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Koçer, R.G.

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“THREE VIEWS OF A SECRET”
Containment of Industrial Conflict in Neo-Liberal Environments
“THREE VIEWS OF A SECRET”
Containment of Industrial Conflict in Neo-Liberal Environments

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit van Amsterdam
op gezag van de Rector Magnificus
prof. dr. D.C. van den Boom
ten overstaan van een door het college voor promoties
ingestelde commissie,
in het openbaar te verdedigen in de Agnietenkapel
op dinsdag 31 maart 2009, te 14:00 uur

door

Rüya Gökhan Koçer

geboren te Elazığ, Turkije
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Dr. A. Freyberg-Inan

Dr. B.M. Burgoon

Faculteit der Maatschappij – en Gedragswetenschappen
For two children,
Kadriye D. and Erdal Eren,
who lost their lives in this story
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and,

Rüken’cim; herşeyi, hepsini, geridekileri, geçmiştekileri, gelecekleri ve gelecektakileri aynı anda ifade etmek çok zor, ama bunun için bir simge var : ∞
INTRODUCTION

Substance is what exists independently of what is the case.

Ludwig Wittgenstein

(from *Tractatus Logico-Philosophicus*)

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Chapter 1
Question, Puzzle and the Argument

Question and purpose

The elimination of conflict from the realm of industrial relations, in the sense of conflict between workers and employers manifested through industrial actions such as strikes, slow-downs and sabotages appeared real enough during the 1950s and 1960s in many capitalist countries (Ross and Hartman 1960, Kerr et al 1960, Poole 1986:104). The institutionalization of industrial conflict through collective bargaining or its variants was thought to be the cause of the industrial peace in this period and the resulting sense of “the end of ideology” (Hibbs 1978:153). Moreover, comprehensive social policy provisions in the advanced capitalist countries and the policy of maintaining domestic purchasing power in many developing countries in accordance with the strategy of import-substitution were also considered to have contributed to industrial peace (Hibbs 1978, Cook 1998:314, Kong 2004, see also Keyder 1994). In fact, the interest representation through associations such as trade unions, which constituted the core of collective bargaining and corporatism, and sometimes played a crucial role in social policy arrangements, has been even elevated to the status of one of the four main pillars of social order, together with the community, market and the state (Streeck and Schmitter 1985:1-27). Retrospectively, it is also argued that it was not just the collective bargaining or social policy but the coincidence of institutionalization with benevolent economic conditions and production methods such as untapped markets and Fordism, which made the elimination of conflict from the realm of industrial relations possible (Hyman 2001:204).

However, during the 1970s, when the concertation between labour, capital and the state seemed no longer capable of providing either industrial peace or better economic performance, comprehensive social policies were considered to be increasingly burdensome and import substitution led to debt crisis in many developing countries (Piore and Sabel 1984:7-8, Wolfson 2003:255-256) neo-liberalism appeared as a political project (see Buğra & Ağartan 2007) which was presented as “a
response against” these problems (Ludham et al 2003: 609, Kong 2004:19-20).

Neo-liberal project does not adhere to a single coherent ideology. Its exact content is determined by the contexts (Peck 2008:4, see also Hayek 2007 [1944]:17). However, despite this “context-dependency” (Margheritis and Pereira 2007:27) there are some common neo-liberal measures such as promotion of non-intervention with the free market, withdrawal of the state from production and redistribution activities, commodification of labour, encouragement of the free circulation of capital and goods, and discouragement of concertation between government or business and the representatives of labour (Bean 1994:126, Wolfson 2003:255-256, Burawoy 2003:241, Udayagiri and Walton 2003:312, Buğra & Ağartan 2007, Plant 2004:29, Boxhall and Haynes 1997:568, Crouch 1997:352).

One can see that neo-liberalism opposes what was thought to be the main reasons for the industrial peace and social coherence of the post-war period in many developed and developing countries: collective bargaining, corporatism, welfare state and Keynesianism are all rejected by neo-liberalism. Yet surprisingly, in the last two decades of the 20th century, which witnessed the rise of neo-liberalist ideology in virtually every corner of the globe, industrial conflict seems to be declining almost everywhere (Franzosi 1995, Shalev 1992, Locke et al 1995:xiv). As a crude indicator of this trend, one could consider the average number of lost days in strikes. In Europe, for example, while during the 1970s the average number of lost working days per annum per 1000 workers was around 400 days, this number has declined to around 200 during the 1980s and further decreased to around 50 in the 1990s and 2000s (Scheuer 2006:143). The same phenomenon is also observable on industry basis; for example, the average annual proportion of striking

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2Another general feature, which I explore in the following section, is that regardless of the context, these neo-liberal measures never emerge by themselves as outcomes of spontaneous processes. They require deliberate government action (see Buğra 2007a:174)

3These indicators are crude because, at best, they capture the conflict dynamics of organized industrial relations where workers enjoy collective representation. However, as I demonstrate in this study, there is sufficient evidence to assume that unorganized industrial relations, too, witness peaceful existence, understood as, the absence of excessive wildcat actions.

4Europe in this case refers to: Austria, Belgium, Denmark, Finland, France, Germany (until 1993 only West Germany), Ireland, Italy, the Netherlands, Norway, Portugal and Spain.
workers to total employment in the manufacturing industry\textsuperscript{5} in four important countries (Germany, Italy, Britain and USA)\textsuperscript{6}, which experienced different degrees of neo-liberalization and de-industrialization, has been declining steadily during the last two decades: the joint index taken as 100 for the 1970s declined to 63 in the 1980s and to 47 in the 1990s (ILO 2008). The same index, when estimated for individual countries\textsuperscript{7}, depicts a similar trend: for example, in Turkey, whereas it was 100 in the 1970s, it declined in the following two decades\textsuperscript{8} to 85 and it decreased further to 13 in the 2000s (DPT 2008, TÜİK 2008, ÇSGB 2008).

To be sure, strikes and other manifestations of industrial conflict have not “withered away” (Scheuer 2006: 144) but it is obvious that in multitude of sectors, in many countries and in the industrialized world in general, during the period of the neo-liberal ascendancy, industrial action appears to be a rare event compared to the 1970s. Thus, once again the elimination of conflict from the realm of industrial relations seems possible but this time the outcome appears to have been generated under

\textsuperscript{5}ISIC revisions 2 and 3 all manufacturing industries (class D and class 2-3) combined.

\textsuperscript{6}This is the average of indexed averages in Germany, Italy, Britain and the USA. Note that Germany is deliberately included (due to its rather stationary and low conflict propensity) in order to avoid a selection bias. \textit{Decline in individual cases is more radical}, for example, in the manufacturing industry in Italy, the index declined from 100 to 67 from 1970s to 1980s and further declined to 20 during the 1990s. The case of Britain is well known, from 100 in the 1970s to 48 in the 1980s and to just 7 in the 1990s. In the USA the index declined from 100 in the 1970s to around 27 in the 1980s and it has remained stable afterwards. Unfortunately, ILO and OECD databases do not contain sufficiently long series, which would allow estimation of a similar index for some important non-Western countries such as Brazil. However, there is sufficient evidence that the global trend of a declining propensity for conflict is robust.

\textsuperscript{7}See the previous footnote for the changes in the index in individual countries.

\textsuperscript{8}In the case of Turkey ‘the industry’ refers to all ISIC revisions 2 and 3 sectors, except construction. It is important to note that when estimated on the basis of decade averages, the index in Turkey is over influenced by two exceptional strike peaks in the 1990s and thus, the following outcome emerges, 100 in the 1970s, 29 in the 1980s, 141 in the 1990s and 13 in 2000s. However, when these two strikes peaks are taken out the index reveals a much steeper decline for the 1990s: 100 in the 1970s, 29 in the 1980s, 32 in the 1990s and 13 in the 2000s. Therefore, the index as depicted in the text is the best indicator of the overall conflict trend in Turkey. Note that these two conflict peaks in Turkey are very useful from a methodological perspective and thoroughly scrutinized in this study. That is because they provide variations in the dependent variable: industrial peace.
the spell of neo-liberalism, which rejects all factors that were thought to have brought about the previous period of industrial peace. Of course, once again industrial peace has also been linked to changing structural and economic conditions such as fierce competition in the world and a shift from Fordism to post-Fordism (Adaman et al 2008, Kong 2004). However, regardless of whether the industrial peace is solely generated by neo-liberal measures or it is the combined outcome of the underlying structural changes and the neo-liberal project which is presented as the best response (see Harvey 2005:13, Plant 2004: 24), the fact remains that since the 1980s industrial relations appear to be functioning in a relatively peaceful fashion in neo-liberal environments, regardless of whether these environments are specified as sectors, countries or continents.

*Why is this? What is the explanation for the relatively peaceful industrial relations that characterize neo-liberal environments?*

In this study, I examine this question and develop a theoretical proposition as to the source of relative industrial peace in neo-liberal environments by using the case of Turkey as a heuristic device\(^9\). Thus, this study should be read as an empirically grounded theory building exercise, which seeks to establish a preliminary theoretical proposition.

Before outlining the argument and revealing the research design, however, it is essential to show why the relative industrial peace in neo-liberal environments should be treated as *a puzzle* that calls for serious contemplation rather than *a trivial fact* that can easily be explained. For this purpose, it is necessary to elaborate on the concept of 'neo-liberal environment'.

**Neo-Liberal Environment**

Neo-liberalism may be described as a political project which motivates governments to initiate, implement and justify “context dependent” measures (Peck 2008:4, see Hayek 2007 [1944]:17) which would subordinate the society to “the logic of the market” (Buğra 2007b: 1). This means that although the purpose of neo-liberal measures is identical, their exact content is to be determined by the context so that at

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\(^9\) For a similar study, see Franzosi (1995) where the case of Italy has been used to examine the puzzle of strikes.
different levels of abstraction a continent like Latin America (see Cook 1998), a country like Britain (see Crouch 1997) or a sector like textile (see Underhill 1998) may seem like a neo-liberal environment. In each particular context, neo-liberal measures initiate a dynamical process: they have some intended and unintended effects and these effects trigger reactions, which have their own effects that, in turn, influence the way in which the neo-liberal project is undertaken. Consequently, if one seeks to have a general description of neo-liberal environments, this should be made not in terms of arbitrary spatial/institutional boundaries (such as continent, sector, country) or context specific measures but rather in terms of common empirical characteristics of this dynamical process, which may be observed at any spatially/institutionally specified unit experiencing neo-liberalism.

