The Translation of Competing Ideas to the Turkish Welfare-Production Regime

Abstract:

This paper tries to unfold the transformation of social security and labor market policies using Turkey as a case study. The starting point of the paper is the process for the introduction of the unemployment insurance program. The establishment of the unemployment insurance program was followed by the initiation of other institutional elements in the Turkish context such as job security, and flexibility Acts. All these institutional components are interconnected and they shape the Turkish welfare-production regime nexus. This interconnectedness became the official discourse of both employee and employer confederations, especially during the 1990s, on different grounds. Not surprisingly, the introduction of the unemployment insurance program brought these discourses back in the early 2000s. The paper argues that, as a result of this transformation with the introduction of new elements, there are now two competing paradigms – social security and flexicurity, and their institutions – severance payment, job security, unemployment insurance program, and flexibility Law in the Turkish landscape. The paper also tries to outline the ideational sources (like OECD, World Bank, ILO, and EU) of these components, and the translation processes of these ideational foundations.

The prominent approach to welfare regimes in the literature underlines the interaction of markets and state (but also households) in addressing and allocating different social risks (Esping-Andersen, 1992). Yet, as well as the welfare provision dimension, there is also a production side of each national context. In each national context, there is a specific production regime that shapes wages, investment, and employment (Stephens and Huber, 2001: Zeitlin and Trubek, 2003).

In many respects, welfare and production regime approaches rely heavily on historical institutionalist analysis. Historical institutionalism gives many insights into the functioning and structure of institutions, as well as their historical evolution. Esping-Andersen (1999: 35) identifies the welfare regime in a systematical way by referring to it as an inter-causal relationship between state and market (and sometimes household). By the same token, the production regimes are conceptualized as complementary relationships between different macro-structures (i.e. state, market, community) in the economy (Hollingsworth and Boyer, 1997). While not ignoring the importance of macrostructures such as the state, the economy, and civil society, historical institutionalist theorists narrow down their analysis to the intermediary structures – institutions. Institutions are referred as the ‘rules of transaction’ between state, economy, and civil society, and are the ‘actual array of formal organizations inside each macrostructure’. They are the bonds that bind the economy, state, and society (Katzenelson, 1997: 103).
The features of each institution reflect the nature of the interaction between these macrostructures. The social security programs of the state shape the labor markets by arranging the mechanisms for exiting the labor market, as well as allocating people to various jobs (Esping-Andersen and Kolberg, 1992: 4-6). These programs have different institutional features, i.e. eligibility rules, and coverage that shapes the nature of labor markets. Thus, the institutional design of each program matters (Myles, 1998). Moreover, institutions interact with other institutions in certain contexts that complicate the relationship between macrostructures. Steinmo (2008: 13) states that “any given institution is embedded within a larger set of institutions”. This definition outlines the connection between institutions and regimes. Regimes can be defined as the institutional configurations that address social security matters (welfare regimes) and industrial relations issues (production regimes). The interaction between different institutions directs our attention to how macrostructures – economy, state, and civil society – relate to each other in different policy contexts. To illustrate, as the paper argues the unemployment insurance program, severance payment, job security, and the Flexibility Act are all inter-connected within the welfare-production regime nexus.

Following this definition, Myles (1998) shows how the design of each institution (program) makes a difference in understanding the characteristics of the regime in a particular national landscape. According to him, even though the USA and Canada are considered liberal welfare regimes, there are contrasts between the two countries stemming from their different programmatic design. To comprehend these differences in the programmatic design, the ideational foundations of this design need to be specified. Hay (2006: 7) states ‘it is not just institutions, but the very ideas on which they are predicated and which inform their design and development, that exert constraints on political autonomy; institutions are built on ideational foundations which exert an independent path dependent effect on their subsequent development’. In a similar fashion, Hall (1992: 91) defines these ideational foundations as ‘an overarching set of ideas that specify how the problems facing them are to be perceived, which goals might be attained through policy and what sorts of techniques can be used to reach those goals’.

In the historical institutionalist tradition, the sources of ideas are often taken as granted or are seen as endogenous to the national contexts. Critics argue that in the era of increasing transnationalization of public policy the analysis needs to focus on the dissemination of foreign ideas in different contexts (Bislev et. al., 2004; Grinvalds, 2008; Mahon and Mcbride, 2008). The paper tries to unroll the ideational sources (such as OECD, World Bank, ILO, and EU) of the new institutional components – unemployment insurance program, job security, and the flexibility Act, and the translation processes of these ideas and the diffusion of these ideas from another context. The paper begins with the introduction of the unemployment insurance program, and then it follows with the developments that arose after the initiation of this program.

The Historical Background of Unemployment Insurance Program in Turkey:

The Period between 1959 and 1980

Even though many countries established their unemployment insurance programs in the early and mid-twentieth century, not all countries saw fit to introduce unemployment insurance programs. The Southern Welfare Regime countries, for example, were in fact late to establish such programs. Spain only introduced unemployment insurance in 1961, while Italy relied on an income support scheme for the unemployed that performed the function of unemployment insurance until 1988. Portugal was also a late entrant to provide unemployment insurance, as unemployment insurance was set up in 1985 (Karamessini, 2007: 16). Finally, Turkey is the
latest adopter of an unemployment scheme amongst other OECD members. The late introduction of unemployment insurance is analytically interesting not only because unemployment insurance is one of the key arrangements (sickness payment, old-age payment, disability payment, and maternity programs) that welfare regimes adopt to mitigate social risks (Korpi and Palme, 1998: Bannink and Hoogenboom, 2008: 25), but also because unemployment insurance lies at the nexus of welfare and production regimes (Kolberg and Esping-Andersen, 1992). This late introduction of unemployment insurance therefore raises the question as to why Turkey decided to institute such a program at the end of the 20th century.

