

**THE EFFECTS OF GLOBAL FINANCIAL AND ECONOMIC CRISIS ON TURKISH
ECONOMY AND TURKISH LABOUR ADMINISTRATION
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FOREWORD

It is said there is a Chinese curse going ‘may you live in changing times.’ The present study which has been developed in “changing times” and beyond this in a period, in which multiple changes coincide, is inevitably marked with limitations that the curse implies.

First of all, it must be underlined that even before the global crisis casted its effects on Turkey, more specifically starting from 2005, the country was already in a process that constrained the dynamics of economic growth. As an important indicator of this process of change, falling rates of growth and high rates of unemployment suggest that Turkey was facing serious economic problems well before the outbreak of the recent crisis. In this context, the words of Juan Somavia, the Director-General of the ILO, “there was a crisis before the crisis” (ILO, 2008a) holds true for Turkey as well. Measures relating to the “crisis before the crisis” in Turkey had well been launched before the current crisis. Thus, the “crisis package” of Turkey can be said to have been designed before the effects of the recent crisis started to be felt. The “employment package” introduced by the Act no. 5763 adopted in mid-2008 can be addressed in this context.

Meanwhile, Turkey has been undergoing a process of structural change in terms of social policy and public administration, gaining pace especially after 2006.

The new system introduced by the Social Security and General Health Insurance Law no. 5510 of 2006, the amendments to this Law in 2007 and 2008 and the structural changes in the delivery of first and second step health services in the context of the “Programme for Transformation in Health” reflect the most significant recent changes in the domain of health and social security.

Public administration is another domain which is undergoing structural change. Important changes are taking place in the missions and functioning of public agencies and institutions at both central and local levels. Labour administration is one of the sub-domains where changes have been taking place.

The effects of the global crisis are blended together with the effects of these changes in social policy and public administration given effect prior to the recent crisis. This blending of pre-crisis changes at economic, social and administration levels with changes triggered by the crisis creates serious difficulties in distinguishing the effects of the crisis.

The second phenomenon which constrains the study is the fact that the global crisis is still continuing and it is impossible to fully anticipate its further depth, duration and scale. Economists vacillate between comments maintaining that the “worst part has gone” and others arguing “the worst is yet to be experienced.” The “V” shaped model addressing crises in capitalism in the context of contraction and expansion processes or, to the worst, the “U” shaped model which envisages expansion following contraction and stagnancy cannot be put forward for the 2008-2009 crises. There are economists arguing that the crisis is now in its “I” shape, that refers to descending line, which will later turn to “L” shape signifying a protracted period stagnancy afterwards. Finally there are still others suggesting a “W” shape, denoting a new collapse after a relative recovery (Soros, 2009).

While the crisis persist, its internal phases and the effects of monetary and financial measures adopted lead to short-term changes in the economic and social indicators of the crisis. Monthly changes in data relating to growth, employment, public fiscal balance and trade deficit all influence assessments regarding the trajectory of the crisis and thus measures adopted and considered for adoption. This worldwide phenomenon finds its reflection in Turkey as well.

Third constraint to the study is the changing nature of Turkey’s crises measures. Measures adopted are subject to alterations over time; while some measures are expanded in their coverage, time periods for others are extended and some new measures are added. Although internal monitoring of anti-crisis measures, some of which have yet not completed their first year, is carried out by public authorities, information relating to this monitoring has

not been shared with the public. This is another factor making it difficult to conduct an analytical evaluation of anti-crisis measures.

In the first section of the study the progress of the global crises from financial crises to the crises of the real economy, employment crises and social crises and its spatial expansion from the centre of capitalism to the peripheral economies is briefly presented.

In the second section of the study, the effects of the global crises on the Turkish economy are examined with an emphasis on working life. In this context a brief assessment of growth, employment, unregistered work, wages and poverty is included.

In the third section of the study, measures against the crisis in Turkey are addressed in terms of working life and measures relating to the field of activity of the Ministry of Labour and Social Security are examined in detail. The legal arrangements related to anti-crises measures, the measures to increase the capacity of the Ministry of Labour and Social Security, the social dialogue mechanisms during the crises and the effects of crises on labour and social security inspection are covered in this section. For this section, in addition to a review of all related legal documents, in semi-structured interviews were undertaken with the high level representatives of the Ministry of Labour and Social Security, Labour Inspection Board, Public Employment Agency (İŞKUR) and Social Security Institution (SGK).

In the fourth section of the study, the views and activities of social partners with respect to the global crisis and the anti-crisis measures were examined. To this end, semi structured interviews were conducted with the representatives of the workers, civil servants and employers' confederations as well as a review of the documents and periodicals of these Confederations published in the 2008-2009 period.

In the fifth section of the study, the effects of the economic crises on Bursa, Gaziantep and Çorum provinces and the anti-crises measures at the local level have been examined. To this end in depth interviews were conducted with social partners at the local level as well as an analysis of data at the province level where available. In this Section, the local level effects of the EU-ILO Project “Tackling Unregistered Work Through Social Dialogue” conducted between the years 2005-2007 in Bursa, Gaziantep and Çorum provinces and aimed at finding a solution to unregistered work through social dialogue have also been evaluated.

1. GLOBAL CRISIS: CHAIN REACTION

1.1 Global Financial Crisis

For the last 25 years we observed the phenomenon of the financialization of the process of capital accumulation worldwide. It was in 1995 that the International Labour Organization had its word on the issue in its Employment Report:

...It could be argued that two changes in the international financial system that originated in the late 1970s have exacerbated problems of increased unemployment. The first is the increased mobility of international capital as a result of the relaxation of previous controls. The second is the dramatic increase in trading in global markets for currencies, currency futures, and a wide variety of “derivative instruments”. There has been not only an explosion of activity in foreign exchange and capital markets but a change in the nature of this activity. In 1971....about 90 percent of all foreign exchange transactions were for the finance of trade and long-term investment, and only 10 percent for speculative. Today those percentages are reversed, with well over 90 percent being speculative. (ILO, 1995: 196).

This phenomenon underlined by the ILO in 1995 derived from the fact that the demand for goods and services was not sufficient for accumulated capital in advanced capitalist countries to move to investment and production. So this accumulation that could not be directed to production was channelled to financial markets. In other words, limited investment opportunities brought along financialization.

This “casino capitalism” which financialized capital accumulation and meant “making money over money” through speculative investments had earlier driven a series of countries to financial crises in Asia and Latin America including Russia and Turkey (2000-2001). After ten years, this time in 2008, this “chain of happiness” was broken from its weakest link in the US, the bastion of finance capital upon the deflation of real estate mortgage loans balloon.

In the US within the last 10 years, mortgage companies like Fannie Mae and Freddie Mac which could borrow 70 times of their net assets as well as investment banks like Lehman Brothers which could borrow 30 times of their net assets channelled savings they collected from individual and corporate investors to housing loans and filled all world markets with payables given by debtors. Furthermore, insurance companies like AIG insured these risky papers.

However low-income American families were financially incapable of repaying the principles and accruing interest. 20 percent of loans which totalled to 10.6 trillion dollars were risky. Low-income families could not cope up with this burden and failed to repay. In mid-2008, banks and financial institutions investing in these papers were already in loss by 435 billion dollars. Today “poisonous” papers of sunken housing loans are expected to total to 1.5 trillion dollars (Blackburn, 2008; BSB, 2009; Eğılmez, 2009; Sönmez, 2009).

1.2 From Financial Crisis to Crisis in Real Economy

Feeling unrest in the face of sunken loans crisis, investors hastily started to withdraw their investments while investment banks were rushing to get rid of mortgage papers. When banks and finance institutions restricted their loans upon confronting fund scarcity and perceptions of high risk, the crisis in bank loans broke out. This crisis then expanded and turned into a global financial crisis where giant finance institutions collapsed. This was followed by a deep stagnancy in advanced western economies. Towards the spring of 2009, the effects of the financial crisis were already transferred heavily to real economy (Eğılmez, 2009; Sönmez, 2009).

Earlier, it was expected that countries like China, India and Russia would not be affected much by this crisis and, thanks to economic growth in these countries, financial crisis starting in the US and EU would not turn into a global contraction. Yet, this time the crisis of ‘casino capitalism’ have broken out not in relatively smaller markets of Thailand, Indonesia or Turkey, but in the US economy, the principal pillar of global economy. Other components of global economy were not as strong as to eliminate the outcomes of the collapse in this main axis. Consequently, all world economies, including emerging ones were drifted into global stagnancy after the US (Griffith-Jones and Ocampo, 2009).

The financial crisis led the economies of advanced countries to turn their attention to their domestic economic problems and to allocate trillions of dollars to rescue and incentive packages (Khatiwada, 2009). In the face of the crisis, people in the developed countries tended to consume and travel less. The scarcity of loans to finance investments and trade in real economy, lack of confidence on the part of consumers and investors and the vicious circle

of falling consumption, production and investment converted global stagnancy to global disaster through the channels of global trade and investment.

The Deutsche Bank envisages for 2009 shrinkages in the economies of the US by -3.9 percent, Euro region by -3 percent, Japan by -7 percent and Russia by -2.4 percent. It is also envisaged that capital outflows to developing countries which totalled to 929 billion dollars in 2007 will decrease to 165 billion dollars in 2009 (ILO, 2008b; ILO, 2009a). According to the OECD, the OECD block comprising 30 countries will shrink by -4.3 percent in 2009 and there is no expectation for any growth in 2010 (OECD, 2009).

1.3 From Economic Crisis to Employment Crisis

While financial crisis turns into crisis in real economy, real economy crises in turn lead to the biggest and deepest employment crisis of the century. In almost all countries the rates of unemployment have swelled and unprotected forms of employment and the number of working poor have both increased. Finance, construction and automotive come to the fore as sectors where economic contraction and therefore unemployment are most commonly observed.

While export goods of those countries dependent on exports in labour intensive sectors can find no clients as a result of falling consumption, millions of workers in both North and South join the global army of unemployed. According to the ILO, this means 14 million more added to the army of unemployed in 2008 and a further increase by 40 million is expected in 2009. It is estimated that increase in the number of people working in most unfavourable conditions, unprotected and for very low wages will be 75 million. The US is experiencing the deepest unemployment crisis in its history since the Great Depression of 1929. Within the last year, 4.100,000 persons have lost their jobs in this country. The number of unemployed is rapidly increasing in Japan. 20 million Chinese returned back to their villages after having lost their jobs in the urban sector. Employment in the export sector of India declined by 3 percent. In all developing countries, mass unemployment is experienced in export industries including garments, foot wear, processed food and electronics. Central and Eastern European countries are facing the threat of returning back to those days of unemployment and poverty they experienced earlier during their transition to capitalism. In Africa, unemployment is rapidly rising in tourism and in sectors producing goods for export markets (ILO, 2009a).

The employment crisis does not manifest itself solely in unemployment. The population that is called “working poor” is also growing. In countries where domestic migration is well established, it is not possible for those losing their urban jobs to return to rural areas for existence in mere subsistence conditions. In such social structures, along with the rise in unemployment, formal and protected work is rapidly turning into informal and irregular work. According to ILO reports, 40 to 50 percent of working people will be living near the poverty line of 2 dollar per day in 2009 (ILO, 2009a; 2009b).

Meanwhile, migrants whose numbers reach 120 million today joined by new migrants of the crisis. What is more worrying is that global economic contraction in 2009 might be well above than the projected figures. The International Monetary Fund (IMF) states that economic contraction projections for 2009 will most probably be revised and revised projections will suggest a further downward trend. This means that estimates regarding fall in employment will be above earlier ones and the year 2009 will present a gloomier picture in terms of unemployment and poverty (ILO, 2009a; 2009b).

In its 2009 World Economic Outlook Report (IMF, 2009), the IMF underlines that the rate of unemployment generally rises significantly following financial shocks and remains at high level for many years. Given that world economies faced high rates of unemployment and growth without employment even before the crisis, unemployment, now aggravated by the last crisis, will be the global problem of the coming decade (ILO, 2009c; ILO, 2009d).

1.4 From Employment Crisis to Social Crisis

The only way to prevent unemployment crisis turning into a social crisis is social protection mechanisms for the unemployed and poor segments of population. While industrialized countries allocate 20 percent of their GDP to social protection, this share is too low in developing countries. Indeed, while the OECD average for 2009 is 20.5 percent, it is 7 percent for Mexico and 13 percent for Turkey.¹ In developing countries overwhelming majority of unemployed people are never covered by unemployment insurance scheme. The unemployed can not be said to be under social protection in all industrialized countries as well. In fact we see that 59 percent of unemployed in the US and 77 percent in Japan are out of the coverage

¹For the comparative table see OECD http://stats.oecd.org/wbos/Index.aspx?datasetcode=SOEX_AGG

of unemployment insurance. In Germany and France, these rates are 6 percent and 20 percent, respectively (ILO, 2009a).

To the extent that social protection systems of countries are strong in terms of both coverage and nature of protection offered, any employment crisis is less probable to turn into a social crisis. To prevent such transformation, it is necessary to increase social protection spending significantly. However, increase in social spending has a very small share in “economic recovery packages” which are based on channelling public funds to banks and financial institutions as well as to companies most affected by the crisis. In the Rome meeting of the G8 Ministers of Labour (30 March 2009), OECD Secretary General Angel Gurría declared that social spending constitute only 8-10 percent of the public funds allocated to economic recovery. It is expected that regressive tendencies will take place in health and education in all countries of the world (World Bank, 2009).

Governments of developing countries who are devoid of giant funds that the US Treasury, West European countries and Japan can command are inevitably locked up in terms of social measures to be adopted against the crisis. The fact that the economic crisis further deepens political instabilities and rapidly expands areas with armed conflicts is nothing less than a new nightmare for humanity that still keeps the devastating outcomes of the Second World War fresh in its social memory. Today, 80 percent of all national budget spending in Afghanistan, Burundi, Rwanda and Democratic Republic of Congo is financed by foreign aid. In case the crisis puts further pressure on foreign aid budgets of industrialized countries, generations in aid-dependent countries may be lost. As a matter of fact, the IMF 2009 World Economic Outlook report admits that most of the developing countries will keep wrestling with poverty-related problems and continues to say, *“In a series of developing countries, including those in Sub-Saharan Africa where per capita GDP fell in 2009 for the first time within the last decade, poverty may seriously climb up.”*

Meanwhile in countries where occupational pension systems predominate, working people face serious risks. According to ILO data, occupational pension funds invested in capital markets of OECD countries had to suffer 20 percent value loss in 2008 (ILO, 2009a). This loss can be expected to continue in 2009 as well.

1.5 From the Centre of Capitalism to Peripheral Economies

Financial crisis that first broke out in the US in 2007, spread to developing countries starting from the mid-2008. Depending on their pre-crisis situation, developing countries are affected by the crisis in varying forms and degrees. Exceptions, countries that went into the crisis with a large current deficit and a heavy debt burden on the part of private sector are affected more. On the other hand, countries that were able to reduce their trade deficits and rate of foreign debt after the Asian and Latin American crises are affected less in terms of their growth rates and also enjoy a wider policy domain when it comes to anti-crisis measures. For her pre-crisis economic situation, Turkey was among those countries vulnerable to the effects of the crisis (Boratav, 2009, UNCTAD, 2008; Uras, 2009).

The global crisis reached developing countries through various channels including the volume and terms of foreign trade, direct and indirect private capital flows, migration and remittances from abroad and amount of external assistance. As to which of these channels was more effective in transferring the effects of the crisis, it varied with respect to individual countries and sectors as well.

2. EFFECTS OF GLOBAL CRISES ON WORKING LIFE IN TURKEY: ECONOMIC AND SOCIAL DEVELOPMENTS

2.1 Effects of Crisis on Turkey

Turkey confronted with the crisis with her high current deficit, an import-dependent industry, with heavy external debt burden and high rates of unemployment (BSB, 2008; IILS, 2008).

The impact of the global crisis on Turkey was shaped through the channels of financing, trade and expectations. Declining capital inflows, dysfunction of credit channels based on the banking system, falling domestic and foreign demand and negative impact on expectations, (DPT, 2008; DPT, 2009a; İSO, 2009, TKB, 2009a; TKB, 2009b) led to contraction in Turkish economy starting from the last quarter of 2008.

Associated with the repercussions of the global crisis, Turkey experienced net capital outflow starting from October 2008. Consequently, the real sector started to face difficulties

in external financing. In fact, the rate of medium and long-term debt servicing of non-banking private sector which was 191 percent in 2008 later decreased to 73 percent in the first 7 months of 2009 (DPT, 2009c). Privatization of the banking system to the foreign banks too had its role in the closing up of the credit lines to the domestic market. The inactivity of the credit channels affected the small and medium enterprises even more.

Close to 50 percent of the exports of Turkey are to the EU countries. Parallel to the process in which the effects of the global crisis felt in the real sector of the EU, Turkey had to face a shrinking foreign demand. Starting from November 2008, Turkey's total exports fell and falling exports had its reflections in both production and employment (UNCTAD, 2009: 6). Meanwhile, import of goods and services shrank at a rate higher than exports and this development even led to a situation where Turkey experienced a foreign trade surplus. This contraction in imports forced domestic demand to turn to domestic market and therefore positively affected production and employment (Boratav, 2009).

Another impact of the crisis is that it increased uncertainties and thus undermined confidence and expectations. While consumers suspended their consumption decisions, investors did the same with their intended investments, which together made the economy stagnant.

Finally, the global crisis negatively affected the performance of public finance as well. While tax revenues fell parallel to declining growth, due to various tax and contribution reductions and exemptions introduced to induce the real economy, tax revenues remained well below original budget estimates. Lowered social security contributions, high cost of the transformation of the health services system and increase in various items of public spending augmented budget deficit and debt burden. The central government budget deficit for 2009 which had been projected as 10.4 billion TL at the beginning of 2009 is expected to rise to 62.8 billion TL at the end of the year and the primary balance which had originally been envisaged to yield a surplus of 29.8 billion TL is now expected to give a deficit of 20.8 billion TL (DPT, 2009a).

2.2. Growth

Turkey fell under the impact of the global crisis with imprints of her own crisis breaking out in 2001. Following the crisis of 2001, Turkish economy displayed a rather fast recovery with the re-mobilization of capacity lying idle during the crisis and also with the contribution of favourable trends in international markets; its average rate of growth in the period 2002-2007 was 6.8 percent. Within the period mentioned, the highest rate of growth was in 2004 with 9.4 percent. After 2004, which was the last year of conjuncture driven growth, the rate of growth started to fall relatively; the rates of growth for the years 2005, 2006 and 2007 were 8.4 percent, 6.9 percent and 4.7 percent, respectively. In the last quarter of 2008, GDP shrank by 6.5 percent and the rate of growth within the year was 0.9 percent.

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

As the effects of the global crises began to be felt in Turkey, the decrease in the rate of growth observed before the crises turned into contraction beginning with the last quarter of 2008 and leaving aside financial institutions, significant contractions are observed in almost all sectors.

Table 1. Sectoral Rates of Growth

Sectors	(At 1998 Basic Prices, Percentage Change)								
	2008					2009			
	I	II	III	IV	Total	I	II	III	
Agriculture	5,4	-0,3	5,4	2,4	3,5	0,3	6,4	2,8	
Industry	9,0	5,0	0,7	-9,6	1,1	-20,6	-10,9	-4,0	
Mining & Quarrying	8,4	7,7	3,9	2,7	5,4	-13,0	-15,3	-3,2	

Manufacturing	9,1	4,8	0,3	-10,8	0,8	-21,8	-11,2	-3,9
Energy	8,3	5,9	4,0	-1,2	3,7	-6,1	-6,0	-4,8
Construction	-3,3	-5,2	-9,8	-14,0	-8,2	-18,9	-21,4	-18,1
Trade	9,9	4,5	-1,5	-15,9	-1,1	-26,3	-15,4	-7,2
Transport & Communication	7,9	4,2	1,2	-7,4	1,3	-17,7	-12,2	-6,9
Financial intermediation	9,3	9,6	8,0	9,4	9,1	10,8	7,5	7,8
Ownership Of Dwellings	1,5	1,6	2,5	3,5	2,3	4,5	4,8	3,8
(-) Fin. intermediation ser. indirect. measur.	8,0	9,9	6,7	9,2	8,4	10,7	6,6	9,5
Services	6,5	2,3	0,1	-6,5	0,4	-13,2	-8,1	-4,5
Public adm. and defence; comp. soc. sec.	6,5	-0,3	-2,8	0,6	0,9	0,9	1,2	1,7
Education	1,4	0,7	-1,2	1,5	0,7	-0,3	0,6	2,0
Health and social work	5,5	2,6	1,9	1,9	3,0	0,0	2,0	3,6
Taxes-Subsidies	9,9	-2,6	2,4	-10,1	-0,3	-22,0	-7,0	-8,4
G.D.P. (Purchaser's Prices)	7,2	2,8	1,0	-6,5	0,9	-14,7	-7,9	-3,3

Source : TURKSTAT.

(*) Calculated by SPO.

2.3. Employment

An important characteristic of the period 2002-2007 is the existence of the phenomenon called “jobless growth.” In spite of the strong growth performances that followed the 2001 crisis and some expansion in employment associated with this growth, rates of unemployment climbed by 3 percentage points above what had existed in pre-crisis period and reached 10 percent. As many other developing countries that cannot generate quality jobs even with high rates of growth, Turkey was facing a serious problem of unemployment and idle labour force prior to the crisis. While the average annual rate of growth in the period 2004-2007 was 7.3 percent, the average annual growth in employment, according to data revised on the basis of new population projections, remained at 1.4 percent. Jobless growth becomes more salient in manufacturing industry. In the years 2005, 2006 and 2007 the rates of growth in manufacturing industry were 11.9 percent, 8.2 percent and 8.4 percent, respectively, while corresponding rates of employment growth were 1.8 percent, 1.6 percent and 0.5 percent.

In the backdrop of jobless growth in manufacturing industry, we observe the abundance of foreign exchange emanating from high interest rates and consequent overvaluation of TL which directed industrial production to capital-intensive lines while, at the same time, industry became more import dependent in intermediary goods and domestic production of intermediary goods is replaced by imports. Meanwhile, the environment of global competition served as a factor supporting this process by leading to productivity increases on the basis of rising labour intensiveness.

In the period following the 2001 crisis, high rates of unemployment derives from, in addition to jobless growth in manufacturing industry, the post-crisis process of adjustment conducted under the supervision of the IMF including shrinking agriculture and agricultural employment and re-structuring in privatized enterprises. It is also in the context of these policies that agricultural subsidies fell from 3 percent to 0.7 percent of national income, that the regulative role of Agricultural Cooperatives weakened and that agriculture has turned out as net importer. In the services sector, employment creation was not sufficient to remedy employment losses in agriculture and balance low employment elasticity in industry.

On the other hand, according to data revised in the light of new population projections, the average annual rate of growth in population at working ages and, the average annual rate of growth in labour force which was 1.9 percent and 1.3 percent respectively in earlier years became almost equal in the period 2004-2007 around 1.7 percent. Similarly, the rate of increase in population not participating to labour force also dropped to 1.73 percent. Demographic trends, increase in non-agricultural employment and added worker effect may be considered as factors behind this development.

Development taking place in labour market in 2008-2009 laid bare that the real economic crisis turned into a crisis in employment. As the rate of unemployment climbed up to 16 percent and the rate of non-agricultural unemployment to 19 percent, there were concerns, particularly during the first quarter of 2009, that the country was being driven into a rather heavy social crisis. As of February 2009, the overall rate of unemployment had reached 16.1 percent. Adding to this under-employment and people who are ready to work in case given a job, we find the rate of idle labour force or derived unemployment as 29.2 percent.

In the crises period the highest unemployment rate was in February 2009. As of February 2009, the rate of urban unemployment was 18.1 percent. In urban areas, the rate of youth unemployment was even higher with 30.1 percent. These figures would be even higher when added items associated with idle labour force. Youth, in particular, lays the ground for a social crisis that may break out.

