

Recent Unemployment Issue in Turkey

Mehmet Fatih Aysan

Department of Sociology
University of Western Ontario
London

Abstract

For many years, scholars thought that the increase in annual growth rate intertwines with more employment opportunities in a country. In the last decades, this approach has been strongly criticized by many economists and they assert that technological developments lead to jobless growth. Even though this perspective has a strong framework to explain the recent trend, it underestimates social changes which also affect employment rates. In this study, the effects of social changes on employment structure will be analyzed without neglecting technological changes in the case of Turkey. The welfare regime typology introduced by Gosta Esping-Andersen and expanded by researchers who work on the southern European welfare regime constitutes the theoretical framework of this study. This research demonstrates that a broader perspective, welfare regime approach, might be helpful to scrutinize the recent trend.

Keywords: Jobless Growth, Welfare Regime, Southern European Welfare Regime, Unemployment, Employment Structure, Turkey

JEL classification: D3, D6, E6, H0, J1, O1, P5

1. Introduction

There has been a remarkable debate on high unemployment rates in Turkey. After the economic crisis in 2001, the annual growth rate of real GNP averaged 7.5 percent over 2002-2006. The Turkish economy, however, was not successful in achieving lower unemployment rates in this period. The unemployment rate was about 6.5 percent in 2000. It shifted up to about 10 percent after the crisis, and remained at that level despite the rapid growth rates. In the literature, this growth type, called jobless growth, is associated with many developing economies and explained by globalization and neoliberal policies (UNDP, 1993; ILO, 2006; Yeldan and Voyvoda, 2006). Jobless growth explanations, however, are not adequate to elucidate the reason of this unusual circumstance. In this study, without neglecting global factors, recent unemployment issue will be analysed in the light of the transformation of the Turkish welfare regime.

One may wonder why the unemployment issue is getting worse while the economy keeps growing. In theory, increases in GDP coincide with declines in unemployment during recoveries. The Turkish example shows that it is not always the case while the welfare regime is transforming. Especially in this era of history,

new challenges such as globalization and demographic changes pose to serious challenges for the welfare regimes and ultimately transform them (Esping-Andersen, 2002). In this study, we draw upon developments in the Turkish welfare regime in an attempt to shed light on the employment structure.

The first part of the paper covers the discussion of jobless growth in the world. In the second part, we analyze the welfare regime typology which is introduced by Esping-Andersen. In the third part, we focus on the Southern European and the Turkish welfare regimes. Lastly, we analyze three important changes in the Turkish welfare regime, which also affect unemployment issue after the crisis in 2000 and 2001.

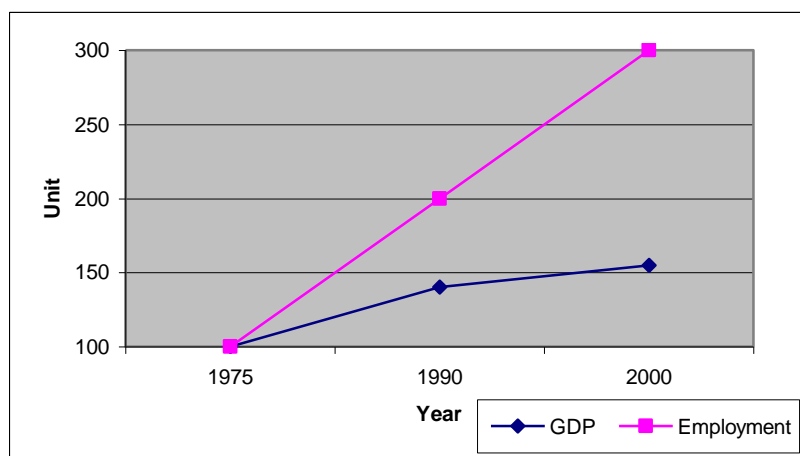
2. Jobless Growth

The post-World War II economy was centered on the ideal of full employment (for only males) and comprehensive social security. Keynes, emphasizing state involvement in the economy to achieve full employment, formed the economic theory of post war political systems. Another influential scholar in the post-war economy, W. H. Beveridge (1945), defined full employment as “jobs at fair wages of such a kind, and so located that the unemployed men could reasonably be expected to take them” (p. 54). The full employment or low unemployment target was achieved in many countries until the second half of the 1970s. The jobless growth debate started in the 1980s, with the advent of rising unemployment all over the world. Even though the growth rates in industrialized countries in 1980s were not as high as those in the 1960s, they were still sustainable and averaged 2-4 percent during the last three decades. The improvement in GDP, however, did not coincide with decline or stagnation in unemployment in the 1980s and early 1990s.