Many drafts were prepared for the unemployment insurance program in Turkey prior to the introduction of the program. In the preparation of these bills, the Turkish bureaucracy and international experts, and consultants played a significant role. The first study concerning the establishment of the unemployment insurance program was performed with technical support from the International Labor Organization (ILO) in 1959. An international expert from the ILO, Philip Booth, launched a research project in Turkey. Meanwhile, a Commission was established by the Ministry of Labor and Social Security which prepared a report about the unemployment insurance program by receiving the opinion of the international expert (Andaç, 1991: 93). As a result of his research, Booth prepared the report in 1960 that was called the ‘Possible Solutions for Unemployment in Turkey’. According to the report, even though there was a severance payment for dismissed workers in some cases, the program was insufficient. Consequently, the report called for the introduction of an unemployment insurance program to remedy this situation (Törüner, 1991: 41). Moreover, the report pointed out that the Job and Labor Finding Agency (İİBK) and the Social Insurance Agency (SSK) should be administratively re-organized. The study also underlined the necessity for collecting data about unemployment. Lastly, the report suggested that the duration of the unemployment insurance payment should be between 2 and 3.5 months (ibid.).

The studies for the establishment of the unemployment insurance program were performed by the İİBK after the implementation of the first Five Year Development Plan (1963-1967). A draft Act was prepared by the İİBK in 1964. In 1966, the draft was reviewed again by taking the opinions of various organizations, especially the State Planning Organization (Andaç, 1991: 93). Yet, the state organizations felt that the draft was not sufficient. To complete the missing parts of the draft, USA Deputy General Director of the Unemployment Insurance Organization, Forest L. Miller, was invited to make the legal and fiscal assessment of the program. This study was conducted with the technical support from the US Agency for International Development (Törüner, 1991: 41).

Miller completed his report in 1967 and presented it to the Ministry of Labor and Social Security. The report underlined that a well-defined unemployment insurance program was feasible in the Turkish context. The study, moreover, suggested that the scope of the unemployment insurance program should include permanent workers as much as possible; unemployment compensation should be fifty per cent of monthly wage; the premiums in total should be three percentages; and the state should not be involved in the payment of premium (Törüner, 1991: 42). In line with the report, İİBK prepared another unemployment insurance program draft in 1968, and then the draft was sent to the related organizations such as Ministry of Labor and Social Security and the State Planning Organization (TİSK, 1993: 32). Yet, there occurred a disagreement between organizations over the draft.

In 1972 and 1973, the unemployment insurance draft was reviewed again. However, this time the lack of reliable data for the entry-exit of workers into the labor market became an obstacle
for the establishment of an unemployment insurance program. Consequently, the studies concentrated on the techniques for the collection of data (Andaç, 1991: 94). To conduct a research concerning the collection of reliable data, in 1974 the OECD consultant Prof. Louis Levine was invited to Turkey. With the İİBK personnel, he collected data from the selected public and private organizations in Ankara, İzmir, and Bursa provinces. A report on ‘Methodology’ which specified the future studies was prepared and submitted by him to İİBK. Later, he again came to Turkey. With the İİBK staff, he visited the manufacturing sectors in Zonguldak, Kocaeli, and Istanbul provinces to collect data (ibid.). During this research, the OECD consultant conducted meetings with experts from the the Social Planning Department in the SPO, and the State Statistics Institute (SSI). As a result of the research, a report called ‘Türkiye Projesi (75) 37’ was prepared in 1975. The report outlined the principles for the specific sectors that the unemployment insurance to be implemented, the methodology for the collection of data, and the organization and planning of the unemployment insurance program (ibid., 95).

To prepare the statistical documents for the unemployment insurance, the İİBK and the SPO started to work together. As a result of this cooperation, a study called as “Türkiye’de İşsizlik Sigortasına Dönük Model Araştırma” (A Research on a Model for the Unemployment Insurance in Turkey) was published by the SPO (ibid.). Later, the studies were initiated to compile the information for the “Labor Market Study” and “The Implementation of Unemployment Insurance Program”. These two documents were prepared in 1978. These studies aimed to determine the socio-economic status of workers in the firms, the labor force needs of these organizations, the necessities for vocational training in pre-employment and employment, and the impact of technological changes on the labor force (ibid.). The unemployment insurance program prepared by the İİBK was reviewed in accordance with the results of these documents in 1979. Later, the draft was developed by considering the implementation of unemployment insurance program in different countries, and it was submitted to the Turkish Grand National Assembly in 1980. Yet, this draft also could not be legislated.

Unemployment insurance program was also one of the priorities for the social development in the SPO’s Development Plans. The creation of an unemployment insurance program was first outlined in the Five Year Development Plans and the Annual Programs. In the first five year Development Plan (1963-1967), it was stated that an unemployment insurance program will be established for the people who were qualified as permanent workers. The necessity to set-up the program was also mentioned in the following Development Plans and Annual Programs (Törüner, 1991: 39). In the 1969 Annual Program, it was stated that an unemployment insurance program would be initiated in the determined sectors and regions and would be implemented gradually (ibid.). The bureaucrats in the Social Planning under the State Planning Organization supported the introduction of this program.