Table 2. Unemployment and Derived Unemployment ('000 and %)

Months	Open unemployment (1)	No hope to find job (2)	Ready to work but not seeking jobs for some other reasons (3)	Seasonally employed (4)	Under-employment (5)	Idle labour force (6)	Derived labour force (7)	Derived rate of unemployment %	Rate of open unemp. %
2008									
July	2353	541	1176	144	858	5072	26836	18.9	9.4
August	2439	530	1190	179	797	5135	26847	19.1	9.8
September	2548	538	1144	209	805	5244	26472	19.8	10.3
October	2687	615	1177	299	838	5616	26723	21.0	10.9
November	2995	717	1251	405	855	6223	26682	23.3	12.3
December	3274	817	1481	426	855	6853	26733	25.6	13.6
2009									
January	3650	873	1521	290	855	7189	26207	27.4	15.5
February	3802	701	1392	543	1229	7667	26218	29.2	16.1

Source: Calculated from TURKSTAT data.²

Looking at unemployment data for the last year, we observe that in November 2009 number of unemployed persons increased by 233 thousand persons compared to the same period of the previous year and has reached to 3 million 270 thousand persons in Turkey. Unemployment rate realized as 13,1 percent with 0,5 points increase. Unemployment rate increased to 15,3 percent with a 1 percentage points increase in urban areas and realized as 8,7 percent with 0,4 percentage points decrease in rural areas. Non-agricultural unemployment rate realized as 16,2 percent with 0,7 points increase compared to the same

² 6= 1+2+3+4+5; 7=TURKSTAT labour force figures +2+3+4. Under-employment figures of December 2008 and January 2009 have not been published due to change in the definition of under-employment by TURKSTAT. So it is assumed that it is the same with that of November 2008. The under-employment data for February 2009 is the sum total of Time Related Under Employment and Inadequate employment.

period of the previous year in Turkey. The rate is realized as 14,9 percent with a 0,7 percentage points increase for male and 20,8 percent for female with a 0,5 percentage points increase.

Of unemployed people in this period, 71,2 percent were male, 56,5 percent had education below high school, 27,3 percent were seeking job for one year or more, 89 percent (2 million 911 thousand) had worked previously. Among those who were employed previously; 48,2 percent were employed in “services”, 23,3 percent were employed in “industry”, 17,4 percent were employed in “construction”, 8,8 percent were employed in “agriculture”.

Table 3. Labour force status (November)

	TURKEY		URBAN		RURAL	
	2008 (*)	2009	2008 (*)	2009	2008 (*)	2009
Non-institutional population (000)	70 030	70 841	48 498	48 890	21 532	21 952
Population 15 years old and over (000)	51 143	52 007	35 906	36 308	15 237	15 699
Labour force (000)	24 036	25 011	16 270	16 707	7 766	8 304
Employed (000)	20 999	21 741	13 938	14 156	7 061	7 586
Unemployed (000)	3 037	3 270	2 332	2 551	705	719
Labour force participation rate (%)	47,0	48,1	45,3	46,0	51,0	52,9
Employment rate (%)	41,1	41,8	38,8	39,0	46,3	48,3
Unemployment rate (%)	12,6	13,1	14,3	15,3	9,1	8,7
<i>Non-agricultural unemployment rate (%)</i>	15,5	16,2	14,8	15,7	18,7	18,5
<i>Youth unemployment rate⁽¹⁾(%)</i>	24,0	24,4	25,4	26,3	20,9	20,2
Not in the labour force (000)	27 106	26 996	19 636	19 601	7 471	7 395

Source: TURKSTAT

(1) Population within 15-24 age group

Note: Total numbers may not be correct due to rounding of the numbers

(*) The results of November 2008 period were revised according to new population projection.

In November 2009, the number of unemployed registered with the İŞKUR increased by 83.96 percent over the same month of the previous year and reached 1,667, 137. Of these registered persons, 35 percent are graduates of high schools and equivalent education institutions and 15 percent are graduates of higher education. The number of persons receiving unemployment allowances increased by 40 percent in the same period and reached 232,706 in November 2009 (İŞKUR, 2009).

The Social Security Institution statistics suggest that the number of workers covered by social security has decreased significantly in 2009 over the same month of 2008.³ Unemployment as well as shift to informal works may be behind this decrease.

Table 4. Number of Insured Persons Under Compulsory Schemes

MONTHS	2007	Change over the Previous month %	2008	Change over the Previous month %	2009	Change over the Previous month %	Change over the Previous Year %
JANUARY	7,823,498	-	8,449,577	-0.66	8,481,011	-3.66	0.37
FEBRUARY	7,788,001	-0.45	8,474,374	0.29	8,362,290	-1.40	-1.32
MARCH	7,949,350	2.07	8,704,188	2.71	8,410,234	0.57	-3.38
APRIL	8,073,261	1.56	10,097,779	16.01	8,503,053	1.10	-15.79
MAY	8,290,142	2.69	9,703,722	-3.90	8,674,726	2.02	-10.60
JUNE	8,407,625	1.42	9,188,005	-5.31	8,922,743	2.86	-2.89
JULY	8,387,408	-0.24	9,127,041	-0.66	9,013,349	1.02	-1.25
AUGUST	8,459,478	0.86	9,117,005	-0.11	8,977,653	-0.40	-1.53
SEPTEMBER	8,584,686	1.48	9,163,639	0.51			
OCTOBER	8,555,071	-0.34	9,119,936	-0.48			
NOVEMBER	8,569,136	0.16	9,022,823	-1.06			
DECEMBER	8,505,390	-0.74	8,802,989	-2.44			

Source: SSI

Unemployment is not the only dimension of the employment crisis in Turkey. Depreciation of real wages, worsening working conditions, informal employment and de-unionization constitute the other problem areas of working life under crisis conditions.

2.4 Informal employment

An important point which needs to be addressed in relation to the pre-crisis employment composition in Turkey is the proportional weight of informal employment. From 2004 to 2008, the share of informal employment decreased from 50.1 percent to 43.5 percent albeit it still preserves its weight.

³ 16 percent increase in the number of people under social security coverage in April 2008 is the result of the legislation which brought up the age of retirement for new employees and reduced the rate of pensions. Those who wanted to avoid these provisions of the new legislation, increasing contributions while reducing benefits, chose the way of registering for themselves, spouses or children before the new law went into effect. According to data provided by the Social Security Institution (SSI) while only 238,000 persons joined the security system for the first time in 2007, 350,000 persons submitted declarations of job entry from 1 January 2008 to 15 April 2008. Of these, 40,000 are children including 40 infants.

What is more important is the fact that in 2008 the proportion of informal employees in non-agricultural sectors is 24 percent. If this figure is adjusted by excluding public employees and civil servants who are fully formal, it reaches 30 percent in the private sector.

In August 2007, the proportion of those who are not covered by any security scheme as a result of the nature of their employment dropped by 1.8 points to 48.7 percent compared to the same month in 2006. In the period mentioned, people working without any social security coverage dropped from 88.5 percent to 88.3 percent in agriculture and from 34.7 percent to 33.3 percent in non-agricultural sectors. In August 2008, the proportion of persons in the same status further dropped by 2.1 points to 46.6 percent. Decline was from 88.3 percent to 87.4 percent in agriculture and from 33.3 percent to 30.7 percent in non-agricultural sectors.

We cannot see the same declining trend in the period 2008-2009. In spite of all measures taken, the proportion of working people not covered by any security scheme increased by 0.4 points to 45.7 percent in August 2009. In the last period mentioned, while the proportion of uncovered workers dropped from 88.3 percent to 87 percent in the agricultural sectors, it increased from 30.6 percent to 30.8 percent in non –agricultural sectors.

Table 5. Working People not Covered by any Social Security System

	2008 August (*)			2009 August		
	Total employment	Informal employment	Informal (*) (%)	Total employment	Informal employment	Informal (*) (%)
Total	22,068	9,999	45.3	22,108	10,105	45.7
Wage earner	13,190	3,616	27.4	13,050	3,597	27.6
Employer	1,307	391	29.9	1,236	339	27.4
Self-employed	4,394	2,932	66.7	4,427	3,045	68.8
Unpaid family labourer	3,178	3,060	96.3	3,395	3,125	92.0
Agriculture	5,622	4,963	88.3	5,854	5,092	87.0
Wage earner	522	478	91.6	555	497	89.5
Employer	129	91	70.5	90	62	68.9
Self-employed	2,272	1,743	76.7	2,288	1,774	77.5
Unpaid family	2,699	2,651	98.2	2,921	2,759	94.5

labourer						
Non-agricultural	16,446	5,036	30.6	16,254	5,014	30.8
Wage earner	12,668	3,138	24.8	12,495	3,099	24.8
Employer	1,178	300	25.5	1,145	277	24.2
Self-employed	2,122	1,190	56.1	2,139	1,271	59.4
Unpaid family						
labourer	479	409	85.4	475	366	77.1

Source: TURKSTAT

2.5 Wages and Salaries

2.5.1. Wages in Manufacturing Industry

Looking at the trend of wages in manufacturing industry, we see, although there have been some increases since 2003 remedying losses in earlier years, increase in real wages remains far behind increases in productivity..

Table 6: Indices of Real Wage Gains and Productivity in Manufacturing Industry 1997=100

Years	Real Gross Wage			Productivity per worker		
	State	Private	Total	State	Private	Total
1997	100.0	100.0	100.0	100.0	100.0	100.0
1998	91.5	92.8	92.5	107.5	98.4	100.0
1999	114.0	103.3	106.0	107.8	104.7	105.2
2000	128.3	99.0	106.1	107.5	116.5	114.5
2001	112.1	83.1	87.4	114.5	113	113.1
2002	95.3	79.7	80.3	132.1	124	124.6
2003	95.2	85.2	85.8	144.6	133.7	133.8
2004	97.5	86.3	85.7	162.1	145.5	144.8
2005	104.3	90.0	89.2	179.3	153.3	152.9
2006	104.7	92.8	91.3	192.4	163.1	162.4

Source: TURKSTAT, Author's Calculations

The 2001 crises in Turkey caused substantial real wage losses. Even though there has been some increase in real wages after 2002, the previous wage losses were not recovered and the increases in the wages lagged considerably behind rising productivity.

This trend continued in the period 2007-2008 and while wages in the public sector where all workers are unionized and are covered by collective bargaining increased by 2 points; there has been 5 points fall in private sector wages.

Table 7: Real Earnings Index in Manufacturing Industry 2006=100

Years	Real Gross Wage	
	State	Private
2006	100	100
2007	101.1	100,7
2008	103	95

Source TURKSTAT, Author's Calculations

According to the information given by TİSK, in the unionized enterprise, the wage increases provided by the collective agreements signed in 2008 were only one or two points above the inflation rate. In some cases there was a wage freeze due to the difficulties the enterprises were facing under crises conditions. Workers had to accept real decreases in their earnings due to the short-time work or unpaid leaves.

2.5.2 Minimum Wages

According to data provided by the Social Security Institution (2006), the proportion of employees whose wage earnings are at the level of minimum wage in total employees with security coverage is 52 percent for the private sector. This proportion is higher in such sub-sectors of manufacturing industry as textiles. While important for employees paid over this level, minimum wages are also important as a point of growth affecting the overall level of wages.

Table 8: Real Gross and Net Minimum Wage Index (2002=100)

YEARS	Real Gross Min. Wage 2002=100	Reel Net Min. Wage 2002=100
2002	100	100
2003	103	104
2004	132	129
2005	135	132
2006	134	129
2007	132	128
2008	130	139
2009	132	141

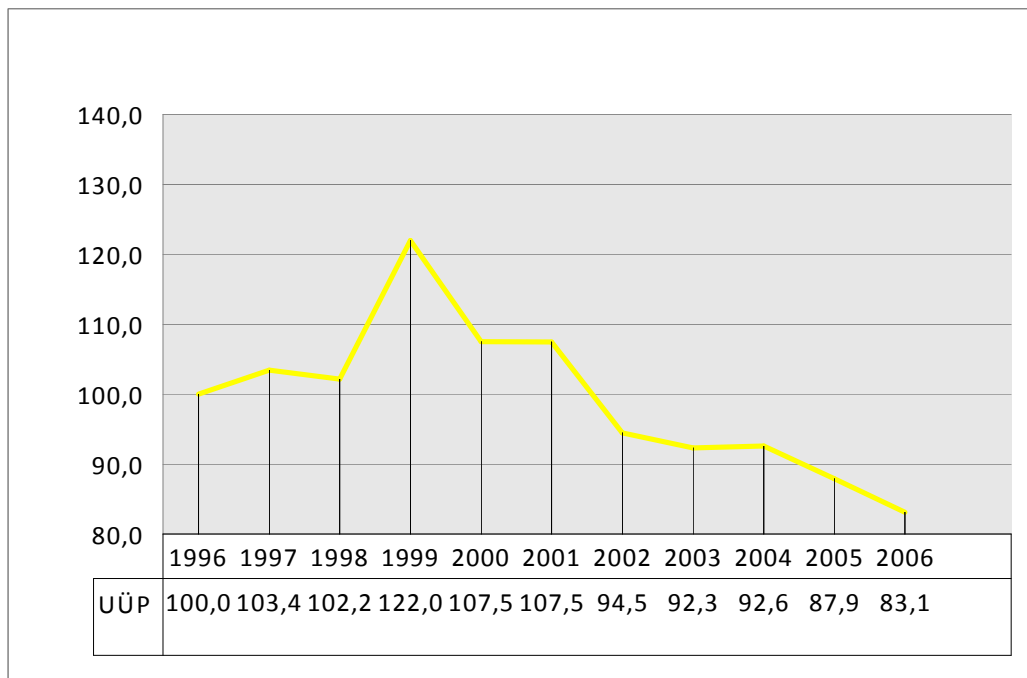
Source: MLSS, Author's Calculations.

As can be seen in Table 8 above, following the 2001 crisis, there was a minimum wage hike in 2004. In 2008, as a result of elevated minimum subsistence discount, there was an increase in net wages. In 2009, the increase in real minimum wages is by 2 points.

2.5.3. Adjusted Wage Share

Meanwhile, we also observe that the adjusted wage share as an expression of functional income distribution has been steadily falling since the crisis of 1999-2001.

Figure 1: Adjusted wage share in Turkey ⁴ 1996=100



Source: TURKSTAT, author's calculations (data after 2006 not available)

2.6. Poverty

Turkey entered the period in which the negative implications of the crisis on growth and employment began to be felt with an urban individual poverty rate of 10.61 percent and rural rate of 32.18 percent. However, data belonging to the period 2002-2007 suggest that in urban areas both the rate of individual poverty and of spending based relative poverty have fallen. In rural areas, the former remained above the urban rate throughout the period without showing any significant fall. In rural areas, the latter that is spending based relative rate of poverty has increased by 30 percent in the same period. In 2008, on the other hand, it appears that food

⁴ Compensation of employees/Number of employees) / (Domestic income at factor cost/Number of persons in employment)

poverty in Turkey as a whole and in urban areas and spending based relative poverty in Turkey as a whole and in rural areas have both increased to a certain extent.

Table 9: The poverty rates of individuals according to poverty line methods, 2002-2008

Methods	Rate of Poor Individuals (%)						
	2002	2003	2004	2005	2006	2007(*)	2008,0
URBAN							
Food Poverty	0,9	0,7	0,6	0,6	0,0	0,1	0,3
Food and Non-food Poverty	22,0	22,3	16,6	12,8	9,3	10,4	9,4
Relative Poverty Based on Expen. (1)	11,3	11,3	8,3	9,9	7,0	8,4	8,0
RURAL							
Food Poverty	2,0	2,2	2,4	1,2	1,9	1,4	1,2
Food and Non-food Poverty	34,5	37,1	40,0	33,0	32,0	34,8	34,6
Relative Poverty Based on Expen. (1)	19,9	22,1	23,5	26,4	27,1	29,2	31,0

Source: Results of 2008 Poverty Study, TURKSTAT

(1) It's based on the 50% of equivalised median consumption

(*)Figures were revised according to new population projections. 2008 Yoksulluk Çalışması Sonuçları, TURKSTAT

A survey supported by TEPAV, UNICEF and WORLD BANK covering living conditions in five big province centres (Adana, Ankara, İstanbul, İzmir and Kocaeli) showed that three-fourths of the families reported fall in their incomes in the period October 2008-June 2009 (TEPAV, 2009). According to the outcomes of the survey, over 90 percent of the incomes of the poorest households have fallen. One-third of the poorest families stated inability to pay for utilities and 9 percent had their electricity cut out occasionally. In the face of this situation, families adopted the strategy of reducing their food expenditures to cover some other essential needs. Informal mechanisms of solidarity in the form of borrowing from neighbours, friends and relatives were used during the crisis and applications to assistance provided by Social Assistance and Solidarity Foundations and local governments increased. Borrowing was one of the ways to cope up with the crisis. However, in spite of these channels, one-fifth of the poorest families stated that they could find no support at all. Fall in incomes was not associated only with unemployment; even when jobs are maintained, wage earnings and returns to self-employment fell for the lowest quintile. For informal workers this

fall was relatively higher. Families stated that family incomes, rental revenues and other supporting returns have all stagnated during the crisis.

3. ACTIVITIES OF THE MINISTRY OF LABOUR AND SOCIAL SECURITY DURING THE CRISIS

In Turkey, the Government adopted a series of measures gathered as “anti-crisis packages” which aimed at inducing domestic demand and exports, encouraging capital inflows and opening internal credit channels.⁵

The Undersecretariat of Treasury classifies the measures adopted by both the Government and the Central Bank as “Liquidity Supports” which includes measures related to the banking sector to facilitate money flows to the markets; “Tax Supports” designed to reduce rates of VAT and Special Consumption Tax; “Investment Supports”, “Credit and Guarantee Support for Production and Exports” and “Arrangements Concerning Credit Use and Credit Cards”, “Research and Development Supports and “Employment Supports” . (T.C. Hazine Müsteşarlığı, 2009).

As can be seen in the content of this list renewed monthly, anti-crisis measures in Turkey are essentially based on the idea of transferring resources to financial and industrial capital and inducing domestic demand by lowering prices (TEPAV, 2009).

In the context of mitigating the effects of the economic crisis on employment, we can speak of three major legislative acts related to the activities of the Ministry of Labour and Social Security and the İŞKUR, public employment agency for Turkey. The first legislation is commonly known as “employment package” and was adopted by the Law no. 5763 dated 15 May 2008. The second one is the Law no. 5838, adopted on 18 February 2009 introducing amendments to some legislation in effect. Finally, the third one is the Law no. 5921, dated 11 August 2009, bringing amendments to Unemployment Insurance, Social Security and Health Insurance legislation.

⁵ For the content of six packages of measures see SEDEFED, 2009.

3.1. Law no 5763 Adopted on 15. 05. 2008 (Employment Package)

The measures constituting the “Employment Package” were given effect on 15 May 2008 as legislation on “*Amendments in the Labour Law no. 5763 and Some Other Legislation*”. The amendments cover the Labour Law no. 4857, Identity Declaration Law no. 1774, Unemployment Insurance Law no. 4447, the Law no. 4904 on Turkish Employment Agency and the Law no. 5510 on Social Security and General Health Insurance.⁶

In the overall justification for the Employment Package, the basic aim is stated as reducing unemployment. However, there is no account of structural factors which explain the unemployment in Turkey such as contraction in the agricultural sector, diminished employment flexibility in manufacturing industry and flow of funds to speculative activities rather than investment. The employment package primarily aims at increasing the demand for labour and thus curbs unemployment by reducing labour costs and increasing the qualification of labour through vocational training programmes to be implemented via İŞKUR.

The measures in the package geared to inducing demand for labour by reducing labour costs are as follows:

- Private sector employers are freed of their obligation to employ ex-convicts and terror victims and their quota for compulsory employment is reduced from 6 percent to 3 percent (The obligation to employ ex-convicts and terror victims are left to the public sector). The employer’s share in security contributions of these disabled employees will be covered by the Treasury.
- Employers’ share in social security contributions of women recruited in addition to existing employees as well as of young persons in the age group 18-29 will be covered retrogressively for a period of 5 years by the Unemployment Insurance Fund. Data relating to additional employment created upon these incentives are kept by the Social Security Institution and application is made to the Fund for payments. The İŞKUR

⁶ In its original form, the Employment Package also included arrangements regarding the Severance Payment Fund. However, while presenting the draft to opposition parties in the Parliament on 22 April 2008, the Government dropped the Severance Payment Fund from the draft. The motive behind this could be the prospective reaction by the trade unions who which might delay the implementation of the package as a whole. The Government might have figured that it would be better to deal with this fund following the implementation of the package and some arrangements related to trade union rights.

states that employment created through these incentives totalled to 35,000 as of 2009 (İŞKUR, Interview). However, there is no data on this issue shared with the public.

- Starting from October 2008, 5 points of employers' share in employees' disability, old age and death insurance will be covered by the Treasury. The interesting point here is that the share of employers is not reduced but taken over by the Treasury as an "incentive." Employers who have been found to employ informal workers will not be entitled to this incentive for a period of one year.
- Employers are exempted from the obligation of establishing sports facilities in enterprises employing over 500 workers.
- The last paragraph of Article 21 in the National Education Fundamental Law was annulled in order to mitigate the obligation of providing crèche facilities in enterprises employing 150 or more female workers by allowing the outsourcing these services.
- In work safety and health measures, employers are entitled to cost reducing practices.

Below are the measures geared to inducing demand for labour by improving qualifications:

- Both new labour market entrants and others who are now unemployed after having employment experience shall be covered by the Unemployment Insurance Scheme in the context of active labour market policies. Thus, the scheme has been given a wider scope and arrangements have been made to use the Unemployment Insurance Fund to finance job placement, counselling, vocational training, labour force adaptation, community benefit work and similar services for all unemployed whether or not they have paid premium to the Fund as well as labour market research and planning efforts.
- 30 percent of the State share transferred to the fund as unemployment insurance contribution will be allocated to financing such services as extending training services to all unemployed persons, labour force adaptation, labour market research and planning and training and counselling. The council of Ministers is authorized to raise this amount to 50 percent, which it actually did later. With this facility, the İŞKUR targeted for the years 2009 and 2010 a vocational training initiative to cover 200,000 persons, 10,000 being in entrepreneurship training and 100,000 in internship. The other target, Public Benefit Works will cover 120,000 persons (İŞKUR, Interview). Programmes implemented in 2009 were attended by 190,275 trainees, 107,609 males and 82,666 females. The source transferred in 2009 is 595 million TL. The planned fund for 2010 is 595 million TL. This means that within two years the İŞKUR will

have used a fund totalling to 1 billion TL in its active employment programmes for which it procures services from Vocational Training Institutions. Some of these courses are with employment guarantee; however, employment created through this channel remains relatively limited. According to information provided by İŞKUR, employment created through this channel is around 15,000 for the year 2009. While the İŞKUR monitors the labour market positions of its course attendants, no impact analysis has been made yet (İŞKUR, Interview).

- Provincial Employment Boards have been merged with Provincial Vocational Training Boards to constitute “Provincial Employment and Vocational Training Boards”. Also there were re-arrangements and modifications as to the number of members, composition, tasks, financial resources and working mechanisms of these boards. The intended model is to assign the following tasks to these new boards: identifying labour force, employment and vocational training needs in their respective provinces; developing local policies to enhance effectiveness and efficiency of vocational training activities to be carried out in vocational and technical training schools and institutions as well as enterprises; planning for and taking decisions in relevant matters and developing suggestions and opinions to be submitted to higher organizations and bodies.

One controversial arrangement introduced by the employment package is the permission given to the Government to use the Unemployment Insurance Funds for public investments. According to this arrangement, in 2008, an amount totalling to 1,300,000,000 YTL and in the period 2009-2012 one-fourth of fund revenues will be transferred, upon the decision of the Higher Planning Board, to relevant institutions and agencies, to be used in investments in the context of the Southeastern Anatolia Project (GAP) and in other investments for regional economic and social development. This arrangement was later expanded with the Law no. 5921.