Therefore, in this study the term neo-liberal environment refers to the empirical reality generated by or associated with neo-liberalism in generic terms regardless of the particular specification of the context. Of course, this generic expression includes but is not confined to the initiation, implementation and justification of neo-liberal measures by governments in particular contexts. It implies more than that since it must also include the intended and unintended consequences of neo-liberal measures and reactions triggered by them in generic terms. Only after neo-liberal environment is understood as a term referring to such a generic empirical picture of the dynamical process triggered by the enactment and consequences of neo-liberal measures, one may depict why relative industrial peace is a puzzle and may focus on particular realizations of this generic empirical picture as case studies in order build a theoretical argument to solve the puzzle.

I argue that one may capture the generic empirical picture of the reality generated by or associated with neo-liberalism by pointing out the empirical characteristics of the three views of neo-liberalism: That is, firstly, paradoxes of neo-liberalism as a political project of deliberate initiation, implementation and justification of neo-liberal measures by governments, secondly, the impact of neo-liberal measures on the institutional inheritance of industrial relations, and finally, possible

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10 As mentioned above these measures usually include the promotion of none-intervention with the free market, withdrawal of the state from production and redistribution activities, discouragement of concertation between government or business and the representatives of labour, and the commodification of labour
reactions triggered by neo-liberal measures. Indeed, empirics of each of these views at first glance seem to provide some tentative answers as to the source of industrial peace. However, as I argue below, the puzzle of industrial peace emerges due to the fact that the empirics of these three views simultaneously exist in any context experiencing neo-liberalism regardless of whether these contexts are specified as sectors, countries or continents.

Now, by focusing on these three views of neo-liberalism, I will systematically identify the common empirical characteristics of the reality generated by or associated with neo-liberalism and then sum these characteristics in order to draw the generic empirical picture, which I call the neo-liberal environment. The description of the puzzle of industrial peace and the summary of the theoretical proposition that is developed in this study to solve the puzzle follows this generic picture.

First View: paradoxes of neo-liberalism - political project under the conditions of democracy

The first view of the neo-liberal environment may be obtained by linking the two paradoxes of neo-liberalism:

The first “paradox” stems from the impossibility of establishing and sustaining the free market without direct government intervention (Ludham et al 2003: 610 see also Block 1994:696-699) as exemplified by the Reagen & Thatcher “revolutions” in Britain and the US (Harvey 2006:145, Wolfson 2003:256, Hanson 1991) or the recent legal changes and the historical trajectory in Latin America (Topik 1999:3,18). The developments in ex-communist states also show that ‘free market’ is not something, which would emerge by itself through reckless deregulations as neo-liberalism-in-theory predicts11 (Locke et al 1995: xiii-xiv, Sbragia 2000: 245). Thus, despite all the rhetoric of non-intervention (Peck 2008:7) neo-liberalism-in-practice, requires the active and persistent intervention of governments at the service of the market (Block 2007:6, Chang 1994:132). Hence there appears an empirical fact: regardless of the context neo-liberalism requires “a good dose of government intervention to legislate the self regulating economy into existence”

11Indeed the apparent need for government intervention in ‘free’ markets also motivates international organizations to encourage governments to retain or enhance their free market measures (see Bienfeld 2007:16)
(Buğra 2007a: 174). This means that in practice neo-liberalism never emerges spontaneously, it must be created as a political project which is to be “realized through institutional changes introduced by legislative action and legitimated through an ideological offensive” (Buğra 2007b:4). Obviously, due to the very fact of being a political project, neo-liberalism negates its own theoretical assumption, namely, the ability of the free market to overcome all problems by its own devices: for neo-liberalism paradoxically promotes the merits of non intervention with the free market while requiring the permanent intervention of governments to establish and sustain the free market.

The *generic empirical implication* of this is obvious: in any context experiencing neo-liberalism regardless of its spatial/institutional specifications, there will always be active interventions of governments at the service of the market. In other words, the state would always be active and present as the guardian of the free market.\(^{12}\)

The other “paradox” of neo-liberalism results from the co-existence or in some cases co-emergence of democracy and the neo-liberal project (Udayagiri and Walton 2003:336). Before proceeding to explore this paradox, however, a note of caution is appropriate: in its general usage, the term democracy has almost theological connotations, which imply an ideal relationship between governments and citizens, and quite often this ambiguous ideal type, in a rather ethno-centric fashion, is associated with the forms of governance in Western Europe\(^{13}\) and North America (see Schumpeter 1943: 232-290, Storm 2008). However, in order to comprehend how the second paradox of neo-liberalism emerges, it is necessary to replace this ambiguous and ethno-centric usage of the term democracy with the technical & relative definition proposed by Storm. She first identifies some components of politics: i) civilian governments with executive powers, ii) regular competitive elections,

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\(^{12}\) Government is here defined as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.

\(^{13}\) Of course, where exactly is the Western Europe is another ambiguous debate closely linked to yet another elusive question: where and when does ‘the’ Europe start and end? For a good overview of these debates see Davies (1997), pp 1-46, and Mazower (1998) pp 402-410.
and iii) the freedom of speech and association. Then she proposes to consider the emergence of or improvements in any of these components in a political realm as a process of democratization relative to the previous state of the same political realm (Storm 2008). This definition allows us to perceive democratization as “increasing access of the governed to the governing process” in relative terms (Udayagiri and Walton 2003:318) without having any ambiguous ideal type reference and in this study the terms democracy and democratization are used in this technical & relative sense.

When democratization is perceived in this way, one can see that the rise of neo-liberalism coincided with “the most recent wave” of democratization (Markoff 1996:80). The military dictatorships of Latin America which emerged in the 1970s in order to contain public resentment triggered by the crisis of import-substitution were replaced by democratic regimes during the 1980s and 1990s (Cook 1998). In Asia, too, during the same period democracies were established sometimes rather unexpectedly in place of authoritarian systems, which were once considered formidable and stable (Robison 2002:92). Finally, a new wave of democracies committed to neo-liberal reforms emerged after the communist regimes of Eastern Europe collapsed in the 1990s (Locke et al 1995). To be sure, in countries like Chile, Mexico, Singapore, Turkey and South Korea the initial neo-liberalization was undertaken by authoritarian governments, but during the course of 1980s and 1990s all of these countries witnessed transition to more democratic forms of governance (Laothamatas 1997:7, Aydin 2005:100-104). Therefore democratization (understood in the technical & relative sense mentioned above) appears to be the common trend, which either precedes or follows the neo-liberalization with some possible awkward consequences for the latter as depicted, for example, in Venezuela and Uruguay (Margheritis and Pereira 2007:25-26). Obviously, in some other environments like

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14 Storm further differentiates the freedom of speech and association so as to point out the distinctive character of economic rights that can only be protected by organizations like trade unions. In this study I acknowledge this differentiation and when necessary evaluate the degree of democratization in particular contexts by examining to what extent the freedom of association implies, for example, freedom of unionization.

15 For example, in South Korea, Indonesia and Taiwan.
New Zealand or Britain, the neo-lateral project was born into already established democratic systems\textsuperscript{16} (Brey and Walsh 1998:368-372).

According to Lathamatas, the close proximity between neo-lateral reforms and democratization cannot be mere coincidence (1997:7). In an attempt to explain this link between neo-lateralism and democracy, it is argued that the need of the international capital for stability requires “democratic harmony”, and the general demand of citizens in contexts experiencing neo-lateralism especially in the developing countries appears to be “more popular sovereignty” (Udayagiri and Walton 2003:318, Munck 2002:18, Cook 1998:315, see Giddens and Held 1982:269). It is worthwhile reiterating that democracies and democratization processes in different countries are different from each other and from the earlier European or North American experiences but they still accommodate (more than before) at least some of the key elements of democracy identified by Storm. Thus, democracy or the democratization processes accompanying the neo-lateral project have the potential to allow “increasing access of the governed to the governing process” (Udayagiri and Walton 2003:318) and thus, offer to those who are poor and oppressed some opportunities “to seek redress from the state” or at the very least to articulate and politicize their grievances more than it was possible before (Przeworski 1992:52).

The paradoxical nature of the accompaniment of neo-lateralism with the process of democratization stems from the fact that although neo-lateral governments which try to “legislate the self regulating economy into existence” (Buğra 2007a: 174) may use repression or deception, they would, due to democracy or democratization, eventually face demands for redress from their citizens that are not necessarily in compliance with neo-lateral measures.

\textsuperscript{16} Obviously, this link between neo-lateralism and democracy is not straight forward: for it is clear that internationalization encouraged by neo-lateral project may enforce nation-states to delegate power to international organizations and thereby pose a threat to one of the core components of democracy due to resulting “decline in significance of electoral politics” (see Buğra 2007: 185). However, when this international dimension is invoked another dynamic phenomenon should be kept in mind: internationalization and democratization may simultaneously undermine and enhance each other. More explicitly, the international projects that are considered to undermine democracy and which are associated with neo-lateralism quite often encourage democratic conditions, which, in turn, hinder the development of these very projects as depicted, for example, by the impact of national referenda on EU reforms.
The *generic empirical implication* of all of this is clear: any context experiencing neo-liberalism regardless of its spatial/institutional specifications would be sooner or later surrounded by or influenced by the conditions of democracy or democratization understood in the technical & relative sense outlined above.

Can we explain relative industrial peace by appealing to the simultaneous existence of these two paradoxes? Indeed, by combining the two paradoxes of neo-liberalism-in-practice, that is, government interventions at the service of the market and the simultaneous existence of the conditions of democracy or democratization, one may ask whether the relative industrial peace of the last two decades is the outcome of these government interventions or, as neo-liberalism-in-theory would claim, it results automatically from the free markets that emerge as a result of these interventions, or perhaps it is somehow generated by the dynamics of democracy or democratization.

