

Labor Market Consequences of Job Security and Labor Laws in the Era of Flexicurity: Implications for Turkey

Author: Meltem Ince Yenilmez, Department of Economics, Yasar University, Bornova-Izmir, Turkey, meltem.ince@yasar.edu.tr

'Never was labour more central to the process of value-making. But never were the workers... more vulnerable to the organisation, since they had become lean individuals, farmed out in a flexible network whose whereabouts were unknown to the organisation itself.'
Manuel Castells (1996)¹

To balance flexibility and security, Denmark provides a very good combination in labor market by both high labor market activities and social protection which is called flexicurity. The major aim of the system is to protect employees and employers with strict job protection and employment insurance. Therefore, to reach the targets introduced to the market, EU countries aimed to decrease unemployment rates by creating more suitable jobs for people were handled with great attention. Of course, regulations on laws, active labor market policies and social security system. In this paper, it is tried to point out the characteristics of Danish flexicurity ad the model used to solve the unemployment problems that are followed by EU countries. But can Danish case of flexicurity be successful in Turkey? Which laws have changed and policies have been made up to now in order to restructure the labor market in Turkey? What kind of regulations were enforced by Act 4857 to reduce the unemployment and the new policies to be followed? All of those questions were examined to discover whether Danish flexicurity can be used in Turkey.

Keywords: flexicurity; social security; labor contracts; employment

JEL Classification: H55, J41, J83, K31

¹ Castells, M., 1996. *The Rise of the Network Society, The Information Age: Economy, Society and Culture*, Blackwell Publishing.

Introduction

The main idea of flexicurity is considered to be the combination of the flexibility concerning the hiring and firing process of employers and the social security system of employees. In regards of flexibility as an economic term means to offer new opportunities for employees and employers in order to meet their needs for more qualified works. With the help of flexibility, labor market will be more efficient with high internal mobility across countries as well as external mobility from other countries. This program will create new positions for workers and unemployed people will be able to find the job they have been looking for. Employers can also adapt themselves to the new terms of law concerning the workforce. Because labor supply does not fit the labor demand and there is a shortage of women participation in the labor market. To balance these inequalities between regular workers and unsystematic workers, also to increase the labor market participation of both groups, Danish Law was introduced on 1st of January 1999. Flexicurity is a part of the European Employment Strategy and it was adopted in 1997 to increase employment growth and reduce unemployment in EU countries. Indeed, it was the answer of Europe to the “flexibility-of-labour which will bring economic and employment growth for all EU countries”.¹ It was completed in 2000 in Lisbon meeting and published in ‘Lisbon agenda for growth and jobs’. Its objective was to make Europe the most competitive economy in the world before 2010.

The major goal of flexicurity is to protect labour market entry and to ensure labor market stability. The aim of European Commission’s statement on the ‘common principles’ is to instruct the meaning of flexicurity in member states clearly and to emphasize the importance of ensuring the successful movements from job to job and/or into better jobs as well as maintaining flexibility at firms’ level.² Therefore, the flexicurity will bring income equality and security to paid workers and new programmes will be designed to satisfy getting into work as well as promoting new benefits for short term unemployment like active labor market policies.³ On the other hand, the main

1 Auer,P., 2007. Security in labour markets: Combining Flexibility with Security for Decent Work. *Economic and Labour Market Papers 2007-12*, International Labour Office.

2 EurActiv, 2007a. Social Partners on flexicurity and labour market reforms. Available at: <<http://www.euractiv.com/socialeurope/social-partners-flexicurity-labour-market-reforms/article-164260>> (accessed on 16 December 2011).

3 Keune, M. and Jepsen, M., 2007. Not Balanced and Hardly New: The European Commission’s Quest for Flexicurity. In Jørgensen, H. and P.K. Madsen, ed. 2007, *Flexicurity and Beyond – Finding a new agenda for the European Social Model*, Copenhagen: DJØF Publishing, pp.189-211.

Klammer, U., 2005. Flexicurity schemes. In Council of Europe, ed. 2005, *Reconciling labour flexibility with social cohesion – Facing the challenge- Trends in Social Cohesion 15*, Strasbourg: Council of Europe

objective of the commission is to balance the labor market by concerning two different perspectives. For employers; working hours and schedules, qualification level as well as adaptability, contract conditions, durations and terminations will be considered whilst for employees; working hours with holidays and sabbatical periods, maternity, family care and disability will be the main points to give urgent attention.

The area of flexicurity is divided into three parts by EU commission: Legislative, infrastructural and cultural. In legislative part; labor, health, economy, social tax as well as educational laws, regulations and policies with collective bargaining will be arranged. In infrastructural part, child care facilities with adult education and training agencies will be revised whilst in cultural part, enthusiastic employees with conscious employers will be ensured. EU programme points out that flexibility is either required by employees or employers. But the demand for flexicurity is different forms.⁴ For instance, according to external flexibility in Spain 31.7 % of the workforce is on fixed-term contracts which includes 33.1 % of women workers, although ELFS stated that these fixed term contracts are not the expected ones.⁵ To overcome these problems, a matrix with four types of flexibility and security was developed by Dutch sociologist Wilthagen and Tros, 2004.⁶ In respect of his matrix, flexibilities are:

- (1) wage flexibility which is related to performance
- (2) functional flexibility which is related to flexibility for both employers and employees
- (3) internal flexibility which combines part time work, working hours and extra jobs
- (4) external flexibility which is directly related to contractual provisions.