Moreover, the introduction of the program was also stated in many political parties’ programs such as in the party program of the Justice Party in 1966, the Republican People’s Party in 1969, the National Trust Party in 1967, the National Movement Party in 1965, the New Turkey Party in 1967, Motherland Party in 1983, Social Democratic People’s Party in 1983, and the True Path Party in 1983. Some of these parties formed the government but they did not establish the unemployment insurance program.

There are different reasons behind the postponement of the introduction of unemployment. Firstly, employers resisted the introduction of the program. The employer confederations argued that unemployment insurance program would increase their costs. They also claimed
that Turkish economy is structurally different from the western economies. Such structural difference in economies produces different type of unemployment. In the advanced developed economies unemployment often stems from the technological changes, economic fluctuations, and mobility of the labor forces, whereas in Turkey unemployment is mostly hidden and seasonal. The main problem of Turkey mostly stems from the inadequate production (Damalı, 1970: 1-2). Therefore, according to the employers, the priority should have been given to the economic development.

Furthermore, even though the bureaucrats in the Social Planning Department under the State Planning Organization supported the establishment of the program, the Economic Planning Department gave priority to the economic development. Economic Planning Department was the most powerful department within the State Planning Organization since the foundation of the organization. Thus, although the SPO included social development in its plans and programs, social development was always secondary to economic development (Karacal, 1981). This was because the governments in power often supported the target of economic development which was in favor of the employers’ interest.

In addition, there was not such a demand from the trade unions. The creation of an unemployment insurance program was not central for the trade unions. In fact, the trade unions were only set up three decades after the Republic was founded. Yet, they were still under the control of the state in the period between 1946 and 1960. In 1960, when the democratic constitution was introduced, trade unions gained relative autonomy against the state. They did not, however, focus on unemployment (and therefore unemployment insurance program) in the period between 1960 and 1975 since this was the era when unemployment was very low and the growth rate was high. The dominance of the State Economic Enterprises in the economy also prevented unemployment by providing job security to their employees. Also, during this period many workers went to various European countries – especially Germany – as immigrants. This resulted in the absorption of the excess supply of labor by the European labor markets. Consequently, it was only during election time that political parties started to bring up the possibility of creating an unemployment insurance program in their agendas.

Another reason behind the unsuccessful attempts to introduce the program was the increase in the severance payment in Turkey. In 1975, the social democrat Prime Minister, Bülent Ecevit, increased the severance payment from half-monthly wage to a monthly wage for each year of employment, and decreased the duration of eligibility for the severance payment program from three years of employment to one year of employment. The rationale behind the extension of the severance payment program, according to the Prime Minister, was the lack of an unemployment insurance program and job security. This development slowed down the

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1 The State Planning Organization was the most powerful organization in the public bureaucracy until the 1980s in Turkey. The organization was established with a high level of autonomy. In its establishment Act in 1960, the high-ranking bureaucrats of the State Planning Organization were represented as equals with the Prime Minister and Ministeries in the High Planning Board (Şaylan, 1981: 195-196). Until the 1980s, the State Planning Organization had control over the allocation of resources. To illustrate, ‘all decisions concerning investments made by the public sector, incentives for the private sector, and foreign capital were subject to the control of this organization (ibid., 196).

2 Trade unions began to play an active role in the introduction of unemployment insurance program and job security towards the mid-1990s.
efforts to establish an unemployment insurance program. This was also used by the employer confederation (TISK) against the introduction of unemployment insurance program.

The Period between 1980-2000

The economic downturn that occurred as a result of the international crisis and the emerging structural problems in the Turkish economy resulted in a switch from the import-substitution model to an export-oriented model. This transformation was achieved after the 1980 military coup. During the first elections after the coup, the Motherland Party formed the government.

The newly elected right-wing party – Motherland Party (ANAP) tried to pursue ambitious liberalization. The Prime Minister, Turgut Özal, was the architect of ‘the January 24, 1980, Stabilization Program that paved the way to the structural adjustment program. The Stabilization and Adjustment Programme of 1980 predicted that ‘reorientation of economic policy towards export promotion would alleviate labor market imbalances’ (OECD, 1993: 36). Yet, the policies of the ANAP resulted in low wages, and high unemployment which created dissatisfaction among people. Consequently, massive strikes and demonstrations took place in retaliation for these policies. In response to these events, the government had to raise workers’ wages. Furthermore, all parties began to support the creation of an unemployment insurance program to get the support of the people in the elections. The Motherland Party was eventually defeated paving the way for the establishment of the True Path Party (DYP)-Social Democratic People’s Party (SHP) coalition government in 1992. In the newly formed coalition government protocol, it was stated that ‘the unemployment insurance program will be established, and will be implemented gradually’ (TURK-IS, 1992: 39).

The centre-left party (SHP) was allocated control of Ministry of Labor and Social Security after the formation of the coalition government. Due to the SHP’s election commitments and ideological position, the Minister of Labor and Social Security, Mehmet Mügultay, declared that the Ministry would prepare drafts for job security and unemployment insurance program Acts. Trade unions and their confederations were pleased with this development. However, the employer associations and their confederation were totally against these programs because they were concerned with the possible increase in their non-wage costs (TURK-IS, 1992: 39).