The unemployment package also introduced re-arrangements to the Wage Guarantee Fund and Short-Time Work Allowance considering the possibility of increased need for their application in crisis conditions.

The wage guarantee fund and short-time work allowance schemes had earlier been covered by the Labour Law. Operation of these funds was later re-arranged under the Law on

Unemployment Insurance, making it possible for those subject to Press and Maritime Labour Codes to benefit from both of these funds. It is observed that the number of beneficiaries and the amount of payment made from the Wage Guarantee Fund increased considerably in 2009.

Table 10 : Payments from the Wage Guarantee Fund by Years

YEARS	NO. OF PERSONS	AMOUNT OF PAYMENT (TOTAL) TL
2005	1269	3,283,075
2006	1134	1,711,294
2007	2223	3,604,240
2008	827	1,072,774
2009 (as of June)	4942	8,422,498

Source: İŞ-KUR

With new arrangements in the Wage Guarantee Fund, the scope of the scheme was expanded and eligibility specifications also included cases where workers cannot be paid due to the insolvency of their employers. Also, limitations to the period of payment were lifted.

Furthermore, there are some other measures in the Employment Package geared to further flexibility and reduce red tape in business: these include allowing the adoption of bylaws instead of regulations; lifting the obligation for enterprises which permanently employ more than 50 workers to set up workplace safety and health unit and to hire a physician and a safety expert in case they procure such services from without; and removal of the obligation to receive permit from the Ministry of Labour and Social Security in starting a new establishment.

While the Employment Package allows the use of Unemployment Insurance funds for vocational training and community benefit work as well as regional investments, it brings only a minor improvement concerning the utilization of the fund resources by the unemployed. The amendment to the third article of the Unemployment Insurance Law no. 4477. sets forth that in calculating unemployment benefits, not the net but gross amount of

minimum wage will be taken as base, which increases the amount of payment to some extent without any improvement in conditions of eligibility and terms of entitlement to unemployment benefits.

3.2 Law no. 5838 Adopted on 18 February 2009

This Law basically improves the conditions of benefitting from the short-time work arrangements. Under the original short-time work measure arranged for first by the Labour Law and then by the law on Unemployment Insurance, if the employer, in conditions of an overall economic crisis or other compelling factors, temporarily shortened weekly working hours (shorter work) or suspended enterprise activities partly or fully, he then could launch short-time allowance (KÇÖ) for those employees who were eligible for unemployment benefits given that the İŞKUR was duly informed about the situation and the approval of the Ministry of Labour was secured. In such conditions, workers would be paid from the unemployment insurance fund for the period they were out of work for a maximum period of 3 months. The amount of daily allowance was equivalent to unemployment benefits. The original law also included the provision “KÇÖ payments will be deduced from the term for unemployment benefits set earlier.” In other words, this arrangement brought employees nothing additional to unemployment benefits and in case KÇÖ beneficiaries lost their jobs permanently, the period they benefited from KÇÖ would be deduced from the period they would be eligible for unemployment benefits. Indeed, as a result of these strict limitations no person could benefit from this scheme in 2008, which was a crisis year. Even when applications extending to January 2009 are considered, it was apparent that the scheme was extremely limited in its scope.

Later, however, upon the enactment of the Law no. 5838, dated 18.2.2009, on Amendments to Some Earlier Legislative Acts, the period envisaged for KÇÖ was extended and the amount of allowance was increased. Accordingly, to be limited to applications made in 2008 and 2009, the period of maximum three months will be extended to six months and the allowance will be increased by 50 percent. Furthermore, the period of KÇÖ payments will not be deduced from the period of unemployment benefits set earlier. As for KÇÖ applications found eligible prior to these new provisions, the period will be extended under the same conditions and upon the request of the employer given that the period does not exceed what is specified in the article concerned. The Council of Ministers is authorized to

extend the period of short-time allowance for an additional six months. In this extended period, however, KČÖ will be deduced from the period for unemployment benefits.

After these improvements in short-time work regulations, the applications for short-time allowance increased rapidly. As of October 2009, the number of persons benefited from the KČÖ scheme was 424,990.

This Law nr. 5838, also extended the duration of incentives to the employment of women and youth as stipulated by the Law no. 5763

One other minor improvement for the companies was the replacement of the employers' reports to be submitted to the Ministry, its regional directorates and the Employment Agency on the number of their formal employees with one report to the Social Security Institution. This provision is expected to eliminate red tape and duplication stemming from declarations to three different institutions with identical purposes.

3.3. Law no. 5921 Adopted on 11 August 2009

With Law no 5921 dated 11.8.2009, concerning amendments to the Unemployment Insurance Law and Law on Social Security and General Health Insurance ,further employment promotion measures have been introduced as explained below:

Firstly, if an employer hires an unemployed person benefitting from the Unemployment Insurance Fund, one point from the premium of this employee for short term insurance branches, his entire premium on long term insurance branches and all of his premium on health insurance shall be covered from the Unemployment Insurance Fund. However for the said premiums to be covered from the Unemployment Insurance Fund, the employer must not be in arrears in his social insurance premium payments. Application is limited by the time which hired workers deserve to benefit from unemployment insurance.

Secondly, for all workers hired in addition to the ones in the company pay roll between April 2009 and December 2009 and in employment at the time of application, the employer's share of the social insurance premium calculated on the minimum earnings level for contributions shall be covered from the Unemployment Insurance Fund for six months.

Another important amendment introduced by law no 5921 is that instead of one fourth of the interest revenues of the Fund being transferred to the accounts of the general budget and used for in regional investments for economic and social development with priority given to investments under the South-eastern Anatolia Project as provided by the Employment Package of 2008, now three-fourths of Fund's interest revenues will be transferred to the general budget for the year 2009. Similarly, of interest accruals to the fund, three-fourths in 2010 and one-fourth in 2011-2012 will be transferred to general budgets of these years.

Upon this modification, an amount totalling to 4,100,000,000 TL will have been transferred from the Fund to the budget in 2009. Although some fall is expected in the Fund's interest revenues as a result of falling interest rates, the transfer to the budget from the fund will again approach to 4 billion TL in 2010 as well.

3.4 New Investment Incentives Package and Conveniences in Employers' Social Security Contribution

On 14 July 2009, the Council of Ministers decided to put into effect the Decree no 2009/15199 on "State Assistance to Investments" and declared its new System of Incentives. The circular (2009/1) for the implementation of the decision was issued in the Official Gazette dated 28 July 2009.

The new incentives scheme provides for incentives offered to new investments in three groups as "Large Project Investments", "Regional and Sector-Based Incentives System" and "Overall Incentives System."

For the regional application of incentives, Turkey was divided into 4 regions by grouping 2nd level provinces of Statistical Regional Classification.

Incentives provided include the following: corporate and income tax abatement; coverage of a part of interest over loans to be used in investments in less developed regions; allocation of investment site; and VAT and customs duty exemptions in procurement of machinery and equipment.

Regarding the employment incentives, the decree provides Treasury coverage of employers' share in social security contributions of newly recruited workers for a specific

period of time. These incentives are applicable to investments launched until 31 December 2010.

The employment incentive providing for the coverage of the employer's share of the social insurance premium by the Treasury shall be applicable for the first region for 2 years, progressively increasing to seven years for the fourth region. However for the said premiums to be covered from the Treasury, the employer must not be in arrears in his remaining social insurance premium payments.

3.5 Capacity Building Administrative Arrangements in the Ministry of Labour and Social Security

With administrative rearrangements in the Ministry of Labour and Social Security and related institutions, efforts were made to build institutional capacity and to diversify and improve services delivered. These efforts were geared to strengthening capacity in developing employment policies, reducing red tape and bureaucracy and expediting routine procedures. According to the information given by the Ministry official, the following activities were undertaken in 2008-2009 period to increase the administrative capacity:

- As a result of Strategic Planning work launched in line with the Public Finance Management and Control Law no. 5018, the “Ministry of Labour and Social Security Strategic Plan 2009-2013” was developed and published in 2008. The strategic planning identified institutional medium and long term goals, fundamental principles and policies, targets and priorities. Also, performance criteria were set for identified priorities. In the Performance Programme developed in connection with the Strategic Plan, Performance Targets were established parallel to the targets in the Medium-Term Programme of 2010-2012..
- The Statistics Division within the General Directorate of Labour in the Ministry was re-structured as the Division of Employment Policies and Statistics. The secretariat of this division is presently engaged in developing a national employment strategy and an action plan.
- Within the General Directorate of Labour, a special division for Disadvantaged Groups was established.
- Work is ongoing to re-shape procedures for granting work permit to foreign nationalities in the country.

- A circular was issued in October 2009. This circular contains principles to be observed in delivering services responding to the needs of clients in a fast, quality, simplified and low-cost manner.
- With Regulations no. 2009/15169 on Procedures and Principles in the Delivery of Public Services, amendments were made in 170 regulations pertaining to the office of Prime Ministry, line Ministries and some affiliated agencies in order to reduce red tape and simplify procedures. Of these amended regulations, 6 pertain to the Ministry of Labour and Social Security (MLSS), 2 to İŞKUR, 2 to Social Security Institution (SSI) and 2 to the Occupational Competence Board.

3. 6. Social Dialogue Mechanisms in the Process of Economic Crisis

During the economic crisis, there were initiatives to assign a different role to social dialogue mechanisms and to find a consensus ground, through these mechanisms, on measures to be adopted against the effects of the crisis.

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

A social dialogue environment apart from the Ministry of Labour and Social Security was created on 3 November 2008 when the Economic Coordination Board met under the chair of Prime Minister with the participation of related Ministers. The Board included the crisis in its agenda and invited social parties and non-governmental organizations to the meeting. TÜRK İŞ, HAK İŞ, DİSK, KAMU-SEN, KESK, MEMUR SEN, TİSK, TESK, TZOB, TÜDEF, KEİG, Community Volunteers Foundation, TOBB, Women Entrepreneurs Board, KAGİDER and Association of Private Employment Agencies were the organizations participating in the Board meeting. During this meeting, employers' and employees' organizations presented their reports containing their remarks and suggestions relating to the crisis.

In the January 2009 meeting of the Tripartite Advisory Board, the Board decided to meet monthly within the year 2009 to conduct work concerning the crisis. In this meeting again, social parties submitted their reports on the crisis containing their suggestions as well.

The Economic and Social Council, another mechanism for social dialogue met on 05.2.2009 with economic crisis in its agenda. Social parties shared their suggestions on anti-crisis measures with the Prime Minister as well as other ministers and top level bureaucrats.

This meeting of the Council ended up with the decision to constitute a Permanent Special Expert Commission on Employment Promotion (PSECEP). It was suggested that the PSECEP should deal with such issues as labour force participation, labour demand, SMEs in generating employment, changes in domestic and external demand affecting employment and unemployment, vocational training and monitoring and evaluation of measures adopted. Yet, the PSECEP has yet not been officially formed as of September 2009.

One other platform where the issues concerning the crises and unemployment are discussed is the “Employment Advisory Board” set up by the Ministry of Labour and Social Security Undersecretary which had its first meeting on 8 October 2009. However this Board does not have a tripartite structure and is composed of top level ministry officials and academics.

The Employment Technical Committee chaired by the relevant Deputy Undersecretary of the Ministry of Labour and Social Security and functioning under the Coordination Board for Improving Investment Climate (CBIIC) also deals with employment issues with the participation of relevant government agencies and social parties. The following are among the objectives of this Coordination Board: elimination of problems related to practices of flexible employment; adoption of measures enabling private employment agencies to engage in temporary agency work; following up employment data as the basis of employment policies; improvement in the conditions for entitlement to unemployment benefits; reducing the cost of employment; use of Unemployment Insurance Fund in measures geared to sustain employment; re-assessment of severance pay scheme with the consensus of social parties; enlarging the scope of short-time allowance specified in the Law no. 4447; removal of the obligation to report the cases of recruitment and dismissal, to more than one agency (MLSS, SSI, İŞKUR); responding to the need for qualified workers and re-arranging vocational and

technical schools so as to be more responsive to labour market needs; setting up necessary mechanisms to supervise the functioning of Provincial Employment and Vocational Training Boards and ensuring that these boards function in coordination with Advisory Boards and Committees established by the Board of Higher Education; making procedures more effective in granting work permits to foreign nationals; and solving the problems of tourism and maritime sectors in this regard. Issues addressed by the Committee were also incorporated to measures adopted by the Ministry of Labour and Social Security against the crisis and some of these were given effect.

It is known that workers' organizations have their objections to some issues addressed by the Committee including those related to flexible employment, activities of private employment agencies, use of Unemployment Insurance Fund and change in severance payment system. On these issues, the ground for tripartite social dialogue and consensus through the Employment Technical Committee under the Coordination Board for Improving Investment Climate seems to be very weak. .

In addition to the above mentioned national level social dialogue during the crises period, efforts are being made to promote social dialogue also at local levels. During interviews at local level, we observed that local parties were open to dialogue and even cooperation in the context of solving the economic problems of the province, protecting employment and extending social support to crisis-hit unemployed and poor.

The efforts that had been made at the inception of the crisis, to create an environment conducive to social dialogue at national level came to an end towards the end of 2009 . During the İŞKUR General Assembly meeting on 23 November 2009, the Minister of Labour and Social Security fired his criticisms against trade unions accusing them with “irresponsibility and with lack of vision”. In response to these accusations, in a joint declaration, both the employer and the workers organisations i.e. the TİSK, TÜRK-İŞ, HAK-İŞ and DİSK qualified these criticisms as an expression of a “conflict culture biased against the unions.” (TİSK, 2009a). After the joint protests of the social parties at İŞ-KUR General Congress, worker unions confederations made another declaration and stated that they would not be participating at the meeting of the Tripartite Advisory Board planned for 25 November 2009 since they did not expect a fruitful dialogue would be possible after the heavy criticism of the Minister towards the trade unions (TÜRK-İŞ, 2009a). The tension between the trade

unions and the government continued and the presidents of the TÜRK-İŞ, HAK-İŞ, DİSK, TÜRKİYE KAMU-SEN ve KESK confederations did not participate to the Social Security Institution Assembly on 4 December 2009 upon the 5 minute limit imposed on the opening speeches by the social partners (TÜRK-İŞ, 2009b). Finally TÜRK-İŞ left the first meeting of the Minimum Wage Commission held on 10 December 2009 upon the prevention by the Ministry, of the traditional press brief by the TÜRK-İŞ before the first meeting of the Commission (TÜRK-İŞ, 2009c). It seemed that towards the end of 2009, a climate of “conflict” rather than a dialogue prevailed between the government and the trade unions as indicated by the joint declaration of the employers and workers confederations.

3.7. The Impact of Economic Crisis on Labour Inspection

The economic crisis affected labour inspection firstly with increasing complaints by workers. Complaints to the Ministry of Labour and Social Security strikingly increased on such problems as delays in the payment of wages, increasing dismissals and non-payment of severance pays and like. This situation increased the work burden of the Labour Inspection Board and labour inspectors as the unit in the Ministry in charge of examining such complaints. In the face of the ever increasing incoming complaints, The Labour Inspection Board could not achieve its aim of reducing the share of labour inspections associated with complaints within the total inspections. Indeed, the proportion of inspections associated with complaints within the total inspections which was 47 percent as of the end of 2008, became 56 percent as of the third quarter of 2009.

As one of the most important anti-crisis measures adopted by the Government, short-time work also increased the work burden of inspectors. According to Article 5 of the Regulation arranging for this practice, the eligibility of applications by employers to benefit from this scheme is examined by the inspectors of the Ministry and the final reports concerning applications are also prepared by them. According to information supplied by the Ministry of Labour and Social Security, labour inspectors examined crisis-related applications coming from over 5000 enterprises as of September 2009.

As of February 2009, below is the distribution of applications by inspectorate groups.

Table 11: Applications for short-time work (18.11.2008 - 02.09.2009)

GROUP	No. of enterprises	Finalized	Positive	Negative	Withdrawn	Other
ADANA	259	256	211	19	26	0
ANKARA	1628	1598	802	186	569	41
ANTALYA	135	125	41	36	48	0
BURSA	652	628	406	34	142	46
ERZURUM	36	36	13	9	14	0
İSTANBUL	1284	1154	735	123	282	14
İZMİR	588	554	351	42	152	9
MALATYA	84	70	39	7	24	0
SAMSUN	61	60	31	7	21	1
ZONGULDAK	43	40	17	11	12	0
TOTAL	4770	4521	2646	474	1290	111

Source: MLSS

Having to spare more time to applications increasing since November 2008 and reaching its peak in April 2009, the labour inspectors had to reduce time available for examining other crisis-related complaints and postpone some field inspections.

Table 12: Number of files waiting for examination as of 18.08.2009

File content	Groups										
	Ank.	Adana	Antalya	Bursa	Erzu.	İst.	İzmir	Malatya	Samsun	Zongul.	Total
Worker complaints	3.436	711	2.893	1.652	31	8,442	5,507	79	426	208	23,385
Control	11			58	2			72			143
Foreign workers	69	15	291	89	3	2,345	226	1	22		3,061
Strike, lockout		12		2	9						23
İnc. Mah.						479					479
Mass dismissal						355	2				357
Short-time work				11				1	1	1	14
Branch identification								1			1
Authorization				1					1		2
General				112							112
TOTAL	3.516	738	3.184	1.925	45	11.621	5.735	154	450	209	27.577

Source: MLSS

Short-time work applications had to be prioritized under the relevant Regulation as short-time work allowance helped the enterprises to overcome their difficulties under crises conditions and prevented the collective redundancy or even closure of some the enterprises.

Workers' complaints which had its priority before the crisis were replaced by the short time work applications during the crises period. Consequently the average time allocated to the examination and conclusion of one worker complaint increased from 78.18 days in 2007 to 91.38 days in 2008. This figure is expected to increase in 2009.

Table 13: Average Time in Processing Workers' Complaints

Year	Days
2003	74.8
2004	78.3
2005	76.9
2006	79.02
2007	78.18
2008	91.38

Source: MLSS

As a result of the crisis, the Labour Inspection Board could neither reach its objective of increasing its annual rate of overall inspections by 3 percentage points. The annual rate of increase in overall inspections which was 18 percent at the end of 2008 was only 8.64 percent for the first three quarters of 2009.

Tables below show the declining number of inspections and falling number of workers covered during the crisis in terms of both working conditions and workers' health and safety.

Table 14: Inspection Statistics Relating to Working Conditions

YEARS	Overall Inspection	Control Inspection	Investigative Inspections			TOTAL INSPECT.	No. Of Workers			Total No. Of Workers	Apprentices
			Labour Law	Law Nr. 2821	Law Nr. 2822		Male	Female	Children		
2004	3,082	250	26,041	177	443	29,993	275,129	65,827	1,053	342,009	974
2005	7,220	1,130	26,022	191	432	34,995	407,941	116,194	1,357	525,492	811
2006	5,897	871	27,209	193	326	34,496	347,858	101,212	2,143	451,213	874
2007	4,902	1,038	35,502	180	422	42,044	698,902	165,223	537	864,662	962
2008	3,691	839	34,362	141	86	39,119	584,645	104,942	93	689,680	797

Source: MLSS

Table 15: Inspection Statistics Relating to Workers' Health and Safety

YRS	Overall Inspect.	Control Inspect.	Investigation					Total Ins.	Total No. of Workers	Apprentices
			Establ. Permit	Work accident	Occup. Diseases	Comp,	Other			
2004	9,329	1,588	461	3,691	89	340	8,939	24,437	729,583	1,292
2005	17,378	4,181	543	4,732	137	107	296	27,374	1,178,264	2,996
2006	16,245	4,196	719	4,983	86	135	251	26,615	1,158,372	2,032
2008	14,141	1,496	558	5,598	151	348	1,151	23,443	875,186	1139

Source: MLSS

For 2009, the target was to recruit 150 new junior labour inspectors and 69 were actually recruited as of the third quarter of 2009. Relative to earlier years this can be considered as a significant increase. A new entrance exam will be conducted in 2009 for new labour inspectors. However, this increase in the number of junior labour inspectors does not mean an equal increase in the total number of labour inspectors due to retirement and resignation of some others. Thus, elimination of deviation from the strategic goals of the Labour Inspection Board seems to be possible only upon decline in applications for crises related short-time work.

Table 16: Number of labour inspectors by years (including junior labour inspectors)

	Inspecting in the Field of Health and Safety	Inspecting in the Field of Job Performance	Total
31.12.2004	284	335	619
31.12.2006	268	315	583
31.12.2007	262	313	575
31.12.2008	248	301	555
30.09.2009	285	306	591

Source: MLSS

In 2009, laptop computer needs of all labour inspectors (except juniors) were met and this can be considered as an improvement in infrastructure. However, labour inspectors are expected to reach their places of inspection through public transport services and absence of any vehicle allocation can be noted as an additional factor further increasing the work burden of inspectors in crisis conditions.

According to observations of labour inspectors, undeclared work tends to spread during crisis. In some workplaces social security registration of workers was withdrawn as if their work contracts were terminated while they continued working. As put by a labour inspector: “In May 2009 we went to Konya without prior notification to examine the work place conditions for short-time work requests. These requests were mostly from metal industry and its suppliers in Konya and Aksaray. There was significant shift to informal status especially in casting.” (Interview)

The Ministry of Labour and Social Security conducted from 25 February 2008 to 5 March 2008 a general inspection in the provinces of İstanbul, Kocaeli and Sakarya focusing on the identification of informal enterprises, informal workers and illicit foreign workers. In this rather intensive inspection work carried out together with social security inspectors 22,662 workplaces and 310,000 workers were covered by 760 inspectors. In spite of some positive consequences of this work in terms of enterprise registration and transition to formal status, its burden on the labour inspection budget later made it necessary to reduce other types of inspections. With their allowances exhausted, labour inspectors could remain only in their groups' domain with the exception of some extraordinary situations. The budget problem

of work inspection continued in 2009 too. It was necessary to allocate extra funds to cover allowances in the face of increased work burden.

3.7 Impact of Economic Crisis on Social Security Supervision

As a result of parametric and structural changes in social security scheme coinciding with the crisis, it becomes difficult to discern the effects of the crisis on social security inspection.

In Turkey, social protection services comprise social security that protects individuals and their dependents against legally identified risks on the basis of compulsory contributions; means tested cash transfers financed by tax revenues and means tested social services extended to individuals, families or groups again financed by tax revenues. With new social security arrangements implemented in 2006 upon the suggestions of the IMF and World Bank, now there is the process of a three-legged transformation in the system. Of these legs, the transformation of institutional structure was launched with the Social Security Law no. 5502, dated 16.05.2006. The transformation of the contribution-based system was realized with the Social Security and General Health Insurance Law no. 5510, dated 31.05.2006.⁷ The third leg will be introduced by the Law on Social Assistance and Benefits which is yet being drafted. Under The Programme for the Transformation of Health System launched with the credit support of the World Bank, first step health services will be transformed into family medicine system and public hospitals into health enterprises, both of which constitute an integral part of the transformation in social security and health insurance. The process of giving effect to this transformation coincided with the crisis.

Upon new arrangements in the social security system, five different schemes covering, respectively, public servants, wage workers, wage workers in agriculture, self-employed and self-employed in agriculture will be brought together under a single formal structure. The institutional restructuring under the law no. 5502 is presently in progress .

According to the organizational chart of the Social Security Institution, it is composed of a central office with peripheral organizations. Activities related to social security supervision are organized at the centre by the Department of Guidance and Inspection. In this

⁷ The law no. 5510 took effect in October 2008 and amended several times since then.

department there are 548 inspectors of whom 69 are in administrative duties. At local level, inspection activities with the exception of those related to work accidents and occupational diseases ending with death or disability are carried out by some 700 social security controllers. The law no. 5510 allocates 3,400 positions for this duty. Furthermore, Article 59 of the law no. 5510 allows for the mobilization of other public inspectors and supervisors in issues related to labour and social security. Considering that some other governmental units, including the Ministry of Finance with its 10,000 inspectors, have significant number of inspection staff and personnel, the new legislation can be considered as geared to filling personnel gaps in social security inspection. Increase in the number of social security controllers which used to be only 250 earlier, mitigated the at site inspection burden of the inspectors and increased their inspection capacity based on risk analysis. Furthermore, in places where there are provincial directorates and central directorates, “Services for Combating Informal Employment” with at least 3 personnel in each were established. Another important development in 2008 related to the combat against informal employment is protocols acted between banks and some governmental units whereby the former is supposed to inquire social security status in some banking transactions.