The other four elements of matrix are:

- (1) employment security which provides to work in the same position
- (2) job security in which employees can work in the same job but with a specific employer
- (3) income security which gives the unemployed people social security benefits and wages to keep on living

Publishing.

4 Vermeylen, G. and J. Hurley, 2007. Varieties of flexicurity: reflections on key elements of flexibility and security, European Foundation for the Improvement of Living and Working conditions, Dublin.

5 Petrongolo, B., 2004. Gender Segregation in Employment Contracts. *Journal of the European Economic Association*, 2(2-3), p. 331-345.

6 Wilthagen, T. and Tros, F., 2004. The concept of 'flexicurity': A new approach to regulating employment and labour markets. *Transfer – European Review of Labour and Research*, 10(2), p. 166-187.

(4) combined security which gives the opportunity to combine jobs.

Therefore flexicurity policies are added on a new model for the economic welfare of people, because the impact of job insecurity on people is very harmful and it causes uncertainties concerning job loss and unemployment in the economy. To overcome the fear of losing jobs with unemployment benefits, job insecurity should be emended. His matrix can be seen below:

Table 1: Wilthagen and Tros's Flexicurity Matrix

	Job security	Employment security	Income security	Combination security
External numerical flexibility	Types of employment contracts Employment protection legislation Early retirement	Employment services/active labour market policy Training/lifelong learning	Unemployment compensation Other social benefits Minimum wages	Protection against dismissal
Internal numerical flexibility	Shortened working weeks/part-time working arrangements	Employment protection legislation Training/lifelong learning	Part-time supplementary benefits Study grants Sickness benefits	Different types of leave schemes Part-time retirement
Functional flexibility	Job enrichment Training Labour leasing Subcontracting Outsourcing	Training/lifelong learning Job rotation Teamwork Multi-skilling	Performance-related pay systems	Voluntary working time arrangements
Labour cost/wage	Local adjustments in labour costs	Changes in social security payments	Collective wage agreements	Voluntary working time arrangements

Source: (Wilthagen and Tros, 2004; Pacelli et al., 2008).

Notwithstanding the flexicurity was provided to focus on just four cases of active labor market policies, life-long learning, social security system and flexible contractual agreements by EU, there is no sign of equality in its original form. However, he underlines that family balance policies have to be re-designed in order to be flexible in their security form. In addition, in 2008 family balance policies were put on the agenda. With this new item, adult worker model entered the system for both men and women in the labor market. In 2000 Lisbon European Council, the commission's target was to get 60% of women in the labor market by 2010. So Council's decision was to increase the female employment rates by implementing successful regulations in employment programme. With the help of flexicurity strategy, women have more chance to change their jobs in the labor force. Gazier (2007) also emphasized that women would have more flexible working conditions because they have the chance of working in part-time jobs. These works are generally less paid and have poor quality which induces women to be demanded more in

the labor market.⁷ However, whilst the benefits for weaker groups of the labor force are addressed in flexicurity policy strategy, none of the strategies neither the particular focus on the needs of that group of workers nor the gender inequalities in paid and unpaid work are regarded as a policy.

The divisions of flexicurity were formed of eight principles by European Council of Ministers of Labour and Social Affairs in Luxembourg in 2007.⁸ The most remarkable items of these principles are the ones below:

1. Flexicurity is an implementation of Lisbon Strategy that will create more jobs labour market and provide better work with the help of new forms of flexibility and security by increasing employment.
2. Flexicurity will combine contractual arrangements, lifelong learning strategies, active labour market policies and social protection systems.
3. Flexicurity should be capable of open and compatible both for in-work and out-work.
4. Flexicurity should support gender equality.
5. Flexicurity should make fair distribution of costs and benefits between businesses, public authorities and individuals.⁹

The philosophy of all these principles is to find a better solution to labor market which shows that flexicurity is indeed more than a policy to be achieved. If it is considered that none of the EU member countries confirm those policies in exactly the same way, each one can have their own policies with a systematic flexicurity policy of their own. Flexicurity has different components for each European country. If it is divided into parts:

- Nordic (with Netherlands): At intermediate level to high security and high flexibility. There is high employment and low unemployment.
- Anglo-Saxon: Low level of security with high flexibility. They are at average to high employment and low unemployment.
- Continental: Intermediate level of high security and low flexibility. They are at average at employment and unemployment.
- Mediterranean: Low level of flexibility with low security. Also at average to low employment and high unemployment.