In response to these developments, the employer confederation started to argue that the unemployment insurance program, job security, and severance payments were interrelated. Thus, according to the confederation, there was a need to amend the structure of the severance payment program. Its argument was based on the design of the severance payment in the Labor Act that was introduced in 1975. Accordingly, the benefit and coverage structure of the program was extended in the Act due to the lack of ‘an unemployment insurance program’, and ‘job security’ (Baydur, 2004). Thus, the employer confederation suggested the separation of the functions of the two institutional components from the severance payment. In the Labor Act of 1975, the severance payment was calculated as the monthly-wage for each year of employment. According to the Employer Confederation’s technical report, the percentage share of each of these three labor market institutions – unemployment insurance program, job security, and severance payment – were equal in the welfare-production regime (ibid.). Therefore, severance payment should have been decreased to ten days of wage. Against this strategy of employers, the trade unions reiterated their support for the introduction of an unemployment insurance program and job security but without touching the severance payment program. Their main argument was that the severance payment was an acquired right that could not be taken back.

The Ministry of Labor and Social Security prepared the job security Act draft in 1992, and then the unemployment insurance program proposal in 1993. The Job Security Act was prepared by four university labor law professors – Devrim Ulucan, Öner Eğrenç, Savaş
Taşkent, and Murat Demircioglu. In 2001, three of these professors were also involved in the preparation of Job Security, and Flexibility Laws. As these professors did not have any expertise in the actuarial assessment of the unemployment insurance program, the Ministry of Labor and Social Security worked with another group for the preparation of the unemployment insurance program. For the preparation of unemployment insurance program, the Ministry of Labor and Social Security appointed a university economy professor Mete Toruner (who wrote his thesis on the unemployment insurance program and its application to Turkey) to the General Directorate of the Job and Labor Finding Agency (IIBK). He was also an old bureaucrat from the Social Planning Department in the State Planning Organization. Thus, he was knowledgeable about the past experiences about the introduction of unemployment insurance in Turkey, and the world experience. In addition, due to his economist background he had expertise in the actuarial calculations of the program. He formed a team composed of experts from the Job and Labor Finding Agency in order to prepare the draft for the unemployment insurance program. This group made a research about the unemployment insurance programs in different OECD countries, especially European countries. They prepared a very limited benefit and coverage structure for the program since they realized that generous unemployment insurance programs in the European countries faced with fiscal difficulties. Therefore, the coverage of the scheme was 45 percent of the daily wage. The worker was eligible for the unemployment compensation if the worker paid his/her insurance premiums at least 600 days in the last three years of employment. Those who worked and paid the unemployment premiums for (a) 600 days deserved the unemployment payment for 4 months, (b) 900 days got the unemployment payment for 6 months, and (c) 1080 days obtained unemployment compensation for 8 months.

In addition, they included the active labor market policy component such as vocational training, and re-training to the draft. As the draft stated, the purpose of the program went beyond compensating the income losses of the unemployed. Rather, the program aimed to minimize the loss of the labor force through continuous, effective, and efficient employment of labor (1993: 36). The active labor market policy component, in fact, brought up by the World Bank.

In the late 1980s, the World Bank started to change its structural adjustment program in Turkey. The new policy focused on employment policies and privatization of the State Economic Enterprises. This was the first time the Bank involved in employment and labor market policies in Turkey. In 1989, an upper level commission about employment, and vocational training was formed by the SPO composed of related organizations, the SPO, and the World Bank. This commission aimed to study employment, training and the relationship between them. As a result, a report called “Human Capital and Employment Development Systems Policy Document: Strategy Analysis and Action Plan”. In this document, different action plans were determined concerning the issues of labor legislation, labor market information system, vocational training, vocational standards, and employment consultancy. Later, in line with this document the IIBK (Job and Labor Finding Agency) and the World Bank embarked on a project named ‘Employment and Training Project’ which began in February 1992. The IIBF (Job and Labor Finding Agency) was the responsible body for implementing this project. The objective of the project was ‘to promote productive employment through improved labor market efficiency’ (World Bank, 1993: 7). This was the first project for designing and implementing vocational training and self-employment training in the Turkish context. In other words, this was the first time that ‘the active labor market policy’ component was introduced in Turkey (interview). Another component of the project was the preparation of unemployment insurance program in Turkey.
The World Bank supported the establishment of unemployment insurance program since the Bank also changed its policy over the State Economic Enterprises (SEEs). Rather than restructuring, the suggestion of the Bank became the privatizations of the SEEs. In 1994, the World Bank initiated the project of the ‘Privatization Implementation Assistance and Social Safety Net’. Around this time, the coalition government declared that it had changed its policies regarding SEEs, as it now supported the privatization of all SEEs. The 1991 report of the SEEs by the Bank was very influential in this policy change (As a result, the privatization program was launched in 1994 by the government). According to the World Bank, there was a need for incorporating a social dimension to the program to prevent any resistance on privatizations. Thus, the social safety measure was included in the project. As stated in the report (World Bank, 1994: ii), “achieving some early privatization successes and providing effective social safety net measures for workers will lend credibility to the Government's program, provide an impetus to proceed with efficacy and speed...”. The social safety aspect of the project was composed of ‘income support programs’ and a ‘labor adjustment program’. Early retirement and severance pay were the options that would provide income support (in the absence of the unemployment insurance program). Moreover, the ‘Labor adjustment’ component involved providing counseling and training for the displaced workers and strengthening the institutions responsible for fulfilling this function (World Bank, 1994). In that regard, the project complemented the ‘Employment and Training Project’. The active labor market policies would assist the workers, who would become unemployed after the privatizations, to re-integrate to the labor market. Thus, the design of the program was in line with the characteristics of the ‘inclusive liberalism’ paradigm that emphasizes flexibility in the labor market as well as full employment, and income support. Nevertheless, unemployment insurance program could not be introduced due to the employers’ resistance to both unemployment insurance program and job security.