**Second View: the impact of neo-liberalism on institutional inheritance**

The second view of the neo-liberal environment may be established by focusing on the institutional inheritance of the societies, which witnessed the rise of neo-liberalism. Everywhere the institutional destruction envisaged by neo-liberalism-in-theory (Harvey 2006:145-146) that aims to annihilate the institutional framework of industrial relations of the preceding era seems to be incomplete in practice. Although concertation institutions and interest representation mechanisms (such as collective bargaining and trade unions) have suffered setbacks of different kinds and magnitudes in many sectors and countries (Lansbury and Verevis 1994:6, Kelly 1998: 2, Doellgast and Greer 2007:57-58, Dell’Aringa and Pagani 2007:30, Visser 1994), they continue to exist, though sometimes in quite a marginalized fashion, even in the most radically neo-liberalized environments such as Britain, the US and Turkey. Moreover, in some countries like Brazil and South Korea, trade unions and collective bargaining seem to have gained some ground during the period of neo-liberal ascendancy after some setbacks (Cook 1998:327, Kong 2004:24-28, Hale and Wills 2007:457, see Adaman et al 2008:1-2).

The *generic empirical implication* of this is obvious: any context experiencing neo-liberalism regardless of its spatial/institutional
specifications would inherit organized industrial relations characterized by trade unions and collective bargaining.

Given the fact that these institutions used to be considered as one of the sources of industrial peace in the preceding era, it is legitimate to ask whether they are still successfully performing a similar function in neo-liberal environments and thereby giving the impression that it is the neo-liberalism-in-practice, which creates the industrial peace.

Obviously, the persistence of bargaining mechanisms should not obscure the fact that in any neo-liberal environment, regardless of the spatial/institutional specification, a large part of industrial relations takes place outside the coverage of formal bargaining institutions (Adaman et al 2008:3, Johnson and Jarley 2004:453, Kelly 1998:2) mainly due to the competitive pressures resulting from increasing transnationalization of production and consumption which are considered to be encouraged by, if not the consequences of, the neo-liberal project (Halperin 2004:287, Munck 2004:257).

The generic empirical implication of this is clear: in any context experiencing neo-liberalism regardless of its spatial/institutional specifications, a large and perhaps expanding component of industrial relations would be unorganized, that is, it would be characterized by the absence of trade unions and collective bargaining and the presence of informal employment.

Given that these two fields of industrial relations, that is, (probably shrinking) organized and (usually expanding) unorganized fields, would simultaneously exist in any context experiencing neo-liberalism, it is reasonable to ask whether the industrial peace should be explained by appealing to their co-existence or perhaps by the complementarity between them.

**Third View: reactions triggered by neo-liberalism**

The third view of neo-liberalism emerges due to a simple truism: the neo-liberal project, as depicted above, is initiated, implemented and justified by deliberate government actions. Thus, as a set of actions, it is bound to trigger some reactions and consequently, these reactions become part of any context in which neo-liberal measures are enacted. The question is, whether there is any common denominator of these reactions.
Neo-liberalism, which in the final analysis aims at “the subordination of human society to the logic of the market” (Buğra 2007b: 1) resembles the dominant ideology of 19th century Europe, which, too, witnessed the organization of the society in accordance with the principles of free market. Drawing on this analogy and by examining the 19th century experience, some argue that any project of establishing the free market as the basic principle of social order would sooner or later trigger some reactions resulting from the damage that free market causes in the society (Streeck and Thelen 2005, Iversen et al 2000:152, Munck 2004: 252, Munck 2002:18). Consequently, as a result of these reactions, a degree of “socialization” of the market is expected to follow its liberalization (Munck 2004:254). However, this expected sequence which provides a perspective for comprehending the reactions triggered by the neo-liberal project is considered “a complex process involving diverse agents, and can take innumerable forms” (Sayer 2007: x). Consequently, the interpretation of contemporary developments, which are triggered by or somewhat related to the ascendancy of neo-liberalism, is not straightforward.

For example, Udayagiri and Walton consider contemporary popular initiatives as well as transnational movements, ranging from anti-sweatshop campaigns to “soup kitchens to feed the hungry” as examples of reactions which are triggered by and which try to contain the damage created by neo-liberalism (Udayagiri and Walton 2003: 317-318, 336). More specifically in the field of industrial relations the emergence and activities of the new actors such as consumer associations, transnational networks and NGO’s are interpreted as reactions against the purely market oriented production strategies promoted by neo-liberalism (see Bellemare 2000:397, Burawoy 2003:240, Munck 2004:287, Hale and Wills 2007). However, the same developments may also be seen as the process of “transfer of social responsibilities to non-state actors involved in diverse partnerships with public authorities”. This process may blur the difference between public and private by appealing to “non-market forms of socio-economic interaction” which encourages “social participation in market reforms” and may thus, ensure “governability in a market-dominated economic order” so as to facilitate the neo-liberal project (Buğra 2007a: 176-177).

This brief overview shows that the interpretation or the exact meaning of “contemporary developments” which are triggered by or at least related to the ascendancy of neo-liberalism is not easy (see Sayer
2007). However, without underestimating controversies and ambiguities\textsuperscript{17}, one may still deduce a simple \textit{generic empirical fact} from the literature: in any context experiencing neo-liberalism, there will be some reactions, which successfully or unsuccessfully try to resist neo-liberal measures. These reactions may be of a societal, class-based or international nature.

With this generic empirical observation as to the reactions triggered by the neo-liberal project and the controversies in the literature in mind, one might ask whether any particular outcome, such as industrial peace, which seems to have appeared in contexts experiencing neo-liberalism, is generated by the reactions against neo-liberalism rather than by the neo-liberal measures.

\textbf{The generic empirical picture of neo-liberal environment}

The arguments, which are presented so far, point out that regardless of the particular spatial/institutional specifications there are three generic empirical features, which would be present at or influencing any context experiencing neo-liberalism:

i) Interventions of governments, which, under the conditions of democracy or democratization\textsuperscript{18}, enact some neo-liberal measures that are designed to create and sustain free markets,

ii) Co-existence of and possible interactions between organized industrial relations inherited from the preceding era and unorganized industrial relations emerging due to competitive

\textsuperscript{17} Besides the controversies about whether a contemporary development is resistance against neo-liberalism or it actually serves the neo-liberal project, there are also some cautious voices as to the very nature of the double movement (i.e., the sequence of movement towards free market and countermovement triggered by it). For example, Block, despite his acknowledgment of the societal reaction against the domination of markets promoted by neo-liberalism, argues that coercion can be used to isolate these reactions when they threaten the free-market and adds that “there is no automatic mechanism” which would balance movement towards the market with appropriate countermovement (Block 2007:7). Similarly Burawoy considers the double movement only as a possibility rather than a law (Burawoy 2003: 244). Halperin on the other hand, completely rejects the idea of societal reaction against neo-liberal measures, instead she claims that each class seeks to protect itself against these measures at the expense of other classes (Halperin 2004:274).

\textsuperscript{18} In the technical & relative sense of the term as it is outlined by Storm (2008).
pressures created by the internationalization of production and consumption,

iii) Reactions of the society, international actors or various classes which successfully or unsuccessfully try to resist neo-liberal measures.

Thus, these three features constitute the generic empirical picture of the neo-liberal environment.

The historical evidence presented in the previous section suggests that this generic picture (not neo-liberalism!) during the last two decades proved to be conductive to industrial peace in all its particular realizations in various sectors, countries or continents. Is this a puzzle or just a trivial phenomenon? I will now show that industrial peace prevailing in neo-liberal environments should be perceived as a puzzle, which calls for serious contemplation.

Puzzle

As it was illustrated above, one can make some explanations for the source of industrial peace by focusing on just one of the three empirical features of the neo-liberal environment. However, any one of these explanations would not necessarily exclude the others, due to the simultaneous existence of all three empirical features in any neo-liberal environment. Therefore it is possible to use each of these single-feature based explanations in order to enhance or undermine the others.

For example, it is possible to interpret the democratization in neo-liberal environments as a reaction of the society against the neo-liberal measures imposed by governments and thus, as the source of the industrial peace. Similarly, without discarding this particular perspective, the resilience of formal bargaining institutions can be simultaneously attributed to the ability of some privileged class of workers (see Adaman et al 2008) to defend themselves against neo-liberal measures and to the limits imposed by democracy on the implementation of the neo-liberal project. Of course, unless the dynamics of unorganized industrial relations and its link to the democratization process and formal bargaining mechanisms are scrutinized, one should not dismiss the idea that there may be unidentified reactions against neo-liberal measures which establish a defense mechanism against the market domination.
within the confines of unorganized industrial relations independent of the other segments, structures and processes of the society. Obviously, none of these interpretations rule out the possibility that new actors and movements, such as consumer associations, transnational networks and NGOs, may be the main architects of industrial peace, despite or perhaps because of their controversial status that blurs the distinction between private and public domains (see Buğra 2007a:176-177). They may buffer the most excessive consequences of the commodification of labour resulting from neo-liberal measures and in this way they may generate industrial peace. However, there is no logic, which ensures that various reactions against neo-liberalism would be mutually accommodating. It is in fact possible that reactions against neo-liberalism contradict each other and nullify each other’s impact without creating any concrete outcome, such as industrial peace. One may also doubt the very existence or sustainability of societal or class-based defense against neo-liberal measures when governments are in favor of neo-liberalism and claim that industrial peace is ensured by direct government intervention as a prerequisite for the establishment of the free market perhaps through sheer coercion. Obviously, it is also a possibility that governments under conditions of democracy might be maintaining industrial peace through some positive incentives.

Finally, one should also not discard two simple hypotheses, each of which would render all the preceding sophisticated explanations redundant, that is, industrial peace may indeed be the outcome of free-markets, which are created in neo-liberal environments. More fundamentally, one may claim that peace is the normal mode of industrial relations and it is the conflict that is to be explained, hence industrial peace does not require any inquiry.

One can see that it is not possible to explain industrial peace by solely scrutinizing just one of the three empirical features present at any neo-liberal environment due to their simultaneous existence. Consequently, the source of industrial peace in neo-liberal environments remains obscure unless the two simple hypotheses, that is, free markets generate industrial peace, and peace is the normal mode of industrial relations are considered satisfactory.