7 Gazier B., 2007. Making Transitions Pay : the Transitional Labour Market Approach to Flexicurity. In Jorgensen H. and Madsen P.K., ed. 2007, *Flexicurity and Beyond. Finding a New Agenda for the European Social Model*, DJOF Publishing, Copenhagen, p. 99-130.

8 European Commission, 2007. *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*. Office for Official Publication of the European Communities, Luxembourg.

9 EurActiv, 2007a. Social Partners on flexicurity and labour market reforms. Available at: <<http://www.euractiv.com/social/europe/social-partners-flexicurity-labour-market-reforms/article-164260>> (accessed on 16 December 2011).

• Eastern: At intermediate level of flexibility and low security level. They have low employment and high unemployment.

Danish model

In the literature of flexicurity, there are different types of flexicurities used in Europe and each has different characteristics on national bases. But Danish employment system is generally considered as a main example for well arranged flexicurity in the labor market because Denmark succeeded to combine flexibility and labor market with high social security. Ton Wilthagen defined flexicurity as a policy strategy which on the other hand enhances the flexibility of labor markets, work organisation and labor relations and on the one hand and enhances security with employment and social security generally for weaker groups in and outside the labor market.¹⁰ Therefore, flexicurity becomes very popular as a political strategy by giving promises to both employers and employees. However, in some cases, flexicurity cannot fulfill its objectives that are included in its own definition. It is completely caused by the political strategies that are conducted, so it is re-shaped again and denoted as in two titles. First of all, it gives a degree of job, employment, income and/or combination security which helps weaker group of workers in the labor market and provide more qualitative labor market participation. Secondly, it improves labor market competitiveness for the changing positions, provides wage flexibility.¹¹

Danish flexicurity is conducted in a different way compared to other countries as there is a shift from job security to employment security. They gave importance to transitions rather than jobs.¹² In the literature, it is accepted that instead of protecting jobs with legislation made by the governments, protecting workers with unemployment insurance will be decisive. That is what Danish authorities have analyzed and applied in their labor market. Hence with the help of its analytical frame, it can be connected to the Transitional Labor Market which assumes that paid employment and productivity in the market should be developed in transitional states in education, unemployment

10 Wilthagen, T., 1998. Flexicurity: A New Paradigm for Labour Market Policy Reform?, WZB Discussion paper; FSI 98-202.

11 Wilthagen, T. and Tros, F., 2004. The concept of 'flexicurity': A new approach to regulating employment and labour markets. *Transfer – European Review of Labour and Research*, 10(2), p. 166-187.

12 Bredgaard, T. and Larsen, F., 2007. Implementing public employment policy: What happens when non-public agencies take over?, *International Journal of Sociology and Social Policy*, 27(7/8), p. 287-301.

and pension system.

Danish flexicurity model is described as a golden triangle. This model includes high mobility in jobs- flexible labor market with unemployment insurance system and active labor market policy. High mobility in jobs is combined with employment protection for employers in the labor market which does not cost much. Unemployment insurance system is linked directly to income which is reduced when there is unemployment. The main target group for those unemployed people is active labor market policies. It provides them job opportunities to be in the labor force again. Therefore, the model indicates very important connections for instance with job training and better education, the unemployed will increase the chance of getting a place in the market. Also, with motivational effect, unemployed people efforts to find jobs will expand.

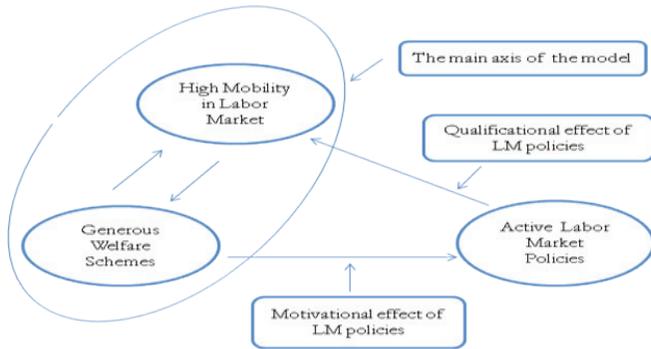


Figure 1: Danish Flexicurity Model (Golden Rule)

Source: (Bredgaard, T. et al, *The Flexible Danish Labor Market – A Review*, 2006)¹³

Danish labor market is categorized by its high rate of job mobility. Bingley et al. (1999) pointed out that when the level of worker turnover is 30%, job creation is 12% of employment. This figure indicates how employment protection is sorted out in Denmark.¹⁴ According to OECD (2009) statistics Denmark's level of employment protection is very low compared to other EU countries. Within Europe, only Ireland, UK and Norway have lower values. Economy has an important effect on these values. The economy of Denmark is

13 Bredgaard, T., Larsen, F., and Madsen, P.K., 2006. The flexible Danish labour market- a review, CARMA Research papers 2005:01, Aalborg University, p.1-48.