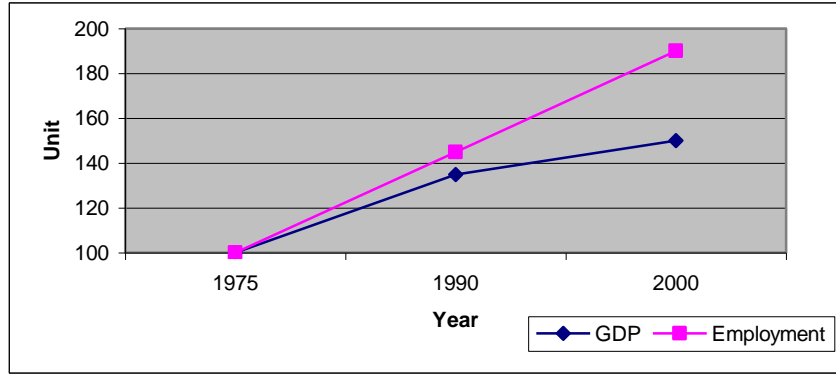
In early 1990s, UNDP (Human Development Report, 1993) stated that the world was witnessing a new phenomenon—jobless growth. Different examples from all over the world reveal that national economies have not managed to create jobs in accordance with their growth rates for almost forty years. Even in the 1970s, employment growth was not as high as the growth in GDP (see Figure 1).

Figure 1. Jobless Growth: GDP and Employment, 1975-2000

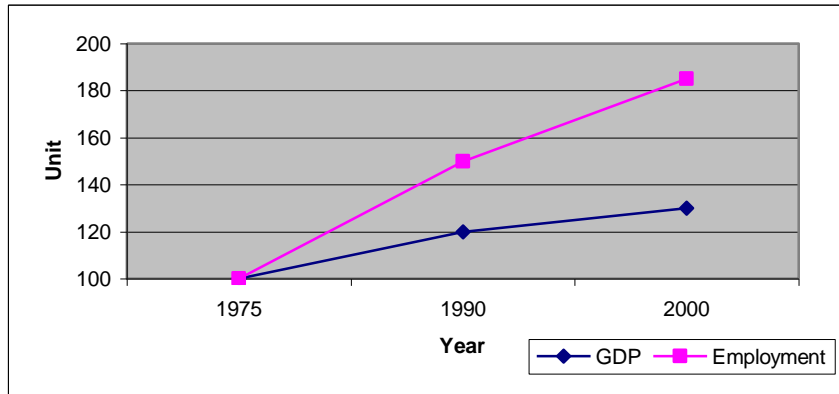
South Asia



Latin America



OECD



Source: UNDP, Human Development Report, 1993.

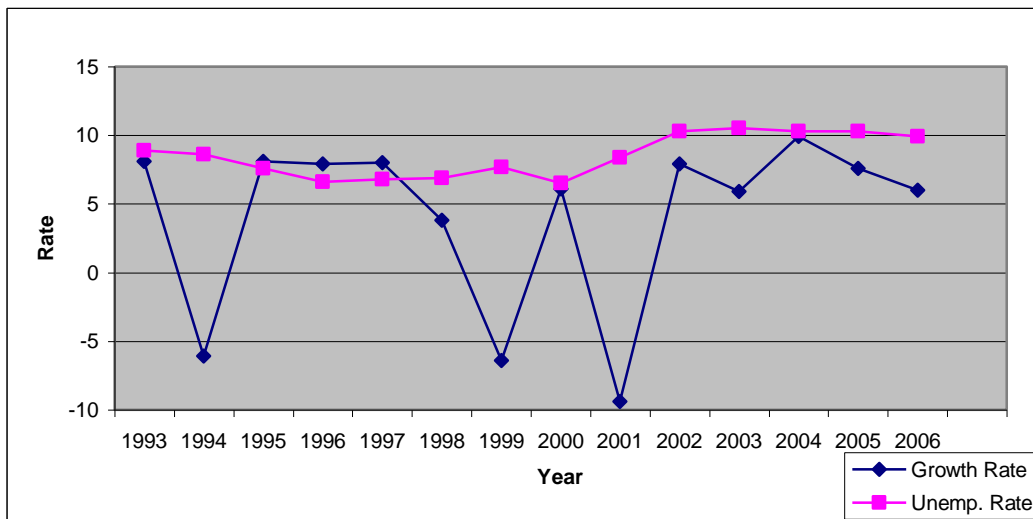
In this report, the reason for jobless growth was explained by labour-saving technological advancements (UNDP, 1993, p. 36). In fact, while technological developments result in lower employee demand in some sectors, they create new employment opportunities through the new emerging sectors such as information technology, finance, and advertisement (Lee, 1997, p. 40). Another reason is structural changes in the labour structure. Companies have preferred short-term contracts and part time employees for about three decades (UNDP, 1993, p. 36). Rather than recruiting new employees they take advantage of overtime work as in the case of 1991-92 economic recovery in the US (Groshen and Potter, 2003). In this respect, the economy is creating new employment opportunities, but the companies prefer part-time workers unlike in the 1950s and 1960s. Hence, this tendency makes it difficult for prospective employees to find regular jobs. Ultimately, increase in working hours and part-time jobs does not exactly mean jobless growth given that in these cases the economy still creates job opportunities.

