The neoliberal “race to the bottom” among developing countries can be seen very clearly in the Turkish case. After 30 years of its implementation, neoliberalism has brought neither a real increase of wealth for the masses nor a real transformation of the industrial structure in that country. This paper will discuss the effects of neoliberal policies on labour, together with the limits of such a type of capitalist development. This may shed light on other developing country experiences too.

As a global phenomenon neoliberalism took off around 1980. This was the response of capitalist class to the great crisis of the 1970s. In fact, the crisis was visible since the first half of that decade. But the neoliberal project was launched a few years later, by the Thatcher and Reagan governments in the UK and the USA.

This global turn coincided with the 1980 military coup and neoliberal transformation in Turkey. In fact, Turkey had its own crisis of import substitution during the 1970s, and 1980 became a critical turning point for Turkish capitalism too. At that date, Turkey ended import substitution policies and launched an export promotion system (Yalman, 2009). This transformation was realized under a very repressive military regime which officially ended in 1983 but practically continued throughout the 1980s. Indeed, some elements of the military regime are still alive (such as the National Security Council). However, these will not be the concern of this paper.

Neoliberal policies brought further integration of Turkey with the world capitalist system. There are many aspects of this increasing integration, such as foreign trade, foreign debt, FDI inflows and outflows, and so on. For example, the ratio of foreign trade to GNP was always less than 15 percent in Turkey before 1980. Then it started to increase -almost- steadily and during the 2000s it rose to levels over 50 percent (Turkstat, 2011: 438).

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It is remarkable that Turkey’s imports were always higher than exports throughout the whole 30 year period, despite all the incentives and export promotion packages. That means, Turkey remained a net importer – of intermediate goods and machinery. On the other hand, the integration process also changed the export composition of Turkey very dramatically. As can be seen in Figure 1, Turkey was basically an agricultural exporter before 1980. But, it rapidly turned into an industrial exporter after that date.

As a result, Turkey imports industrial inputs and machinery in order to export industrial goods. This “import dependency” has been a permanent characteristics of neoliberal Turkey. Indeed, a special incentive system known as the “Inward Processing Regime” provides tax discounts on imported items, if these are to be processed within the country and then exported (Sönmez, 2005). The net result of this policy is the increase of exports and imports together, turning Turkey into a large “export processing zone” in which inputs from Asian countries are processed and exported to Europe – a position that depends on Turkey’s geographical location between Europe and Asia. In the last 40 years, about one half of Turkey’s exports went to Europe. That means, Turkish workers are increasingly producing for European markets. In a sense, Turkey is becoming Europe’s China; or at least that is what the Turkish bourgeoisie is wishing for.
What is produced by Turkish workers for exports? According to the official classification by the Turkish Statistics Institute, Turkey’s industrial exports consist of mostly raw materials and intermediate goods (Figure 2). The share of capital goods or high-tech products has very slightly developed in the last 15 years. However, there is a reversal in this trend and after 2007 capital goods have obtained a smaller share in total exports.

**Figure 2**

![Turkey's Industrial Exports](image)

Source: Turkstat

According to another study that tries to determine the position of Turkey within global production chains (Taymaz, Voyvoda and Yılmaz, 2011) Turkey has specialized in low-tech products. These have a standardized technology in each period and competitiveness for these products depends on low costs. The most important items in Turkey’s exports are:

1. Automotives (apparently the most successful one).
2. TV sets and communication equipment.
3. Textiles and ready wear.
4. Food.
5. Machinery.
The authors argue that automotives, TV sets, textiles-ready wear and food are ‘ripe’ sectors with low growth and low profit rates. Shares of these sectors are not growing globally, but Turkey’s share in these sectors is increasing. That means, Turkish firms are “competitive” in products that have low relative prices and low profit margins. As a result, according to these researchers, the form of integration with the world economy (position in production chains) does not bring a transformation in Turkey’s existing industrial and growth structure. Hence, the situation is becoming increasingly unsustainable for Turkish capitalism.

On the other hand, such a positioning in global value chains has certain effects on labour and labour-capital relations. In general, neoliberalism clearly consists of an assault on labour. Though there are many dimensions of this assault – political, economic, ideological, cultural and other dimensions – this paper will deal with just the more or less “economic” points. The below chart, prepared by the research unit of Progressive Trade Unions Confederation of Turkey reveals the basics (Figure 4). Here we see that since 1978, real GNP increased 3.5 fold and in the same period real minimum wage remained stagnant. As a result, real minimum wage is almost at the level of 1978 today!
Looking at manufacturing industry, we can see the same trend (Figure 5, but the data is for a shorter time span). Production and productivity have increased together, but employment and unit wages are more or less stagnant. The process is more clear in the last decade. Though this was a very fast growth period, real net wages were stagnant at the level of 80 percent of the level of 2000.
Productivity increases and stagnant employment levels have resulted in unemployment. A dramatic increase in unemployment can be observed since the 1980s. Number of unemployed people was around 1.5 million in 1990, 2.5 million in 2000 and as a result of the global crisis, 3.5 million in 2009. That is, number of unemployed people is increasing by one million every ten years. Similarly, unemployment rate has increased from 7-8 percents in 1990 to 10 percent in 2000 and to 14 percent in 2009. Despite “recovery”, as of 2012 unemployment rate is still around 10 percent.