14 Bingley, P., Eriksson, T., Werwatz, A. and Westergaard-Nielsen, N., 1999. *Beyond Manucentrism - Some Fresh Facts About Job and Worker Flows*, AARHUS: Center for Labour Market and Social Research.

run by small and medium enterprises which provides strong relationships with labor market. Unemployed people are assisted by unemployment benefits, for example unemployed workers get 90% of their last income with compensation whenever they lose their jobs and in the workers benefit from this income for 4 years. It will bring great advantage for unemployed people and prevent poverty in the country. On the other hand, these unemployment benefits are strengthened by successful policies which aim to help unemployed workers to get into the market again. Active labor market policies are framed for long term periods. In 2009, with 4.8% Denmark has the highest rate of ALMP in EU countries. In the table below, country indicators on employment protection (EPL), unemployment benefit (UIB) and active labor market policies (ALMP) are shown for 2009 census.¹⁵

Table 2: Employment protection (EPL), unemployment benefit (UIB) and active labour market policies (ALMP)

EPL		UIB		ALMP	
USA	0.2	LUX	87	DEN	4,8
UK	0.7	NZL	72	FIN	3,6
CAN	0.8	NET	71	BEL	3,6
IRE	1.0	SPA	69	NET	3,6
AUS	1,1	DEN	68	SWE	3,5
NOR	1,1	FRA	67	GER	3,1
POL	1,5	SWE	66	SPA	2,7
JPN	1,6	BEL	65	IRE	2,6
DEN	1,8	GER	64	FRA	2,6
CH	1,9	AUT	61	AUT	1,8
AUT	2,1	CAN	52	NZL	1,7
NET	2,1	IRE	50	CAN	1,6
SWE	2,6	JPN	45	POL	1,4
BEL	2,6	POL	42	AUS	1,4
GER	2,6	AUS	42	ITA	1,3
NZL	2,7	NOR	38	UK	0,9
ITA	2,8	ITA	37	LUX	0,9

¹⁵ Data on Informal Employment and Self-Employment: 'Is Informal Normal? Towards More and Better Jobs in Developing Countries', 2009. (OECD Publications) Paris.

FRA	3.0	GRE	33	JPN	0,7
SPA	3,2	CH	33	GRE	0,7
LUX	3,3	UK	28	USA	0,6
GRE	3,3	USA	28	CH	0,4

Source: OECD (2009)

Active labor market policy is a very important component of Danish system. The major aim to achieve is to increase the skills of the unemployed people by encouraging them to look for a job. On the other hand, Denmark has the highest expenditure compared to other EU countries on ALMP. Its spending is approximately 4,5% of its GDP per year.¹⁶

The unemployment rate was 3,3% in 2008 whilst it was 7.1% in European 15 countries (EC) as shown in the Figure 2.¹⁷ Danish firms started from the beginning of flexicurity, captivated many workers by employment growth while German and Netherland firms did the same policies. But when the crisis were compared, they followed different strategies. Such as in Denmark, although firms fired workers, the decrease in output was larger than employment reaction. It was the opposite in other EU countries. In the Netherlands, the employment reaction was more gentle because there were many labor in the market. Germany followed relatively the same strategy like Netherlands due to well arranged working-times.¹⁸

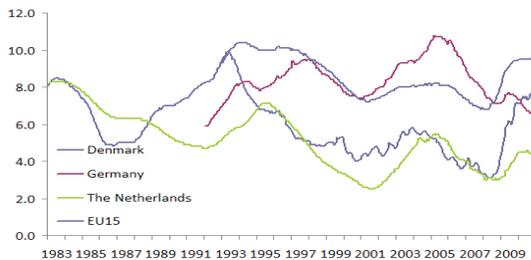


Figure 2: Unemployment rates: Denmark, Germany, The Netherlands and EU-15

16 *Employment Outlook*, 2009. (OECD Publications) Paris.

17 *Employment in Europe*, 2009. (European Commission Report) Luxembourg.

18 Möller, J., 2010. The German labour market response in the world recession – de-mystifying a miracle, ZAF, 42(1), p.325-336.

This high level of unemployment benefits in Denmark require qualified workers in the labor market. If not, it will be very difficult for people to find jobs. So having high level of skills is the main point for success of Danish labor model. This model aims to protect market economy in income equalisation by redistributing resources, budgets and opportunities to the workers. Meanwhile, working women are supported by providing more necessary services and equal opportunities which means they are more independent economically and help them to conciliate connection between work and family.¹⁹ Denmark is the one in other EU countries that succeeds these reforms and makes significant progress. But although it is the best in this area, still some regulations have to be revised in equal career opportunities for men and women.

Unemployment Insurance and Job Insecurity

Job insecurity is defined in many ways. For Rosenblatt and Greenhalgh (1984, p.438) it is continuing with a powerlessness way.²⁰ According to Davy et al (1997, p.323), job insecurity causes a continuous concern of losing the current job.²¹ Manski and Straub (2000, p.448) explains it as the probability of job collapse and the new search of employment for outcomes.²² However, the most important aspect of a job insecurity is its negative effect on workers' welfare. This is an aspect that workers do not want to experience in a job. This is the direct effect of insecurity on workers. The indirect effect can be defined as a long-term psychological defection people's welfare.