In industrialized countries, rather than technological developments, outsourcing pose threats for unskilled workers. Even if outsourcing leads to job losses in some sectors, profit maximization is achieved through increasing flexibility in the labour market in these countries. Relatively unregulated labour markets, lower labour costs, lower environment restrictions, and similar factors make developing countries preferable investment zones for transnational companies.

Developing countries which are suggested as the main reason of the job losses in industrialized countries have faced serious unemployment problems as well. In China, for example, in spite of high growth rates, the urban unemployment rate increased from 1.8 percent in 1985 to 2.3 percent in 1992 and further up to 4.3 percent in 2003. In Turkey, we observe similar trends after the economic crisis in 2001. After the crisis, the unemployment rate has increased about 4 percent in five years in spite of high growth rates (see Figure 2). Moreover, technological development is another important aspect of the recent unemployment problem in Turkey. Does the jobless growth really explain the current situation or are there other factors influencing unemployment rates? If the jobless growth is the only reason, how do we explain the decline in unemployment rates after the 1995 economic recovery? In the beginning of the 1990s, the government signed an economic agreement with the IMF. After the economic crisis in 1994, unemployment decreased with high growth rates within the economic recovery process.

In this regard, we argue that the labour structure in Turkey needs to be analyzed in a broader perspective. The recent changes in the Turkish welfare regime can elucidate the unemployment problem in recent years. Before analyzing the Turkish welfare regime, we briefly review welfare state literature in the world.

Figure 2. Unemployment and Growth Rate



Source: Turkish Statistical Institute (TURKSTAT), Basic Economic Indicators, 2007.

3. The Welfare Regimes

Contrary to Liberalism, Marxism, and Social Democracy which bring normative thoughts into the welfare state literature, the welfare regime typology is an effort to classify different welfare regimes through political economy and cross-national analyses. According to Gough (2001), an important feature of the welfare regime is “the wider pattern of welfare provisioning in society, usually in terms of the division of responsibility between the state, the market and the household” (p. 166).

Richard Titmuss (1969) is one of the first researchers who attempted to analyze changes in social structure and institutions in welfare state literature. In 1974, Titmuss elaborated the welfare classification in his

famous book, *Social Policy: An Introduction*, which presents three models of social policy: “the residual welfare model of social policy”, “the industrial achievement-performance model of social policy”, and “the institutional redistributive model of social policy” (Titmuss, 1974, p. 30-31). The residual welfare model is mainly based on the private market and family. Only when individuals face difficult conditions welfare state institutions come into play. In the industrial achievement-performance model, social needs are met on the basis of merit and work performance. In the institutional redistributive model, the welfare state provides universal services outside the market based on individual need.

The welfare state and social policy literature has been state centric, and focused on state policies rather than analyzing social determinants. On the other hand, Gosta Esping-Andersen’s study (1990) on welfare regimes, which elaborates on Titmuss’s studies, has provided important multi-causal and cross-national research for the welfare literature. For Esping-Andersen, the traditional analyses of the welfare state, centering on public expenditures and public policies, are inadequate. The welfare regime conceptualization, however, offers the broadest alternative in the welfare state literature. Esping-Andersen (1999) emphasizes not only the role of the state but also of the market and family in public management of social risks (Esping-Andersen, 1999, p. 33). In *The Three World of Welfare Capitalism*, Esping-Andersen (1990) develops the notion of “welfare state regimes” applied to 18 OECD countries. The essential dimensions in welfare regime typology—a typology clustered by three separate regimes—are modes of stratification and degree of de-commodification.

3.1 The Liberal Welfare Regime

The liberal welfare regime, also known as an Anglo-Saxon welfare regime, characterizes the US, Canada, Britain, Australia, New Zealand, and Ireland. In this regime type, there are modest universal transfers, modest social insurance plans and means-tested assistances. Social reform has been severely circumscribed by the liberal work ethic norms which limit the welfare provisions to marginal groups (Esping-Andersen, 1990, p. 26). Rather than the state, there is an emphasis on local communities (churches, charities, private agencies) and patriarchal families for the welfare of the individual. The only role of the state is to restore the self-sufficiency of the individual and the family, and deter dependency on the state.

