" have their own contradictions, and indeed neoliberalism came out as a solution to the contradictions thirty years ago. In short, "capitalism without social ills" seems to be an impossible dream.

However, one can focus on make the live of workers more bearable in the contemporary global capitalistic system, through policy initiatives that provide citizens at least a minimal level of social and work security and allows them to actively engage in the policy-making process. In Turkey and likewise affected LDCs, the Scandinavian social welfare regimes or the ILO's 'decent work' agenda along with the policy recommendations to combat precarious employment, could serve as a first positive impetus in this complex undertaking (see ILO, 2011).

Work must be safe and worthwhile. It must allow the workers to provide for themselves and their dependents, without facing the risk of losing their jobs or not being able to receive good education and health care provision, and in the worst case to get injured or die. Moreover, national health and education policies need to be people-focused and take into consideration existing structural problems that limit its citizens to access health and education services that a key variables for sustainable development.

Maintaining good health and having access to education are central elements of quality of life and should not be limited to those who can afford it, but be open to those who need it. Therefore, priority should be given to the achievement of a universal health coverage including social security and health services and to the removal of barriers preventing access to health services. Failure to expand social security coverage will maintain a system for insiders who are covered by publicly supported social security funds, excluding others who are left vulnerable and without cover. Also policy-makers need to prioritize public education. Education not only provides a means of securing a job that pays a good wage, but also gives people a better understanding of society and of an individual's role as a citizens neighbor, parent or spouse (see Rose & Özcan, 2007). Health and education are sectors where the free hand of the market cannot cradle and protect the vulnerable, instead education and health policies need to be crafted in such a way that the hand of the state provides vital public social services to nurture a population that can actively participate in the political, social, and economic developmental processes of a nation (see Odekon, 2005).

Such freedoms will ultimately translate into enhanced capabilities and help the individual to choose a life one can value. Such an emphasis on freedoms and capabilities

that will provide individuals to pursue a “decent life”, will free the traditional development paradigm from the income and welfare dicta of the neoliberal theory and elevate it to a higher plateau where freedoms, equity and equality counts. Within this context, labour rights are an integral part of a “decent life”. Guaranteeing labour rights will ensure that economic growth will go hand in hand with social and economic equity (see Mishra, 2001).

However, it seems extremely hard for an individual to realize capabilities without a proper institutional framework that can enhance the capabilities of its citizens. For instance, revitalizing labour organizations would provide the necessary institutional framework to help labour to expand its capabilities. A working class that is unionized and well organized could help workers to shed the “unfreedoms” imposed on them by global capital. Labour market flexibility has hindered labour to organize effectively and to challenge the exploitative nature of the neoliberal market (see Stanford & Vosko, 2004).

Strengthening the labour movement at the global level would, to some extent, free labour of the unfreedoms of the market and hence raise its capabilities to achieve equal footing with capital. Revitalizing the labour movement at a national and global level, re-integrating labour into the decision-making process, and restructuring work conditions are vital aspects of new relationship between capital and labour. It is also important that the sovereign nation-state restores itself in all venues of life, but especially in the economy, as the overseer of the rights of its workers and its people. If the nation-state is strong and supports its workers, capital will have to accept labour as an equal partner.

It is a good time to renegotiate the relationship between capital and labour, in Turkey and elsewhere, and re-evaluate workers’ rights such as wages, pensions and work

conditions. Global capital is currently in crisis. The enduring instability of capital markets, dwindling profits, and rising protests against neoliberal globalization, have intensified this crisis. Therefore it is time to act! If we miss this opportunity, then it is very likely that the market will not only continue to produce a dislocation that attacks the very fabric of society, but will sooner or later destroy manhood and transform his surroundings into a wilderness as once cautioned by Polanyi (1944).

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