Therefore, job insecurity is different from job loss or job destruction. Job loss is a common problem and arises from job destruction, but job insecurity creates uncertainty of future and people suffer from that in their lives. Greenhalgh and Rosenblatt (1984) state that job insecurity is the involuntary change in present job and try to figure out whether it will exist in the future or not.²³ However, employees who completely trust their employers about their

19 *Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*, 2008. (European Economic and Social Committee Report) Brussels.

20 Rosenblatt, Z. and Greenhalgh, L., 1984. Job Insecurity: Toward Conceptual Clarity, *Academy of Management Review*, 9(3), p.438-448.

21 Davy, J.A., Kinicki, A.J., and Scheck, C. L., 1997. A test of job security's direct and mediated effects on withdrawal cognitions, *Journal of Organizational Behavior*, 18(4), p.323-349.

22 Manski, C.F. and Straub, J.D., 2000. Worker Perceptions of Job Insecurity in the Mid-1990s: Evidence from the Survey of Economic Expectations, *Journal of Human Resources*, 35(3), p. 447-479.

23 Ibidem.

jobs in the organization and do not feel any anxiety for losing their job are not interested in job insecurity. So as Hartley et al (1991) states, job insecurity is the contradiction between the experienced level of security and the level they would prefer to work.²⁴ Furthermore, job insecurity indicates a changing norm and has a continuous rise by naming this phase as the age of uncertainty.²⁵ Fevre (2007) expresses in the survey that between the years 1990 and 2000 in most industrial countries, the level of job insecurity was completely stable whereas, the study points out an increasing trend starting from 2008.²⁶ It is also stressed in the same study that flexible labor market is more important than employment protection level.²⁷

Empirical analysis in ILO and OECD cited that there is a positive correlation between job insecurity and expenditure on labor market. The more flexible a country is with minimum intermediate level of employment protection, the better the country will perform in labor market. This will also support the idea of having a protected level of mobility because employees' security will bring better consequences than unprotected level of mobility.

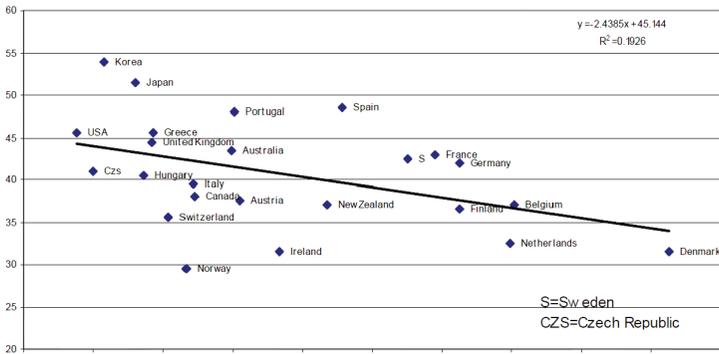


Figure 3: Job insecurity and labour market policies, 2000 Source: Data on job insecurity from International Survey research, cited in OECD, 2001; Data for LMP spending from OECD, 2004.

Unemployment insecurity is different from job insecurity, so they

24 Hartley, J., Jacobson, D., Klandermans, B., and Van-Vuuren, T., 1991. Job insecurity: Coping with jobs at risk. London: Sage.

25 Bauman, Z., 2007. *Liquid Times: Living in an Age of Uncertainty*. Cambridge: Polity.

26 Fevre, R., 2007. Employment Insecurity and Social Theory: The Power of Nightmares, *Work, Employment and Society*, 21(3), p. 517-535.

27 Glyn, A. and Wood, S., 2000. New Labour's Economic Policy, *Economics Series Working Papers 049*, University of Oxford.

are not recuperated each other. Insecurity is defined by the European Communities (2007), as the insecurity concerning the loss of job or not having an employment contract whereas, unemployment insecurity can be defined as having an uncertain employment. The difference between job insecurity and unemployment insecurity is that in the former workers are losing their current position in the workforce whilst in the latter they have no confidence to the labor market which means that they even do not have security when they lose their jobs.²⁸ So unemployment insurance helps unemployed with benefits/insurance. In theory, unemployment insurance system has an impact on employment insecurity by decreasing workers fear of losing their jobs and prolonged unemployment.²⁹ Also, it encourages the unemployed to look for more proper jobs related to their experiences.³⁰ This will enhance the long term employment stability and security.

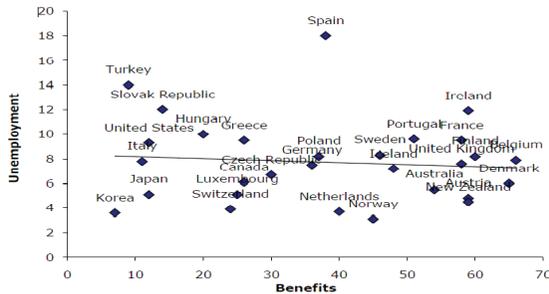


Figure 4: Unemployment and unemployment benefits of Countries
Source: Data from OECD, 2007.