According to information provided by the Social Security Institution the crisis did not have any direct effect on the institutions in terms of its functions and operations. In other words, above mentioned changes that affected the organizational structure of the institution and furthered its infrastructure capacity were not related to the crisis but to the process of social security reform. There was no special intervention to inspection work due to the crisis and no postponement of routine inspections. Inspections upon notifications and complaints continued. While the number of workplaces inspected decreased by 5 percent, there was an increase by 30 percent of the number of undeclared employees detected during inspections.

Table 17: Non-institutional Inspection

	2007	2008
No, of workplaces inspected	18,999	18,120
Undeclared workplaces identified and registered	1,063	1,357
Number of insured persons identified	324,648	352,758
Number of illicitly insured identified	12,673	16,617
Number of false insured identified	6,368	4,454

Source: SSI

As for specific sectors, inspections on undeclared work focused, in 2008, on teaching centres, driver license courses, hotels, bus firms and catering firms where the incidence is prevalent. In 2009, focus was on city transport, construction supervision firms, bakeries and private health clinics. It is expected that incentives introduced during the crises period for the creation of additional employment will reduce informality in wage employment since these measures are so designed that if the employers are engaged in anyway in unregistered work they shall not be entitled to the employment incentives.. However, there is need for more data at enterprise level to be more definite about the effects of these measures in encouraging formal employment.

4. SOCIAL PARTIES⁸ AND GLOBAL CRISIS

Social parties in Turkey tried to convey to the Government what they thought as measures against the global crisis in both various reports and joint meetings held to discuss the crisis. These meetings did not satisfy the labour side which considered social dialog as going not much beyond business as usual. One main point of criticism is the absence of any follow up or impact assessment on suggestions put forward and measures adopted by the Government.

Reserving for some significant divergences in measures suggested and emphases given, labour organizations can be said to have many points in common in their demands.

Such employer demands as short-time work, reductions in VAT and Special Consumption Tax and reductions in employment taxes were supported by labour organizations while they stood against other suggestions including further flexibility in labour market, limitations on severance pay and maintaining the IMF anchor.

While labour organizations insisted as an anti-crisis measure on increase in wages, pensions and other benefits, tax and price abatements in public services, the Government took no measures relating to these issues.

At the outset of the crises, while the DİSK and KESK focused on “internal solidarity”, that is solidarity between labour unions and other democratic organizations like professional chambers, the TÜRK-İŞ and HAK-İŞ joined employers’ organizations in such campaigns as “If there is a crisis, there is remedy as well!” and expected more from the course of social

⁸ There are three workers confederations in Turkey: TÜRK-İŞ The Confederation of Workers’ Trade Unions in Turkey was founded in 1952 and is the oldest. The Confederation of Progressive Workers’ Trade Unions of Turkey DISK originated from a faction of TÜRK-İŞ and was founded in 1967. Confederation of Turkish Just Workers’ Unions HAK-İŞ was founded in 1976. A small number of unions remain independent. There are three confederations of civil servants in Turkey: Confederation of Public Labourers’ Trade Unions KESK was founded in 1995. Confederation of Public Employees’ Trade Unions of Turkey TÜRKİYE KAMU-SEN was founded in 1992. The Confederation of Civil Servants Trade Unions MEMUR-SEN was founded in 1995. The differences between the three confederations are mainly political. A small number of unions belong to other confederations. The Turkish Confederation of Employers’ Association TİSK which represents the employers in tripartite bodies was founded in 1961 in İstanbul when six employer associations were organized under the title of "Union of Istanbul Employer Associations" . After completing its nationwide organisation, it changed its name to the Turkish Confederation of Employers’ Associations (TİSK) in 1962. TİSK has 23 members and of these four are public sector employers’ organisations.

dialogue.⁹ All workers Confederations maintained that employers should not behave opportunistically in dismissals and deregulation of labour market with the excuse of the crisis.

One point that both employers' and workers' organizations agree in the context of anti-crisis measures is the necessity to induce domestic demand. However, these two sides differ when it comes to specific measures for inducing domestic demand. Employers suggest capital-focused measures and most of these are geared to inducing spending in investments. To be more specific, the private sector proposes the following considering itself as the main agent in each: Boosting public investments in infrastructure including railways, ports, irrigation and housing; re-start of investment discounts and incentives; exempting both domestic and foreign investors from all taxes for a period of 10 years; credit allocation in favourable terms and free investment sites; reducing tax burden on energy. Employers also ask for further tax reductions in the sub-sectors of automotive and durable consumer goods in which the effects of the crisis are more acute.

As for workers' organizations and their suggestions for inducing domestic demand we can cite the following: increase in wage earnings and benefits; raising the level of minimum wage; expanding the coverage of collective bargaining; increase in retirement pensions; more favourable conditions to be eligible to unemployment benefits; introduction of minimum income support; improvements in short-time work arrangements and strengthening of collective agreement scheme.

As an employment boosting measure employers wanted reductions in employers' share in security contributions to be applicable to already employed workers while the Türk-İş underlined that reductions in employment taxes should be specifically geared to creating new employment.

Social parties insisted that the unemployment insurance fund should not be used out of purpose. However, their points of view differ in regard to the "purpose" of this fund. For example, while TÜRK-İŞ accepts the use of this fund for vocational training purposes, KESK does not share the opinion that there can be a solution to the crisis by transferring resources from the fund to vocational training. What the TÜRK-İŞ has in mind when saying fund

⁹ There are some unions affiliated to TÜRK-İŞ that do not consider such actions effective (TEZ-KOOP İŞ, Interview)

should not be used out of purpose is the transfer of resources from the fund to Southeastern Anatolia Project (GAP) investments or some other areas found appropriate by the government in a way that is not transparent. The TİSK shares this stance of TÜRK-İŞ, but further demands that if the employers have to dismiss workers, the severance payments for them should be paid out of a “debt fund” to be formed by setting aside provisions from the unemployment fund. TİSK considers that effecting severance payments from the unemployment fund in this manner does not conflict with the fund purposes.

An issue that the parties have completely opposite stances is the idea of going to new flexibilities in labour code. Employers stand for new flexibilities including, in the first place, temporary employment through private employment agencies. Workers organizations, on the other hand, strongly reject further flexibility and temporary employment in particular. While not accepting all demands by employers in regard to new flexibilities, the Government appears to be insistent on temporary employment through private agencies.

Another point of dispute between employers and workers’ organizations is about the new stand-by agreement with the IMF. While all labour organizations stand against such an agreement, the TİSK is in favour of the continuation of the IMF anchor, structural adjustment policies and privatizations, adding that funds from the IMF should be channelled to the private sector. In general, trade unions strongly oppose the neo-liberal economic policies and favour a switch to planned economy, public investments and demand that public sector should be strengthened.

The attitude of social parties on the crisis is outlined below.

4.1 Views and Policies of TÜRK-İŞ in Relation with the Crisis

At the inception of the crisis, the TÜRK-İŞ called in the Government and top-level decision making bodies to adopt pertinent measures and criticized the Government for its claim that the crisis would not so much affect Turkey. The Confederation also raised its demands through official channels as the effects of the crisis became manifest. These channels were the Economic Coordination Board, Economic and Social Council and Tripartite Advisory Board.

A meeting of the Economic Coordination was held on 3 November 2008 with the participation of Prime Minister, his deputies, related ministers and representatives of employers and workers confederations' and NGOs. During this meeting the TÜRK-İŞ drew attention to problems triggered by neo-liberalism and the need for a radical change. The confederation further maintained that Turkey needed a new long-term approach based on a balanced development comprising economic and social dimensions and IMF policies should be abandoned. The overall attitude of the TÜRK-İŞ is that the labour should not pay for a problem that it has no share in its emergence. Along these lines, the Confederation stated its position favouring such measures as encouragement of production, employment creation, job security, keeping severance pays immune from encroachments and improving the conditions of benefit for workers from the unemployment insurance funds. (TÜRK-İŞ, 2008:10-12).

The Economic and Social Council was another official channel that TÜRK-İŞ put forward its suggestions. As a matter of fact the Confederation presented a detailed report of measures in the meeting of this body in February 2009. The report emphasizes the need to abandon IMF-WB policies and adopting human-centred economic and social policies.

The TÜRK-İŞ gathered its suggestions under three main headings:

- 1- Protection and promotion of employment
- 2- Importance and priority to be assigned to protective social policies
- 3- Bringing the living conditions up to decent standards for all people

Suggestions gathered under these headings are parallel to the ones presented to the Economic Coordination Board. The Report includes the following as measures against the economic crises:

- prevention of dismissals using the crisis as an excuse,
- Treasury coverage of social security contributions by enterprises generating additional employment for a specific period of time,
- reduction in rates of interest,
- having provincial committees comprising workers' and employers' representatives to decide on dismissals on economic grounds,
- transition of informal economy to formal,

- recruitment of new inspectors by the Ministry of Labour and Social Security for more effective combat against informal employment,
- restructuring of consumer credits and debts,
- freezing of due interest on credit cards,
- halting of privatizations,
- use of unemployment insurance funds for appropriate purposes,
- increasing the amount and duration of unemployment benefits,
- having a single minimum wage for the country without introducing different regional minimum wages,
- lifting of indirect taxes levied on basic necessities,
- introduction of a solidarity income,
- coverage of fees for utilities and rentals from the public budget for a certain period of time,
- withdrawal of recent increases in prices,
- once-for-all payment as “Republic bonus” to workers, public servants and retirees,
- using collective agreements to be negotiated in 2009 as leverage for inducing domestic demand (TÜRK-İŞ, 2009d:64-70).

Furthermore, the TÜRK-İŞ Presidential Board issued a report titled “Monetary and Fiscal Policies to be Pursued to Protect and Promote Employment” on 14 February 2009 which contained its suggestions on economic policies to be adopted during the crisis. The report maintains that an economic programme without IMF intervention and a long-term approach should be adopted to improve the qualitative and quantitative characteristics of labour force, increase capital stock and technological capacity. It draws attention to the need for economic policies that would induce domestic aggregate demand (TÜRK-İŞ, 2009d:72-78).

To monitor and assess the effects of the crisis on labour and to identify policies to be adopted, the TÜRK-İŞ Executive Board established the “Labour Desk against the Crisis”. Affiliated unions communicate developments in their respective branches to this desk and as such the initiative can be regarded as another programme developed in the face of the crisis. It ensures keeping track of statistics relating to dismissed workers and other events taking place in working life (TÜRK-İŞ, 2008:13). According to data obtained, from the last quarter of

2008 to the end of July 2009, the number of TÜRK-İŞ affiliated workers dismissed is 40,755 and 44,340 have been given leave without pay (TÜRK-İŞ, 2009f: 61).

While arguing that the problem of crisis could be tackled only by preventing lay offs and increasing the purchasing power of working masses, the TÜRK-İŞ criticises the Government for not adopting measures and policies along these lines. Further, no concrete steps have been taken in relation to minimum wage and collective agreements in the public sector that would meet TÜRK-İŞ expectations.

The TÜRK-İŞ was also one of the organizers of “labour and democracy” demonstrations on 15 February in İstanbul 2009 launched under the slogan “We will not pay the cost of the crisis” together with other ETUC affiliated confederations DİSK and KESK, and professional organizations including TTB, TMMOB and TÜRMOB (TÜRK-İŞ, 2009d:7; TÜRK-İŞ, Interview). The anti-crises measures of labour unions were once again declared at this demonstration.

On May 2009 at the initiative of the Union of Chambers and Commodity Exchanges of Turkey TOBB, a campaign was launched with the aim of bringing together the representatives of the employers, workers, civil servants organizations as well as the representatives of the self employed at a platform called “The Producing Turkey” . The TÜRK-İŞ together with HAK-İŞ and TÜRK-KAMU-SEN was also one of the participants of the campaign launched to induce domestic demand, promote production and keep jobs. TOBB suggested that in order to increase the purchasing power of the masses, government should distribute “spending checks” to the people. The Government did give effect to various tax reductions as demanded by the campaign, but did not take measures to increase the purchasing power of the masses and opted for a medium-term economic programme instead of urgent measures and initiatives (TÜRK-İŞ, Interview).

Whereas TÜRK-İŞ was strongly against further flexibility in labour law in labour , government introduced a new flexible work arrangement allowing the private employment agencies to function as temporary work agencies by hiring workers to employers for a period of maximum 18 months. The TÜRK-İŞ was prepared to discuss the draft law on the activities of private employment agencies during the meeting of the Tripartite Advisory Board on 25 June 2009. However, the draft was sent to the Grand National Assembly without

soliciting the opinions of social parties, adopted and sent to the Presidency for final approval. This haste on the part of the Government undermined the functionality of the Tripartite Advisory Board (TÜRK-İŞ, 2009e:40). Upon this development, the TÜRK-İŞ asked the President to use his veto and had a meeting with the President, together with other labour confederations on 7 July 2009. The President then sent the draft back to the parliament for further discussion on 9 July 2009. Eventually the draft was adopted by the parliament as the law no. 5921 after the withdrawal of the article arranging for temporary work agencies.

The TÜRK-İŞ also drew attention to the damage done to the unemployment insurance by the arrangements introduced by the law no. 5921 allowing for the use of Unemployment Insurance Fund contrary to its purposes (Kumlu, 2009:2). TÜRK-İŞ, HAK-İŞ and DİSK, asked the President to veto the Law no. 5921 allowing the transfer of Fund revenues to the general budget to be used for economic and social purposes, but this time they could not get a positive result.

One issue to which TURK-İŞ was very sensitive during the crises period was the limitations to the severance payments as proposed by the employers. Within the last year, employers asked for including in the agenda the issue of severance pay in each meeting of the Tripartite Advisory Board, facing with strong resistance by the TÜRK-İŞ.

TÜRK-İŞ and affiliated unions gave priority to the protection of employment during the crises and sought for solutions together with the employers to prevent dismissals. TÜRK-İŞ explains this policy at the enterprise level as follows:

“In the process of the present crisis, the unions of TÜRK-İŞ have made their best to be a part of the solution and prevent the victimization of their members. In some enterprises that face serious difficulties, after dialogue with employers they agreed to accept lower wages for a period time to avoid dismissals and they conceded to unpaid or half-paid leave in others. The main point here was to maintain job contracts. In spite of these efforts on the part of unions affiliated to TÜRK-İŞ, many employers opted for dismissals as a solution and consequently more than 40,000 TÜRK-İŞ members particularly in metal and textile sectors were laid off.” (TÜRK-İŞ, Interview).

4.2 Views and Policies of HAK-İŞ in Relation with Crisis

According to the HAK-İŞ the crisis had its direct implications in working life such as unemployment, poverty and de-unionization as well as indirect ones including reduced public spending, falling service quality and difficulties in access to services. The Government adopted measures costing about 40 billion TL to provide exemptions and advantages to employers. It cannot be said that these measures have paid off in terms of supporting employment. And there are some mistaken preferences in some measures as well; for example, shifting to sector-based incentives from regional incentives and support. The weight of the informal sector is a factor that deems measures less effective. In other words, informal sector is still attractive in spite of these incentives. Employers are not content with incentives given and they use the stick of the crisis for dismissals and pushing wages down. Whether they are satisfied or not, the Government has so far adopted all measures that bring employers to a more advantageous position. In spite of all entitlements and incentives, the private sector was not motivated to investment and employment creation. Given all these, the HAK-İŞ proposes to consider returning to the model of state economic enterprises. Indeed, employment would absolutely have expanded in all these incentives were granted to state enterprises rather than the private sector (HAK-İŞ Interview).

In relation to the effects of the crisis the HAK-İŞ exchanged views with the government via such official organs as the Economic Coordination Board, Economic and Social Council and Tripartite Advisory Board. The Confederation says they have been attending all meetings where the issue of employment promotion is discussed. Through the channels mentioned above, the Confederation presented 5 reports to the Government about the problems caused by the crisis. (HAK-İŞ, Interview). The HAK-İŞ considers that lack of any mechanism monitoring the economic effects of measures introduced by the Government is a serious problem.

The HAK-İŞ has started to address in detail the global crisis and its effects on Turkey starting from the end of 2008. On 29 November 2008 the Confederation issued a report titled “Measures to be adopted to mitigate the effects of the global crisis” and presented it to the Government. The report criticises employers for lay offs and wage cuts even before the crisis had its effect on Turkey. It is argued that according to established procedures, dismissals can be in place only after resorting to such earlier measures as paid leave, short-time work etc.

The confederation also argues that discourse of the crisis should not be exaggerated and the problem should be solved through solidarity and concerted approaches. Social dialogue is considered important and emphasis is given to the development of a “common wisdom and attitude” against the crisis. Another important point is that the HAK-İŞ agrees with supra-national economic organisations in the thesis that developing countries would be less affected by the crisis. (HAK-İŞ, 2008:5-11).

In a report presented to the Economic Coordination Board on 3 November 2008, suggestions focusing on economic, political and social issues as well as labour markets were gathered under two major headings. Economic and political measures include the following: sound interpretation of economic data avoiding panic regarding the overall trend in economy; informing the public better about speculative fluctuations when the Central Bank intervenes in exchange rates; avoiding tensions which may undermine political stability; tax conveniences for firms that increase the use of domestic intermediate goods in export products; measures geared to encouraging exports such as tax abatement and selective credit; lowering interest rates; providing guarantees in production financing; sale of “2B land” to strengthen public financing; incentives to animal husbandry in Eastern, South-eastern and Central Anatolia regions; development of projects by the Housing Development Administration TOKİ, targeting citizens living abroad in order to build foreign exchange reserves and creation of a sub-committee to reach consensus on measures discussed during the meeting of 3 November. The HAK-İŞ later insisted on the creation of this committee (HAK-İŞ, 2008:11-15).

Social and labour market focused suggestions are as follows: creating a crisis desk under Ministry of Labour and Social Security comprising representatives from all confederations; examination of information on dismissals; improving the eligibility conditions of unemployment insurance and avoiding of use of the funds for purposes contrary to the fund’s purposes; enlarging the scope of short-time work and extending its duration; starting work regarding severance pay fund; introducing improvements in earnings of workers, government employees and retirees with an eye on the rate of inflation; direct income support and family assistance for the poor; taking into consideration the basic necessities of the worker and his family in determining minimum wage; extending the duration of reductions in the social security contributions and incentives in the employment package; and preventing any overtime work practice exceeding legally set limits (HAK-İŞ,2008:16-21). The HAK-İŞ says some of these measures were considered by the

Government, but lack of coordination in giving effect to anti-crisis measures is leading to serious shortcomings.

The HAK-İŞ leadership takes dialogue with the Government seriously. According to HAK-İŞ, in spite of many social and economic achievements, the Government proved to be insufficient in countering the crisis. But this is not understood as the insufficiency of the Government only. Due to the lack of a climate for consensus and sharing economic responsibilities, which is the outcome of country's tradition and political culture, organs such as Economic Coordination Board, Economic and Social Council and Tripartite Advisory Board cannot function effectively. Participating to meetings just for being there and submitting summarized reports do not bear fruit. It is an incorrect attitude to withdraw from meetings on the ground of an adverse party participating. Neither political institutions nor social parties are able to make these mechanisms function effectively. In the interview HAK-İŞ said: "The Government notifies the parties only a day before a meeting and this gives us the impression that these things are not taken seriously. We want to know and discuss which of our suggestions were considered, which were not and why, but we see no such approach in these meetings."

The report titled "Proposal of a Social Model", which can be considered as an anti-crisis programme and a broadened version of earlier reports was presented to the meeting of the Tripartite Advisory Board on 20 May 2009. The major concern in the Report is related to the very high level of unemployment reached as a result of the crisis. As a response, it is suggested to develop a "social model" encompassing all economic, social and legal aspects of working life. The model comprises 21 items each with a detailed content. These items are as follows: Reforms in Economic and Social Council, trade union, labour and minimum wage legislation; re-arrangement of conditions for benefiting from unemployment insurance; regular income support; development of a national employment strategy; promotion of youth employment; combat against informal employment; improvements in severance pay legislation; vocational training; bringing social assistance schemes together under a single roof; promotion of female employment; making social dialogue more effective; establishment of sector-based social dialogue committees; workplace consultation committees; establishment of an institution for gender equality; improvement in the legislation on workers' health and safety; increasing the number of personnel in the Turkish Employment Agency and increasing the capacity of the Labour Inspection Board (HAK-İŞ,2009).

The HAK-İŞ also took part in the campaign “If there is crisis, there is remedy”. It is considered that this campaign would help society avoid from subscribing to ‘crisis psychology’.

As for services offered to its members in crisis environment, these include working together with the Ministry in various projects; referring children working in streets to education; combat against informal employment and offering young people vocational training courses.

The HAK-İŞ does not approve the legislation concerning the temporary agency work that the Government tried to pass in the summer of 2009, as discussed under the TÜRK-İŞ title above. On this issue, the HAK-İŞ reacted together with other confederations.

4.3 Views and Policies of DİSK in Relation with Crisis

According to the DİSK it would be wrong to attribute the present crisis in Turkey to the effects of global crisis since Turkish economy had already slowed down in 2007. Starting from the second half of 2008, the crisis began deepening. The 2008-2009 crises in Turkey is not something independent of global crisis; yet, as seen in the crises of 1994 and 2001, it is also closely associated with the structural problems of the economy and erroneous policies pursued. Consequently the economic crisis starting in Turkey in mid-2008 later coincided with the global crisis breaking out in the US in fall 2008 (DİSK, Interview). In industrialized countries the crisis shook the banking system and age-old banks collapsed. In Turkey as well, the banking system and financial sector was the first to be affected badly in the crisis of 1994 and 2001. This is nothing else but an expected development, a development fitting to the laws of capitalism. However, in the last crisis, while banks and the financial system as a whole were hit, they were not as deeply affected as those in industrialized countries. This situation gave the ruling AKP Government the opportunity to spread the propaganda that the ‘crisis is by-passing Turkey.’ (DISK, Interview)

The impact of the crisis was most manifest in industrial sector which is referred to as “real sector”. During the crisis, industrial production shrank, accompanied by falling rates of

capacity utilization. The most important outcome of the crisis is the large increase in unemployment.

According to the DİSK the effects of the crisis were most disastrous to unprotected workers. Children, low-paid workers, women and others working without security coverage constitute the most unprotected segments of working people. Consequently, the most salient impact of the crisis on these segments of working people and in informal sector were worsening working conditions and falling wages. Unemployment increased too. But this decline in employment is lesser in the informal sector as compared to the formal sector. It is because formal enterprises have, like they usually do, resorted to sub-contracting and temporary employment to shift the burden of the crisis to the labour side. There are some which transferred a part or full of their activities to informal sector. They were helped in this by workers, now in more competition among each other to find jobs, who acceded to lower wages and more unfavourable working conditions.

The DİSK considers that even when a year passed since the outbreak of the crisis, the Government has yet not taken sustained, structural, coherent, long term and social measures against it. Such effects of the crisis as unemployment, wage losses, exclusion from the health system etc. have not been taken as parts of a serious social problem. Instead of adopting measures in the context of social state and social protection, the Government opted for “social protection-charity” practices in line with its political convictions. Production of various justifications for reducing VAT and SCT, which are the leading taxation instruments, in automotive and durable consumer goods but not in food, housing and utilities is an expression of capital-oriented policies. Anti-labour policies of the Government during the crisis include the transfer of Unemployment Insurance funds to the general budget with the pretext of “GAP investments”, no improvement in the real wages of workers by the 2009 public sector collective agreements and annulment of an earlier decision of the Council of Ministers on the extension of the collective agreement signed by BASİSEN (banking and insurance sector union affiliated to TÜRK-İŞ) to three other banks in July 2009 (DİSK, Interview).

