The formation of Global Value Chains, Sectoral transformation and employment in Turkey

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Industrial policies, which are developed in the context of Global Value Chains in terms of production economics and its regional, territorial and local effects, play a more active role gradually. The concept and analysis of Global Value Chains focus on commercial dynamics between production chains which have been divided into different parts. The most serious contribution in this field is the approach which separates “Producer Driven Chains” and “Buyer Driven Chains” (Barrientos, Gereffi and Rossi. 2011:321).

This approach has been brought up as a part of the concept of Global Value Chains. In this sense, this approach has put a distance between itself and the approach based on the profit of the companies of Global Value Chains which is directed by “International Competition” law in the sense of drawing attention to power relations (see. Öngel 2012).

According to the mentioned concept, production in manufacturer oriented chains is controlled by international companies integrated in capital and technology intensive industries such as automotive and advanced electronics. However, the buyer-driven chains are controlled through global supply networks which are established by companies in “developed countries”. And these networks focus on consumer goods which are produced by low cost suppliers in labor-intensive sectors in Asia, Latin America and Africa.

The prominent companies which lead the chains are big retail brands such as Wallmart, Tesco, Nike and Gap. Although these companies do not have factories they control the production processes, prices, product range and delivery processes. The approach in question has been a determining factor for industrial policies, in terms of developing countries which are positioned within relations of leading firms and suppliers (Barrientos, Gereffi and Rossi. 2011:321). Turkey also discusses the industrial policies which have showed up after 2000 within the scope of Global Value Chains. Moreover, the initial and the main part of industrial policy frame is being defined as “the integration of production industry into global economy, its establishment in global value chain and providing strategic coordination to increase competitive power”.

“There are three components of this coordination strategy: The first one is to transfer into the private sector such information - which they cannot acquire by themselves - about which parts of the global value chain of their sector should Turkish industrialists integrate and how,
and also in which link of the value chain they should invest. The second one is to make political analysis in order to collect such information, to create political analysis capacity in public and private sectors and to establish sectoral research institutions. The third one is to create awareness about external effects and industrial dynamics by transferring such information to sectoral decision makers through active mean (DPT, 2007: 11).

The interest of the governments in shaping the politics of industry increases the interest in studies within the scope of “Global Value Chains”. For example, Sturgeon points out that buyer and seller oriented chains within global value chains are gradually becoming similar and focuses his attention on different aspects of leader and supplier companies (Sturgeon 2006: 55-57).

Another parallel approach to the geographical spread of production is the Global Production Network approach. This approach emphasizes the corporate and social context between connections of commercial operations. The mentioned analysis does not only focus on the relationship between the leader company and its suppliers but it also focuses on the shaping of global production and the factors affecting it, that is, national governments, international unions, non-governmental organizations and multilateral organizations. KÜA also focuses on the social and institutive structure which is innate to the production process, power relations between actors and various sources in developing countries (Barrientos, Gereffi and Rossi. 2011:321). Academic studies on workers involved in Global Production Network are extremely limited.

The studies carried out in this field usually examine companies' internal relationships and profitability and tend to overlook the labor factor.

However, what kind of a change living conditions of workers located at the nodes of global value chains - one of the leading elements of today - are going through, as well as the types of exploitation relationships, must be discussed. In fact, employment policies under the titles of flexibility, deregulation and privatization are shaped by government's efforts to be integrated into value chains in the global competition environment.

**Global Value Chains and Employment in Turkey**

The process of Turkey's integration into the globalization process is realized in the form of integration into relationships within production networks. The process of integration into the EU is also seen as effective in terms of its positioning within the global value chains (DPT 2007:59). While integrating into the list of global value chains, the question of who organizes
these chains has been included in the 10th Development Plan. In the plan, it is pointed out that developed countries dominate the high value added stages of value chains, they also manage the other stages of the chain and the production network, but other lower-value added stages are mostly undertaken by developing countries.