Unfortunately, the literature of industrial conflict and labour acquiescence fails to provide any immediate alternative hypotheses for the containment of industrial conflict in neo-liberal environments. The
academic interest in the subject seems to have mimicked the patterns of industrial action; declining together with the labour militancy after 1980. Indeed, there has been a considerable number of detailed studies on industrial action and labour acquiescence until the late 1970s (for example, Ross and Hartman 1960, Ashenfelter and Johnson 1969, Ingham 1973, Shorter and Tilly 1974, Clegg 1976, Hibbs 1978, Cronin 1979, Korpi and Shalev 1979). In contrast, the 1980s were “a long decade of silence” for conflict / acquiescence theories, not because all the answers were found but the answers seemed unnecessary due to a steep decline in industrial action (Franzosi 1995:2). Yet the containment of industrial conflict is apparently puzzling. For example, according to Locke et al, in the mid-1990s “nobody really understood” the reasons for the decline of “spontaneous worker protest” and “organized labour agitation” and there was a “lingering sense” that labour militancy might suddenly re-appear (Locke et al 1995: xiv). In 2006 there was still no “novel calculus” to account for the industrial action patterns of the last two decades which were marked by overall decline in militancy (Sheuer 2006). Indeed, the lack of new theorization on the subject forced Shalev to sound the note of warning that the academia was threatened by the risk of being caught with “its collective pants down” in the next eruption of industrial action (Shalev 1992:127). This warning is the reflection of the widely held opinion that in industrial relations, conflict between employers and workers is inevitable and it has to be contained in some way (Blyton and Turnbull 1998:3-4-311, Bean 1994:131, Jackson 1991:244, Edwards and Scullion 1982:1-12, Kelly 1998: 64, Maurice et al, 1986:121).

Thus, unless peace is depicted as the normal mode of industrial relations or free markets proved to be (feasible and) capable of generating industrial peace, the relative absence of overt industrial conflict in neo-liberal environments remains as a puzzle requiring new theorization.

**The argument**

The basic argument of this dissertation, which is derived by taking all three empirical features of neo-liberal environments into consideration, can be briefly stated as follows: under the conditions of democracy or democratization (understood in the technical & relative sense outlined by Storm) capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the
conditions, which would sooner or later lead to regular deviations from neo-liberalism. The relative industrial peace prevailing in neo-liberal environments is the outcome of this paradox, which leads to the exportation of industrial conflict into the realm of politics. The inevitability of this paradox and thus, the emergence of relative industrial peace, however, can only be understood by studying the fundamental problem of the capitalist state, that is, accumulation/legitimation dilemma, and its interaction with neo-liberalism.

**Fundamental problem of capitalist states**

Any capitalist state is permanently confronted with the obligation of balancing two potentially contradicting tasks: ensuring the accumulation of capital while legitimizing this process for those who are not in a position to accumulate capital (O'Connor 1973). Accumulation can be understood as increasing capital’s share in the surplus value generated by the economy but legitimation cannot simply be reduced to its polar opposite. The state may use hegemonic ideology to legitimize a particular accumulation pattern by portraying it as inevitable or it may simply resort to sheer coercion in order to crush legitimation demands. However, given the fact that in any capitalist society those who would prefer legitimation are likely to be the majority (that is, wage earners), under the conditions of democracy or democratization sooner or later legitimation must be ensured in terms of real material gains for them, despite the immediate consequences of such a policy for accumulation. On the other hand, the fact remains that neither the capitalist state nor capitalist society can be sustained without accumulation. Thus, it is only possible to sacrifice accumulation for the sake of legitimation or legitimation for the sake of accumulation temporarily, most of the time these tasks must be balanced. Consequently, any capitalist state, regardless of the ideologies of ruling governments, faces the problem of maintaining the balance between accumulation and legitimation.

The state may cope with this task by delegating it to a system, which may to some extent separate politics from economy and in this way allow the state to simultaneously avoid the responsibility of

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19 This, of course, does not mean that neo-liberal measures cannot be implemented by governments due to democracy or democratization. What I claim is that under the conditions of democracy or democratization neo-liberal measures cannot be implemented consistently and permanently and that deviations are inevitable. I leave the deeper discussion of this issue to the conclusion chapter.
legitimization while indirectly ensuring it. This system is the organized industrial relations in which trade unions and employers collectively undertake the legitimation task by engaging in collective bargaining with minimum state intervention or even without it, while the state retains its capacity to influence the outcome without being implicated by using some strategic instruments such as laws, macroeconomic measures, and public sector. The way in which accumulation/legitimation dilemma is tackled within organized industrial relations without triggering industrial conflict is closely related to the level and coordination of collective bargaining (Clegg 1976, Traxler et al 2001). However, regardless of the specificities of bargaining mode, the ability of organized industrial relations to keep economic sphere separate from the politics depends on the economic conditions, which are essentially beyond the immediate and absolute control of any actor. Therefore during economic crisis, actors in organized industrial relations may use their collective action capacity to politicize their demands and thereby undermine the very logic of organized industrial relations by bringing back the legitimation/accumulation dilemma to the state.

On the other hand, the state is always held accountable for the way in which it solves the accumulation/legitimation dilemma by those who are excluded from the channels of collective representation, that is, workers in unorganized industrial relations. For the core factor that triggers resentment in unorganized industrial relations is the feeling of injustice among workers (Kelly 1998) and as long as the dynamics of unorganized industrial relations are entirely determined by employers, then this feeling of injustice is likely to generate a high propensity for conflict with detrimental long-term results for accumulation and political stability. Therefore, if the relative size of unorganized industrial relations is large, then capitalist states would be obliged to manipulate this field by using some instruments such as minimum wage that would, to some degree, check employers’ domination and prevent excessive competition on wages. Consequently, instead of or at least besides employers, it would (also) be the state to whom the blame for injustice generated within unorganized industrial relations would be attributed.

**Neo-liberalism and legitimation crisis**

Within the confines of this conceptual framework, neo-liberalism appears as a political project, which promotes the idea of favoring accumulation at the expense of legitimation (see figure 1.1). Moreover, it
also opposes the delegation of the accumulation/legitimation dilemma to organized industrial relations which is not capable of handling it without implicating the state during economic crises and which, due to the mobilization capacity it endows to workers, also severely limits the ability of the state to alter existing accumulation/legitimation regime. Thus, neo-liberalism motivates governments to shrink the relative size of organized industrial relations while taking the necessary measures in order to sacrifice legitimation for the sake of accumulation in the entire economy. The only instrument reserved for legitimation is hegemonic ideology. Of course, the economic growth that is expected to be triggered by free market, too, would in the long run contribute to the legitimation of the neo-liberal project. However, under the conditions of democracy or democratization (in the technical & relative sense outlined above), which are proved to be present or emerging in any neo-liberal environment, the consistent pursuit of neo-liberalism is not possible because implementation of neo-liberalism is likely to generate two different types of legitimation crises which are organically connected.

Firstly, the marginalization of organized industrial relations in accordance with neo-liberal prescriptions compels trade unions to establish partnerships with employers so as to make themselves useful to the firms instead of solely representing workers’ interest. Consequently, employer-dominated collective bargaining systems emerge and they increasingly favor accumulation. However, it is likely that if the marginalization of organized industrial relations does not happen quickly, then workers while still acquiring sufficient collective action capacity may mobilize against this neo-liberalized form of collective bargaining and paralyze the economy and politics. This may be called the explicit crisis of neo-liberalism (see I in figure 1.1). Unless sheer coercion is used and so long as the conditions of democracy are retained the explicit crisis can only be overcome by the intervention of the state, which would, at least temporarily, create conditions for the generation of legitimation in organized industrial relations (see III in figure 1.1). This would mean deviating from the neo-liberal course in organized industrial relations, at least until the collective action capacity of workers is sufficiently reduced.

Secondly, if or after organized industrial relations are marginalized, incumbent governments would be increasingly forced to take the reactions of workers in unorganized industrial relations rather than the neo-liberal prescriptions into account when they make decisions
regarding the accumulation/legitimation dilemma. For as organized industrial relations are marginalized, increasingly large numbers of workers placed in unorganized industrial relations would attribute the blame for the injustice they feel to governments due to the latter’s inevitable attempt to manipulate this field, and express their resentment with their votes in elections rather than reacting to their immediate employers by taking industrial action at their workplaces. In other words, as a result of the expansion of unorganized industrial relations, industrial conflict would be exported to the realm of politics. This may be called the *implicit crisis* of neo-liberalism. So long as conditions for democracy are retained, the implicit crisis would regularly force governments to sacrifice accumulation for the sake of legitimation (see II and IV in figure 1.1). Thus, they will not be able to implement neo-liberal prescriptions consistently.

**Figure 1.1: Neo-liberalism and two types of legitimation crises**
**Dilemma Theory**

One can see that due to the obligation of capitalist states to cope with the dilemma of accumulation/legitimation, neo-liberalism is trapped in a vicious circle: so long as organized industrial relations are not marginalized, full-fledged implementation of neo-liberal policy of favoring accumulation would not be possible due to the mobilization capacity of workers that may lead to *explicit crisis*. However, if and after organized industrial relations largely marginalized, the state would be directly held responsible for solving the accumulation/legitimation dilemma for increasingly large group of people employed in unorganized industrial relations, that is, it will face the *implicit crisis*.

*Thus, under the conditions of democracy the state*\(^{20}\) *would regularly be forced to prefer legitimation at the expense of accumulation. This process would render the politics the relevant realm and voting the effective medium for addressing grievances generated in industrial relations, and thereby create industrial peace while rendering consistent implementation of neo-liberalism impossible.*

One can see that the marginalization of organized industrial relations is one of the conditions for implementation of neo-liberal prescriptions that would preclude mobilization against neo-liberalization; however, the emergence of this condition implies regular deviations from the course of neo-liberalism at least during the election periods. Briefly, one can argue that in neo-liberal environments the attempt to avoid the *explicit crisis* leads to the *implicit crisis* (see II in figure 1.1).

Hence is the basic argument of this dissertation: *under the conditions of democracy or democratization capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the conditions which would sooner or later lead to regular deviations from neo-liberalism. The outcome would be relative industrial peace resulting from the exportation of industrial conflict into the realm of*

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\(^{20}\) It is worthwhile reiterating that in this study government is defined as the body that runs the state and makes decisions on its behalf, whereas the state is defined as “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably. I discuss the implications of this in chapter 8.
politics with detrimental implications for the consistent pursuit of neo-liberal measures.

In this study, I make and prove this central argument, which I call, for the sake of convenience, the dilemma theory.
Chapter 2
Methodology and Analytical Approach

Overview

In the previous chapter, I showed that the reality generated by or associated with the neo-liberal project, that is, the neo-liberal environment, is conductive to industrial peace and this is a puzzle, which requires new theorization. In this chapter, I outline and justify my methodology for constructing a theoretical proposition to solve the puzzle.