Around the same time, the World Bank also started to get involved in the social security policies increased with the emergence of deficits in the social security system. Around the mid 1990s, the Turkish social security system was faced with deficits. The Treasury Board began to inject pecuniary transfers to mitigate these deficits. Parallel to this, the Treasury Board established the Department of Social Security under its organization (interview). The Treasury Board and the Ministry of Labor and Social Security implemented a Social Security Project conducted by the International Labor Office. This project was financed through the World Bank loan. It was also realized by the Treasury bureaucrats that the bureaucrats in the Ministry of Labor and Social Security lacked knowledge about actuarial calculations in the social security system. To train them, many conferences and seminars were organized. Also, bureaucrats from the Ministry of Labor and Social Security were sent abroad to receive masters’ degrees in actuarial studies (interview). This was also financed by the World Bank. The increasing role of the Treasury Board in the management of the social security system intensified the influence of the World Bank and IMF on the social security policies because the Treasury bureaucrats worked with the World Bank and IMF experts since the 1980s. Furthermore, after the 1994 economic crisis in Turkey, the IMF and the World Bank increased their intervention in the social security system. The stabilization program imposed by the IMF emphasized cutting social expenditures on the social security system (Karataş and Öniş, 1994: 181). Moreover, these international organizations started to impose pressure for

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3 To achieve flexibility in the labor market, the ‘welfare traps’ need to be prevented by arranging the income support programs. Yet, it also includes activation measures such as vocational training and re-training in order to integrate the unemployed into the labor market again (Mahon, 2008).
reform in the social security system. Thus, social security reform came into agenda as well as an unemployment insurance program, and job security.

Even though the Minister of Labor and Social Security could not succeed in the initiation of the unemployment insurance program and job security in 1993, the efforts to introduce these Acts continued. In 1995, the new Minister of Labor and Social Security, Aydınlı Güven Gürkan, prepared a package that included social security reform, unemployment insurance, and job security Acts. The Social Security Act proposal introduced a minimum retirement age (55 for women, 60 for men) that was removed by the coalition government in 1992, and a minimum contribution rate (20/25 years of insurance payment for men and women). All employer and employee confederations were opposed to the social security reform. This was because the employers were against the increase in the minimum contribution rate, as it would make employers pay more premiums to the Social Insurances Agency (SSK). In other words, employers were concerned with the cost aspect of the reform (Baydur, 2004: 107). Furthermore, the employee confederations were criticizing the minimum retirement age. For them, this was synonymous with ‘retirement in the tomb’ (TURK-IS, April 1994: 4). Both employees and employer unions maintained that the state should also make contributions to the social security system. Yet, there was pressure from the international organizations – the IMF and the World Bank to cut back the transfers from the social security system.

The unemployment insurance program and job security Act drafts (they were very similar to the previous drafts in 1992 and 1993) were incorporated into the package because the Minister of Labor and Social Security realized that social partners did not support the draft for social security reform. This strategical move aimed to persuade the employee confederations; however, it could not succeed. The trade unions reacted to the package and organized many demonstrations and prevented the legislation of the entire package (Koç, 1999: 13). As for the employer confederation (TISK), they followed their previous discourse underlining the restructuring of the severance payment program if unemployment insurance program and job security were introduced (Baydur, 2004: 106).

Furthermore, for the first time, TISK claimed for the necessary arrangements for flexibility (Baydur, 2004: 107). Turkey participated in the Customs Union of Europe in 1995, which implied that there would be no custom tariffs and duties between the members of the European Union and Turkey. In other words, this was an arrangement creating free trade between EU and Turkey. The employer confederation began to argue that Turkish firms would not be able to compete with their European counterparts under the existence of the market rigidities such as severance payment, and the existing labor law that prevented flexibility arrangements (Şenses, 1996). Therefore, the flexibility law became the fourth institutional component of discourses over the welfare-production regime in Turkey.

The debates over the reform of the social security and privatizations continued into the late 1990s. Turkey initiated a stabilization program to decrease inflation. The IMF participated in this program, which involved restructuring the social security system and accelerating the privatizations to make the economy work more efficiently (EU Comission, 1998: 25). In addition, in the 1998 Progress Report on Turkey, the European Union underlined the necessity for the reform of the social security system, and supported the privatizations. In that regard, the pressure to privatize the SEEs and to reform the social security system has considerably increased. The European Union started to demand these reforms as well as the World Bank and the IMF. This was also the time when Turkey negotiated with the EU over acquisition of the candidacy status for the European Union. Furthermore, Turkey was faced with another economic crisis in 1999 that intensified the need for reform in the social security system.
By the end of the 1990s, the new coalition government DSP-ANAP-MHP was formed. It should be noted that the 1990s was a period in Turkish history in which many coalition governments were in existence. Nevertheless, they often did not last long. Furthermore, the expectations of the employers and employees on the new coalition government were different. The employee confederations demanded the legislation of the unemployment insurance program and job security, whereas the employer confederation highlighted the necessity for an economic program that would speed up the efficient functioning of the market and decrease unemployment (Baydur, 2004: 115-116).