It is stated that Turkey has not yet taken a position among chains which create high added value in proportion to its potential (Kalkınma 2013:5-6). Increasing local added value in production, transition to a higher-technology product pattern which allows sustainable production and stepping up to higher stages of the global value chain are regarded as the most important areas faced by the industrial sector. It is aimed that productivity levels within the sector are increased as a result of improvements achieved in these fields and a production structure will be achieved which is more competitive, has lower importation dependency and which can increase its exportation share in global markets (Kalkınma 2013:22)

However, the table seen in reality is suitable for the nature of value chains which become unequal towards the upper links of the chain. Turkish industry is demonstrating a profile that is incompliance with the mission deemed fit for itself within the framework of international cooperation specialization in labor-intensive sectors.

When we look at the transformation experienced in the employment structure in Turkey and which sectors come to the forefront in this process, it is possible to see the mentioned table under a clearer light.

Graphic 1. Development of Employment in Turkey

Source: (Kalkınma 2013, TÜİK 2013). Workforce statistics according to Address Based Population Registration System (ADNKS) announced by TSI within the scope of Household
Workforce Survey (HIA), taken back by the Ministry of Development by using previous HIA series.

Turkey experienced a serious problem of not being able to create employment during 1999-2009. Reasons of this problem are subject of another discussion. The increase in employment in this period of 11 years is limited to 1 million 224 thousand (Table 1).

It was seen that the increase in employment was especially recognized after the 2008 crisis. This data produced by TSI based on household statistics can be misleading. It is possible to reconsider this data with people who are employed or who are not employed but can be evaluated within the workforce.

In this study, sectoral transformation and development dynamics in labor and technology intensive sectors within the axis of the transformation experienced in registered workforce will be discussed.

It is not possible to create a continuous series between Social Insurance Institution (SII) and Social Security Institution (SSI) due to the innovation in sectoral classification. Comparable data for sectoral transformation of registered workforce employed under the status of worker is present for 2003-2007 and 2008-2012 periods (SGK 2013).

First of all, the years 2003-2007 are discussed in terms of understanding sectoral transformation. ISIC v1. is used for this period for international classification.

First, it must be noted that the total number of paid workers increase from 9,7 million to 12,5 million in this period, leading to an increase of 29%. In the same period, the number of workers registered under the status of worker increased from 5,6 million to 8,5 million, leading to an increase of 51%.

The greatest contribution to this increase in employment came from the production industry with 760 thousand persons and an increase of 26%. Construction sector is second with a rate of 19,45% and an increase of 562 thousand persons; wholesale and retail trade is third with 438 thousand persons and an increase of 15,17%. Public services, on the other hand, have a contribution of 11% with 320 thousand persons.

Within the production industry, the greatest contribution came from Metal Production, Transport Equipment Production and Machinery Production. These three sectors made a contribution of 10,7% in total (Table 2).
Graphic 2. Contribution to increase in employment came from the production industries

Source: SGK 2013

On the other hand, registered employment decreased in tobacco and leather sectors. Similarly, contribution of textile sector, which employs approximately 800 thousand workers, to employment was very limited with 44 thousand persons.

Graphic 3. Increased Production Sector (2003-2007) %

Source: SGK 2013
The sector which increased its employment capacity the most in terms of percentage is furniture sector with a rate of 87%. Metal Goods and Vehicle sectors proceed this sector. Furniture sector increased its limited share in employment to a considerable degree. Total registered workforce in furniture and installation production sector increased by 87%, becoming the fastest developing sector within the production industry between years 2003-2007.

**Permanent /Temporary Workers**

This period is a period when subcontracting, insecure and irregular working became prominent, starting from the public sector, together with a serious wave of proletarianization. The Labor Code which was implemented in 2002 was an effective tool in this respect. The number of casual / seasonal workers who do not work permanently boomed in this period.

Graphic 4. Permanent /Temporary Workers 2003

![Pie Chart](image)

Source: SGK2013

Whereas the number of permanent employees increased from 4,8 to 6,9 million with an increase of 43%, the number of seasonal workers increased by more than 800 thousand persons, reaching from 781 thousand to 1,59 million. 128 thousand of this increase was realized in public and governmental businesses. This corresponds to an increase of more than 4 times in this field. Majority of the remaining increase is in the construction sector. Similarly, 2/3 of the employment created in public and governmental businesses was realized through the private sector.
For years 2008-2012, NACE Rev.2 classification was taken as basis. Considerable different results can be obtained for the same sectors between NACE rev2. and ISIC classifications.