According to DİSK the only act by the Government, worth mentioning, is improvements in arrangements related to the conditions short-time work allowance as included in the Unemployment Insurance Law no. 4447. Even here, the real motive is to support enterprises rather than protecting employment. As such, even this measure was not fully effective, the number of beneficiaries being rather limited.

The DĪSK maintains that the Government did not keep social dialogue mechanisms working during the crisis. It would be too optimistic to expect a stance that does not admit the presence of a crisis to sincerely consult to social parties. This is confirmed by the fact that the Economic and Social Council gathered only once during the crisis and the crisis was not in the agenda of this meeting. While the DĪSK does not take part in the Economic and Social Council, it was present in the meeting of the Economic Coordination Board on 3 November 2008. In the opinion of DĪSK, the only social dialogue mechanism that was partly operated during the crisis was the “Tripartite Advisory Board” which had been made compulsory under the Labour Law no. 4857. This organ met several times with crisis in its agenda. In these meetings however, instead of consulting to parties, the government asked support for the measures it intends to adopt. Particularly the last two of these meetings were organised to solicit support to temporary agency work.

The DĪSK developed its policies vis-à-vis the crisis and when the first signs of the crisis became visible it informed its members and warned to be alert while, at the same time, trying to mobilize other labour organizations. Together with other labour organizations the DĪSK declared its first round measures against the crisis in October. Later, in November, seeing that the Government had not taken pertinent measures, the Confederation once more shared its anti-crises measures with its members and the public and sent them to the Government. Finally, in January 2009 it released its “Social Programme” against the crisis. The same programme was also presented to the Tripartite Advisory Body.

Starting from October 2008 when the implications of the crisis became manifest, the DĪSK maintained that it would affect not only economy but social and political structures as well and stressed the importance of a programme taking due account of economic, social and political spheres. In this context, “democratic transformation” is as urgent as a measure against the crisis as economic measures. It is stressed that effective and sustained solutions could be reached with a holistic programme on the basis of cooperation encompassing all segments of society. According to the DĪSK, it is essential to seek solutions in line with a “social solidarity and democratization programme” considering the interests of various parties. Priority measures include promotion of production and employment, improved job security, eliminating inequalities in income distribution and policies protecting labour (DĪSK,2008a).

The essence of the social programme of DĪSK consists of measures to prevent poverty and heavy social damages while increasing employment. Measures suggested are as follows: creating additional employment by shortening working hours; improving conditions for eligibility to unemployment insurance; providing at least minimum income to those having no income at all; interventions to curb informal economy; introduction of subsidies against rising cost of living; provision of free education and health services; support to employment creating investments and backing up enterprises to protect employment; and increasing cash benefits to induce domestic demand. According to this programme policies built on IMF suggestions should be abandoned; unemployment fund should not be used out of its purposes and access to the fund by the unemployed should be made easier; the present taxation system heavily based on indirect taxes should be re-arranged; taxation on wage earnings should be reduced; the programme should be supported by additional taxation of 6% of the population enjoying 33% of national income; spending in education and health should be increased; new investments should be made to increase employment; job security provisions should be re-arranged so as to guarantee return to work; restrictions to speculative finance movements should be imposed ; increases in the cost of utilities should be limited; domestic demand should be supported and no tax should be levied on minimum wage; while consumer credits and debts are re-structured, banks should be controlled; the central budget should provide for a “Poverty Mitigation Fund”; agricultural support policies should be revised and management of unemployment funds and funds established for poverty alleviation should be left to the workers unions (DĪSK, 2008b).

The policy suggestions listed above are stated as short-term measures. The social programme also has its medium and long-term perspectives. Items in these medium and long-term perspectives include: abandonment of privatizations in education, health and social protection; transition to planned development and growth with public sector as leading investor in advanced industrial sectors; adoption of a geographically balanced policy in investments and incentives; rescheduling of domestic and external debts; ensuring participation in local governments; restructuring the TOKĪ so as to focus on housing needs of middle and lower classes; and revising secondary and higher education institutions so as to train a qualified labour force. A complementary element in the programme is the materialization of legal and social reforms to ensure democratization (DĪSK, 2008b)).

On 18-19 November 2008, the DİSK made a public declaration which contained an urgent intervention programme.. Many items in this programme were present in the earlier social programme. Items that are more concrete as compared to those in the social programme include: Dismissals should be stopped; weekly working hours should be set as 40 hours including rest and meal breaks; shortening of working hours should not lead to lowered wages; price increases should be repealed; wage increases should be above the rate of inflation; education and health services should be free; utilities must be provided free to those working below minimum wage; the unemployed should be organized; funds allocated to military and civil security should be channelled to production and employment (DİSK, 2008c).

The anti-crisis urgent action programme of DİSK aims at informing workers, low income groups and the poor and mobilizing them to anti-crisis actions. Actions foreseen in this context include: networking for an inclusive struggle comprising all whether unionized or not; bringing all organizations and political parties on the side of the labour together as the “voice of the labour front”; inviting workers not to leave their workplaces in case of any crisis-driven threat of lay off; in all provinces, organizing on specific days of the week, actions of “my kitchen is empty” in marketplaces; organizing “crisis discussion desks” at centres of big urban settlements; and combining the request for ban on dismissals with the demand for freedom of association and unionization (DİSK, 2008c). However the realization of these action proposals remained rather limited.

In addition to its clear-cut suggestions and anti-crises programme, the DİSK also organized various protest demonstrations with other trade unions and non-governmental organizations. It was one of the pioneers of the demonstration on 29 November 2008 under the slogan “we won’t pay for the crisis.” The DİSK was also one of the organizers of the “Labour And Democracy Demonstrations” on 15 February 2009 which was also participated by TÜRK-İŞ and KESK.

The DİSK criticized the Government for its package of measures developed to cope up with the crisis. This criticism focused on the points that measures adopted by the government were not geared to inducing domestic demand, and that incentives lacking a long-term industrialization strategy and social dimension would fail in promoting investments and employment. Differing from other labour confederations, the DİSK maintained that

vocational training and trainee employment programmes using the Unemployment Insurance funds were in fact measures to provide low-cost and flexible labour force to employers. (DİSK, 2009a).

The DİSK took action in 2009 against the government plan to introduce the temporary agency work by Law no. 5920. On this issue the DİSK shared a common stance with other two labour confederations as mentioned under the TÜRK-İŞ heading. The DİSK stood against the draft on various grounds including its potential for leaving the employee unprotected, leading to labourer brokerage practices, making unionization harder and restricting opportunities to benefit from collective agreements. The DİSK further maintained that the draft Law 5920 was in contrast to the EU directive 2008/104/EC on temporary agency work in the sense that it excludes provisions protecting labourers. The DİSK also pointed out that the ILO Convention no. 181 on Private Employment Agencies has yet not been ratified by Turkey and many other conventions that had been ratified earlier are not implemented. The DİSK rejected the use of the unemployment fund for other purposes, even for those intended to promote employment (DİSK, 2009b).

4. 4 Views and Policies of KESK in Relation with Crisis

The KESK included the crisis in its agenda first in September 2008, argued for actions against economic crisis starting from October 2008, and on 19 November 2008 it called for mass demonstrations. While KESK was quick in its response to crises, the KESK leaders think that their voice was not heard by the government. Due to the legal composition of the Council where only the civil servants confederation with the highest membership is represented, KESK does not participate at the meetings of the Economic and Social Council. However even in cases where KESK was invited to join the Council meetings, KESK turned down the invitation by the Council. KESK believes that the Council empties the requests from the labour side and that it does not have any power to genuinely influence the government since it has no sanctions. KESK argues that if they take part in the meetings of the Council, they will be a part of a decision making process whose results could be unacceptable for the labour movement. In the opinion of the KESK, being present in sessions where resulting decisions always favour the capital is contrary to their understanding of trade unionism. The KESK was invited only once to the Tripartite Advisory Board to give their opinion on the Public Employees Law no. 4688. On the other hand, KESK leaders participated to the meeting of the

Economic Coordination Board held on 3 November 2008 where they put forward the anti-crises measures suggested by KESK (KESK, Interview).

In this meeting, they stressed the need for social, political and economic planning in the face of the crisis. All segments of the society should participate to this planning process in a democratic manner. Measures should be adopted to dissuade dismissal of workers, unemployment fund should be kept close to uses other than its original purpose and taxes and security contributions should be reduced to encourage employment. Plans should be developed in a balanced manner to take into account the status of less developed regions. According to KESK, during the meeting, the Government showed that it perceived the crisis solely as a financial one. On the other hand, the KESK stressed the economic and social implications of the crisis and repeated the measures mentioned before to avoid such negative consequences as deepening poverty and aggravating unemployment. The KESK also made its suggestions public with a press release. It noted that the intention of the government with this meeting was to give the impression that it was taking sides with labour organizations against the crisis and to consolidate this image by releasing a joint declaration. In the eyes of the KESK, the Government tries to give the message “we are in the same boat” while its anti-crisis measures are not labour friendly at all. *“You have been sailing in that boat for years while we watched ashore; now when the boat is sinking, you ask for help!”* says KESK to the government. The KESK together with DĪSK refused to undersign the joint declaration suggested by the Government at the meeting of the Economic Coordination Board and therefore the declaration failed (KESK, Interview).

The KESK programme against the crisis basically argues for citizenship payments, state coverage of the cost of utilities for those who have lost their jobs and prevention of further dismissals. The KESK maintains that the “labour and democracy platform” is a must for any collective struggle. However, it appears to be quite difficult to lay the ground again for such a platform since there are too many political interventions. In spite of these difficulties, KESK calls for collective action of civil servants’ and workers’ trade unions for labour rights and for anti-crisis measures.

The KESK is critical to the package of measures introduced by the Government. KESK representative said the following on the anti-crises measures adopted by the Government: *“There is no measure to prevent unemployment and promote employment. All*

measures favour the capital side. We cannot say 'yes' to these measures. From our side, no serious measure exists. They said they would create employment for 500,000 people and give vocational training to 240,000. They said they would employ 100,000 people in parks and gardens. The Government intends to use the Unemployment Insurance fund to finance these measures. The capital turned the crisis into an opportunity. Dismissals and unpaid leaves have become common. Enterprises with the highest rates of profit are still dismissing workers. The government used his discretion in favour of the employers” (KESK, Interview).

The KESK like DİSK thinks that vocational training programmes will not be functional in the face of the crisis. Instead, they favour public investments and promotion of public employment. Investments should be increased firstly in developing regions. Incentives to private sector have proven to be no solution to this problem. It is necessary to shift to public spending and public investments to help underdeveloped regions and promote employment in these regions. The KESK also favours nationalizations to protect employment (KESK, Interview).

The KESK argues that job security is gradually weakening in the public sector together with flexible forms of employment, recruitment of on-contract personnel and performance supervision while the number of permanent public servants is decreasing. In this sense, the present crisis affects those in the public sector subject to flexibility no different than workers in the private sector.

The KESK finally says that the Confederation and affiliated unions are trying to inform and guide their members as the crises deepen. They are against such populist practices as bonus cheques and so on. (KESK, Interview).

4.5 Views and Policies of TURK- KAMU-SEN in Relation with Crisis

The KAMU-SEN participated to the meetings of the Economic Coordination Board and Economic and Social Council and communicated to the Government its requests as to measures to be adopted against the crisis. According to KAMU-SEN, however, although officially recognized, these mechanisms are actually on paper. The Government, it says, developed its anti-crisis measures not through such social dialogue mechanisms but unilaterally.

What the KAMU-SEN underlined in these meetings is the negative effect of the global crisis on exports, leading to contracting volume of foreign trade, and therefore the need to induce domestic demand. This can be achieved in two ways: Firstly by reducing taxes and secondly by increasing wages and thus the purchasing power. Considering the negative impact of reduced taxation on budget revenues, raising the income level of wage earners would be an important factor in inducing domestic demand. The Confederation is very much in favour of “spending cheque” as a factor inducing demand.

The KAMU-SEN shares the view of the KESK that the Government introduces arrangements favouring the employer’s side. It is also true when it comes to collective agreements: *“While the Government appears to be working through the consultation mechanism, it is not like that in implementation”* (TÜRKİYE KAMU-SEN, Interview).

The KAMU-SEN prepared two reports in relation to anti-crisis measures, the first one in October 2008 and the second in March 2009. In both reports “full economic mobilization” was raised as the motto of the way out of the crisis. In other words, for overcoming the crisis there is need for full mobilization in both thought and action. The first report titled “National Consensus in Economy as Road Map out of Crisis” suggests the government to take the following measures: increasing the purchasing power of low income groups; removing barriers to the organization of public employees; leaving public banks out of the coverage of privatizations; providing farmers and SMEs credit on favourable terms; reducing the cost of utilities at least by 30 percent; boosting public investments; extending the duration of unemployment benefits; getting rid of the IMF yoke; strengthening the supervisory and regulatory role of the state over economy; closing the gap in the number of public employees; strengthening supervision to prevent unregistered work and calling ESC for an urgent meeting to build consensus on measures to be adopted (TÜRKİYE KAMU-SEN, 2008: 26-28).

The report also mentions the responsibilities of the other segments of the society including industrialists, tradesmen, small enterprise owners etc. The responsibilities of the employers in times of crises are, full and timely payment of taxes and social security contributions; foregoing the super profits; boosting quality production; zero tolerance to corruption; keeping cash in TL in bank accounts; and keeping production activities within the

country. Intolerance to corruption and informality, thrift, consumption of domestic goods, channelling savings to financial institutions and using TL in transactions are what all segments of the society should do in crises periods (TÜRKİYE KAMU-SEN, 2008: 28-29).

The KAMU-SEN joined the campaign “If there is crisis there is remedy” and agreed with other parties on the issue of “spending cheques” in relation to economic measures. It stated that while workers and employers could find a common point, the Government was not so quick and consequently the campaign could not reach its expected outcomes (TÜRKİYE KAMU-SEN, Interview).

In its report titled “Crisis in Turkey and Road Map for Getting out of Crises-2” released by KAMU-SEN in March-February 2009, measures suggested in the first report were maintained while emphasis on measures related to falling employment and rising unemployment was further accentuated. It is also observed that the organization assigns great importance to phasing-in of spending cheque and monthly disbursements as ways of inducing domestic demand. The report attributes a “national” character to economy in order to remind all parties their responsibilities (TÜRKİYE KAMU-SEN-2009).

The KAMU-SEN states that in order to mitigate the effects of the crisis on the civil servants, they are trying to negotiate with the Government improvements in salaries and benefits. The Confederation also offers services to its members by making special agreements with some markets, hotels and travel agencies. These, they say, would both enable their members to benefit from favourable terms and prices and induce the demand as well. Similar initiatives are also taken by local level organizations of the Confederation. These may take the form of discounts in private clinics, shopping centres or markets (TÜRKİYE KAMU-SEN, Interview).

4. 6 Views and Policies of MEMUR-SEN in Relation with Crisis

Starting from 2001, the MEMUR-SEN rapidly increased its membership among civil servants. Having close contacts with the Government, the Confederation takes active part in social dialogue channels. However it did not take part in the mass demonstrations organized by other confederations and unions to raise the demands of the labour during the crises period.

The approach of MEMUR-SEN to the crisis is based on the idea that the present situation has its psychosocial dimension and the crisis emerges with the orientations of producers and consumers. Early in 2009, when the effects of the crisis have become manifest and other organizations started to raise their voices, the MEMUR-SEN still thought that the crisis was yet limited to financial markets and it would spread to the real sector only if necessary measures were not taken (Gündoğdu, 2009:3; MEMUR-SEN, 2008).

Measures suggested against the crisis are enumerated in the report titled “Suggestions for Solution”. Repeating its suggestions in the meetings of the Economic Coordination Board, the MEMUR-SEN argues that the “crisis can be turned into opportunity.” A package comprising 21 items was presented to the meeting held on 3 November 2008. Short term measures and arrangements include the following: reduction in the cost of utilities; enhancing employment in the public sector; reducing income tax from working people by 5 points; accelerating arrangements on the sale of 2/B land; and introduction of professional and paid military service (MEMUR-SEN, 2008).

The second report of MEMUR-SEN to the meeting of the Economic and Social Council put forward new measures in relation to the effects of the crisis on employment. Incorporating many measures appearing in the first report, this new report focuses on the following: employment plans should be revised by the Government together with employment-focused updating; for the year 2009 two bonuses to civil servants each equal to minimum wage should be granted or an increase of 100 TL should be applied every month; The South East Anatolia Project, The Eastern Anatolia Project, The Konya Plains Project, the and the construction by the Housing Development Administration should be given speed; social transfers should be increased; effective and sustained decisions related to the crisis should be adopted with the participation of social parties; both public and private sectors should invest more in R&D activities; no loan agreement with the IMF; agriculture based industries should be given priority; mines should be exploited in a way to contribute more to national economy; taxes on luxury goods should be increased; unemployment fund should be used for promoting vocational training within the framework of İŞKUR projects; the media should take over responsibility in efforts to counter the crisis; financial instruments of the Islamic world must be mobilized and financial inputs from the Gulf and Middle Eastern countries should be secured; more loans should be provided to SMEs; trans-boundary waters should be sold upon agreement with neighbouring states; the size of the military should be

reduced and the army should be professionalized; through projects in cooperation with the TİKA, partnerships of the Islamic Development Bank and World Bank should be sought; measures should be adopted to boost export of agricultural goods and organic farming should be encouraged (MEMUR-SEN, 2009).

Finally, since budget sources would not suffice financing measures to protect the society from the adverse effects of the crisis, the MEMUR-SEN suggests dropping the crisis from the agenda and replacing it with the discussions on a new Constitution.

4.7 Views and Policies of TİSK in Relation to Global Crisis

Upon the impact of the global crisis on Turkey, the TİSK gave guidance to the Government in inducing the real sector and markets and brought its suggestions to the meetings of the Economic Coordination Board, Economic and Social Council and Tripartite Advisory Board. Reports prepared by the Confederation were presented to the Government and to general public . (TİSK, Interview).

The TİSK argued that in the fall of 2008 the crisis would first affect the real sector and unless the Government acted quickly to adopt urgent measures, consumption and investment spending would be affected negatively. The TİSK does not agree with the Government that the crisis would “tangent” Turkey and it proposes that the Government should introduce a package geared to boosting investments, public spending and exports. Further, as stated by the president of the Confederation, social parties should urgently come together under the Economic and Social Council to discuss the crises agenda (Kutadgobilik, 2008: 5).

Parallel to this call, the Economic Coordination Board met on 3 November 2008. In this meeting the TİSK submitted to the Government a report titled “Measures to be adopted to counter the global crisis.” The report suggests the establishment of a “Committee to Monitor the Global Economy” within the ESC and sector-based watches to monitor developments in respective sectors. These organs are expected to design specific measures and continuously monitor the implementation of these measures. It should also be the task of the proposed committee to regularly inform the public about the course of the crisis. The report further suggests the development of a plan to mitigate the effects of the crisis. This plan is expected to address such issues as high level of current deficit, erosion of trust on the part of consumer

and investor; lowered competitive power as a result of high input costs; failed investment expectations and private sector debts in foreign currency.

Other important items in the report include support to companies which face the risk of closure; use of the employment fund to keep enterprises in difficulty from resorting to dismissals; creation of a “debt fund” to be formed by setting aside provisions from the unemployment fund and coverage of severance pays of the enterprises who are in economic difficulties from this debt fund. While reducing tax burden on electricity used by industries is a measure geared to lower input costs, there are also measures suggested to induce private investments by enhancing public sector infra structure tenders. Seasonal employment via private employment agencies and legal arrangements to further facilitate sub-contracting and definite-time work contracts were suggested as measures to curb unemployment. The report sees adherence to the IMF anchor as a must for domestic economic stability (TISK, 2008a: 8-9).

The TISK sees the maintenance of stability, keeping public revenues from falling and protecting employment as a function of the competitive power of firms and cost-reducing measures are regarded as prerequisite to ensure this competitiveness in the face of the crisis. (TISK, 2008a: 13). At the end of 2009 when it was envisaged that the effects of the crisis would penetrate deeper, the TISK stated that a package protecting employment was necessary. This package was to be designed together with social parties cooperating under the leadership of the Government to give effect to a “Tripartite Agreement in Combating Unemployment.” The condition that employers would not resort to dismissals was stated as mitigation of tax, security contribution and severance pay burdens on the cost of labour (Kutadgobilik, 2008b:5).

The TISK also dwells on the issue of flexible work and flexible employment. They maintain that the law no. 4857 arranging for forms of flexible work safeguards workers but neglects the enterprise that is merely struggling under conditions of competition. According to TISK, flexibility is an instrument promoting employment and preventing unemployment. The TISK commission on legislation adopted on 4 December 2008 the report titled “Flexibility models that can be practiced in workplaces in crisis conditions”. The report contains flexibility measures that can be adopted within the framework of legislation in effect without resorting to layoffs. These include re-arrangements concerning the period of annual paid

leave, unpaid leave, compensatory and short-time work, wage cuts and shortening of working hours. But it is stated that there may be some legal problems in implementing these measures (Pirler, 2008: 7). Consequently the report states that for combating unemployment, labour legislation needs re-arrangements that “protect not the worker but work itself” (Özdebir, 2008:33).

One of the most important instruments in coping up with the crisis is mechanisms of flexicurity that would be developed within the framework of social dialogue. The basic goal is to protect and maintain enterprises (Pirler, 2009: 6-7). In this context, the monthly organ of TİSK, İŞVEREN published a report titled “Industrial Relations in the Period of Crisis” in its January 2009 issue. The report lays down principles to guide industrial relations in the period of crisis. These principles include the following: maintaining industrial peace, employment and enterprises; reaching a national consensus in combating unemployment where the roles and responsibilities of respective parties are identified; resorting to flexibility in extraordinary situations to protect employment; curbing the negative consequences of trade union competition in socioeconomic terms; inserting provisions in collective agreements to provide for crisis-related initiatives; finding a common solution to the problem of severance pay; introduction of further flexibility measures to eliminate the alternative of layoffs; preventing the deficits of Social Security Institution and General Health Insurance to avoid further burden on the employers as increased worker and employer contributions to social security; and systemizing the social assistance schemes (TİSK, 2009b)

The request of the TİSK on short-time work allowance was met and at the Tripartite Advisory Board on 28 January 2009 a consensus was reached on the issue. (TİSK, 2009c:13). But still, in the ESC meeting on 5 February 2009, the TİSK stated that measures adopted by the Government were insufficient and there is yet no package of measures (TİSK, 2009c:16).

On 10 February 2009, the TİSK Council discussed the issue of the “crisis gradually increasing its impact on the world and Turkey”. The council declared that there is urgent need for a set of measures to induce demand, facilitate cash flows, ensure liquidity and solve the problems of enterprises in difficult situations. The priority is given to “keeping enterprises active” and “protecting employment” (TİSK, 2009c:14). The TİSK Council as an “advisory board” comprising leading employers and guiding the sectors of industry and services

gathered in a report those measures found pertinent in the field of economic and social policies (TİSK, Interview).

The main headings in this report titled “Measures to be Adopted against Global Crisis” are as follows: 1- An urgent plan of action for Turkish industry should be adopted 2- First priority of the Government should be to induce domestic demand 3- The government should urgently solve the cash problem of industrialists 4- Social policies should be geared to reducing the cost of employment 5- The burden of the social security system should not be left to employers alone 6- Urgent problems should be addressed immediately (TİSK/, 2009d). The report includes rather comprehensive measures. It identifies sector-based measures one by one and suggests solutions for urgent problems of some employers’ organizations.