Because unlike other countries, Danish Labor Market has implemented high level of unionization. 82% of the workforce is unionized in Denmark.³¹ As Bosman (2007) stated, high level of unionization is accepted as a prerequisite for an effective flexicurity. That is why 85% of all employees are safe with agreements and their welfare are more secured with working time and conditions, arrangements on wages, maternity, paternity and pensions.

28 European Commission, 2007. *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*. Office for Official Publication of the European Communities, Luxembourg.

29 Clark, A. and Postel-Vinay, F. 2009. Job security and job protection, *Oxford University Press*, 61(2), p. 207-239. Pacelli, L., Devicienti, F., Maida, A., Morini, M., Poggi, A. and Vesan, P., 2008. Employment Security and Employability: A Contribution to the Flexicurity Debate. *Luxembourg: European Foundation*.

30 Marimon, R., and Zilibotti, F., 1999. Employment and distributional effects of restricting working time. *Discussion Paper No. 2127*. CEPR, London.

31 *Employment Outlook*, 2007. (OECD Publications) Paris

Danish labor market system is controlled by two social partners whose main object is to perform their role in the market. Therefore, unemployed people in Denmark are eligible for unemployment insurance for 30 months in their unemployment period and can get 4-year unemployment benefit.³² Within EU countries, Turkey is not in a good position for unemployment benefits. In Turkey, either unemployment rate is high or the benefits are very limited. Not only for Turkey, also for other EU and developing countries, it is very difficult to use particularly the same flexicurity system as Danish uses. Because the reason for this is that unionization rates are very low in many countries. However flexicurity is not based on one standard. Therefore, it can change depending on countries' political, economical, sociological, cultural and historical structure. They can produce new forms and regulations to progress a sustainable development in flexicurity standards and catch up its own mixture of flexibility and security.

Flexicurity in Turkish Labor Market

The arguments about having flexicurity differ as the benefits of employees and employers are different. There are important changes in workers' rights. It helps employers as well as employees in combining work with education, social and family care whilst letting them to have a desired lifestyle they prefer. But when Turkish labor market is examined, it is clear that in spite of the rapid economic growth in recent years, this growth can not be transferred into labor market to create significant jobs. Employment grew only 1% since 2002, the only peak it reached was 2.2% in 2008.³³ Therefore, the main problems of the Turkish labour market is not only the low employment rates, but also the segmentation of the labor market. The question comes after that: Can Turkish labor market handle with the outcomes of flexicurity? Although Turkish Labor Law are arranged to balance the changes in demand and supply in the market, sometimes it may not work in informal sector. Because Turkish labor market contains both flexible (informal) and secure (formal) sections. But they do not relatively maintain on the same direction. The reason of that is the demographic, social and political differences in the market which is definitely far away from its meaning.

In flexicurity context, the main problem of Turkey is job creation

32 Bosman, M., 2007. *Flexicurity= Flexibility plus Security*, IP Flexem: Finland.

33 Hanehalkı İşgücü Anketi Veri Set, 2009. (TUIK Publications) Turkey.

which is being discussed recently. The definition of flexicurity is translated into Turkish as “secure forms of flexible employment”. So employers’ and employees’ have different perspectives. Employers’ think flexicurity can be accepted in this state whilst employees’ think jobs are more important than the workers. Both of these perspectives do not correspond to the original Danish policies. Meanwhile, unionization is not as common as it is in Denmark. Less than 10% of the employed are represented in unions. Nearly all agricultural workers, women, service sector workers and some part of industrial sector workers are suffering from these limited unionized rules. In this respect, workers and employers’ are not well informed about the concept of flexicurity. The report about flexicurity was published in 2006 by WB which introduced the definition of flexicurity with four to four matrix of Wilthagen.³⁴ Furthermore, although Turkey is not accepted as a EU country, in academic literature about flexicurity, it takes place in low-low Mediterranean countries which is defined as low flexibility with low security.

One of the reasons flexicurity can not be perfectly practiced to the labor market is the large informal sector which affects economic efficiency, workers’ performance and income distribution. According to TUIK statistics (2009), one in three workers in urban areas and three in four in rural areas do not apply for registration to any of social security institutions. So they can not receive any pension, health or unemployment insurance and very few people receive severance pay pledged in employment protection legislation.³⁵

To increase flexible working forms, Labor Act no: 4857 was introduced which regulates part time work, on call work, temporary and permanent employment contracts. It was welcomed by employers as if provided flexibility in working hours and wages. Türk-İş questionnaire survey done in 2005 indicates that, with new labor act although it did not perfectly solve the social security problems, there are new internal and external flexibilities in the market. On the other hand, working time is also re-designed with the new labor act. In the new context, weekly working hours will be maximum 45 hours whilst normal weekly working period can be changed depending on the working days of the week. However, it must be maximum 11 hours in a day. The overtime limit for a person will be maximum 270 hours in a year.³⁶ Turkish Confederation of Employer Associations (TISK) has explained concerns about the problems of applying flexible work into the labor market as:

34 Türkiye İşgücü Piyasası Raporu, 2006. (World Bank Publications) USA

35 Turkey’s Statistical Yearbook, 2009. (TUIK Publications) Ankara.

36 Fourth European Working Condition Survey, 2005. (European Communities Publications) Luxembourg.

“There are serious problems in the implementation of the provisions of labour Act. No. 4857 pertaining to subcontracting relationship, establishment of definite period contracts, on call work, short term work, reference period and compensatory work. Moreover, the fact that there is an absolute requirement of the consent of the worker for the introduction of flexibility arrangements and that the employer has no power of initiative augments the problems, particularly at periods of economic difficulties.”