The key rule in theory building in the sense of establishing “statements of regularity about structure, behavior and interaction of phenomena” is that the theoretical proposition must be constructed to fit the empirical reality rather than the empirical reality is carefully tailored to fit a preconceived theoretical proposition (Eckstein 1975:88). Thus, it is essential to conduct an empirical inquiry in order to construct a theory about the source of industrial peace prevailing in neo-liberal environments. However, before doing this, a choice is to be made: one should decide whether to undertake a comparative cross-case research by analyzing many neo-liberal environments, to choose a few cases for more in-depth comparative inquiry, or to focus on a single case. In this study I opt for the single case approach in order to construct a theoretical proposition. More accurately, I focus on two industrial sectors in the spatial / temporal space of Turkey: one of them, metal sector, as a case of organized industrial relations, and the other one, textile & clothing sector, as a case of unorganized industrial relations. Thus, I undertake two single case studies, not as components of a comparative inquiry, but in order to scan the entire industrial relations by examining its sub-fields separately. After this endeavor, I develop a unifying theoretical proposition to establish a coherent argument from these two ‘single case studies’.

In the following pages, first, I justify and clarify this methodological approach by addressing possible objections against using single case(s) in theory development and by illustrating why the case of Turkey (and its metal and textile & clothing sectors) is suitable for this study. Second, I outline the analytical approach of the study and reveal the hypotheses that are gradually deduced and examined in subsequent
chapters. Finally, I reveal my data sources. A short description of the subsequent chapters is provided at the end.

Theory construction by using a single case

The case study is simply the study of an individual ‘thing’ but it is clear that an individual thing may also be perceived as the multitude of some other things. In order to prevent this ambiguity Eckstein proposes to consider any phenomenon as a case only if it allows a single measurement to be made for any conceivable variable (Eckstein 1975:84-85). This definition leads to the objection, which is based on “the degrees of freedom problem”, that is, just by examining a single case one can prove many hypotheses because infinite number of lines may be drawn through a solitary point (George and Bennett 2005:17). The idea that one cannot construct a theoretical proposition by scrutinizing a single case partly results from this understanding of what constitutes a case. However, Gerring prefers to call a single measurement of any variable an observation and argues that “in a case study a case under study” must contain more than one observation (Gerring 2007:21,30) in a similar fashion one may also consider a case as “a class of events” (George and Bennett 2005:17). Of course, in this way the objection that so long as a single case is used for theory construction ‘anything goes’ is refuted: any theoretical construct aiming to account for a single case must make sense of multitude of observations or class of events21.

In this study, by subscribing to this particular understanding of a case and for the reasons that are clarified below, first I focus on Turkey’s metal and textile & clothing sectors separately, as single cases of two subfields of industrial relations (i.e., the organized and unorganized fields), and then by looking at these two singles cases simultaneously I examine the industrial relations in Turkey in its entirety as a single case in order to develop a theoretical construct for the source of industrial peace in neo-liberal environments. Each of these single cases beyond the obvious spatial dimension of Turkey is studied with a temporal dimension. These two dimensions provide many quantifiable

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21 In fact according to Gerring, the way in which variables are defined determines whether a particular thing is a case or observation, and he also acknowledges that a case may include some other cases, which are defined according to some other criteria (Gerring 2007:21,30). In the last analysis what is a case is determined by the research question
observations as well as number of narratives. Consequently, any proposition designed to fit each of these single cases will have to make sense of multitude of observations. This means that by definition the number of theories that can be constructed is not infinite.

Of course, the very observation that a case contains multitude of observations and thus, there is no situation of ‘anything goes’ leads to the other possible objection against the use of a single case in theory development, that is, any proposition derived from a single case would be too specific to claim wider applicability. This objection results from the perception of case study as a clinical inquiry of peculiarities of a single entity. According to this perspective the case study is the scrutiny of a single case as a “configurative-idiographic” endeavor which aims to explore the uniqueness of the case in order to attain an understanding of it in terms of its peculiarities that render it distinctive from some other cases which at first glance appear to be similar (Eckstein 1975:98-99). Obviously, the goal here is to attain a profound comprehension of the case that is studied. It is needless to say that in such a case study, one cannot establish a theoretical proposition, which can claim regularity, parsimony, wider applicability or predictive capacity beyond the case that is studied. However, there are other sorts of case studies which are conductive to theory development: for example, one may use a single case in a “disciplined” way in order to examine the empirical validity of various theoretical propositions or it is also possible to use a single case as a “heuristic” device in order to attain a preliminary theoretical construct by trying to account for those features of the case which are observable in other cases as well (Eckstein 1975:99-104). In both of these types of case study, however, the implicit assumption is that the case is selected on basis of its ability to reflect the characteristic features of a population, which should be clearly defined and at least tentatively examined (Gerring 2007:20). Consequently, the case is studied not for its own sake to discover its peculiarities but for the sake of attaining some propositions about the population. This implies that so long as a case is studied due to its representativeness of a population and a theoretical proposition is constructed as a result of such a study, then there may be some objections against the degree to which the chosen case is capable of representing the intended population (see George and Bennett 2005:7) but there cannot be any objection against using a single case to build a theory (see Collins 1988:11) at least as a preliminary construct to be refined by further research (Eckstein 1975:104).
In this study, the single cases that are scrutinized are all placed in the spatial/temporal space of industrial relations in Turkey but the aim is not to attain an understanding of Turkey as a case for its own sake but to construct a theoretical argument about a population by using the ability of the case of Turkey in its entirety to represent it. This population is obviously the neo-liberal environments, which are shown in the previous chapter to have appeared in many contexts such as sectors, countries or continents during the last two decades of the 20th century with three generic empirical features. I study metal and textile & clothing sectors of Turkey separately as examples of organized and unorganized industrial relations so as to scan industrial relations in Turkey in its entirety in order to develop a theoretical proposition about to the sources of relative industrial peace in neo-liberal environments. More explicitly the crucial question of what Turkey is a case of is to be answered as: it is a case of neo-liberal environment.

The arguments up to here show that one may use a single case to attain at least a preliminary theoretical proposition about a population but they do not necessarily reveal why one should prefer to do so. What makes a single case study not just viable but also preferable for theory development is closely related to the way in which the theoretical proposition is constructed. In fact, despite some contrary arguments, which consider theorization as incremental process of adding up empirical regularities, “theory building rests more on creative imagination than step-by-step elevation of generalizations” and thus, the theorist is an “architect not bricklayer” (Hyman 1994:168). However, acknowledging this does not necessarily rule out the incremental approach. One can still use it, not in the sense of adding up regularities to attain a theory, but in the sense of clarifying the empirics of a phenomenon in order to grasp what exactly needs to be theorized by creative imagination. This may be seen as incremental preparation, which would, by reducing the complexity, allow theorization at a higher level of abstraction. Such incremental preparation can be made by examining the ability of some middle range alternative explanations to account for the components of the phenomenon that is to be theorized. It is important to reiterate that as a result of this incremental preparation process, those hypotheses which are shown to be more capable of accounting for empirical regularities related to the phenomenon that is to be theorized, do not add up to become a theory for this phenomenon, but they clearly point out what needs to be theorized at a higher level of abstraction.
Indeed, if one aims to attain a general theoretical proposition after such an incremental preparation then using a single case becomes a preferable strategy. For in this case, a single case would function as a test ground during the incremental preparation by allowing to judge various middle range hypotheses in accordance with their ability to account for the identical empirical circumstances provided by the same case (Eckstein 1975:100). As mentioned above such study of a single case may be called as ‘disciplined case study’, in the sense that the case is not only carefully chosen to reflect the characteristics of the population from which it is drawn but it is also chosen to facilitate the operationalization of multitude of variables so as to allow testing different explanations (see George and Bennett 2005:10,21).

The preference for using single case(s), in this study results from the fact that the theoretical proposition, that is dilemma theory, is constructed after an incremental preparation: first Turkey’s metal and textile & clothing sectors are used separately as test grounds for examining the feasibility of various explanations for industrial peace that are deduced from existing theories in the literature, and then in order to create a coherent argument from these feasible explanations at a higher level of abstraction, the case of Turkey in its entirety is used as a heuristic device to test the intuitive idea triggered by the accumulation/legitimation dilemma.

For the sake of clarity it is worthwhile reiterating the arguments up to here: so long as a case contains many observations and it is chosen as a representative of a clearly defined population and if one aims to establish the theoretical proposition after an incremental preparation by examining some alternative explanations, then studying a single case is a preferable strategy. Thus, the use of single case(s) in this study is justified. For Turkey’s metal, and, textile & clothing sectors as well as the industrial relations in Turkey in its entirety contain multitude of observations, these single case(s) are studied not for their own sake but as representatives of neo-liberal environments and the final theoretical proposition at a higher abstraction level is developed after an incremental preparation.

Of course, now it is necessary to show explicitly that the case of Turkey is not only capable of representing the neo-liberal environment but it also allows ‘disciplined’ examination of different explanations as to the industrial peace by providing appropriate test grounds (i.e., the metal,
and textile & clothing sectors), which facilitates operationalization of many variables envisaged by various alternative middle range hypotheses.

**The case of Turkey**

If the theoretical proposition as to the source of relative industrial peace in neo-liberal environments is to be developed after an incremental preparation of testing some middle range alternative hypotheses, then the empirical reality that would be used as test ground has to reflect all three generic features of neo-liberal environments in analytically distinguishable forms so as to allow operationalization of wide range of variables. This means that i) government interventions at the service of the market under the conditions of democracy and/or democratization, ii) co-existence of organized & unorganized industrial relations, and iii) reactions against neo-liberalism should be clearly ‘visible’ on the test ground.

Ideally this implies having, in the same case, some periods of absence and presence of democracy, clear indications of government interventions at the service of the market, coexisting pure examples of organized and unorganized industrial relations, and all possible reactions against neo-liberalism envisaged in the literature. Moreover it is also imperative that this test ground contains variation in the dependent variable, that is, absence and presence of industrial peace should exist temporally and/or spatially so that the extent to which any set of explanatory variables may account for the outcome can be clearly tested.