**Figure 6**

![Labour Force Participation and Unemployment Rates in Selected Countries, 2000-2010](image)

Source: Öztürk, 2012 from Turkstat data.

In terms of employment characteristics, Turkey has specificities compared with other fast growing developing countries. On Figure 6, right axis shows the unemployment rate and left hand axis shows the labour force participation rate. It can be seen that Turkey has a relatively low labour force participation rate and a high unemployment rate compared to similar developing countries. These two characteristics combined together means that there is a very high pressure on Turkish workers, because of the large volume of “industrial reserve army”.

One reason behind high unemployment is the fast proletarianization of the last 20-30 years. As a result of neoliberal policies, traditional agriculture started to dissolve and this resulted in increasing proletarianization. About one million new potential wage-workers are entering the “labour market” every year, and hence the share of agriculture in employment is decreasing
sharply. During the mid-1990s, share of agriculture in total employment was more than 40 percent, but this rapidly decreased and since 2006 stands around 25 percent. On the other hand, share of services increased from 35 percent to around 50 percent in the same period. Thus the new labour force is overwhelmingly employed in the services sector.\(^1\) This process signifies an acceleration of informal and unsecure work (Voyvoda, 2009).

Agriculture is not the sole source of proletarianization. Elimination of small shops and other small scale entrepreneurs provide the second source in this regard. As a result of competition in the retail trade sector, large retail chains increase their share and thus many small shopkeepers turn into wage workers. For example, around 60 thousand grocer shops were closed between 2004-2008 (Öztürk, 2010: 157-9).

In sum, proletarianization accelerated in Turkey during the neoliberal era, but labour force participation rate remains low. Together with high unemployment, this brings an increase in informal work. According to Voyvoda (2009: 47), total employment increased by 2.3 million in the first half of 2010, but two thirds of these new workers were informal. As of February 2012, the ratio of informal employment is calculated as 37.5 percent by the Turkish Statistical Institute. Moreover, 56.7 percent of workers are employed in “micro” enterprises – companies with less than 10 workers (Turkstat, 2012). Legal control on these workplaces is very weak and hence working conditions are bad.

Informal work, unemployment and small scale enterprises all contribute to deterioration in working conditions, which expresses itself via the extension of workday and flexibilization of work. According to Kuzgun and Aydın (2009), the legal workweek (45 hours) is longer in Turkey than international standards, and yet the average workweek is even more than 50 or 60 hours in some sectors. In fact, average workday was extended by one hour between 1988 and 2001: “Between 1988 and 2001, weekly working hours in manufacturing industry increased more than 5 hours for men and more than 6 hours for women” (Tunali, 2003 cited by Kara and Duruel, 2005: 376, footnote).

The picture is clear: conditions are getting worse and worse for labourers. Indeed this is no surprise under neoliberalism. But there are country-specific situations. For the case of Turkey, especially the rising share of China and India in global trade is forcing a transformation. And nowadays, the government is trying to start an initiative on two fronts. It declared the Turkish

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\(^1\) It must be noted that a partial reversal of this trend can be seen in the last few years because of the global crisis. Due to the increase in unemployment, some of the laid-off workers turned back to rural areas and became unpaid workers in family plants. However, on the whole, the trend away from agriculture and to services is clear in the last 15 years’ data.
Industrial Strategy Document and prepared the National Employment Strategy Document for the future. The basic vision behind these two texts is the same. Their primary aim is to increase the “global competitiveness” of Turkish firms. This depends on productivity increases which in turn depend on more and more deterioration of working conditions. Hence, the two documents are complementing each other (see Yaman Öztürk and Öztürk, 2011; 2012 about these documents).

Through these two “strategy documents” and other ways, Turkish bourgeoisie is pressing for the flexibilization of work. This not only means flexible working hours. But also includes the becoming widespread of new forms of work such as part-time work, working at home (or home office for the white collar), short time work, temporary work, seasonal work and so on. There are many advantages with these new forms for the capitalist class. First, as workers become more isolated, it becomes harder for them to organize in trade unions and other organizations. Secondly, worker resistance diminishes because of the very conditions of work itself. And thirdly, unemployment rate decreases.²

As a conclusion, it seems that the assault on labour will be intensified in the near future. Turkish capitalism has its own barriers, and it tries to overcome these barriers by increasing the pressure and discipline on workers. Up to now, Turkish capitalists remained competitive in certain items in international markets, largely because of the assault on labour. Yet there is a permanent competition which forces capitalists to cut costs more and more. The net result is a clear correlation between increasing exports and increasing exploitation.

There is no “technical” solution to political problems, and export oriented production is a political issue. From labour’s point of view, the obvious alternative to such a kind of growth path may seem as a national, Keynesian or “import substitution” kind of model. However, we must not forget that these “alternative” policies have their own contradictions, and indeed neoliberalism came out as a solution to these contradictions 30 years ago. In short, “capitalism without social ills” is an impossible dream.

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² If a person has worked at least one hour in the last week, Turkish Statistics Institute accepts her as “employed”. Moreover, a person has to search for a job for at least 3 months to be counted as “unemployed”. This duration is 4 weeks in the European practice. Thus, Turkstat has relaxed criteria to obtain lower unemployment rates.
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