Turkey: unsuccessful attempts to increase labour market flexibility at the expense of job security

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FIKRET ADAMAN AND BURÇAY ERUS – EUROPEAN SOCIAL POLICY NETWORK

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In the second half of 2020, the Turkish government submitted to Parliament two bills to amend the labour law, with a view to increasing flexibility in the labour market. The bills aimed to redesign severance payments at the workers' expense, and to lift the restrictions on fixed-term labour contracts for those younger than 25 and those aged 50 years or above. The bills were withdrawn following strong resistance from labour unions.

Description

In the second half of 2020, the Turkish government made two unsuccessful attempts to increase flexibility in the labour market, by changing the labour law that secures the rights of employees and provides job security. Both proposals were submitted to Parliament and later withdrawn following strong resistance from labour unions.

The first attempt, initiated in June 2020, aimed to change the severance payment system, according to which employers currently pay employees an amount calculated by multiplying the most recent monthly wage by the number of years worked for the company on termination of employment (unless the employee is at fault). The government proposed to redesign the system by converting it, at least partially, into a contributory retirement account with monthly deposits that could be used after 15 years of employment.

In late October 2020, another piece of legislation to amend the labour law was proposed, to increase labour market flexibility at the expense of job security. Under the current labour law, all employment contracts are for an indefinite time (until compulsory retirement) except for fixed-term employment contracts, which require certain conditions to be met. Specifically, in fixed-term contracts, the work has to cover a specific time period or meet objective conditions, such as "the completion of a certain task or the materialisation of a certain event" (Law No. 4857, Article 11). Furthermore, apart from a few exceptions, fixed-term contracts cannot be extended. With regard to indefinite contracts, termination of a contract in workplaces that have over 30 employees requires a valid reason related to the capacity or conduct of the employee or the operational requirements of the firm. In addition, employees are to be paid, for each year they worked with the same employer, a severance payment if they are fired or a retirement bonus when they retire. While such provisions in the Law restricted flexibility in the labour market, they also provided job protection (see Dereli, 2013, for the history of the Law and specific provisions regarding labour market flexibility).

The current labour law protects all employees, including those younger than 25 and those aged 50 years or above. If they are fired, all employees receive a severance payment. The proposed legislation was aimed at lifting these restrictions, in cases where the contracts did not exceed two years and were not repeated. According to the proposed law, employees would not have the right to severance pay in such cases.

The proposed law came with an additional measure, according to which employers would not be required to pay social security premiums for employees younger than 25 and employed for less than half of a given month, corresponding to fewer than 10 working days.

Outlook and commentary

The legislative proposals came at a time when unemployment had been persistently high, reaching 13.2% in August 2020. Youth unemployment (aged 15-24) was 26.1%. The employment rate stood at 43.9%. Furthermore, people aged 50 or above who were unable to secure employment were beginning to ask for early retirement, arguing that job opportunities for them were limited.

The proposed pieces of legislation were brought to Parliament but later withdrawn, following strong resistance from national unions and with support from the International Trade Union Confederation (ITUC) and the European Trade Union Confederation (ETUC). Unions claimed that about 10 million workers would face losses of rights, including job security, severance and notice payments and social security.

Guaranteed by law since 1936, severance pay has been one of the longest-established acquired rights of workers. Unions, despite strongly disagreeing on various other issues at times, were clear in their objections, underlining that severance pay was not open to negotiation, and threatening a general strike if the proposed system was put into effect despite their objections. The unions' strongly-held position was also backed by the opposition parties.

Further reading

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Author

Fikret Adaman and Burçay Erus (Boğaziçi University)

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