In this study the case of Turkey is used as the test ground because it fulfils all these conditions better than some other cases and thus, renders examination of wide range of explanations possible. One may justify this claim by focusing on each of the three generic features of neo-liberal environments and by revealing the patterns of industrial conflict in Turkey:

**Democracy and government interventions at the service of the market**

In Turkey the shift from the strategy of import substitution into export-oriented growth in accordance with the tenets of neo-liberalism occurred between 1980 and 1983 under military dictatorship, which
suspended the democracy\textsuperscript{22}. Therefore the first governments of the neo-liberal period were entirely or largely unaccountable in democratic terms. Thus, they could pursue neo-liberal reforms relentlessly, which involved enactment of entirely new legal framework, and establishment of institutions, which allowed direct interventions in industrial relations. These clear and sudden breaks with the past render observation of government interventions at the service of the market very easy in the case of Turkey compared to some other cases like Britain where neo-liberal change was much more gradual. Moreover, from 1987 onwards, as the restrictions imposed by the military were lifted, Turkey witnessed gradual democratization: some liberties were restored and politics became accessible to new parties, that is, competitive elections and freedom of expression as key criteria of democratization outlined by Storm (2008) re-emerged. This rather quick (though partial) re-emergence of democracy after its sudden suspension makes Turkey a better case for observing the impact of democracy factor compared to countries like Britain and New Zealand where democracy was not interrupted during the shift into neo-liberalism, and compared to Indonesia where democracy only emerged after neo-liberalization and finally compared to Chile and Korea where although democracy existed prior to neo-liberalization its re-emergence took very long time. Thus, focusing on the case of Turkey allows observing the democracy factor, interventions of governments at the service of the market and interaction between these two, in a clear and analytically distinguishable form.

\textit{Organized & Unorganized industrial relations:}

There are two sectors in the spatial/temporal space of neo-liberalizing Turkey which provide nearly pure cases of organized and unorganized industrial relations: Metal sector is dominated by a very powerful collective bargaining system which at some point covered almost half of the workers in this sector while enjoying pattern setting influence for the rest. On the other hand, the textile & clothing sector is almost entirely consists of unorganized industrial relations with more than 98 percent of workers lacking any collective representation and majority being informally employed. Although, by definition in all neo-liberal environments organized and unorganized industrial relations

\textsuperscript{22} In the relative & technical sense: since civilian government was toppled, competitive elections were not allowed and freedom of speech and association were severely restricted (see Storm 2008).
coexist, it is difficult to find such coexistence of nearly-pure types under the same legal and political conditions as in the case of Turkey which allow the inquiry of these two fields easier, and more importantly, it allows to attain a general theory which can make sense of the empirical regularities of these two fields simultaneously.

Reactions against neo-liberalism:

It is possible to clearly observe the reactions against neo-liberalism led by different agents in the spatial/temporal space of Turkey: first of all due to the analytically distinguishable entry of the democracy/democratization factor into the equation, the impact created by reactions in the form of public protests and vote-shifts, too, appear in analytically distinguishable forms. Wide range of protests, which rocked the country in the late 1980s shortly after the inception of democratization and led to early general elections is an example of this phenomenon. Secondly, due to the co-existence of pure cases of organized and unorganized industrial relations, one can observe in the spatial/temporal space of Turkey, both the class-based reactions of organized workers to the neo-liberalization of collective bargaining and civil society based reactions of NGO’s to sweatshops. The wildcat industrial actions in the late 1990s in the metal sector and codes of conduct initiative of transnational networks such as Clean Clothes Campaign which gained prominence during 2000s in the textile & clothing sector are useful examples in this respect. Therefore in the spatial/temporal space of Turkey one can observe, compare and evaluate the impact of all types of reactions, which are thought to be triggered by the advance of neo-liberalism. Obviously, it is difficult to find all these reactions simultaneously in many neo-liberal environments together with co-existence of nearly-pure cases of organized and unorganized industrial relations and periods of absence and presence of democracy with a relatively short time in between.

Variation in the dependent variable:

In the spatial/temporal space of neo-liberalizing Turkey, in its entirety as well as in the two nearly pure case sectors, one can clearly observe periods or circumstances of industrial conflict bracketed by long and/or vast periods and/or circumstances of industrial peace. In the country as a whole, the strikes peak at two spots during the neo-liberal period, but then they go down to insignificant levels (see figure 2.1). In the metal sector there was a wide-scale industrial action incident during
the neo-liberal era, which was preceded and followed by long periods of industrial peace. In the textile & clothing sector, which expand from pure formality into entire informality, there are spots, which are prone to wildcat industrial action, surrounded by wide segments of industrial peace. Obviously, by only comparing and contrasting these periods or circumstances of industrial conflict with those of industrial peace, one can scrutinize the source of the latter. In a more formal way, there is an analytically distinguishable variation in the dependent variable in the country in its entirety and in the two nearly pure case sectors, which render scrutiny of the sources of industrial peace possible.

**Figure 2.1: Variation in the dependent variable: two peaks of industrial action in Turkey after the neo-liberal shift**

![Graph showing the number of strikes over time](image)

This exposition reveals that the case of Turkey provides appropriate single cases to be used as test-ground for incremental preparation for a general theoretical proposition as to the source of industrial peace in neo-liberal environments. In the next section I outline the analytical approach of the dissertation, briefly state the hypotheses that would be deduced in the subsequent chapters and point out how and where Turkey’s metal and textile & clothing sectors would be used as test grounds.

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23 Source: ÇSGB (2006)
Methodology and Analytical Approach

Analytical Approach

The analytical approach that is pursued in this study contains three parts:

PART I: META THEORY and DEDUCTION OF HYPOTHESES

- Step 1: identifying all potential sources of tension within industrial relations that may lead to industrial conflict in order to develop a meta-theory (i.e., a theory for theory of industrial peace) which will be used,

  i) in order to refute the two simple hypotheses that may easily explain the industrial peace in neo-liberal environments (i.e., peace is the normal mode of industrial relations and free markets are capable of generating industrial peace)

  ii) in order to provide some reference criteria for judging the existing theories of industrial conflict

- Step 2: by using the meta-theory as reference critically reviewing the existing literature on industrial conflict and deducing the following pairs of competing hypotheses which form an ideal typology (see figure 2.2):

  i) for the industrial peace in organized industrial relations

  Main hypothesis: Industrial conflict is contained by the manipulation and coordination of collective bargaining by employer dominated partnerships, that is, by the neo-liberalization of collective bargaining.

  Alternative hypothesis: Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.

  ii) for the industrial peace in unorganized industrial relations

  Main hypothesis: Industrial conflict is contained by the correction of injustices by non-state actors, that is, NGO’s, consumer groups and international networks.
Alternative hypothesis: Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers.

Figure 2.2: A typology for containment of industrial conflict

(to be gradually established in subsequent chapters)

<table>
<thead>
<tr>
<th>Excluding the State</th>
<th>Focusing on the State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I a</strong></td>
<td><strong>I b</strong></td>
</tr>
<tr>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships</td>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination</td>
</tr>
<tr>
<td><strong>II a</strong></td>
<td><strong>II b</strong></td>
</tr>
<tr>
<td>Industrial conflict is contained by the correction of injustices by non-state actors (NGO's, consumer groups and international networks)</td>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers</td>
</tr>
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PART II: EXAMINATION OF HYPOTHESES

- testing the hypotheses in the typology against the same empirical reality in order to judge which ones are capable of accounting for the dependent variable, that is, the industrial peace. During this phase the metal sector is used to test the first pair of competing hypotheses which address the industrial peace in organized industrial relations (see figure 2.2 first row) and the textile & clothing sector is used to examine the second pair of competing hypotheses which try to account for the industrial peace in unorganized industrial relations (see figure 2.2 second row).

PART III: THEORIZATION AT A HIGHER ABSTRACTION LEVEL

- theorizing the empirical reality revealed by the successful hypotheses in the typology (in both cases the alternative ones focusing on the role of the state, see figure 2.2 second column) by using the
accumulation/legitimation dilemma so as to construct and test a general theoretical proposition.

**Data Sources**

During the empirical analysis, both qualitative and quantitative data sources are used. It is of importance to explicitly mention the way in which data are collected.

**Qualitative material**

As the core primary qualitative material 65 interviews\(^{24}\) were conducted in Turkey between 2005 and 2007. This field work period was roughly divided into two: first I focused on the metal sector as a case of organized industrial relations and tried to uncover the dynamics of intra and inter class conflict and bargaining, then I scrutinized the textile & clothing sector as a case of unorganized industrial relations in the same way. My main research strategy was to ‘see’ each of these sectors from six different perspectives: those of government, labour representatives, employer organizations, NGOs, firms and workers.

Prior to and during the fieldwork I prepared charts of facts and trends for each sector by studying publications of industrial relations’ experts, employer organizations, trade unions and newspapers, which appeared in the period of 20-25 years after 1980. This background material not only enabled me to identify the most important employers’ organizations, active trade unions, relevant government institutions and officials but it also allowed me to anchor my interview questions to concrete events and to challenge related accounts of respondents. In accordance with the outcome of this preparation phase, in both sectors first I conducted interviews with the officials of all active trade unions, employers’ organizations and government ministries, and by using these interviews as reference I refined my selection criteria for firms and workers\(^{25}\).

Consequently, in the metal sector as a case of organized industrial relations I mainly focused on the role of the formal bargaining structure in containment of conflict and I chose firms in accordance with whether

\(^{24}\) See Appendix 2 for the list of interviews.

\(^{25}\) However, sometimes due to the availability of respondents I had to change this order.
they are proponents or opponents of this system. In other words, the inquiry was centered on the formal bargaining system. On the other hand, in the textile & clothing sector I mainly scrutinized the informal employment and the impact of non-state actors on conflict dynamics and I focused on employment relations in firms. This led to a rather firm-centered analysis and required me to screen and contact more than 50 firms by using association records, newspaper articles, internet and snowball sampling. In other words, in the metal sector, as a case of organized industrial relations, firm interviews were complementary to the interviews that I have conducted with the employers’ organizations and trade unions about the functioning of the bargaining system, while in the textile & clothing sector, as a case of unorganized industrial relations, the exact opposite was true: the interviews with trade unions and employers associations were complementary to the scrutiny of production and employment strategies of firms. The only setback during the fieldwork was that in both sectors it proved to be very difficult to have direct encounters with workers and I was compelled to rely on the accounts of trade unionists and second hand documentary evidence to establish workers’ perspective.