To induce demand TİSK suggests increasing public investments; introducing investment incentives; completing the organized industrial districts left uncompleted; reducing VAT rates; granting exemptions to domestic and foreign investments; protecting industrialists from exchange rate damping; mitigating tax burden in energy; and phasing-in incentives to agriculture. For solving the liquidity problem of industrialists: fulfilment by the state of its obligations to the private sector; reducing interest rates on debts to public sector; temporary inclusion of deposits in insurance scheme; creating new credit sources for industrialists; providing support through the asset management company for companies in difficult situation; establishment of a strategic management fund; facilitating Central Bank forwarding of discount credit to banks; providing stock credit to enterprises; credit support to procurers; extending the term of loans in foreign exchange; making it difficult to declare bankruptcy for uncollectible loans; creating new funds for protecting employment; sustaining interest rate discounts; reducing taxes on loan use; and extending the period of closure in credits used for exportation commitments. In order to reduce the cost of employment, flexible work relations described in the industrial relations report were requested . Other problems that needed urgent solutions included revision of the rigid arrangements on sub-contracting; re-consideration of the draft law on workers health and safety; abstaining from introducing secondary burdens by secondary legislation and encouraging the training activities of enterprises (TİSK, 2009d).

Together with various confederations and non-governmental organization, the TİSK joined the campaign “If there is crisis, there is remedy” geared to inducing domestic demand.

As the months passed, Confederation became more satisfied with the measures taken by the Government, TISK stated that the Government did consider their suggestions and adopted and implemented the package of measures geared to promoting employment directly or indirectly during the crisis, although the package was somewhat lacking necessary scope and coherence at the beginning (TISK, Interview). The TISK further states that the following measures adopted by the Government are among those put forward or supported by the TISK:

- In case females in the age group 18-29 are newly employed, coverage of employers' social security contributions by the Unemployment Insurance Fund for a period of 5 years,
- Treasury undertaking of 5 points in employers share in long-term security contributions,
- Contribution discounts in case of the employment of persons with disabilities,
- Mitigation of the burden of compulsory employment,
- Reducing obligations for providing certain facilities,
- Permission for outsourcing of workers' health and safety services,
- Encouraging regional investments within the framework of the new package of incentives,
- Transfer of funds to vocational training courses,
- Re-scheduling of the social security contribution debts for persons in arrears,
- Increasing allowance for short-time work by 50% and extending the period from 3 to 6 months,
- Giving effect to the system of single declaration in the establishment of a new enterprise ,
- Support to enterprises creating additional employment,
- Inducing domestic demand, though for a limited time period, by reductions in VAT and SCT,
- Covering employers' contribution shares fully in case additional employment is created till the end of 2009,
- Covering short term contributions when those benefiting from unemployment insurance scheme are placed in jobs (TISK, Interview)

The TISK argues that the crisis is not over yet and requests that measures so far adopted should continue and even new measures should be introduced as the conjuncture. Changes. Budget deficits deriving from measures adopted can be balanced through reducing

informal economy and introducing austerity measures to the public sector including local governments.

The TISK asks that in addition to measures geared to creating additional employment, others associated with present employment should be adopted as well. In this context it stands for reducing employers' share in social security contributions and cutting severance pays as well for maintaining present employment. Another important expectation of the TISK is the adoption of the legislation on temporary employment via private employment agencies.

The TISK also stands for the following:

- A new stand-by agreement with the IMF whereby 60% of loan thus obtained is to be channelled to industrial sector,
- Reduction of tax burden on energy inputs,
- Lifting constraints on the flexible use of annual paid leave,
- Conveniences in the use of unpaid leave,
- Making it easier to apply for compensatory work ,
- Lifting constrains on the duration of work contracts,
- New measures for bringing flexibility to sub-contracting procedures.

5. PROVINCE-LEVEL EFFECTS OF ECONOMIC CRISIS: BURSA, GAZIANTEP, ÇORUM

5.1 Economic Crisis and Bursa

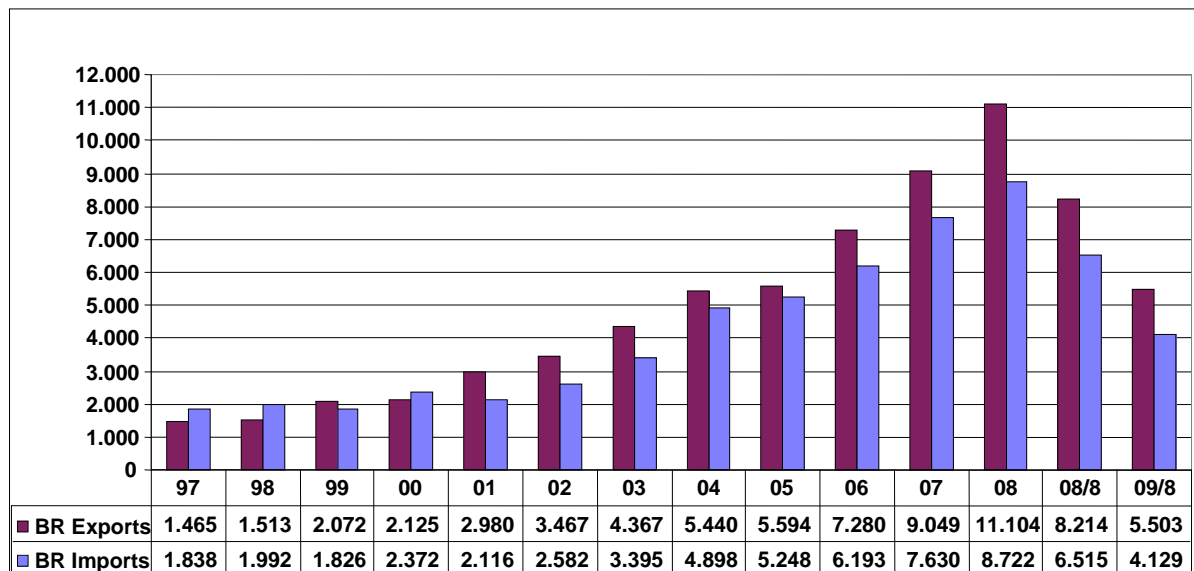
5.1.1 Economic Developments in Bursa

According to TURKSTAT's Regional Indicators on the basis of 2008 address-based registration system, the population of Bursa Province is 2.507.963. Of this total population, 88 percent are urban and 12 percent are rural. The population of the provincial centre is 1.813.452 and population density in the province is 230/km. The total age dependency rate is 43.5 percent and annual rate of population growth is around 2.7 percent.

Bursa stands above country averages in terms of such indicators as rate of urbanization, annual rate of population growth, per capita GDP and proportion of industrial employment to total employment. The proportion of people employed in agriculture remains below the country average. The province of Bursa occupies an important place in such sectors as automotive, machinery, textiles and food industry. The organized industrial district established in 1962 and Demirtaş organized industrial district which was built later, and areas around highways leading to İzmir and Ankara are places where enterprises are concentrated. There is a close relationship between agriculture and industry in Bursa. In terms of its tourism potential, it is one of the most important areas following İstanbul.

Bursa is one of the cities which felt the pressure of the global crisis in 2008 and witnessed the aggravation of its effects in 2009. This can be accounted by the fact that exports constitute a significant part in economic activities in the province. Indeed, exports from Bursa had the share of 8.6 percent in country's total exports in the period January-August 2009. Within the first 7 months of 2009, as Turkey's exports fell by 30.5 percent over the same period of the previous year, this contraction was by 31.6 percent for Bursa. Looking at import figures we see that Bursa's share in country's total imports is 4.7 percent and imports by Bursa declined by 36.6 percent in the first 8 months of 2009 compared to the same period in 2008.

Figure 2: Exports and Imports, Bursa (Million\$)



Source: BTSO, 2009a

Figures indicating exports in comparative terms for the period January-August 2007, 2008 and 2009 suggest that exports from Bursa were not affected much in 2008, but faced a serious contraction in 2009.

Table 18: Exports from Bursa, 2007, 2008, 2009 January -August (1000\$)

	January	February	March	April	May	June	July	August
2007	532,714	691,646	833,004	726,792	784,875	801,670	743,760	541,171
2008	598,258	1,072,480	1,045,910	1,110,480	1,140,379	1,118,792	1,110,689	657,103
2009	505,526	599,690	670,452	724,725	747,189	818,474	883,810	553,342

Source: Undersecretariat of Foreign Trade

Not only for Bursa but for Turkey as a whole, it can be said that provinces where production is mainly export oriented are affected more by the crisis as a result of falling foreign demand. Yet, what makes Bursa in specific more prone to the effects of the crisis is that exports from this province are mainly to the EU countries where contraction in demand is more pronounced than other regions in the world.

Looking at the regional distribution of exports from Bursa, we see that the share of the EU countries has gradually increased from 69.7 percent in 2004 to 75.1 percent in the period January-August 2009. On the other hand, the share of Middle Eastern and Northern Europe countries increased very little: from 9.4 in 2004 to 10.6 percent in the period January- August 2009 (BTSO, 2009a).

Automotive main and side industry, textiles-garment, machinery and metal processing are the sub-sectors which constitute the export basis of this province and which are seriously affected by the crisis¹⁰. Having its specific significance for its labour intensive character, the textiles sub-sector had a falling trend even before the 2008 crisis. According to the survey of the Chamber of Industry and Commerce (BTSO, 2008) covering 250 large firms from this sub-sector, the number of firms making for the first 250 is continuously falling since 1997.

¹⁰ The machinery sector produces and exports textile machinery, packing machines, CNC hydraulic press and heavy machinery. The metal sector processes office equipment, industrial equipment and automotive side industry products.

The fall in the number of workers in this sub-sector observed since 2002 also continued in 2008. The share of wages in value added of textiles-garment was 90 percent in 2008; it was 32 for interest and -25 percent for profits; that means the sub-sector closed the period with loss. Turkish textiles-garment firms trying to engage in price competition in export markets could not perform well against similar quality competitors while the value of TL was relatively high. They found it difficult to cope up with global competition in the domestic market as well.

As a matter of fact, representatives of social parties in Bursa say many investors are pessimistic about the future of this sub-sector and consequently shift to other sectors including construction and tourism. Thus, contraction in textiles-garment sub-sector in Bursa should not be associated with the current crisis only. The sub-sector of textiles and garment is losing ground in the face of free flow of goods and capital not only in Bursa but in Turkey as a whole. The point is that, this falling trend was already evident before the crisis, and was only further deepened with the crises.

But the same cannot be said for the automotive sector and its side industries. The automotive sub-sector and its side industries in Bursa, enjoyed a rising trend until 2008 and made the province the leading centre in Turkey in terms of exports and employment (BTSO 2009b). In 2008 Bursa had a share of 49.3 percent in all vehicles produced in Turkey. Such big concerns as TOFAŞ-FIAT, OYAK-RENAULT and KARSAN-PEUGEOT all have their facilities in Bursa. In the province, there are also many firms engaged in the production of parts and spare parts for motor vehicles. During the 2001 crisis, the automotive enterprises in Bursa managed to get out of it by shifting to foreign markets. While the sub-sector felt the effects of the crisis in 2008 and suffered some stagnancy, there was no significant downturn in terms of export and employment. This situation, however, completely changed in 2009 and as a result of contracting foreign demand due to the global crisis, automotive industry indicators turned to negative. Within the first eight months of 2009, the number of vehicles produced by the industry declined by 21.6 percent and exports by 33.6 percent compared to the same period a year before.¹¹

¹¹ Within the first 8 months of 2009, production of vehicles in Turkey declined by 39% over the same period of the previous year.

According to information provided by BTSO and Uludağ Union of Exporters (UİB, 2009) sector-based distribution of exports from Bursa by years is as follows;

Table 19: The Sectoral Distribution of Exports From Bursa

Million \$	2002	2003	2004	2005	2006	2007	% change	2008	% change	2008/8	2009/8	% change
Food and beverage	35	37	55	60	59	73	22.5	79	9.1	56	43	-22.8
Textile	413	586	647	636	640	695	8.6	651	-6.3	464	447	-3.7
Yarn	74	87	118	97	94	84	-10.7	57	-32.0	42	22	-47.8
Machinery and metal items	152	190	300	369	452	644	42.5	883	37.0	597	412	-31.1
Automotive main and side products	1.170	2.025	2.545	2.499	3.874	4.740	22.4	6.333	33.6	4.761	3.162	-33.6
Leather	1	1	2	1	4	8	130.5	6	-33.7	5	0.24	-95.4
Wood	6	12	25	22	20	27	31.6	42	56.7	24	21	-14.3
Other Industry	52	34	58	84	75	69	-8.5	124	80.1	84	55	-35.0
Agriculture-Stock Breeding-Forestry	115	177	224	183	196	192	-1.9	215	12.2	131	127	-3.5
Mining	1	1	2	3	7	15	99.4	16	7.5	11	7	-32.1
TOTAL	2.018	3.151	3.974	3.953	5.420	6.545	20.8	8.405	28.4	6.175	4.295	-30.5

Source: BTSO, 2009 a

Looking at exports by the BTSO and UİB in the first 8 months of 2009, we observe a 30.5 percent fall over the same period of the previous year. BTSO (2009a) holds that this decline derives mostly from falling exports of automotive and its side industry products.

Food is another sector important for employment in Bursa. Bursa has an important share in fruit juices, soft beverages, canned food, tomato paste, processed food items, milk products and frozen foodstuffs. This sector too is in retardation in terms of output, exports, employment and profitability.

5. 1.2. Employment and Unemployment in Bursa

Heavily dependent on exports and the EU markets which were deeply affected by the crisis, Bursa started to face serious problems in employment and informal sector.

Furthermore, contraction in exports and employment has its backward linkages to overall economic activities in the province, leading to contraction in domestic market oriented activities of firms and small enterprises as well.

According to data provided by the Social Security Institution, the number of workers with insurance coverage decreased by 16 percent in the period June 2008 –June 2009 while the decrease in the insured self-employed was 22 percent. As of September 2009, this falling trend slowed down: 13.5 percent decrease in the period June 2008 – September 2009. On the other hand, decrease in the number of insured self-employed continued and turned out as 23.5 percent for the period 2008 June -2009 September.

This fall in the number of insured wage earners and self-employed reflect increasing unemployment on the one hand and expanding informal employment on the other.

According to data by the Social Security Institution the number of workers covered by security scheme is as follows:

Table 20: Number of insured wage workers, Bursa

	Covered by security scheme
June 2008	488,682
July 2008	469,187
August 2008	467,247
September 2008	467,025
October 2008	466,082
November 2008	460,082
December 2008	437,460
January 2009	437,460
February 2009	421,924
March 2009	411,513
April 2009	407,426
May 2009	406,872
June 2009	410,259
July 2009	418,502
August 2009	420,568
September 2009	422,926

Source: SSI

The TURKSTAT does not issue labour force and employment data at province level. Still, data for the provinces of Bursa, Eskişehir and Bilecik, constituting a region for statistical classification can be compared with national data and inferences can be made for the province of Bursa. It should be noted beforehand that with 49.2 percent, the provinces of Bursa, Bilecik and Eskişehir have average labour force participation ratio above 46.9 percent which is the country average. As of 2008, 42.5 percent of employment in these three provinces is in industry. The country figure is 25.5 percent. The share of industry in total employment in this region is much above the country average. Although this share is falling over years (45.1 percent in 2006) the region is still the number one industrial region in the country. In 2008, the overall rate of unemployment in the region was 10.3 percent, with the rate of non-agricultural unemployment 11.7 percent, both below country averages which were 11 percent and 13.6 percent, respectively. The share of the informal sector is 43.5 percent, which is about the same with the country average. Women's labour force participation rate is 25.5 percent (24.5 percent as country figure). In spite of the weight of such labour intensive sub-sectors as textiles and food processing, which are important in terms of female employment, the region is above the country average by only 1 percentage point.

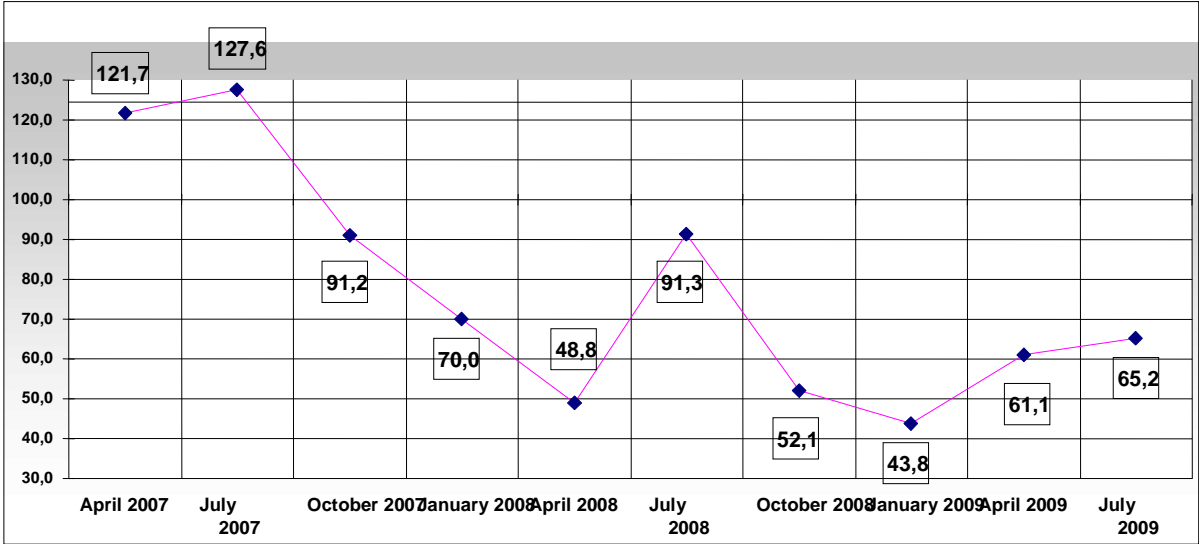
According to observations by İŞKUR authorities , firms apply the principle “last in first out” in dismissals, which takes its toll mostly on younger workers. Other priority groups in dismissals include workers with retirement rights or working while retired and younger workers about to be recruited to the military. There are dismissals not only of blue collar but middle and top level managers as well.

According to observations of the Ministry of Labour and Social Security Bursa Regional Director, white collar persons in Bursa cannot find jobs either. While placement of a plain worker to a job is relatively easier, employment of such people depends on their matching with vacancies fitting their background. Thus there are many university graduates in Bursa presently unemployed.

It appears that Bursa, feeling the effects of the crisis heavily during the first three quarters of 2009, Bursa will not be able to recover until the end of 2009. Although the anti-crisis measures, particularly VAT and SCT reductions revived the markets to some extent, there are concerns that the situation will worsen again upon the expiration of these incentives.

According to “Entrepreneur Confidence Index” calculated quarterly by the Bursa Chamber of Industry and Commerce (BTSO), the result is 65.2 for July 2009, 2007 taken as 100.¹²

Figure 3 : Bursa Entrepreneur Confidence Index 2007=100



Source: BTSO

Although there has been some increase since January 2009, the index value is still below 100, which suggests that no employment generating investment activity can be expected in short-term.

Labour administration authorities and social parties admit that it would be difficult for Bursa to “restore the past” in a short time and the effects of the crisis would continue in 2010 as well. To leave behind the crisis, the automotive sector and its side industries in Bursa are now waiting for a new dynamism in foreign markets and to see the possible implications foot Turkey of the support to be provided to the automotive sectors particularly in France and Germany.

¹² The BTSO Entrepreneur Confidence Index is developed by asking 203 enterprises registered with the BTSO about their opinion on current business environment and whether they intend to launch a new enterprising initiative. The-sector based distribution of respondents is as follows: Textiles and garment (43.3%); automotive (17.7%); construction and housing (15.3%); food and animal husbandry (12.3%); machinery and metal (5.4%); real estate, supplies and furniture each with 1% and other (3%). Of responding firms 96.6% are SMEs and 3.4% are large-scale enterprises (BTSO).

5.1.3. Measures Adopted by Local Labour Administration in Bursa

Anti-crisis measures in Bursa took the form of local implementation of countrywide measures adopted by the central government.

As the pressures of the crisis felt more acutely, employers and workers organizations started to think what could be done at local level. Measures contemplated were mostly macro-level, thus expected from the central Government. As measures to ease particularly the automotive sub-sector, VAT and SCT reductions were considered and suggestions to lower the consumption taxes were conveyed to the Government. One specific measure considered to induce automotive and its side industries in Bursa was to offer consumers who would change their old cars with new ones, various incentives such as a “scrap discount” whereby the value of the abandoned car would be considered as advance payment before instalments or long term payments. This insistence on “scrap discount” derives from the fact that dismissal of one worker in automotive main industry leads to the dismissal of many in side industries. Local representatives in Bursa affirm VAT and SCT reductions by the Government as a positive measure against the crisis, but still add that these measures came in too late and were not very effective from the employment point of view.

Meanwhile, Bursa is also a significant centre of gravity for foreign investors. According to the 2007 records of the BTSO, 310 foreign firms from 45 countries are active in the 19 sub-sectors in Bursa. 23 percent of these firms are engaged in the automotive and its side industries. According to BTSO data (2009a), 10 percent of these foreign firms are in textiles-garment and 10 percent in machinery and metal processing. But 21 percent of these foreign firms are not engaged in actual production; established only for export-import activities. These firms altogether employ some 40,000 persons and account for about 70 percent of all exports from Bursa. As a result of VAT and SCT reductions, these foreign firms may have exhausted their stocks, but according to the TÜRK-İŞ representative, this will not bring any dynamism to employment in Bursa. Instead, the representative says, business can be moved by some other measures including higher minimum wages and expanding the scope of unemployment insurance which will induce domestic demand. Local labour administration representatives also admit that VAT and SCT reductions have taken away more than they have brought in and further feeded budget deficits.

During the crisis, the functions of İŞ-KUR Bursa Directorate have both gained importance and intensified. Employment data from İŞKUR Bursa Directorate are given in Table 21 below. According to this data the number of job seekers rapidly increased in the period 2008-2009 while job placements by İŞKUR dropped in 2009 as the crisis year. The number of job seekers which was 41,631 in 2007 increased by 42 percent and reached 59,087 in 2008. This number is 50,567 for the first 9 months of 2009. In spite of a falling trend over months, it is expected that this number will exceed that of 2008. Compared to 2007, job placements in 2008 (7,115) declined by 8 percent. This falling trend also continues in 2009 and job placements in the first 9 months of 2009 are only 2,419.

Table 21: Employment Data, Bursa

Employment Data	2007	2008	Jan. 2009	Feb. 2009	Marc 2009	Ap. 2009	May 2009	June 2009	July 2009	Aug. 2009	Sep. 2009	Total 2009 Sep.
Registered Labour Force	36.419	56.673	62.971	65.925	69.923	73.951	78.263	84.505	90.222	91.958	93.608	93.608
Seeking job	41.631	59.087	8.804	6.604	6.581	5.667	4.564	4.311	4.199	4.539	5.298	50.567
Job Placement	8.836	7.115	238	200	240	218	324	215	425	287	272	2.419

Source: İŞ-KUR Bursa Directorate

According to the monthly data of the İŞKUR for 2008, 17,846 persons in Bursa applied for unemployment allowances as of September 2008. The number was 38,912 as of September 2009. As can be seen in the Table 22 below, the increase in the number of applicants especially within the first 6 months of the year is remarkable.

Table 22: Information About Unemployment Payments Provided by BURSA İŞKUR

Unempl. Allow.	January 2008	Feb. 2008	March 2008	Apr. 2008	May 2008	June 2008	July 2008	Aug. 2008	Sep. 2008	Oct 2008	Nov. 2008	Dec. 2008	Total 2008
Applic.	1.639	2.094	1.890	1.453	1.626	1.991	234	1.716	2.203	3.178	5.199	6.597	32.820
Given	1.363	1.879	1.748	1.367	1.520	1.857	884	1.583	1.896	2.648	4.120	5.397	28.262
	January 2009	Feb. 2009	March 2009	Apr. 2009	May 2009	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct 2009	Nov. 2009	Dec. 2009	Total 2009
Applic.	8.401	5.533	5.683	4.849	3.229	3.066	2.858	2.598	2.685				38.912
Given	5.665	3.602	3.382	2.601	1.832	1.933	1.722	1.764	1.443				23.944
Unemployment Allowance				January-June 2009				July-December 2009					
Lowest				266,40 TL				277,20 TL					
Highest				532,80 TL				554,40 TL					

Source: İŞ-KUR Bursa Directorate

The leading measure related to the unemployment in Bursa has been İŞKUR's services in the crisis period helping the unemployed find jobs. Vocational training is an important component of these efforts. Merging of Provincial Employment Boards with Vocational Training Boards brought further responsibilities to these boards in terms of organizing and promoting vocational training. However, the new boards are faced with infrastructure and personnel shortages at present.