The security reform was a main priority on the agenda of the Ministry of Labor and Social Security. The employee confederations were again concerned with an increase in the age of retirement, the contribution rates, as well as the duration of the contribution. On the other hand, the employers were against an increase in their contribution rates and duration of the contribution. Nevertheless, there was a consensus between the employees and employers against the legislation of the social security reform package. Yet, one of the employee confederations (DISK) insistently asked to bring the unemployment insurance program and job security with the Social Security Act to the Turkish General Assembly. This demand was also supported by the other employee confederations. As a response to this move, the employer confederation declared that they would insist on the re-arrangement of severance pay and the introduction of the flexibility Act (Baydur, 2004).

The demands of the employees for job security and an unemployment insurance program, however, did not imply that employee confederations agreed with the social security reform. On the contrary, they were planning to organize demonstrations against the social security reform (interview). Yet, on the 17th of August 1999 an earthquake occurred in the Northwest part of Turkey. Approximately 40,000 people died, and many people lost their homes. Consequently, the employee confederations cancelled their demonstrations as a result of the disaster. The Minister of Labor and Social Security took advantage of this situation and passed the Act on Social Security and Unemployment Insurance Program without any discussion. The establishment of the unemployment insurance program was used as the ‘sweetener’ for the social security reform (interview). Put differently, the Minister of Labor and Social Security considered it to be a concession to the workers to prevent them from reacting to the social security reform (It was also in line with the demands of the World Bank to introduce an unemployment insurance program to mitigate the social resistance for the following privatizations). The next section of the paper is concerned with the developments after the introduction of the unemployment insurance program; that is to say, the legislation of job security, and flexibility laws.

**Developments after the Introduction of Unemployment Insurance Program**

Employees and employer federations had, however, opposing concerns for the introduction of the unemployment insurance program. After the introduction of the unemployment insurance program, the employer confederation (TISK) reiterated their point that a severance payment program should be amended. The Employer confederation (TISK) claimed that the introduction of the program would decrease Turkey’s competitive advantage by increasing social costs; it would discourage entrepreneurship; it would increase the privileges of the employed who already had many acquired rights; and it would induce the informal economy (TISK, 2000). Moreover, according to TISK, there already existed security institutions for the workers, like severance and termination payment. In the general meeting of the TISK in April 2000, moreover, the need for flexibility arrangements was highlighted and a law bill for flexibility was prepared by TISK experts (Baydur, 2004).
The employee confederations HAK-IS and TURK-IS, and DISK were also not fully satisfied with the unemployment insurance scheme. According to the employee confederations, there was a need for initiation of ‘job security’ with unemployment insurance. They argued that without job security, the unemployment insurance program would be unsustainable as the employers would not have to show any fair reason for dismissing workers, and consequently the high unemployment rate that was currently in existence would not decrease. In order to increase their influence on this issue, TURK-IS prepared a draft on job security, and submitted it to the Prime Minister. The Prime Minister, Bülent Ecevit, was sympathetic to this arrangement as he was the member of the Democratic Leftist Party (DSP) (Baydur, 2004).

This increased the pressure on the Ministry of Labor and Social Security to introduce job security. Consequently, the Ministry prepared a draft for job security. The pressure was also intensified by the employee confederation (TURK-IS) who advocated the introduction of the law at the international scale. Since Turkey signed ILO Convention 158 about job security in 1994, the TURK-IS complained to the ILO about the lack of legislation in Turkey for the Convention. Such a jumping-scale (Smith, 1984) from national scale to the international scale created a ‘boomerang effect’ for the introduction of job security. ‘Boomerang effect’ in a policy process implies that when the actor(s) realized that its/their effort to change policy is blocked, they lobbied for the change at another scale which results in pressure to the national governments for the change (Keck and Sikkink, 1998). In a similar vein, the efforts of TURK-IS was prevented by the government, then TURK-IS lobbied in the ILO. As a result, at the International Labor Conference the ILO Application Committee decided to inquire why Turkey did not enact Job Security although the Convention 158 was signed by the Turkish government in 1994. Consequently, the Minister of Labor and Social Security had to make a commitment that the government would pass the Act as soon as possible.

Against these developments, the employer confederation embarked on a campaign that job security should be introduced with new flexibility arrangements and the amendment in the severance payment arrangement. According to the confederation, the Labor Act of 1475 was not appropriate for the current economic condition; therefore, it should have been amended. In addition, with the introduction of the unemployment insurance program and the efforts to legislate job security, the severance payment program should have been re-arranged and its unemployment and job security functions should have been refined. In addition, the employers argued that the existing job security draft did not comply with the Convention 158. Indeed, this was true as the Application Committee of the ILO had also criticized it.

The Role of Epistemic Community in the Preparation of New Acts:

All these efforts of the employer and employee confederations that were both in favour and against the job security Act came to an impasse because the coalition government was composed of right and left wing parties. The Minister of Labor and Social Security pursued another strategy to persuade both employer and employee organizations. Accordingly, a scientific committee – who would be elected by the employers, employees, and the state – would prepare the Acts for job security, flexibility laws, and severance payment arrangement. Three members would be elected by the employee confederations (HAK-IS, TURK-IS, and DISK), three of them by the employer confederation (TISK) and the last three members by the state.