During the interviews I not only related my questions to specific incidents of conflict and their relation with neo-liberal measures but I also encouraged interviewees to refer to particular incidents of intra and inter class conflict which they have experienced but I might not be aware of. This meant that I prepared some concrete questions and themes to be explored during the interviews but always remained ready to go off the prepared path to hear what interviewees wanted to say. In other words, interviews were semi-structured. Thanks to this approach, I acquired knowledge about some developments and trends which were either not visible in written documents or which appeared to be much more significant for the actors in the field than as they appeared on paper. In this way I recognized the crucial importance of the gentleman agreements between governments and the peak labour organization TÜRK-İş after 1990 and I discovered the failed attempts of black listing of dissident workers in the textile & clothing industry due to lack of trust among employers. When I grasped the importance of a particular event or phenomenon, which hitherto appeared not so crucial, I sometimes re-interviewed some individuals to hear more about their accounts on these subjects.
Methodology and Analytical Approach

As to the required credentials; almost all trade unionists before they give interviews asked me implicitly or very explicitly ‘for whom’ I was working for or the ‘real’ purpose of my research. High-ranking officials of employers’ organizations, firms, and government officials on the other hand, had more indirect ways of checking credentials. In many cases arranging interviews with these people required using some ‘personal’ contacts. For example, to interview an ex-minister of labour I needed the assistance of a prominent journalist, to have an interview with the deputy of peak employers’ organization, three individuals who are well known among businessmen needed to recommend me as a ‘reliable’ person, and to interview a certain firm owner it was necessary to be ‘guaranteed’ by two bank directors. However, quite often once such a ‘critical’ interview was arranged it facilitated arranging some other interviews. For example, some trade unions were accessible to me because of the credentials provided by employers’ organizations.

Almost all interviews were one-to-one encounters but in some cases there were some other people present other than the interviewee and me but this proved to be not always a negative factor for it allowed me to immediately hear some other perspectives. Not surprisingly, interviewees tried to evade some critical issues such as systematic use of repression in the metal sector by one of the trade unions to discipline workers, conflicts among employers, and involvement of some trade unionists in business deals. Thus, sometimes I needed to interpret some obscure answers related to such topics. However, in each such incident I substantiated my interpretations by using other information sources. In the following account whenever I use a finding based on such indirect or obscure answers I explicitly mention this in a footnote and explain how I substantiate the finding with further evidence.

I tried to make audio recording of all interviews and I ensured the interviewees that records or their transcripts will only be used by me for scientific purposes but sometimes interviewees, especially government officials and firm owners, refused to give interview so long as it is recorded. Moreover, even when audio recording was possible quite often respondents requested me to stop recording whenever they revealed something, which they considered sensitive. In order to capture these details after each interview I wrote down all the important points with special emphasis on the off-the-record points. In order to ensure the confidentiality the real names of some individuals and firms are replaced
by pseudo-names and their distinctive characteristics are deliberately not revealed.

Quantitative material

In this study two types of quantitative data are used: i) macro level indicators of economy and labour dynamics, namely, GDP growth, union density and bargaining coverage at sector and country levels, sectoral wages, public wage norms and minimum wage levels, ii) micro level indicators, that is, firm level series on profits, exports, capital investment, employment and labour costs. However, there are some problems concerning data sources on both of these levels.

As to the macro level quantitative data:

The first problem is that the official statistics of union density in Turkey are completely inaccurate. This is openly admitted by some high ranking officials of the Ministry of Labour (ÇSGB)\(^{26}\): for example, in official statistics the members of the largest union in the textile & clothing sector (TEKSİF) is given around 330.000 in 2007 but the real number was less than 40.000\(^{27}\). Similarly, the official number of workers affiliated with the largest union in the metal sector (Türk-Metal) is more than 280.000 by 2006 but the real number was no more than 95.000\(^{28}\). Moreover, in some sectors, due to the prevalence of informal employment, the total number of workers is an informed guess. Therefore I realized that the actual union density in the country is bound to be an estimate rather than a precise figure. Thus, instead of using official density statistics I had to devise an estimation method. Consequently, by drawing on the study conducted by Çelik (2003) I equated the real number of union members to the number of workers covered by collective agreements while using the number of formally employed individuals as the total number of workers in order to obtain an ‘optimistic’ estimate of the union density\(^{29}\).

\(^{26}\) Interview #35/26.04.2006

\(^{27}\) Interview #48/11.05.2007

\(^{28}\) Interview #33/24.04.2006

\(^{29}\) There are several other estimates in the literature. However, in this study I preferred to use my own estimates for the post-1980 period but I borrowed the estimate of the year 1980 from Cam (2002). Note that in the following pages at appropriate places I mention my pessimistic estimates too.
Second problem is to obtain accurate estimates of wage levels in unionized workplaces across various sectors. Although the official statistics institute TÜİK provides some wage series on sectoral level, these series do not make any differentiation between unionized and non-unionized workplaces nor do they really explicate the differences between formal employment and various forms of informality in terms of wages across sectors. In fact, as to the sectoral wages in unionized workplaces, the only time series is collected by the peak employers’ organization TİSK since the mid 1960s and it is published in the form of annual booklets. However, I realized that this data had to be handled with care. For in these statistics the daily wages are estimated by first subtracting the number of officially paid holidays from the total number of days in a year and then the total annual income is divided by this number of so-called ‘actual work days’, leading to an overestimate of daily wages. Moreover, it proved to be impossible to obtain the entire TİSK wage series for each sector from mid 1960s onwards. There was not a single association, person or institution, including the TİSK itself (!), which acquired the complete collection of annual statistics booklets of the TİSK. Thus, despite my best efforts, I could only obtain 25 booklets and was compelled to fill the remaining gaps by predictive regression models in which I used variables such as public wage norms, minimum wage and crude average wage in the relative sector that could be obtained from other sources (ÇSGB, TÜİK, DPT, KAMU-SEN). In the following account, when relevant, the techniques of compilation and prediction are explicitly mentioned for each table or graph as a footnote.

As to the micro-level data on firm level analysis, I mainly used the detailed firm-level statistics, annually produced by the Istanbul Chamber of Industry (İSO) on the 500 biggest firms in Turkey. Unlike the TİSK wage series, annual 500 biggest firms statistics are very well archived, thus, by paying couple of photocopy visits to ISO I obtained a very large panel data covering 500 firms through 25 years and revealing information on more than 10 different variables. However, there are still two problems with this data set:

Firstly, as the name suggests this data set covers only the 500 biggest firms in Turkey and indicators such as profits, employment, capital investment and assets are used to determine the size of firms.

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30 Each annual booklet gives statistics of several preceding years, thus, by 25 booklets I could obtain more than 25 data points.
However, not the same 500 firms are covered each year: some firms disappear from the panel for several years or forever because they do not rate big enough to be included. Thus, one can only focus on large middle size firms and big firms in order to observe the impact of political and economic developments on firm level industrial relations dynamics. Small firms could not be put under scrutiny by using this data set. Moreover, due to the fact that large middle size firms quite often disappear from the list after several years, it was necessary to focus on the firms which do not disappear for extended periods rather than those firms which are interesting because of some recorded incidents of industrial conflict.

Secondly, the 500 biggest-firms panel does not indicate whether the included firms are unionized nor does it explicitly reveal their annual labour costs. I had to consult trade unions, employers’ organizations, sectoral employers’ associations and some experts in the field in order to establish which of the firms that I was interested in were unionized and I could only make informed guesses about the labour costs by assuming that if the firm under scrutiny was unionized, then all blue collar workers were paid the average sectoral wages, which, in turn, had to be estimated by using the TİSK data complemented by predictive regression models.

In short, in order to overcome these problems at macro and micro level data sets I compiled statistics from many different organizations including ILO, OECD, DPT, TÜİK, ISO, KAMU-SEN, TİSK, MESS, TÜTSİS, TÜDOKSAD, DÇÜD, and ÇSGB.

**Outline of chapters**

The remaining chapters of this study can be summarized as follows:

**ANALYSIS PART I:**

META THEORY and DEDUCTION OF HYPOTHESES

In chapter 3, I explore the anatomy of industrial conflict in order to reveal all possible tensions embedded in industrial relations, which could trigger industrial action. This exercise allows refuting the two simple hypotheses, that is, *industrial peace results from free markets*, and *peace is the normal mode of industrial relations*. It also provides the criteria (i.e., theory for theory of industrial peace) that are to be used for judging the
existing conflict theories in the literature in order to derive some sensible alternative hypotheses.

In chapter 4, by using the criteria developed in the previous chapter as reference I summarize the prominent theories on industrial conflict, reveal their weaknesses and then by using arguments borrowed from recent or relevant literature I complement some parts of these theories in order to derive two pairs of competing hypotheses as to the source of industrial peace in neo-liberal environments. First pair of competing hypotheses tries to explain the industrial peace in organized industrial relations and the other pair focuses on the industrial peace in unorganized industrial relations. In both pairs one hypothesis excludes the state and the alternative attributes a crucial role to it. The chapter ends with incorporation of these two pairs of competing hypotheses into a single typology and analysis of the remaining gaps that should be filled during the empirical inquiry (see figure 2.2).

ANALYSIS PART II:

EXAMINATION OF HYPOTHESES

In chapter 5, I test the first pair of competing hypotheses in the typology which focus on the source of industrial peace in organized industrial relations: the first one considers partnership based and employer dominated bargaining systems as the source of peace while the alternative considers the interventions of the democratically accountable state as the cause of peace (see figure 2.2). I sketch the historical developments in organized industrial relations in the world prior to and during neo-liberalization in order to reveal that these two hypotheses deduced on theoretical grounds also make sense in historical terms. Then I zoom into the case of Turkey and examine the developments in the metal sector as a nearly pure case of organized industrial relations. By using the analogy of natural experiment I show that as long as conditions of democracy are retained, the state would not be able to consistently pursue the neo-liberalism and only this mandatory deviation from neo-liberal course would allow sectoral bargaining systems to contain industrial conflict in organized industrial relations. Therefore, I argue that the alternative hypothesis, which focuses on the role of the state in explanation of industrial peace provides a more fundamental explanation. Chapter ends with the depiction of four issues which require further
explanation and evidence: the link between politics and organized industrial relations, implications of the shrinking size of the organized field, the impact of economic conditions on government policies regarding this field, and finally, whether there is a meta-principle of the state which ensures that all governments pursue the same policies in the field of organized industrial relations.