Another important tool for labor market is severance payment because there was no unemployment insurance system before 1999 in Turkey. But it is far higher compared to many OECD or European countries. A worker with 20 years of working service is entitled to 20 months compensation whilst it is 6 months for OECD countries, 4 months for European countries and 10 months for middle-income countries.³⁷ This notwithstanding, informal workers are can not get severance payment.

To adapt European Employment policies, Turkey has also reconstructed active labor market programs. Compared to other OECD and European countries, Turkey does not have experience in this area. From 1990s, some attempts had been done but the most important development was made in 2000 by establishing a national employment agency called İşkur. The main activity of this organization is to find funding to small projects generally financed by European funds. It also trains personnel and has opened eight offices as model offices so far. It has trained 11400 participants since 2005.³⁸ So if we compare Turkey to Denmark, the difference in labor market flexicurity is obvious. Turkey has very little experience in applying active labor market policies and insufficient social security system whilst it is just the opposite in Denmark.

Social Security Laws in Turkey

The social security system with pension and health insurance consist of three institutions. The Retirement Fund for civil servants was established in 1949, the Social Insurance Institution was established in 1945 for employees and Bag-Kur was established in 1971 for self-employed and agricultural workers. The structure of three institutions' social security system provided different

37 Türkiye İşgücü Piyasası Raporu, 2006. (World Bank Publications) USA.

38 *Employment Outlook*, 2009. (OECD Publications) Paris.

options for employees and employers in terms of occupational differences³⁹. But acquiring both informal and formal sector in the labor market, the framework of the social security system was not equally distributed among people in the labor market. Yakut & Çakar (2007) stated that this instability expanded regarding to the suffering of the fiscal deficit government in 1990s.⁴⁰ As indicated by Brook and Whitehouse, deficit of Turkish social security system in GNP rose from 0.3 % in 1990 to 4.5 % in 2004. The total cost of deficit from 1990 with debt servicing cost was nearly 110% of GDP.⁴¹ Meantime social security institutions' expenses which included health expenses, pension payments and administrative costs increased from 10.64% of GDP to 12.49 % of GDP whilst budget transferred to those institutions increased from 3.10% to 4.37% of GDP from 2001 to 2004.⁴² To emendate the social security system, ILO and World Bank during the 1990's informed Turkish government to make systematic and stable reforms in order to control the deficit urgently. In 1995, ILO directed a study funded by World Bank named as "Turkish Government Social Security and Health Insurance Project" which proposed a kind of pension reforms with enhanced pay-as-you-go and new private funding institutional reforms.

There had been different type of contracts in practice until they were regulated in Labor Code in 2003. To regulate flexible types of agreements similar to the ones conducted in EU a new labor code was conducted in the market. With this harmonization, there are Part-time contracts, On-call contracts, Temporary working contracts and shorter working time contracts in new Labor Code.⁴³

- Fixed Term Contracts

Under Article 11 of the Turkish Labor Code Number 4857, fixed term contract is indefinite depending on the nature of the job or even the work is not carried out for a fixed term. If there is no reason to renew the contract, it will be considered as an indefinite contract. The legislations in Turkey do not make any discriminative rules on fixed term contracts in which workers are not treated differently: because all of them are employed with fixed term contracts.

39 Buğra, A. and Keyder, Ç., 2006. The Turkish Welfare Regime in Transformation, *Journal of European Social Policy*, 16(3), p. 211-228.

40 Yakut-Cakar, B., 2007. Turkey. In B. Deacon and P. Stubbs, ed. 2007, *Social policy and International Interventions in South East Europe*, Cheltenham: Edward Elgar Publishing.

41 Brook, A.M. and Whitehouse, E.R., 2006. The Turkish Pension System: Further Reforms to Help Solve the Informality Problem, *OECD Economics Department Working Papers 529*, OECD Publishing.

42 Buğra, A. and Adar, S., 2007. An Analysis of Social Protection Expenditures in Turkey in A Comparative Perspective, *Social Policy Watch- Social Policy Forum*, p. 48.