The Table 23 shows that participation to vocational training courses carried out under active labour force policies has increased particularly in 2009. These courses are attractive, besides the training people receive, for 15 TL paid to each participating trainee. This issue is put as follows by the local TÜRK-İŞ representative:

I will underline one point: The government has a new policy... The İŞKUR is arranging courses together with employers. Local authorities are in favour of this policy. They say they pay each trainee 330 TL a month, train them and give them a profession. But when a graduate of a vocational school cannot find a job after four years of formal training, how can you provide jobs to these persons after 60, 90 or 120 days of training? Without employment guarantee, these courses remain nothing more than business as usual. For those losing their jobs in the second half of 2008, we near the end of the period for unemployment benefits. These people will then be unable to take a loaf of bread home.

This is a situation disturbing social balance and may lead to unwanted events. Is this why they organize courses by paying 330 TL monthly to trainees? Without employment guarantee, those who complete these courses will be nothing else but unemployed with a certificate.

Table 23: BURSA İŞKUR Vocational Training Data

Vocatio. Training Data	2007	2008	Jan. 2009	Feb. 2009	Marc. 2009	Ap. 2009	May 2009	June 2009	July 2009	Aug. 2009	Total 2009 Aug.
Planned (Trainees)	8.263	8.059	2.848	3.638	0	1.082	0	0	1.120	0	8.688
Participant (Trainees)	5.527	2.754	0	480	920	1218	684	1.506	950	1.063	6.821

Source: İŞKUR Bursa Directorate

Active employment policies also included public works assigned to persons. The TİSK representative said that 800 persons were temporarily placed in jobs in 120 schools. However, he continued, this is not actually employment creation, but creating an occasion to pay wages to such persons. These measures are considered as “dressing the wound” and social partners maintain that such measures will not bring in sustained solutions unless productive work opportunities are introduced.

A measure adopted in Bursa for enterprises and their workers is to provide short-time work allowance to workers in enterprises which limits or suspends the production activities because of the crises, if the application of the enterprise deemed appropriate. According to İŞKUR data, 649 firms applied for this scheme as of 30 September 2009, altogether covering 62,303 employees.

**Table 24: Short-time work an short-time allowance in Bursa
(updated as of 30.09.2009)**

Firms	No. of Firms	No. of workers
No. of Applying Firms	649	62.303
No. of Firms Accepted	387	44.119
No. of Firms Rejected	33	1.401
Withdrawals	128	15.467
Pending	101	10.224

Figures	January-June 2009	July-December 2009
Lowest Allowance	399,60 TL	415,80 TL
Highest Allowance	799,20 TL	831,60 TL

Source: İŞKUR Bursa Directorate

Local representative believe that short-time work scheme should continue in 2010 as well and workers benefiting from this scheme should be called in for trainings in their enterprises.

5.1. 4. Effects of the Crisis on Unregistered work in Bursa

For Bursa, there is no reliable study that would help measure the prevalence of unregistered work. Thus, the impacts of the crisis on unregistered work are derived not from qualitative data but observations of local parties. The Bursa Director of Ministry of Labour and Social Security draw attention to the need for having an informality map of the province before policies can be designed for tackling undeclared economy.

As is the case in other provinces, in Bursa too, employers facing the crisis firstly want to save from their labour costs. This tendency of employers became manifest particularly with lay offs starting from the second half of 2008. According to observations of the TÜRK-İŞ regional representative, some employers dismiss those workers who have a higher level of hourly or daily wage as a result of collective agreements and recruit informal workers in their place for whom there is no question of tax, social security contribution or overtime pay.

Bursa TÜRK-İŞ representative draws attention, in the context of combating undeclared work, norm staff insufficiency in relevant institutions. Neither the İŞKUR Directorate nor social security institution in Bursa has sufficient personnel. Together with newly opened ones in the context of re-structuring in social security, the number of social security centres attached to the Social Security Bursa Directorate is 14 (Mustafakemalpaşa, Nilüfer, Osmangazi, Mudanya, Kestel, Yenişehir, Gemlik, Karacabey, İnegöl, Orhangazi, İznik, Orhaneli, Yıldırım and Bursa Centre). But this mushrooming of centres has brought no solution to staff insufficiency. The TÜRK-İŞ representative cites the example of an earlier

fatal workplace accident whose court conclusion could not be achieved even in 2009 after along time.

Bursa is a province that faced the problems of undeclared work even before the crisis. This trend has been strengthened with the crisis. In the organized industrial district of Bursa there are now workshops having closed down and put signs of “for sale” or “for rent”. Workers dismissed by these enterprises now constitute the potential source of undeclared work. Further, workers who are receiving unemployment benefits are also moving to undeclared work.

5.1.5 The ILO-EU Project on Unregistered Work in Bursa

The ILO-EU Project titled “Tackling Unregistered Work Through Social Dialogue” was an initiative seeking solution to the problem of unregistered work through social dialogue, conducted in the period 2005-2007 in the provinces of Bursa, Gaziantep and Çorum. The objectives of this ILO coordinated project can be summarized as follows: “increase knowledge and understanding of unregistered work and the informal economy, and to encourage and facilitate the development of proposals for new policy measures to tackle the relevant issues by building consensus and ownership through social dialogue” (Heyes, 2007; 1).

In the background of the project we see the selection of Turkey as one of the pilot countries for the implementation of the decision “Tripartism and Social Dialogue” adopted by the 2002 Conference of the International Labour Organization. The EU-ILO project brought together trade unions, employers’ organizations and governmental agencies through social dialogue. The project was developed by the National Steering Committee that prepared a National Action Plan in October 2004. The National Steering Committee is composed of the representatives of ILO-Turkey, government (Ministry of Labour and Social Security, İŞKUR and Turkish Statistical Institution TURKSTAT), three trade union confederations organized in the private sector (Türk-İş, Hak-İş and DİSK) and the leading employers’ organization (TİSK). The main starting point of the project given start in October 2004 can be summarized as “using advanced social dialogue as a means to promote formal employment and curb unregistered work.” The National Action Plan developed by the Steering Committee is based

on the premise that the problem of unregistered work should be addressed through an integrated approach comprising specific initiatives and interventions. First implemented at provincial level, these initiatives are envisaged to feed in nationwide policies later.

The project final report summarizes suggestions in combating unregistered work under 6 main headings:

1. Promoting social dialogue as a method
2. Providing decent work opportunities
3. Improving governance
4. Encouraging entrepreneurship and fair competition
5. Poverty alleviation
6. Building awareness

With the Tripartite Declaration of 5 March, 2006 on Social Dialogue and Unregistered Work, social partners made a long-term commitment in relation to the national and local level implementation of strategies developed for combating unregistered work. However, this commitment and project proposals have not been associated with any monitoring mechanism either at local or national level. Hence, it can be said that the ILO-EU Project came to an end with activities taking place in the period 2005-2007.

The province of Bursa has vivid impressions concerning the after-effects of the project. This can be explained partly by the fact that the Labour Minister of the time was a Bursa Deputy and consequently local stakeholders' suggestions against unregistered work could reach the centre through faster and easier channels.

In fact local stakeholders hold that discussions they had made and suggestions developed under the ILO-EU project were influential in shaping provisions related to employment incentives and unregistered work in the Law no. 5763 adopted in May 2008. They also think that the KADİM Project (The Project on Combating Undeclared Work) too was inspired by the ILO-EU Project.

Social partners in Bursa stated that the ILO-EU project was successful in its implementation period, but no work has yet been conducted to measure its effects and outcomes. After the Project, the number of employees covered by security schemes increased. But social partners think that, this is attributable to growth trends in Bursa economy rather than the Project itself. Social partners think that the project provided inputs to macro-level measures in preventing unregistered work, but after 2007, no specific local activity took place in Bursa in line with the suggestions of the ILO-EU project.

The project ensured that social partners at local and national levels commit to the issue and through tripartite cooperation in selected provinces contributed significantly to building awareness on the issue of unregistered work. The most important contribution is that, it brought along consensus in combating unregistered work and made it a state policy as well.

5. 2 Economic Crisis and its Effects on Gaziantep

5.2.1 Economic Developments in Gaziantep

According to TURKSTAT's Regional Indicators on the basis of 2008 address-based registration system, the population of Gaziantep Province is 1.612.223. Of this total population, 87 percent are urban and 13 percent are rural. Population density at the province centre is 236/km. The total age dependency rate is 65.6 percent. Annual rate of population growth is around 4 percent.

Gaziantep is above country averages in terms the rate of urbanization, annual rate of population growth and proportion of industrial to total employment. As for per capita GDP and proportion of agricultural employment to total employment, it remains below country averages. Agricultural crops of importance in the province include pistachio, grapes, cotton, olive and red pepper which have high economic value and cereals including wheat, barley and lentil. Textiles and food processing industries are particularly developed in the province. In fact these are the leading export goods of the province. As the metropolitan city of the South eastern Anatolia Project (GAP) region, Gaziantep also attracts people from other provinces around.

Gaziantep is the top province in Turkey in terms of export orientation indicator which is the ratio of a province's share in country's total exports to its share in total employment. Relative to Turkey in general and other export oriented provinces, contraction in export markets and ensuing domestic economic problems were mild in Gaziantep. This can be explained by the fact that most of the exports from the province are to the MENA (Middle East and North Africa) countries, Iraq in particular (Kalkan ve Başdaş, 2009a; Kalkan ve Başdaş, 2009b).

Exports from Gaziantep steadily increased since 2001, and in 2008, exports had a jump by 35 percent increase over 2007 figures. This rapid increase, however, stopped upon the crisis and exports from the province decreased by 10 percent in the period January-September 2009. Since decline in country's exports in the same period was by 32.5 percent, this 10 percent decrease can be considered as a mild contraction. In the first 9 months of 2009, imports of Gaziantep decreased by 28 percent relative to the same period of 2008.

In the period January-September 2009, Gaziantep ranked 6th in the list of top ten exporting provinces. It is the province suffering least from fall in exports after Manisa Province.

Table 25: Leading Export Provinces, change in export in the period January-September

PROVINCES	JANUARY-SEPTEMBER 2008 (\$)	JANUARY-SEPTEMBER 2009 (\$)	CHANGE
İSTANBUL	53,459,434,210	32,908,312,833	-38.4%
BURSA	9,648,490,761	6,517,435,716	-32.5%
KOCAELİ	6,845,772,912	4,554,030,542	-33.5%
İZMİR	6,522,060,008	4,513,026,206	-30.8%
ANKARA	4,154,565,676	3,242,977,314	-21.9%
GAZİANTEP	2,591,234,055	2,331,095,948	-10.0%
MANİSA	2,300,456,463	2,097,027,739	-8.8%
SAKARYA	2,522,513,191	1,250,830,027	-50.4%
DENİZLİ	1,834,948,073	1,203,774,181	-34.4%
HATAY	1,460,229,093	1,034,960,032	-29.1%

Source: Gaziantep Chamber of Industry

On the basis of sectors and product groups we observe that about 30 percent of exports from Gaziantep are agricultural products including cereals and pulses in the first place. The rest (70 percent) is composed of industrial goods including carpet, textile products and its

intermediary goods, chemicals, iron, steel and garments. Gaziantep is the number one carpet exporting province in Turkey and this product has a share of 23 percent in provinces' total exports.

Data provided by the Gaziantep Chamber of Industry which gives comparative figures for exports from Gaziantep and country's total exports in 2008 and 2009 shows the weight of Iraq in exports from this province

Table 26: Exports from Turkey and Gaziantep

COUNTRIES	TURKEY-EXPORTS (1.000 USD) January-September 2009			GAZIANTEP-EXPORTS (USD) January-September 2009		
	2008	2009	CHANGE	2008	2009	CHANGE
Germany	10,230,377	6,988,290	-31.7%	81,735,529	85,488,024	4.0%
England	6,388,922	3,988,847	-37.6%	46,600,847	46,822,325	0.5%
Iraq	2,678,870	3,757,354	40.3%	799,652,390	913,243,409	14.2%
France	5,403,498	4,395,138	-18.7%	26,267,901	26,489,219	0.8%
Egypt	1,038,893	2,201,427	111.9%	18,689,553	34,058,146	89.3%
Holland	2,545,659	1,544,411	-39.3%	34,980,069	27,851,223	-20.4%
Saudi Arabia	1,845,028	1,349,020	-26.9%	99,539,087	116,670,719	17.2%
U.A.E.	6,564,817	1,579,179	-75.9%	29,076,426	24,970,211	-14.1%

Source: Gaziantep Chamber of Industry

Lastly, export data supplied by the Southeastern Anatolia Union of Exporters for the period January 2008-September 2009, show the following rates of decrease in exports with respect to export regions: EU (21 percent); other European countries (21 percent); Turkic republics (31 percent); other members of the CIS (56 percent); Africa (17 percent); Asia and the Pacific (20 percent); and countries of America (17 percent). The increase was only in exports to Middle Eastern countries (by 12 percent) while there was an increase in exports to Iraq by 14 percent. (GAİB, 2009). Gaziantep accounts for 73 percent of exports from the region. Although its export-focus index is high, the Province was not affected too much from the export contracting implications of the global crisis for having most of its imports to Middle East Countries.

Reduction in loans forwarded is another factor through which the crisis made its impact felt in Gaziantep. The Gaziantep Chamber of Industry underlines that the excessively cautious attitude of the banking sector caused clogging in credit flow to the private sector and

considering this, industrialists and businessmen in Gaziantep stayed away from new investments.

The survey conducted by the Gaziantep Chamber of Industry in relation to the economic crisis suggests that industrialists in the province have been deeply affected. Nejat Koçer, the president of the Chamber, declaring the results of the survey in June 2009 stated that 63 percent of respondents were convinced that the process of recovery was yet to start. Responding to the survey questionnaire, local industrialists mention contraction in domestic market, fall in exports and financing difficulties as the leading problems they face. While 60 percent of industrialists state they have reduced capacity use at varying degrees, 47 percent believe that new measures and incentives will not affect their investment decisions. 78 percent of responding industrialists think that interest rates are still too high, banks lag behind in reducing their rates and this is one of the factors locking the market up. 40 percent of respondents find the new package of incentives positive while 42 percent share the same opinion but find it delayed. As to their future expectations, more than half do not expect any boost in their activities (GSO, 2009).

5.2.2 Employment and Unemployment in Gaziantep

The Table 27 below shows the number of workers formally employed in Gaziantep in the period June 2008 – September 2009.

Table 27: Number of workers covered under social security

	Number of Workers
June 2008	138,809
July 2008	132,022
August	131,729
September 2008	132,751
October 2008	135,535
November 2008	136,776
December 2008	135,454
January 2009	135,454
February 2009	130,362
March 2009	129,624
April 2009	131,125
May 2009	129,202

June 2009	130,393
July 2009	133,013
August 2009	133,160
September 2009	134,435

Source: SSI

In Gaziantep, the number of workers with social security coverage was around 140,000 before the crisis and it was around 134,000 after, pointing out to a fall by 5 percent. The same holds true for self-employed with security coverage. This fall in the number of insured, suggests an increase in both unemployment and unregistered work.

Data for the provinces of Gaziantep, Adıyaman and Kilis (TRC1) constituting a region for statistical classification can be compared with national data and inferences can be made for the province of Gaziantep. First of all it must be noted that the labour force participation rate in these three provinces is below the national average (46.9 percent) with 43.8 percent. As of 2008, industry in Gaziantep, Adıyaman and Kilis region accounts for 33 percent of total employment. The corresponding national figure is 25.5 percent. Here, it must be underlined that it is the province of Gaziantep which gives the region its “industrial” character. In 2008, the overall rate of unemployment in the region was 16.4 percent, with the rate of non-agricultural unemployment 21.3 percent, both well above country averages which were 11 percent and 13.6 percent, respectively. The share of the unregistered employment is 67.3 percent, which is also much above the country average (43.5 percent). Wage employment constitutes 55 percent of total employment (61 percent as country average).

Unemployment data for the region shows that while the rate of unemployment was 15.1 percent in 2006, prior to the crisis, it increased to 16.4 percent in 2008. The increase in the rate of non-agricultural unemployment is sharper, from 16.3 percent to 21.3 percent, an increase by 5 percentage points. Underemployment figure too increased from 1.4 percent to 2.2 percent. In the region, the rates of both unemployment and unregistered work are high and the situation has worsened with the crisis.

The female labour force participation rate is 15.8 percent (country figure 24.5 percent). In spite of the weight of labour intensive sectors that invite female participation, the rate is too low in the region.

5.2.3. Measures Adopted by the Local Labour Administration in Gaziantep

As is the case in other provinces, anti-crisis measures in Gaziantep too took the form of local implementation of countrywide measures adopted by the central government.

It is observed that upon the crisis, the İŞ-KUR had to serve the job seekers and the unemployment allowance applicants in growing numbers, process applications for short-time work allowance and organize courses in vocational training.

Employment data supplied by İŞKUR Gaziantep Directorate are given in the Tables 28 and 29 below. The number of job seekers in the province which was 15,772 in 2007 increased to 23,022 in 2008, with an increase by 46 percent. In the first 8 months of 2009, the number of job seekers is 22,779, almost reaching the total figure for 2008. Job placements in 2008 was 2,354, 3.7 percent lower than the figure for 2007. This decrease in job placements continues in 2009 and it was 1,373 for the first 9 months of 2009. From 2006 to 2007 job placements had increased by 7 percent, but from 2007 to 2008 there is a decrease by 4.5 percent. It is expected that the number of job placements will further fall in 2009.

Table 28: Number of Job Seekers and Job Placements by Years, Gaziantep

YEARS	Job Seekers	Job Placements	Registered Labour Force
2006	12,491	2,256	25,945
2007	15,772	2,409	18,663
2008	23,022	2,354	24,659
2009 (end of August)	22,,779	1,373	40,433

Source: İŞKUR Gaziantep Directorate

Table 29: Number of Job seekers and Job Placements, Gaziantep 2009 (January/August)

Months 2009	Job Seekers	Job Placements	Registered Labour Force
January	2.276	162	25,741
February	4.023	102	26,639
March	2.952	108	28,467
April	3.130	115	30,723

May	2.370	161	32,609
June	2.715	475	35,946
July	2.877	124	39,474
August	2.436	126	40,433
Total	22.779	1.373	40433

Source: İŞ-KUR Gaziantep Directorate

According to İŞKUR, the number of persons applying for unemployment allowance in 2008 was 6,763. As of September 2009, this number is 6,172. These figures show that while the number of unemployment allowance applicants decreased by 2 percentage points from 2006 to 2007, there has been an increase by 18.8 percent from 2007 to 2008 (Table 30). As can be seen in Table 31 below, the increase in the number of unemployment allowance applicants in 2009 is particularly striking for the first 6 months of the year. The number of applicants for the first 9 months of 2009 is 6,172 and this suggests that the total number of applicants in 2009 will be above the figure in 2008.

Table 30: Applications for Unemployment Benefits by Years, Gaziantep

YEARS	Applications	Entitled	Amount paid TL
2006	5750	5601	7.282.237,00
2007	5690	5513	7.461.671,00
2008	6763	6703	11.862.913,00
TOTAL	18203	17817	26.606.821,00

Source: İŞ-KUR Gaziantep Directorate

Table 31: Application for unemployment benefits, Gaziantep Province, 2009

Months 2009	Applications	Entitled	Amount paid TL
January	901	896	1.857.123,20

February	1096	1068	2.246.608,77
March	846	838	1.964.601,35
April	904	895	2.078.389,94
May	714	711	1.559.189,63
June	531	529	1.172.562,16
July	446	432	958.146,75
August	365	339	789.707,44
September	369	241	775.226,28
Total	6172	5949	13.401.555,52

Source İŞ-KUR Gaziantep Directorate

Another indicator of the impact of the crisis on Gaziantep is the number of firms applying for short-time work allowance. In the period March 2009-September 2009, 71 firms applied. 9 of these firms later withdrew their applications and 6 were rejected. 4 firms are yet waiting the decision. The number of firms with accepted applications is 52 and the number of beneficiary workers is 2,391.

Table 32: Short-time work allowance receivers for 2009

Months 2009	Entitled (persons)	Paid (TL)
January	-	-
February	-	-
March	66	13,718.77
April	654	228,783.69
May	126	419,927.70
June	726	192,245.60
July	349	38,407.60
August	235	50,528.21
September	235	51,049.75

Source İŞ-KUR Gaziantep Directorate

Labour force training data by the Gaziantep Directorate suggest that the number of trainees completing vocational training courses in 2008 increased by 109 percent and this rising trend is continuing in 2009 as well. While the proportion of females in course graduates first fell in the period 2006-2008, then increased significantly and reached 31 percent in 2009.

Table 33: İŞ-KUR Gaziantep Directorate Labour Force Training Information

	2006	2007	2008	2009 (January-July)
Completing	361	570	1178	1331
Female	63	74	214	417
Male	298	496	964	914
Employed	154	174	375	517
Female	15	17	69	57
Male	139	157	306	460

Source: İŞ-KUR Gaziantep Directorate

An important development in relation to Gaziantep is that the province was incorporated to the coverage of incentives package upon insistent demand of local business

and their lobbying before government circles. According to the new scheme of incentives introduced by the Council of Ministers' decision no. 2009/15199 as published in the Official Gazette dated 16 July 2009, Gaziantep is included in the 3rd region among 4 regions. This means that Gaziantep will enjoy, in addition to overall incentives and incentives for large-scale investments, regional incentives as well. Given that the sector concerned among those specified in the decision and that minimum investment layout and capacity condition is met, new investments will be entitled to such conveniences as customs duty exemption, exceptional VAT application, tax discount and support to employers' share in social security contributions, investment site allocation and support in interest rates.

Not only employers but workers organizations too complain that Gaziantep was once excluded from the scheme of incentives. According to local representatives, firstly, such exclusion placed Gaziantep in disadvantaged position before other provinces and especially textile firms facing the pressure of external competition decided to downsize and lay off workers. Secondly, according to workers' organizations, employers used this exclusion as a pretext in transferring the burden of crisis to the labour side. Also favouring SMEs particularly in terms of credit opportunities, this inclusion is regarded as positive but not sufficient for Gaziantep. Employers insist that taking due account of the ongoing crisis, not only new but investments already underway should also be covered by the incentives scheme.

The leading subsectors in the Gaziantep manufacturing industry include textiles, food, chemicals-plastic, metal and machinery, automotive side industries, forest products and wood, paper, electronics, raw and processed leather products. The Gaziantep Chamber of Industry draws attention to the importance of VAT and SCT reductions among measures adopted by the Government. However, the Chamber adds, despite countrywide positive effects of these specific measures, sectors that benefit most from these measures do not have much weight in Gaziantep and therefore VAT and SCT reductions have brought not much benefit to Gaziantep (GCI, Interview).

5.2. 4. Effects of the Crisis on Unregistered Work in Gaziantep

As for the effects of the crisis on Gaziantep, employers' and workers' organizations seem to have different approaches. While workers' organizations think that the crisis "hit Gaziantep hard" with rising unemployment and dismissal of thousand of workers particularly

in the labour-intensive textiles sector, employers maintain that, as a province mainly exporting to neighbouring countries which are less affected by the crisis and where export goods are diversified in terms of items, Gaziantep is less affected compared to other provinces in the country and therefore has suffered little losses in exports and employment. However, these observations of employers on employment and unemployment derive from the formal sector. When it comes to crisis and informal sector, employers too agree that informal economy, like in all other crisis, tend to exploit the crises climate.