In the mentioned period, employment reached 12 million with an increase of 35%, that is, 3 million 137 thousand persons. The biggest share in the increase in employment belongs to production industry with 644 thousand persons and a rate of 20%. The production industry is followed by construction with 551 thousand persons and a rate of 18% and then retail and wholesale trade sector with 525 thousand and a rate of 17%. Food, drink and accommodation services also created 479 thousand additional employments. Employment has increased in public services such as education, health and social services in 354 thousand persons.

The rate of temporary workers also increased more compared to permanent workers in this period. Whereas the increase rate for permanent workers is 33%, this rate is 50% for casual and seasonal workers. The number of temporary workers reached 2.5 million. This number was around 781 thousand in 2003. Therefore, a threefold increase can be seen in a period of 10 years.

While the construction sector is again the leader in temporary employment with 479 thousand persons, it is also seen that seasonal employment has become the rule in some other sectors.
Majority or an important part of those employee in forestry and logging, crude oil and natural gas extraction, machinery and equipment installation, electricity and gas production and distribution, sewerage, post courier activities, security and investigation, information services have been employed temporary workers. While working on permanent staff decreased in areas such as distribution of waste materials, landscaping, public security, construction, live-in care activities, seasonal employment increased considerably.

Table 1. Temporary Workers Rate (%)

**Sectors in which it is over 30%**

- Crude Oil and Natural Gas Extraction
- Live-in Care Activities
- Evaluation of Waste Materials
- Public Administration and Defense
- Compulsory Social Security
- Post and Courier Activities
- Forestry and Logging
- Private Construction Activities

**Sectors in which it is over 50%**

- Other Service Activities
- Sewerage
- Building Arrangement and Landscaping Activities
- Information Service Activities
- Security and Investigation Activities
- Construction of Extra-Building Structures
- Building Construction

Source: SGK 2013

This indicates that the spreading tendency of temporary employment in the employment regime poses a serious threat for workers.
When we look at the production sector, Furniture and Motor Land Vehicles are seen as sectors which create the highest rate of employment. In this period, Motor Land Vehicles grew by 2.37 times and furniture sector by 5.78 times. The former increased from 37 thousand to 127 thousand while the latter rose from 21 thousand to 141 thousand.

In pharmaceutical sector and production of pharmaceutical products, a twofold growth was achieved. However, employment increase remained at 9 thousand 468 as it is a small sector.

392 thousand that is 63% of the increase in the industrial sector is in low technology sectors while 129 thousand, which is 21% of it, is in medium-low technology sectors. Advanced technology sectors narrowed by 12%.

Employment increase in low technology sectors is 40%, %27 in medium-advanced sectors and 17% in medium-low technology sectors. General average of production sector is 24% (SGK 2013).

In terms of Turkey acting with the purpose of integration into global value chains:

1) A serious transformation was experienced in employment structure between years 2003-2012. The increase in waged and daily-wage workers is at serious levels. This process was fed by disintegration from agriculture.
2) Development in registered sectors was realized more strongly.
3) Flexible and insecure works became widespread in this process, rising from 14% to 20%.
4) Despite the struggle to take part in advanced technology sectors within global value chains, developments indicate that chance of success is law in terms of achieving targets. Turkey continued to develop in low and medium-advanced sectors. This is a result of the unequal nature of global value system.
5) Furniture and vehicle sectors in production industry, construction sector, wholesale and retail sector and tourism sector play a primary role in terms of development dynamics.

In sum, the most important component of the system, which is sought to be restructured within the axis of global value chains, is the fact that labor is taken under control with insecure-flexible working hours and the pressure of unemployment under the title of global competition. An important part of this process is de-unionization. Policies which are mentioned within the scope of enabling "Turkish firms" to gain competitive advantage in
value chains which are shaped by leader firms and have an international dimension also aim at deepening this exploitation. In addition to this, the international structure of chains does not give local actors which are developing and integrating into value chains via supplier relationships an opportunity to expand in advanced technology areas and it causes sharing relationships to get even worse on part of workers. Added value transmission mechanism of value chains extending towards the centre must be evaluated as a means of confiscating added value, which is simply the unpaid part of the price of labor, in an extensive area of activity scattered around the world.

BIBLIOGRAPHY