In the liberal welfare regime, the state encourages private provision of market forms of welfare. There are no institutionalized welfare state services in this type. The citizens, therefore, should meet their basic social services, especially health and education, in the market. In addition to men, women participate more in the labour market, as compared with the conservative-corporatist welfare regime (Pierson, 2001, p. 96). Nevertheless, the system is inequalitarian and wages are lower compared to other welfare regimes. The problems of budget deficit and unemployment are largely avoided through policies which support the expansion of low-wage private sector service employment (Pierson, 2001, p. 87).

In this form of welfare regime, social services are provided for targeted (“bad”) risk groups such as: single mothers, the disabled, and the poor. This residual approach for the welfare services, therefore, divides society into “us” and “them,” and diminishes social solidarity in the society (Esping-Andersen, 1999, p. 40).

3.2 The Social Democratic Welfare Regime

The social democratic welfare regime, also called the Scandinavian model, is best represented by the Scandinavian countries, especially Sweden and Norway. Contrary to other welfare regimes, this model emphasizes the role of the state rather than the market and the family to provide for its citizens' social needs.

The social democratic welfare regime advocates full employment and promotes equality, including the provision of a "safety net" from which no one shall be excluded. Similar to the liberal welfare regime, this model advocates social democratic welfare, promotes individualism and strives to remove reliance upon family groups as the first alternative to the market (Esping-Andersen, 1990, p. 28). The state centered welfare provisions lead to de-familization that lessens individual reliance on the family and maximizes individual command of economic resources independently of familial reciprocities (Esping-Andersen, 1999, p. 45). Welfare state provisions, therefore, make it easy for women to commodify their labour in a market and to gain their economic independence. The Scandinavian model, however, attempts to increase fertility rates through some facilities for women employees (Esping-Andersen, 1996, p. 27).

The social democratic welfare regime promotes an equality of the highest standard, where all people are incorporated under one universal system. In this system, the de-commodification of workers is the main priority, and this target is achieved through the universal and comprehensive welfare policies to which all social classes are obliged to contribute (Esping-Andersen, 1990, p. 28). The fully socialized welfare programs lead to overwhelming maintenance costs and opposition to governments that attempt to increase taxes in order to provide for those who do not compete in the market place.

The cost of maintaining a de-commodifying and universalistic system is met through tax revenue from registered male and female workers. It is then clear that, contrary to the liberal welfare regime, the commodification of the female registered labour sector provides extra tax for the state budget. Therefore, the social democratic welfare regime is characterized by universalism and the promotion of full employment, with the state as the employer of first resort, especially for women (Esping-Andersen, 1996, p. 11). This regime is also committed to full employment, and concentrates on allowing two earners, both man and woman, to reconcile their family and work responsibilities. Hence it is clear that the social democratic welfare regime is more committed to equality as compared to both the liberal and the conservative welfare regimes.

3.3 The Conservative-Corporatist Welfare Regime

Continental Europe, particularly Germany and France, reflects a strongly corporatist tradition heavily influenced by the church. On the one hand, similar to the liberal welfare regime, the family is important as a welfare source. On the other hand, contrary to the liberal welfare regime, the state plays a relatively active role in the risk management.

In the conservative-corporatist welfare regime, the state is viewed largely as a minimal interventionist, with any welfare allocated firmly upholding the stratification of society or maintaining the hierarchical/patriarchal structure. The state seeks to preserve traditional household structures through the

household's provisions of caring services, whether through family allowances, direct payments, or pension credits to those caring at home for the disabled or elderly (Pierson, 2001, p. 96). This creates a separation with a small, predominantly male workforce enjoying high wages, expensive social rights and strong job security, combined with a swelling population depending on male breadwinner's pay or on welfare transfers (Esping-Andersen, 1996, p. 18). There is an opportunity for men in the form of full life-time employment, and a necessary entitlement to full pension and unemployment rights. In this regard, the gendered division of labour ensures that a woman's entitlements are derived from her status in the family as a wife and mother. Relatively high wages and a long unbroken career for males, also, provide a basis for the familialistic character of the regime (Esping-Andersen, 1996, p. 18).

The main characteristics of this regime are the emphasis on the preservation of status differentials, and the institutionalization of rights attached to class and status rather than citizenship. A social insurance system is a very good example for the preservation of differentials. These social programs are differentiated by occupational and public-private status group distinctions. Even the unemployment benefits vary according to a recipient's previous occupation. Preservation of status, however, empowers the social stratification in society. Despite the corporatist welfare regime being criticized as paternalistic, hierarchical and gender biased, commodification of individual labour is diminished through the welfare services of the family and the state.