All parties accepted this offer. Then, the representatives of the employer and employee confederations and the Ministry of Labor and Social Security signed a protocol to form this scientific committee. The Protocol underlined the necessity to increase the labor standards, and economic competition. In that regard, it reflected a balance between the claims of the employees and employers. Yet, there was an interesting statement in the protocol.
Accordingly, the decisions taken unanimously by the scientific committee would be considered approved by the three parties. In the absence of unanimity, each party would have a right to object and declare their concerns (Protocol Document, 2001). In other words, the Protocol aimed to eliminate any disagreement between the parties. This protocol was targeted at by-passing the possible disagreement between the parties.

The Scientific Committee resembled the “epistemic communities” introduced by Haas (1992). The Epistemic community is a network formed by ‘knowledge-based experts’ who have authority and competence in a specific area (Haas, 1992: 3). These group of experts have (1) shared normative and principled understandings that reflect their value-based approach to social phenomena, (2) common causal beliefs that explains, with respect to their expertise, the possible cause-and-effect relationship between policies and their outcomes, (3) ‘shared notion of validity’ that specifies the criteria to validate the knowledge in their domain, and (4) ‘common policy expertise- that is a set of common practices associated with a set of problems to which their professional competence is directed’ (ibid.).

The Scientific Committee, which was responsible for the preparation of the job security, flexibility and severance payment Acts, was composed of labor law and industrial relations professors – Prof. Munir Ekonomi, Prof. Toker Dereli, Prof. Şavaş Taşkent, Prof. Öner Eğrenç, Prof. Metin Kutal, Prof. Devrim Ulucan, Prof. Algun Çifter, Prof. Sarper Süzek, and Prof. Teoman Akunal – from various universities in Turkey. They were the well-known scholars in their policy area. Furthermore, they all had a common concern for bringing the flexibility arrangement in the Turkish context in order to respond to the technological developments and increasing competition in the globalized world. Yet, the members of this committee also supported ‘job security’ as their discipline is concerned with the protection of the labor and they give special importance to the norms of the ILO.

This epistemic community was also part of the transnational discourse communities. They had access to the material produced by the transnational community, and had a significant role on translation and reinterpretation of these texts (Bislev et. al., 2004: 208). Some of the members of the Committee, for instance, represented Turkey in the past at the International Labor Conference; thus, they are familiar with the international labor standards. Most of the members all studied matters relating to the European Union directives on flexibility in the previous decade, especially for the employer confederation (TISK) (interview). They have also organized conferences regularly with their European colleagues (especially with German and Dutch scholars) on industrial relations and labor law issues. Thus, in the preparation of these laws, the Committee took the norms of the International Labor Organization (ILO) and the European Union (EU) into consideration (Dereli, 2004: 2). This was also in line with the employer and employee confederations’ demands. The aim of the scientific committee was to respond to the employers who demanded flexibility arrangements in labor law, and also to fulfill the requests of the employees for the establishment of the job security Act. Furthermore, the employers called for the harmonization of the Labor Act (flexibility arrangements) with the European Union standards, while the employees supported the ILO norms for the job security Act. Overall, the committee was launched to prepare a law that aimed to balance flexibility and security (interview).

One of the first tasks of the committee was to complete the Job Security Law Draft. The Minister of Labor and Social Security, Yaşar Okuyan, asked for this draft. This was also the time in which general elections were taking place. The employee confederations exerted pressure on the minister for the legislation of this Act before the elections, which the coalition government supported because it would provide them with greater popularity and more votes in the election. In the end, the Turkish Grant National Assembly passed the law before the elections. The Job Security Act 4773 necessitated that a valid reason must be specified for the
dismissal of workers. According to the Act, (1) being a member of a trade union or representative of the trade union, (2) being pregnant, (3) having different religious, political views, (4) having a different ethnic and social origin are not considered as legal reasons to dismiss a worker. In the case of unproductive performance, the employer had to accept the apology of a worker. In addition, the dismissed employee could go to court to object to the employer’s decision to lay them off. Furthermore, the employer had the responsibility to prove that the employee was dismissed for a valid reason. If the court decided to favour the worker, the employer had a month to give them their job back. Otherwise, the employer was forced to pay a considerable amount of compensation to the worker.

This new Job Security Act disappointed the employers. Their main argument was that the Job Security Act would increase market rigidities, and would discourage entrepreneurship, especially with the unemployment insurance program. They stated that there was a need for changes to the severance payment program. Consequently, these reactions caused the Turkish Grand National Assembly suspended the operation of the Job Security Act into the following year.

Even though the coalition government tried to use the establishment of job security as propaganda in the elections, they were defeated. This can partly be explained by the failure of the government to prevent the 2001 Economic Crises in Turkey. A newly established right-wing party – Justice and Development Party (AKP) came to power after the elections. The new Minister of Labor and Social Security acknowledged that the employers were right for requesting the additional flexibility Act and re-arranging severance payment. Consequently, the Scientific Committee re-launched their efforts in drafting these missing Acts.

The scientific committee prepared a draft for the new Labor Act and incorporated Job Security into the Labor Act. There was unanimous agreement between the members of the Committee about the Act. Even though the Committee was in agreement on the articles of this Act, the social parties did not comply with their commitments in the Protocol. During the negotiations for the draft Act, the employee confederations were opposed to ‘issues such as the establishment of temporary work agencies, the transfer of employment contract, and flexibilization of working time and working arrangements’. Furthermore, the employees felt that there was not adequate protection provided to them in the articles related to the fixed term contracts, flexible forms of employment, temporary employment relation, and flexitime. In contrast to the employees, the employers claimed that these arrangements were regulated too much; there were too many procedures and details for the implementation of flexible forms of employment and flexitime. At the end of discussions at the Turkish Grand National Assembly, the general structure of the original drafts was preserved in spite of some amendments made by the parties.