As is the case in other provinces, we cannot statistically follow tendencies in informal employment in Gaziantep. However, looking at TURKSTAT data pertaining to the region comprising Gaziantep, Kilis and Adıyaman, the share of unregistered employment which was 55 percent in 2004 jumped to 67.3 percent in 2008. In spite of all measures and incentive to encourage shift to formal economy, the share of unregistered wage employment is still around 50 percent in total waged employment. These figures are well above country averages and assuming that three-province data is more or less applicable to Gaziantep we can conclude that indicators for this province is quite distant from “decent work.”

Undeclared work in Gaziantep is prevalent particularly in non-institutionalized small enterprises. For example, in bakeries only baking masters are registered while others are not. It is stated that informal employment is relatively limited in industrial enterprises of Beşpinar organized industrial district. The textiles is the sub-sector which faced problems even before the crisis and, like in other provinces, there were dismissals from enterprises of this sub-sector in Gaziantep too. According to trade unions, thousands of textile workers lost their jobs in the period 2008-2009. These dismissals constitute another factor which triggers informal relations. Having lost their jobs in the formal sector, many workers tend to seek unregistered work. There are also those moving to the unregistered employment while receiving unemployment benefits.

According to employers, employment is increasing particularly in those formal economy enterprises employing more than 50 workers. But this extra rise is associated more with young recruitments especially encouraged by legislation. In Beşpinar Organized Industrial District, for example, unskilled workers over age 30 have almost fully lost their chance of finding jobs in larger enterprises. This situation is observable particularly in such sub-sectors as textiles and food processing. Older workers who cannot find themselves a place

in new job recruitments inevitably shift to undeclared work. Still, it is arguable; to what extent these observations can be generalized. Unemployment data by TURKSTAT covering broader age group for the region, suggest that the rates of unemployment for the age group 15-24 are above average and increased by 4 percentage points in the period 2006-2008. On the other hand, the rate of unemployment for the age group 25-34 decreased by 1.5 percentage points.

Table 34: Gaziantep, Adıyaman, Kilis (TRC1) Rates of unemployment by years and broad age groups (%)

Year/Age Group	15-19	20-24	25-34	35-54	55+
2008	21,7	26,0	16,0	13,1	5,6
2006	17,4	22,9	18,7	10,1	6,3
2005	14,5	22,6	13,8	12,0	7,3
2004	9,6	23,4	15,7	14,2	7,3

Source: TURKSTAT

5.2.5. The ILO-EU Project on Unregistered Work in Gaziantep

The ILO-EU Project titled “Tackling Unregistered Work Through Social Dialogue” had its significant repercussions in Gaziantep in its implementation period of 2005-2007. During the interviews, social parties taking part in this project expressed their appreciation for the meetings and social dialogue processes that took place during the project. For example the brochure “You should register with the SSI!” published by the 9th Regional Organization of DİSK is still remembered well. The process of giving effect to decisions in the context of the action plan developed at the end of 2006 by the employers, workers and the local labour administration paved the way for a series of collaborative actions. Activities under the project during its implementation included the following: Dissemination of brochures and placement of posters on unregistered work to busy parts of the city, public buildings, banks, etc.; dissemination by DİSK of 2,000 copies of an informative booklet; creation of KADİM (The Project on Combating Undeclared Work) coordination centre; including the issue of informal employment in the agenda of a widely participated meeting of the provincial employment board; press release to inform the public about unregistered work and why it should be combated; informative meetings with various non-governmental organizations; posters with slogans against unregistered work; and visit to various industrial enterprises, chambers and

universities. The objective of these activities in the short-term was not to reduce unregistered work but raise awareness about the issue and create a tradition of collaborative work. In this respect, the project largely attained its objectives. While parties continued activities in their lines under the project which was later integrated with the KADİM (The Project on Combating Undeclared Work), there is no new programme that brings parties together in combat against unregistered work. For example, there is no such thing as making the issue of unregistered work a permanent item in the agenda of the Provincial Employment and Vocational Training Board or development of a strategic plan on tackling the undeclared work in Gaziantep for implementation, monitoring and evaluation.

5. 3 Economic Crisis and its Effects in Çorum

5.3.1 Economic Developments in Çorum

According to TURKSTAT's regional indicators and on the basis of address-based population registry in 2008, the population of Çorum is 545,444. 63 percent of this population live in urban and 37 percent in rural areas. Population density is 43 per km². The total age dependency ratio is 52.6 and annual rate of population growth is -0,8 percent.

The province of Çorum remains below country averages in terms of such indicators as annual rate of population growth, rate of urbanization, per capita GDP and share of industrial employment in total employment. The share of agricultural employment in total, on the other hand, is above country average. In Çorum, tile and brick enterprises form the backbone of industry and with its employment potential in this sub-sector Çorum is the driving force in its region. In the 80s, emergence of local demand from the flour, tile and brick and other industry, for machinery and equipment, gave the machinery sector in Çorum a chance for growing. In following years, the machinery sector renewed its technology and started to produce for external markets. Other significant industrial branches in the province include leather processing, textiles, copper works and iron works. There are also other flourishing branches as paper, packing, medical equipment, radiator, viol, egg and poultry farming.

Unlike other two provinces of the ILO-EU Project, Çorum is not too much export-focused. According to TURKSTAT's 3rd region indicators, while Bursa and Gaziantep rank 4th and 7th among provinces in terms of per capita exports, Çorum is only 47th. In per capita

imports Bursa is 4th; Gaziantep is 10th and is Çorum is 55th. Despite this, Çorum still felt the effects of the crisis as a result of contracting exports. Rising steadily until 2008, total exports from Çorum started to fall in 2009.

Table 35: Exports from Çorum (US\$)

YEARS	2005	2006	2007	2008	2009 Jan.-Oct.
Exports	60.282.570,57	65.640.424,88	88.391.140,04	108.141.295	74.775.000

Source: TURKSTAT, TİB

Comparing exports from Çorum in the period January-October with the same period of the previous year we find that decline is by 17. Given that the contraction in Turkey's overall exports in the same period is by 27.6 percent, it can be concluded that the case for Çorum is milder. Çorum's imports decreased by 11 percent in the first 9 months of 2009. The associated figure for Turkey is -36.8 percent (TİM, 2009).

According to information provided by Çorum Chamber of Industry, while decline in exports is relevant to all sectors, it particularly affected the machinery sub-sector which is the driving force of economic activities. Çorum is affected not only by falling demand from abroad but domestic demand as well. As such, tile and brick sector which is domestic market oriented was affected seriously.

According to information provided by Çorum Chamber of Industry, although the Central Bank brought down interest rates, this step was not reflected in the interest charged on bank credits and difficulties in firms' access to credit sources persisted, constituting another problem for enterprises in Çorum. Delays in the collection of receivables placed tradesmen and small enterprises in considerable difficulty. Nevertheless, industrialists in Çorum say, thanks to their larger equity capital relative to country averages they turned out to be more resistant to the crisis.

5.3.2 Employment and Unemployment in Çorum

The Table below shows trends in the number of workers covered by social security scheme in the period June 2008 – September 2009 according to data provided by the SSI

Table 36: Number of employees covered by security scheme, Çorum

Years	Waged Worker	Self-Employed
June 2008	45.632	15.755
July 2008	42.461	15.705
August	42.114	15.674
September 2008	42.818	15.619
October 2008	42.114	15.674
November 2008	42.621	12.525
December 2008	40.388	11.996
January 2009	40.388	12.484
February 2009	37.867	12.526
March 2009	37.579	12.506
April 2009	38.335	12.519
May 2009	40.081	12.576
June 2009	41.782	12.283
July 2009	42.524	12.304
August 2009	42.802	12.350
September 2009	42.732	12.441

Source: SSI

Before the crisis there were around 46,000 security covered workers in Çorum. It then dropped to around 42,000 in 009 with a decrease by 10 percent. The same is also true for security covered persons working independently. While pre-crisis figure was 15,755 in June 2008 it became 12, 441 by September 2009 by a decline of 8 percent.

Data for the provinces of Samsun, Tokat, Çorum and Amasya (TR83) constituting a region for statistical classification can be compared to overall statistics for Turkey to make inferences for Çorum. First of all, with labour force participation rate of 55.4 percent, the region comprising Samsun, Tokat, Çorum and Amasya is above the country average which is 46.9 percent. As of 2008, 31 percent of total employment in this region is in industry (25.5 percent for Turkey). Wage employment constitutes 54 percent of total employment (61

percent as country average). The share of the unregistered employment is 64 percent, which is much above the country average (43.5 percent).

In 2008, the overall rate of unemployment in the region was 7.4 percent, with the rate of non-agricultural unemployment 13.6 percent, both below country averages which were 11 percent and 13.6 percent, respectively. Unemployment data for the region shows that the rate of unemployment which was 6.6 percent in 2006 before the crisis increased to 7.4 percent in 2008. The female rate of labour participation is 38 percent (24.5 percent as country average). The youth unemployment rate in the Region seems to be higher than the overall 7,4 percent average . During the crisis, the rates of unemployment both for the age group 15-19 and 20-24 increased significantly.

Tablo 38: Samsun, Tokat, Çorum, Amasya (TR83), Unemployment Rate by Broad Age Group and Years (%)

Yıllar/Yaş Grupları	15-19	20-24	25-34	35-54	55+
2008	13,1	17,3	9,0	5,2	1,3
2006	9,7	14,7	9,1	3,8	0,7
2005	7,4	12,6	7,5	4,0	0,6
2004	6,0	14,9	8,2	2,9	0,4

Source: TURKSTAT

5.3.3. Measures Adopted by The Local Labour administration in Çorum

Anti-crisis measures adopted by the Government have had its effects in Çorum as well. At this point, enterprises in Çorum find such incentives as low-cost loans through the KOSGEB (Small and Medium Enterprises Development Organization) or full coverage of interest payments by the Government more meaningful than the expectations that interest deductions by the Central Bank will have positive implications for the credit lines offered by banks.

According to the new scheme of incentives introduced by the Council of Ministers' decision no. 2009/15199 as published in the Official Gazette dated 16 July 2009, Çorum, like Gaziantep, is included in the 3rd region among 4 regions. This means that Çorum will enjoy, in addition to overall incentives and incentives for large-scale investments, regional incentives as well. Given that the sector concerned among those specified in the decision and that minimum investment layout and capacity condition is met, new investments will be entitled to

such conveniences as customs duty exemption, exceptional VAT application, tax discount and support to employers' share in social security contributions, investment site allocation and support in interest rates.

The services of İŞKUR-Çorum gained special importance in the period of crisis. According to the İŞKUR Çorum Directorate, there is an increase in the number of unemployed registered with the agency; but this increase can be associated with the activities of İŞKUR as well as with the effects of the crisis. The increase in such support services as vocational training courses, employment support for trainees and community benefit work, which were limited earlier, and good publicity about these services led citizens, even those remaining out of labour force, to apply to İŞKUR. (ÇORUM İŞ-KUR, Interview).

Table 39: Employment Information, Çorum

Years	2006	2007	2008	2009 January- September
Registered Labour Force	5872	6116	8038	14.534
Job Seekers	3689	6293	7345	9019
Job Placements	453	2426	975	888

Source: İŞKUR Çorum Directorate

Upon the crisis, the İŞKUR seems to be overburdened in servicing job seekers, those applying for unemployment benefits; processing files for short-time work and organizing vocational training courses. "Work not witnessed in the history of the institution", as put by Çorum İŞKUR is presently ongoing. The number of job seekers which was 6,293 in 2007 increased by 16 percent and reached 7,345 in 2008. In the first 9 months of 2009, the number of job seekers exceeded the total figure for 2008, reaching 9,019. However, job placements in 2008 decreased by 40% compared to 2007 and dropped to 975. This decreasing trend is continuing in 2009: The number of job placements in the first 9 months of 2009 is only 888.

According to İŞKUR data, in 2008 1,239 persons applied for unemployment allowance. As of September 2009, this number is 1,459. While the number of applicants declined by 1 point in 2007 over 2006, it increased by 17 percent in 2008. In the first 9 months of 2009, the number of applicants (1,459) is 17 percent higher than the number of applicants in the same period of 2008.

Table 40: Applications for Unemployment Allowance and Number of Applicants Found Eligible

Years	Applications	Found eligible	Persons with Active Unemployment Allowance
2006	1063	982	1
2007	1051	994	6
2008	1239	1125	31
2009	1459	1256	629
Amount of Unemployment Allowance		Lowest TL	Highest TL
January- June 2009, Unemployment Allowances:		255,6	532.80
July- December 2009, Unemployment Allowances:		265,26	551,07

Source: İŞKUR Çorum Directorate

Another data indicating the effects of the crisis on Çorum is the number of firms applying for short-term work allowance. In the period from March 2009-September 2009, there were 14 such firms. Of these, 3 withdrew their application while 1 firm was turned down. These applications were mostly from the textiles sector, followed by earthenware and machinery.

Table 41: Applications for short-time work allowance

Number of applying firms:	14
Accepted:	10
Rejected:	1
Application withdrawn:	3
Pending:	0

Payments for Short-Time Work (KÇÖ)	Lowest TL	Highest TL
January- June 2009 KÇÖ Amounts:	383,4	799,2
July- December 2009 KÇÖ Amounts:	397,89	826,6

Source: İŞKUR Çorum Directorate

According to the İŞ-KUR Çorum Directorate textile workers have been most affected by the crisis. In some enterprises, the number of workers reduced to half. In this sub-sector, fall in foreign demand invites, reduction in labour costs, before other cost saving measures.. The unemployment insurance and scheme of community benefit work were both useful in mitigating the troubles of dismissed workers in short-term. In 2009, about 450 persons were placed in jobs in the context of community benefit work scheme.

Labour force training data by İŞ-KUR Çorum Directorate show that there has been a significant increase in the number of people participating to vocational training courses. The proportion of females among the participants is 56 percent. However, only 3 percent of these trainees could be later placed in jobs. It is worth noting that there is no improvement in post-training job placements especially for females. Out of a total of 1,539 trainees only 7 could be employed. For evaluating the functionality of İŞKUR training courses, for which significant resources are allocated during the crisis, a longer-term monitoring and assessment of the post training job placement is needed to reveal the causes of low rate of placements. It should not be forgotten that there are observations to the effect that social assistance functionality of training courses has become more important than of its functionality in increasing employment.

Table 42: İŞ-KUR Çorum Directorate Labour Force Training Activities

YEAR	Number of Courses	Number of Trainees			Number of Trainees Finding jobs		
		Female	Male	Total	Female	Male	Total
2006	5	164	13	177	64	-	64
2007	2	-	19	19	6	-	6
2008	6	30	91	121	-	18	18
2009	102	1539	1205	2744	7	76	83

(January- October)							
TOTAL	115	1733	1328	3061	77	94	171

Source: İŞ-KUR Çorum Directorate

The campaign “If there is crisis, there is remedy too” organized by the platform created by TOBB, TESK, TÜRK-İŞ, TİSK, HAK-İŞ and KAMU-SEN was carried out in Çorum as well. During the campaign a delegation of representatives from various sectors visited markets for shopping. Another activity in Çorum was the meeting on “World Economic Crisis and Crisis Management” jointly organized by Çorum Chamber of Industry and Commerce and *Dünya* daily in May 2009.

5.3. 4. Effects of the Crisis on Unregistered Work in Çorum

It is not possible to conduct a data supported analysis on what course informal sector followed during the crisis and to what extent anti-crisis measures were effective in encouraging transition to formality. It is generally stated as an observation, however, that there must absolutely have been a shift to informality but not by large firms and establishments. The fact that Çorum is within the coverage of incentives scheme is regarded as a factor restricting informality. Nevertheless, it is also admitted that this status is prevalent in smaller enterprises.

For Çorum, it is not possible to follow developments in informal employment at province level. Still, looking at information provided by TURKSTAT for the region covering Samsun, Tokat, Çorum and Amasya, we see that the share of the informal sector which was 71percent in 2004 receded to 64percent in 2008. The share of informal wage earners in total which was 38percent in 2004 later dropped to 31.5percent in 2008. Informality in relation to self-employed and employers, on the other hand, increased from 65percent in 2004 to 70percent in 2008.

5.3.5. The ILO-EU Project on Unregistered Work in Çorum

It is understood that the ILO-EU Project on informal employment was effective in Çorum as it was in other provinces when it was implemented in the period 2005-2007. The Project is still fresh in the memory of social parties. In the province, an action plan under the Project was

implemented and even Friday prayers addressed this issue. Social parties of the Project consider that meetings and social dialogue processes in the context of the Project created significant awareness at province level. It is also stated that upon the completion of the Project, social dialogue and activities related to informal employment have been continuing via Provincial Employment and Vocational Training Board which comprises all parties. However, no post-project action plan could be identified. For example, the issue was dropped from the agenda of the Provincial Employment and Vocational Training Board and there is no monitoring and evaluation under a strategic plan. This may be caused by the weight of vocational training issues in the agenda of the board and absence of social security provincial director in the board.

CONCLUSION

Turkey confronted with the global crisis with her high current deficit, an import-dependent industry, with heavy external debt burden and high rates of unemployment. GDP growth rates fell increasingly after 2004, the decline in the growth performance of the manufacturing industry, playing a significant role in this fall. In this period, the structural transformation of employment deepened. The shift from the agricultural employment to non agricultural sectors and from industry to services accelerated. The undeclared work which was the rule in the agricultural sector became a manifest feature also of non agricultural waged employment. Despite the high growth rates experienced in the aftermath of the 2001 crisis, job creation was not adequate and official unemployment rate settled around 10 percent band for all sectors and around for 13 percent for non agricultural sectors. The derived unemployment rate which can be arrived at by adding up the underemployment and the number of people ready to work but not seeking a job due to discouraged worker effect or due to other reasons, became double the official rate. With a simulation assuming that the labour force participation rate of women in Turkey is similar to the lowest labour force participation rate for women in the OECD area, the derived unemployment rate shall be around 25 percent. (Türkan, 2005). Turkey faced the global crises in the middle of such an employment crises.

The global crises which had its effect on the Turkish economy through the declining capital inflows, dysfunction of credit channels based on the banking system, falling foreign demand and postponement of consumption and investment decisions, further deepened this

employment crises. By the end of 2009, the unemployment rate increased to 14 percent for all sectors and to 16,6 percent for non agricultural sectors.

Starting from the middle of the 2009, Turkey adopted various measures, mainly to support enterprises, in order to limit the negative effects of the global crises on Turkish economy. The cost of these support packages to the budget were estimated to be around 0,8 percent, 2,1 percent and 1,6 per cent of GDP in 2008, 2009 and 2010 respectively. (DPT, 2009c). The Undersecretariat of Treasury classifies these measures adopted by both the Government and the Central Bank, as liquidity supports, tax supports, investment supports, credit and guarantee supports for production and export, arrangements concerning credit use and credit cards, research and development supports and employment supports (T.C. Hazine Müsteşarlığı, 2009).

Ministry of Labour and Social Security and Turkish Employment Agency İŞKUR played an active role in the formation and implementation of the employment supports. Even though there was recourse to social dialogue in the adoption of the crisis prevention packages, workers' and civil servants' trade union confederations, stated that social dialogue remained at the level of discourse. They also underlined the fact that the wages and salaries, pensions and social disbursements were not increased, the eligibility criteria for unemployment benefits were not improved that the anti-crises measures did not favour labour.

Some of the employment support, such as reductions in the employer's share of the social security contributions for additional employment or for employment in the new investments is intended to increase labour demand by reducing the cost of labour to the employers. Employment of certain groups such as youth and women are also subsidized in this manner.

Within the context of active labour market policies, intended to increase labour demand by increasing the productivity of labour, we should mention vocational training courses organized by İSKUR, entrepreneurial consultancy and training given to individuals, support for trainees within the framework of on the job training. 15 TL daily payments to the participants of the vocational training courses, grants up to 4000 TL for certain projects at the end of the entrepreneurship education, and payment of 15 TL for six months to the trainees make these programs attractive even though there is no employment guarantee for the participants of the majority of these programmes.

Another programme run BY İŞKUR within the framework of the employment supports is the community work. In community work programmes, the unemployed workers are temporarily employed in maintenance and repair works of schools and hospitals, reforestation and erosion control, landscaping and land reclamation, parks and gardens. In the community work, workers are paid minimum wages depending on their part time or full time employment.

In the context of passive policies, there has been some increase in the unemployment benefits, activation of short time work and wage guarantee fund.

The transfer the funds from Unemployment Insurance Fund to relevant institutions and agencies, to be used in investments in the context of the Southeastern Anatolia Project (GAP) and in other investments for regional economic and social development is defended by the government as a measure for employment creation. However, the workers trade union confederations as well as the employers' confederation criticize this practice and oppose the utilization of Unemployment Insurance Funds outside its own purposes.

As many other developing countries that cannot generate decent jobs even with high rates of growth, Turkey was facing a serious problem of unemployment and idle labour force prior to the crisis. In the period following the 2001 crisis, high rates of unemployment derives from, in addition to jobless growth in manufacturing industry, the post-crisis process of adjustment conducted under the supervision of the IMF including shrinking agriculture and agricultural employment and re-structuring in privatized enterprises. It is also in the context of these policies that agricultural subsidies fell from 3 percent to 0.7 percent of national income, that the regulative role of Agricultural Cooperatives weakened and that agriculture has turned out as net importer. In the services sector, employment creation was not sufficient to remedy employment losses in agriculture and balance low employment elasticity in industry.

Behind Turkey's employment crises, which is deepened by the global crisis but existed before it, are structural reasons such as liberalization of capital movements and canalization of funds to financial speculation rather than investments, decrease in agricultural employment, decline in the employment elasticity of manufacturing industry, downsizing of the public sector and privatization and inadequate resource allocation to social

investments. Unless these structural problems are dealt with a new planned development approach, lowering the tax wedge on employment, providing short-term vocational training courses through İŞKUR or creation of temporary employment through community work will not be enough solve Turkey's employment crisis. How much and what quality of employment is created in Turkey by the 2008-2009 anti crises measures is yet to be seen in the coming years after an impact analysis of these measures.

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LIST OF INTERVIEWS

Ministry of Labour and Social Security (MLSS)

- Saadettin Akyıl, MLSS, Deputy General Director of Labour (written reply)
- Tevfik Bayhan, MLSS, Labour Inspection Department, Labour Inspector
- Esat Aktaşođlu, MLSS, EU Coordination and IPA Administration Department, EU Expert

Employment Agency of Turkey (İŞKUR)

- Namık Ata, General Director of İŞKUR

Social Security Institution (SSI)

- Recep Levent, SSI, General Directorate of Social Insurance, Department Head

Workers', civil servants and employers' organizations

- Bülent Pirlar, TİSK General Secretary (written reply)
- Mustafa Kumlu, TÜRK-İŞ President (written reply)
- Salim Uslu, HAK-İŞ President
- Tayfun Görgün, DİSK General Secretary
- Emirali Şimşek, KESK General Secretary
- Ercan Han, TÜRKİYE KAMU-SEN, Expert
- Gürsel Dođru, TEZ KOOP-İŞ, President
- Bülent Uygun, Denizli Chamber of Industry, General Secretary

Bursa

- Baha Tekeli, MLSS, Regional Director
- Feyzullah Eren Türkmen, İŞKUR, Branch Director
- Mehmet Kanca, TÜRK-İŞ Bursa Regional Representative
- Kadri Özfındıklı, TİSK Bursa Representative
- Zehra Ter, Bursa Chamber of Commerce and Industry, Research Dep.

Gaziantep

- Turgut Durdu, Gaziantep İŞKUR
- Sermet Çapan, Gaziantep Chamber of Industry, Trade Dep.
- Ali Tabur, Gaziantep TÜRK-İŞ Representative

Çorum

- Hüseyin Ergin, Çorum İŞKUR, Director
- Murat Zeybel Çorum Chamber of Commerce and Industry, General Secretary
- Sefer Kahraman, TÜRK-İŞ Representative