4. The Southern European Welfare Regime and the Turkish Welfare Regime

In addition to Esping-Andersen's three-category welfare regime typology, the southern European welfare regime was included into the welfare regime literature (Ferrera, 1996; Mingione, 2001; Gough, 2000). Ferrera and Mingione differentiate South European countries (Spain, Portugal, Italy, and Greece) in analyzing the role of market, family and state in the formation of welfare regime. Gough (2000) also brings new horizons to these studies introducing Turkey into the Southern European welfare regime. As Esping-Andersen states, the Southern European welfare regime may be considered as a variant of the conservative-corporatist regime because of the high level of subsidiarity to the family, and male's breadwinner position within the labour market (Adreotti et al., 2001, p. 43). The socio-political structure of the South European countries, however, is different from that of the conservative-corporatist European countries. In fact, the Southern European welfare regime has a distinctive type with mixed features of Beveridgean universal national health services and Bismarckian income transfers (Ferrera, 1996, p. 19). The southern European regime can be analyzed in five main aspects.

Firstly, social risks are managed mainly by the family rather than the state or the market. This regime is familial and patriarchal in its concentration of employment, income and benefits upon older men. The proportion of old people living in a household with their families is higher contrary to other welfare regimes. Sometimes, their relatively high pensions may constitute an important part of the income for the family (Mingione, 2006, p. 274). Similar to the corporatist system, women are perceived on the basis of traditional family roles as mothers and wives (Trifiletti, 1999, p. 54). In a sense the system is constructed on unpaid female work—agricultural worker in rural area and housework in urban area. Women provide child care, elder care, health care and other services that markets provide in the liberal regime. In these countries, a smaller proportion of women work as

paid workers but they always work full time in their houses. Women and children generally get benefits and access to social services through their husbands' or fathers' social security coverage (Trifiletti, 1999, p. 53).

Secondly, contrary to the corporatist regime, the establishment of national health services is based on relatively universalistic principles in the last three decades in Spain, Portugal, Italy, and Greece (Ferrera, 1996, p. 22-3). Recently, the Turkish government has been proposing to establish a full fledged national health services, standardized rules and organizations. Retrenchment and rationalization reforms, however, have been bringing some constraints on public expenditures due to external pressures by IMF and the World Bank. In the financing of the social security system, there is an absolute dominance of contribution based social insurance schemes similar to the corporatist system. Workers strive to cope with social risks through official labour market, if they are registered workers.

Thirdly, the labour structure is formed by small family firms, self employment, and unpaid family workers, contrary to registered workers in other welfare regimes. Relatively low levels of proletarianisation, and the persistently high level of self-employment, are both important characteristics of the Southern European and the Turkish welfare regimes (Adreotti et al., 2001, p. 44). Similar to self employment in urban areas, small land ownership is very common in rural areas. In the Turkish case, for instance, about 30 percent of the people are employed (generally at their farms) in the agricultural sector.

Fourthly, in this model the degree of state penetration of the social risks is low and temporary. As stated above, social risks are managed by family and non-profit organizations such as religious communities and aid foundations. In addition, contrary to the corporatist and Scandinavian welfare regimes, until recently the Southern European welfare regime has lacked any kind of universal minimum income support scheme (Gough, 2000, p. 137). Compared to the Liberal welfare regime, state plays relatively active role in some social policy institutions, especially in education and health services.

Lastly, clientelism, populism, and the formation of elaborated patronage machines for the state institution is one of the unique factors of this regime which differentiates it from other welfare models (Ferrera, 1996, p. 25-26). Welfare manipulations take the form of political clientelism by favouring voters especially before the general elections. Granting job opportunities in the state institutions, subsidizing certain agricultural products, creating opportunities for specific cities are some of the ways of supporting clients. As it will be analyzed later, early retirement in the Turkish case is a remarkable example of populism.

5. Transformation of the Turkish Welfare Regime and its Effects on the Labour Structure

In the 1980s, Turkey usually was praised by the IMF and the World Bank as a successful example regarding its trade reform and labour market flexibility. In spite of successful structural adjustment policies, the improvement in employment generation in the export oriented growth era of the 1980s was weak (World Bank, 2006, p. 214). This problem mainly stem from the decreasing significance of agricultural employment.

The 1990s are accepted as a lost decade for the Turkish economy (Kumcu and Pamuk, 2001). As Buğra and Keyder (2006) state, “the public budget is overburdened by debts accumulated during the highly corrupt 1990s to such an extent that more than half of government spending had to be allocated to debt service payments” (p. 212). The continuing economic crises in the 1990s and early 2000s were instrumental for the formation of unemployment policies. These crises are one of the most important reasons of the rise in unemployment and debt burden (Buğra and Keyder, 2005, p. 16). Political and economic instability led employers to reduce the number of workers in every turmoil.