The legislature also made some changes. One of these changes that were significant was made by the Prime Minister, Tayyip Erdoğan, in the New Labor Act concerning job security. In the Job Security Act introduced before the 2001 elections, the establishments that employed ten or more workers were subject to the regulations of the Job Security. In the legislation process of the New Labor Act, the employers lobbied for limiting the scope of job security. Consequently, the Prime Minister changed the number of employee criteria from ten to thirty workers in the Job Security portion of the Act. This weakened the effect of the Job Security institution on the Turkish welfare-production regime as ‘over 90 per cent of manufacturing sector establishments, not to mention enterprises in the trade and services sector operates below this level’ (Ercan, 2006). Therefore, it is not possible to analyze the translation of ideas without elucidation of the material interests of the local actors (Grinvalds, 2007). In other words, political struggles between the groups with divergent interests also mattered, as well as the role played by the epistemic community (Hall, 1989: 13).
As for severance payment, the Scientific Committee prepared two drafts. The main reason behind the formulation of two drafts was the disagreement among the members of the Committee. The first draft was about the establishment of the severance payment fund. Accordingly, a fund would be established in which the employers would transfer the severance payment premium of the employees to this fund. The fund would function as a retirement payment for the employees. Nevertheless, the fund would also provide the severance payment to the workers that had been employed for 10 years. The second draft reinstated the severance payment that had been used in the country prior to the 1974 amendment, which meant that severance payments would decrease from receiving monthly wages to only a half-months wage for each year of employment. The employee confederations, TURK-IS and DISK, were against the establishment of the fund. TURK-IS and DISK argued that if a severance payment fund was established, there would not be any disincentive for the employers to dismiss workers. Another employee confederation, HAK-IS, however, pointed out that when the enterprises did not make enough profit, they would choose to leave the country in search of better opportunities. The severance payment fund, thus, would prevent the workers’ from experiencing this adverse situation. All employee confederations, however, were against the second proposal. They argued that a severance payment is an acquired right, and thus, it is irrecovable. The employer confederation (TISK) had reservations for the proposal that suggested the establishment of the fund. TISK criticized including those workers that had been employed for ten years in the severance payments (interview). TISK supported the reinstatement of the severance payment; however, that option was totally rejected by the employee confederations. Lastly, there was also a technical problem with the implementation of the drafts. Both of these drafts lacked the actuarial calculation. As the Scientific Committee was composed of labor law scholars, they did not have enough expertise in the quantitative projections of these changes in the severance payment. In the end, the Scientific Committee did not present these proposals to the Ministry of Labor and Social Security due to the lack of unanimity between the members of the Committee, the lack of expertise in actuarial calculation, and the reluctance of the social partners. Even though the employer confederation was against the introduction of job security without the drastic amendment in the severance payment, it did not put much pressure on the establishment of the severance payment fund due to these reservations.

All these developments led to the hybridization of the Turkish welfare-production regime nexus. With the introduction of new elements, there are currently two competing paradigms – social security and flexicurity – and their institutions. Ebbinghaus (2006: 14) suggests three possible alternatives of ‘institutional transformation’: path stabilization, path departure, and path switching. In the case of path departure, the institutions are partially renewed that, as a result, open up the introduction of different elements to the existing institutions. The transformation of the social and labor market policies in the Turkish context symbolizes the
‘path departure’ with the introduction of the new institutional components. One of the forms of processes for path departure is the ‘institutional layering’ (see Thelen, 2001; Thelen, 2003; Thelen and Streeck, 2005; Ebbinghaus, 2005). Layering implies that (1) the existing institution (or program) can be replaced or supplanted through introducing an institution that has the same function as the former one; (2) with the differential growth of new institution, the vested interests behind the former are weakened, and in the end the old system is replaced with the new one. In layering, the new element gradually changes the existing institution’s status and structure via separating the interests between these two institutions. In that sense, there is no ‘frontal attack on traditional institution’ but instead, the new institution grows much faster and ‘siphons off the support of key constituencies of the latter’ (Thelen and Streeck, 2005: 23-24). In the Turkish context, the introduction of unemployment insurance resulted in layering through creating a functional duality with the severance payment program in terms of unemployment compensation. However, due to its limited coverage and benefits, the unemployment insurance program could not weaken the severance payment. In addition, the introduction of the Job Security can also be referred as layering but in a constructive way. In contrast to destructive layering (Thelen, 2003) that undermines the old institution, the introduction of Job Security is a ‘complementary layering’ that strengthens the existing institution – severance payment that provided partial job security (this is because high severance payments in the case of lay-offs is a disincentive for the employers to dismiss workers) prior to the introduction of job security. Yet, the Job Security Act lost its strength with the amendment of in its scope.

**Conclusion**

This paper has discussed how different institutional components have been designed with respect to different ideational sources. In the current era, as Bonoli and Palier (1998) asserted, in order to understand regime change, there is a need to disaggregate the welfare regimes into their components/programs. This enables us understand ideational foundations of these components. The paper argues that the introduction of unemployment insurance, job security, and flexibility Acts resulted in two competing paradigms or logics of action (Crouch and Keune, 2005) within the same welfare-production regime nexus: social security, and flexicurity.

Umut Rıza Özkan
Carleton University,
School of Public Policy and Administration
Phd. Candidate

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