43 4857 Labor Laws

It is believed that this non-discriminative policy brought more security among fixed term contract workers. However, although rules are obtained to emendate fixed term working more attractive to workers and also to satisfy the objectives of EU to increase security with flexibility in the labor market, sometimes workers are held back from severance pay due to contracts put on practice back to back. As stated by 4857 Labor Code,

“the freedom parties have to originate such contracts is subject to pursuant limitations under “Framework Agreement Regarding Fixed Term Employment Contract” as constituted by the International Law Organization’s (ILO) “Agreement No. 158 Regarding The Employer Must Terminate the Employment Contract “and European Union Council study acquis and especially the Council’s Guideline no. 99/70.” In order for workers’ rights to not be constrained by fixed term service contracts, 4857 LC specifically aims to limit the segregation between fixed term employees and indefinite term employees”.

- Part Time Contracts

Article 13 of the Turkish Labor Code number 4857 indicates that if the normal weekly working period of an employee is lower than the full time employee’s working time, this kind of employment is defined as part-time and is subjected to part time contracts. A full time employee can work in the same job. But that does not mean a part time employee can be treated differently just because she/he has a part time contract. Therefore, all part-time workers are paid depending on their working time. Meanwhile, non-discrimination and wage equality are very important for the security of part-time workers. Article 13 also regulates the responsibilities of the employer to declare the available positions suitable for the employee. However, if there is no eligible worker for that position, another employee from other businesses that are in the same line can also be employed.

- On-call Contract

The 9th Civil Chamber’s 22.05.2006 dated decision no. 2006/5115 E. 2006/14969 K. emphasizes that on-call work is another part of part-time work. Article 14 of 4857 Labor code indicates that, if the employee accepts the work that is requested and also perform all the duties on-call, then employee’s contract will be on-call contract.

- Temporary Working Contract

According to the Article 7 of 4857, employer gives a written document to the worker during his/her work time in the business that he/she can be assessed by another company which provides the similar work description.

However, this contract is only limited for six months and can be renewed twice by the employer.

- Shorter Working Time Contracts

Shorter working time contracts were exerted by Art. 64, but it was abated by Act No. 5763 on 15.05.2008. Shorter working time periods and its pay under Law no. 4447 have been changed. Therefore, the work can be shortened to minimum of 4 weeks and can not be more than three months. Meanwhile, shorter working time payments will be subsidized by the Unemployment Insurance Fund.

Conclusion

Flexicurity is a form that can be used in any country by using different specific conditions depending on the country's circumstances. The major aim of this concept is to increase the competitiveness and social stability of European Union countries. These legal changes in the structure of social security and flexibility bring more opportunities for both employees and employers in terms of employment types, working conditions, arrangements and laws.

With regard to changing economic and social circumstances around the world, countries have to re-design their labor market considering their demographic conditions. This paper has focused on the social security reforms and how they are implemented in EU countries. There are mainly two empirical findings of this study. Firstly, the social security level is higher in developed countries. The latter is that Turkey as a developing country suffers from high unemployment rate with low level of job security which results in more attention and strong policies. According to Danish flexicurity system, there are alternatives for the labor market reforms and the flexible employment with social security combination is executed in what is expected. By these regulations, people are protected from the costs of social security and will not experience a fear of losing their jobs and this will yield a highly active labor market.

In Turkey, the first reforms were made in 1990s to control the fiscal deficit. That was strongly recommended by IMF and World Bank to Turkish government to solve the labor market problems. In accordance with these organizations, Turkey designed the structure of the labor market and passed different legal economic regulations to benefit from those opportunities.

Although the new Labor Code will take a couple of years to be stable in the long run, changes affect the labor sector which aims to protect formal sector more. However, to success these new reforms, high employment level must be declined and job stability must be provided. The required solution is a steady economical growth.

Maintaining competitiveness whilst avoiding dismissals in the labor market, policies like lowering costs of over time work, holding wage increases, reducing promotions can be followed. Those will either reduce firing or provide opportunities to unemployed in internal flexibility and security. However, balancing job security with income security is another important point that Turkey has to follow because solutions will not make any changes if there is no new regulations in unemployment and health insurance, retirement, pension and severance payments. With these new security policies and non-discrimination rules, the new Labor Code is more compatible with the European Union Codes.

Some economists believe that flexibility is giving more significant results in developed countries. As the unions are very strong which means more flexibility will lead to lower wages and weaker unionization in Turkey. However, there are contradicting opinions which claim that it will be an advantage for Turkish Labor market with sufficient and efficient security. But informal labor market is the biggest problem that Turkey suffers. Therefore, in order to develop new policies in formal labor market, special attention has to be given to informal labor sector. According to European Commission, flexicurity can be applied either by the approach they are using or combination of policies to eliminate this problem. Notwithstanding, the major aim of the flexicurity policy that Turkey must follow is to turn informal labor into formal labor market so that there will be a balance in the labor market. Also there will not be substantial changes in the market unless these flexibility and security together with active labor market policies are integrated to the system effectively. As seen in European countries, they improve their labor market opportunities with the help of Danish flexicurity model. As a result, Danish case can only be useful for Turkey if serious policies are taken into consideration by Turkish government to re-shape the future of labor market policies.