In 1980s and 1990s, newly unemployed workers immediately find another job when the economic crisis ends. Nevertheless, this trend significantly has changed after the recent crisis. Why did employment in Turkey adjust slowly relative to GDP after the crisis in 2001? Three factors are worth noting. The first is structural change in the economy, as the population has been shifting out of low-productivity agriculture. The second is the changing female labour participation in the service sector. The third is recent Labour Acts that have had an adverse effect on youth employment.

5.1 Shrinking Agriculture Sector and Migration

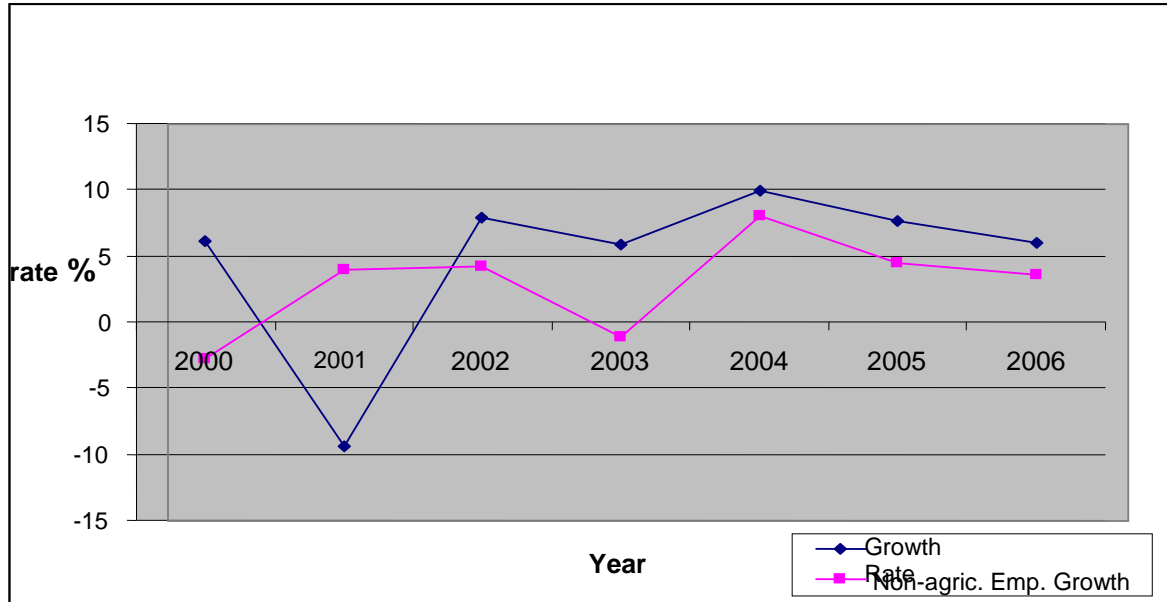
Similar to late industrializing countries, the rural population was very high in Turkey in the first half of the 20th century. 75 percent of the population was living in rural areas and cultivating their own small farms. This agriculture based economy had started to change with import substitution policies during the 1950s and 1960s. In 1970, the rural population dropped back to 61 percent. The most significant decline, however, has taken place during the last twenty years. In 2000, about 35 percent of people were living in rural areas (TURKSTAT, 2006). The migration trend has increasingly continued with the European Union (EU) accession process. The enormous agricultural employment difference between the EU and Turkey stimulates this trend as well. In 2004, while 5.1 percent of the total labour force in the EU was employed in agriculture, and related sectors, this proportion was 34 percent in Turkey (EUROSTAT, 2006). With recent proposed agricultural reforms, the government has attempted to reduce this difference in the transition period for full membership to EU.

This current trend illustrates the transformation of the Turkish welfare regime, which was based on small land ownership and unpaid agricultural employment. The tremendous change in the employment structure within 20 years has continued and has resulted in significant changes in the welfare regime even in the short run.

According to World Bank Labour Market Study (2006), an important reason for slow employment growth has been the high starting share of agriculture. Even relatively fast employment growth in the smaller sectors is not sufficient to generate fast employment growth overall. The fact that the labour force that left the agricultural sector could not be employed effectively in service and industry sectors led to a decrease in employment rates recently (SPI, 2006, p. 12). The jobless growth arguments, however, fail to spot this important point. A significant rural-urban migration flow is affecting the unemployment rates and the economy cannot create an adequate amount of jobs for these migrant workers (see Figure 3).

Figure 3, however, reveals that there has been a correlation between non-agricultural employment growth and annual GDP growth rate after the crisis in 2001. The more logical explanation, therefore, is that even though the Turkish economy creates some employment opportunities for people with the economic growth, it is not adequate to reduce unemployment rates. Rural-urban migration is one of the most vital factors affecting unemployment rates negatively after the crisis in 2001.

Figure 3. Growth Rate and Non-agricultural Employment Growth 2000-2006



Source: TURSTAT, Household Labour Force Survey, 2007.

Even the Figure 3, illustrating the notable effects of migration on unemployment rates, fails to depict the entire picture of the recent unemployment problem. As it is seen in Figure 3, the non-agricultural employment growth rates are not as high as the annual economic growth rates. In 2003 the non-agricultural employment growth rate is negative. What are the other reasons that have some influence on high unemployment rates recently? The answer is concealed within other changes in the welfare regime.

5.2 Female Labour Force Participation

Labour force participation is one of the important controversial topics in the Turkish labour market. There has been a steady decrease in labour force participation from 56 percent to 46 percent during the last two decades. According to TURKSTAT (2007), labour force participation rates remained at 46.8 percent in the first quarter of 2007. In 2004, this rate was much higher in the EU 15 at 65 percent. A key factor that affects labour force participation is the unpaid family employment oriented welfare regime. As mentioned above, unpaid family works such as child caring and housework determine female labour force participation rates. Unpaid domestic work at home, however, plays a significant role in the family budget and deters families from purchasing domestic services in the market. Unpaid family work constitutes one of the most important aspects of the Turkish welfare regime and Southern European welfare regime in a broader sense.

At the end of the 1980s, female labour force participation was 37 percent, while in 2006 it was about 28 percent. This decline reflects a parallel fall in the number of unpaid family workers in the agricultural sector. Therefore, women, who are employed on family farms as unpaid family workers prior to migration to the city, cannot find jobs immediately and leave the labour force once they arrive to the city.

The family-based nature of the Turkish welfare regime, however, has been strongly challenged by increasing female participation in the labour market especially after the 2000 and 2001 crises. Table 1 shows that female participation in services and manufacturing has significantly increased since 2001. Female employment increased 24.54 percent to 36.33 percent in services while it increased from 11.61 percent to 14.25 percent in manufacturing within 5 years. Normally, some women had to withdraw from these sectors because of the subsequent crises in Turkish economy. However, after the crisis, we witnessed a steady increase in female labour force participation despite small fluctuations.

Table 1. Sectoral Distribution of Female Employment (%)

	Services	Manufacturing
1997	20.54	10.84
1998	21.27	10.23
1999	21.80	11.21
2000	26.36	12.41
2001	24.54	11.61
2002	26.25	13.2
2003	28.08	12.78
2004	28.72	13.5
2005	33.33	14.42
2006	36.33	14.25

Source: TURSTAT, Household Labour Force Survey, Various Years.

Similar to other industrializing countries, flexible employment regulations make unregistered employment an important survival model for new migrants. Relatively lower wages, lack of social security facilities and employee's conscious female and child labour preferences affect male labour participation in these sectors (Buğra and Keyder, 2003, p. 28). As Buğra and Keyder (2003) state, this trend is called the "feminization of employment" in the literature. Other export oriented countries experienced the same process as well (UNDP, 1999, p. 80). Unskilled migrants coming from agricultural areas are not only a cheap labour supply for the services sector of the economy, but also an indispensable labour supply for the new evolving textile sector relying on the putting-out system.

Participation profiles change significantly with education level as well. Employment rates by educational attainment show that low skilled women have lower labour force participation compared to skilled and educated women. Education has a positive effect on elimination of the labour force participation differences between genders. For instance, while labour force participation rate of people having education below high

school is 69.2 percent for males, it is 20.3 percent for females. Nevertheless, labour force participation rate of people with higher education is 83.2 percent for males, while it is 71 percent for females (TURSTAT, 2007). Female labour participation, especially in professional jobs, is expected to shift up with the increase in education level in future.

5.3 Changes in Retirement Policies

Among males residing in urban areas in 2002, those drawing retirement pensions constitute 21 percent of 45 year-olds, and 64 percent of 55 year-olds (World Bank, 2006, p. 48). If we take a close look at the Turkish population, we see that the high proportion of retired people in urban areas is not related to demographic factors. The Turkish population aged 65 and above comprised only 5.6 percent of the population compared to an average of 16 percent in OECD countries (UNDP, 2003, p. 252–253). In 1990s, while the life expectancy for males in Turkey was about 65 and retirement age was 43, the life expectancy for males in many OECD countries was around 75 and retirement age was 65. The divergence among Turkey and many OECD countries is significant. Even though Turkey is one of the youngest OECD countries, it is one of the OECD countries that experience budget deficit because of high amount of retirement transfers.

The problem does not, therefore, stem from the demographic realities of an ageing population, but has other determinants among which the young retirement age, presented as an outcome of the past legacy of populism, has received a lot of attention (Buğra and Keyder, 2006, p. 214). This suggests that generous retirement age provisions provide the incentive to retire early. As mentioned before, young retirement age and generous retirement age pensions are some of the outcomes of the Turkish welfare regime that depend on populist policies of the governments.

Law No. 3774, which was passed in 1992, replaced the minimum age stipulation by a minimum period of attachment to the social security system. This law sets retirement age at 20 years for females and 25 for males and it left the premium payment requirement 5000 days of work. The 1992 legislation effectively brought down the minimum retirement age to 38 for females, and 43 for males. In urban areas, compared to many OECD countries, early retirement may be at least attributable to the 1992 round of liberalization of retirement policies (World Bank, 2006, p. 39). The 1992 changes in Labour Act were not only a “gift” for the current employees, but also an employment opportunity for the unemployed people.

The burden of early retirement age on state budget was soon understood. The IMF, the biggest foreign lender of the state, also opposed to these populist policies which have disastrous effects on economy. In 1999, with the new labour act, the minimum age thresholds were reinstated, respectively at 58 years of age for females and 60 for males. Furthermore, the premium payment requirement was raised to the equivalent of 7000 days of work. There has not been any reliable study on the effects of the 1999 Labour Act on the labour structure. Nevertheless, the effects of new regulations, which are shifting up the minimum retirement age from 43 to 60 for males and raising the discernable days of work, fed the unemployment problem further in recent years (World

Bank, 2006, p. 39). Recent reforms, which have been introduced in Turkey to increase the minimum retirement age, made it difficult to find new jobs for the young generation. It may be difficult to determine the effects of the 1999 Labour Act on the youth unemployment rate. Nonetheless, statistics show that youth employment (18.7) is much higher compared to the overall unemployment rate (9.9) in 2006. Furthermore, the youth unemployment rate has increased from 13.2 to 18.7 over six years. If we classify youth employment according to education level, we find that university educated people cannot find jobs easily until their 30s while other groups are more advantaged in finding jobs (World Bank, 2006, p. iii). In this respect, we observe that the Turkish welfare regime cannot generate new jobs for the educated young people after the economic crises in 2000 and 2001.

In 2003, the new eventual Labour Code, passed and put in force in 2007, was intended to be a compromise. The recent 2003 Labour Act raised the minimum retirement age to 65 for males and females while it reinstated the premium payment requirement to 7000 days of work for all employees. It is self evident that it will have a negative effect on employment opportunities for the young generation.

6. Conclusion

Even though Turkey has experienced very high growth rates averaging 6.5 percent since 2002, the unemployment rate has been still high. According to some scholars, this contradiction represents jobless growth, which is the outcome of the neoliberal economy and technological developments. Although we do not overlook the importance of the jobless growth approach, we argue that the recent inconsistency in the Turkish economy cannot be analyzed through the jobless growth approach. Rather, we need to shed light on the transformation of the Turkish welfare regime. There might be various factors leading to unemployment in spite of the high growth rates. Nevertheless, three changes in the Turkish welfare regime (agricultural transformation, women's labour force participation, and retirement policies) are becoming much more important to understand the recent situation.

Ongoing rural-urban migration flow has increased during the last decade. In addition, it is expected that the EU accession process will accelerate this migration. Unskilled migrants, who work as unpaid family workers on their small lands, are seeking paid works in cities. Since most of the migrants are not qualified and the labour market is competitive, finding jobs is also becoming uneasy as well.

Another defining feature of the Turkish welfare regime, unpaid family work, is steadily diminishing while women's labour force participation is increasing. Even though recent statistics reveal that female labour force employment is declining, it is related to the decreasing significance of agricultural employment. In services and manufacture sectors, however, the number of employed women has significantly increased since the economic crisis in 2001. In other words, women, who are working as unpaid workers on the land or working as mothers and caretakers at home, are entering the labour market as paid workers. The outcomes of this significant transformation will be understood in the long run. Commodification of women's labour give rise to certain family services being sold in the market similar to the Anglo-Saxon model or being met by the state similar to the Scandinavian model.

Similar to the corporatist welfare regimes, early retirement is one of the important features of the Turkish welfare regime. Despite having a young population, pensions and health services are becoming problematic for the public budget. If the population is not as old as Canada, Japan, and some European countries, what is the reason for the heavy burden of pensions on the public budget? The answer is the populist policies of the governments. Increasing public budget deficits gave rise to the abandonment of these populist policies. Recent changes in Labour Act in 1999 and 2003 deter early retirement and make it tougher to find jobs for young educated people. As stated previously, increasing youth unemployment after the crisis is supported by the recent data.

The Turkish economy is not therefore experiencing the jobless growth. However the Turkish welfare regime is in significant transformation. Comprehensive and comparative studies on welfare regime would enlighten the real reasons of this unusual socio-economic issue in Turkey.

7. References

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