In chapter 6, I test the second pair of competing hypotheses in the typology, which focus on the source of industrial peace in unorganized industrial relations: the first one considers the ability of non-state actors to correct the injustices as the source of peace while the alternative hypothesis points out workers’ attribution of the blame of injustice to the state rather than employers as the main reason for peace (see figure 1.2). I sketch the historical developments in unorganized industrial relations in the world prior to and during neo-liberalization and show the rise of non-state actors as crucial players in order to reveal that these two hypotheses deduced on theoretical grounds also make sense in historical terms. Then I zoom into the case of Turkey and examine the developments in the textile & clothing sector as a nearly pure example of unorganized industrial relations. By analyzing the impact of private labour regulation (as the instrument of non-state actors) on the conflict dynamics in the sector, I show that although under certain limited conditions the private labour regulation seems to reduce the conflict propensity by forcing firms to offer healthy working conditions, social security, full payment for extra-hours, and minimum wage, the combination of these factors generate industrial peace because they allow attribution of the blame of injustice to the state rather than employers. In other words, even in those circumstances in which non-state actors appear to be responsible for industrial peace, in fact it is the state, which ensures the peace through its careful management of the politics of minimum wage. Thus, the analysis points out the central role of minimum wage that is controlled by the state in containment of various tensions in the sector. By taking all these points into account I argue that the alternative hypothesis, which focuses on the role of the state in explanation of industrial peace provides a more fundamental explanation. Chapter ends with the depiction of four issues which require further explanation and evidence: the link between politics and unorganized industrial relations, implications of the expanding size of the unorganized field, the impact of economic conditions on government policies regarding this field, and finally, whether there is a meta-principle of the
state which ensures that all governments pursue same policies in the field of unorganized industrial relations.

ANALYSIS PART III:
THEORIZING AT A HIGHER ABSTRACTION LEVEL

In chapter 7, I focus on the two hypotheses which are validated in the previous two chapters (see second column in figure 1.2) and reiterate that they have not yet provided sufficient evidence and explanations for the link between politics and industrial relations, implications of the expansion of unorganized field, the impact of economic developments on government policies, and (whether there is a) meta-principle of the state. Then, in order to explain the reality revealed by these two hypotheses and clarify the obscure points, I construct a general theory at a higher abstraction level (dilemma theory) by assuming that balancing accumulation and legitimation is the meta-principle of any capitalist state regardless of differences between governments. Finally, by applying the dilemma theory to the case of Turkey in its entirety, I show that it is capable of accounting for the empirical reality uncovered in previous chapters and it sheds light on the issues, which require further explanation and evidence. Thus, this chapter, by combining insights obtained from preceding analysis with a comprehensive state-centered theory, provides the conclusive explanation for containment of industrial conflict in neo-liberal environments.

CONCLUSION

In chapter 8, I summarize the dilemma theory, discuss five of the possible objections (persistence of neo-liberalism, deterioration of workers’ conditions in some neo-liberal environments, controversial nature of the democracy factor, operationalization of accumulation/legitimation dilemma, and influence of some other actors on legitimation decisions) and point out some themes for further research.
In order to comprehend clearly the difficulty of the proposition, which is contained in a theory for conduct of war, and thence to deduce necessary characteristics of such a theory, we must take a closer view of the chief particulars, which make up the activity in war.

Carl von Clausewitz

(from On War)\textsuperscript{31}

\textsuperscript{31} On War, Wordsworth Editions Limited © 1997, p87.
Chapter 3
Anatomy of Industrial Conflict - A Theory for Theory

Overview

In the first chapter of the dissertation, I showed that the reality generated by or associated with the neo-liberal project, that is, neo-liberal environment is conductive to industrial peace and this is a puzzle, which requires new theorization. In the second chapter I indicated that I pursue an analytical strategy, which involves first testing some middle range hypotheses so as to reduce the complexity of the empirical reality and thereby reveal what exactly needs to be theorized at a higher abstraction level.

However, before deducing some hypotheses about the source of industrial peace prevailing in neo-liberal environments from the existing literature, it is imperative to reveal whether the two propositions pointed out in the first chapter, that is, *industrial peace results from free markets*, and, *peace is the normal mode of industrial relations*, are satisfactory. For, unless these simple hypotheses are refuted the entire endeavour of this study would be redundant. Moreover, it is also essential to develop some criteria that would allow one to evaluate existing conflict theories in the literature in order to derive some sensible alternative hypotheses. For these purposes it is necessary to point out the sources of conflict embedded in industrial relations in generic terms and to recall the empirical features of neo-liberal environments that need to be addressed by any theory of industrial peace.

In the following pages, first I draw a detailed picture of the conflict potentials embedded in employment relationship to reveal that *peace cannot be considered as the normal mode of industrial relations*. During this endeavor I also show that *free markets cannot contain these conflict potentials and thus, free market cannot generate industrial peace*. Second, I revisit the three defining characteristics of neo-liberal environments to recall the empirical features that need to be addressed by any theory of industrial peace. Finally, I develop a meta-theory (i.e., a theory for theory of industrial peace) that would briefly restate all these empirical and conceptual requirements that has to be met by any theory of industrial peace. This meta-theory would be used as guide in the subsequent
theoretical and empirical chapters to deduce some hypotheses from existing literature and to empirically examine them.

**Industrial Conflict Dissected**

It is obvious that industrial conflict cannot be understood without clarifying the concepts of interest and power within the field of industrial relations. Hence I first engage with these two concepts and then by using them I dissect all potential sources of conflict embedded in industrial relations, which may trigger industrial action.

**Interest and Power**

It is quite difficult to define the interests of primary actors, namely workers and employers, in industrial relations. For example, Kelly claims that the identification of workers’ interests remains one of the central problems of industrial relations (Kelly 1998:5-9). For it is argued that one may define many equally important interests for workers in terms of fair wages, employment security, healthy working conditions, housing etc, thus, there is no such a thing as the interest of workers while employers’ interest can be reduced to a single purpose of increasing the profit (see Offe 1985:183). On the other hand, the studies of Tolliday and Zeitlin (1991), Grant et al (1988), and Streeck (1992) challenge any simplistic understanding of employers’ interests by proving the existence of interest aggregation processes in employer organizations (see also Block 2007:8). Therefore, not surprisingly, many industrial relations studies leave workers’ and employers’ interests undefined either relying on empirical description or some kind of general intuition (for example, Dunlop 1958, Kerr et al 1960, Brown 1977, Frenkel 1980, Sheldrake 1991, Crouch 1993, Bean 1994, Wailes et al 2003). However, I argue that, without rejecting the elusive nature of the subject and for the sake of analytical purposes, the most basic interest of workers can be defined as selling labour at a fair price in order to live, by keeping the definition of ‘fair price’ and the standards of ‘living’ context-dependend. Similarly, for employers the basic interest may be defined as to ensure a reasonable margin of profit by selling the products of labour, without restricting the boundary of ‘reasonable’ or the definition of ‘profit’ (see Gordon et al 1987:44, Wolfson 2003:256, Bethoux et al 2007:78).
Power, too, is an elusive concept in industrial relations (Kelly 1998: 9). However, it is clear that power should not be perceived as something which is acquired in solitude (Taylor 1994:194) but should be considered as an outcome of relationships between actors (Kirkbride 2001:49,55). In this sense power can be described as the endowment provided by the link between actors, which allows each one, with a varying degree of ability, to accomplish her/his ends despite the potential or actual opposition of the other (Dahrendorf 1959:166, Hyman 1975:26, Turner 1995:75, Olson 2000:3). This implies that in any relationship there is no absolute power (Kirkbride 2001:52) but a power distribution, which is, at least potentially, subject to change. Within the realm of industrial relations, it is also useful to distinguish structural power from associational power: the former results from the nature of the relationship between actors, such as the ownership of the means of production by one of the actors or the statutory limits imposed on both actors as to what they can demand from each other (Block 2007:6), changes in the environment enveloping the relationship between actors, such as fluctuations in the labour market, too, influences the structural power. On the other hand, the associational power results from the collective organization of actors (Wright 2000:962).

**The state-of-sature market and dimensions of industrial conflict**

Against this background it is possible to show that *peace is not the normal mode of industrial relations and it cannot be generated by free markets.* For this purpose, it is necessary to draw an accurate picture of the potential sources of conflict embedded in industrial relations by using the idea of state-of-nature proposed by Nozick as a point of reference32 (Nozick 1974:3-9, see also Block 2007:5).

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32 Within the realm of industrial relations, the first approximation for this purpose is quite often made by using Dunlopian frame as a reference, which identifies employers, the state and unions as main actors which interact in a relatively isolated and partly self-sustaining system that renders production possible (Dunlop 1958, see also Blyton and Turnbull 1998:19). This conceptualization is based on an assumption, which is itself derived from the idea of the inevitability of conflict that trade unions must exist to represent workers and the state must be involved in employment relations at least to impose some standards and limits. Hence it is not a suitable instrument for scrutinizing whether conflict is something permanent in industrial relations.
The state-of-nature refers to an imaginary environment in which the existence of (and interaction between) actors is allowed but any kind of supreme authority is rejected. This environment has no place for formal institutionalization of any procedure\(^{33}\). However, when the instrument of state-of-nature is used in order to imagine ‘a free market’ it should imply an environment containing four actors: three classes and a minimalist authority. Workers and employers would be two mutually exclusive classes as respectively sellers and buyers of labour, and of course, both of these actors appear simultaneously\(^{34}\) in the role of consumers and constitute the third class (see Halperin 2004:278) whose demands in terms of products are the basic motivation for the exchange of labour.

Obviously, such an environment (different from the pure-state-of-nature) must have three basic institutions which would render the market in its purest and simplest form possible, namely, property rights must be secured (Gordon 1980:205), some kind of money circulation must be provided (Block 1994:698-699) and agreements (which, by definition of the state-of-nature, can only be verbal) honoured in the very short term so as to render employment (and firms) imaginable beyond single interactions. Hence the existence of market requires permanent intervention by some minimalist authority or the “implicit” state as the fourth actor, in order to ensure the continuity of this basic institutional framework (Blyton and Turnbull 1998:34-35, Topik 1999:4-5, Block 1994: 692-695).

Under these conditions it is possible to identify three interdependent and at least analytically differentiable dimensions of conflict embedded in industrial relations: inter-class conflict, intra-class conflict and internal conflict.

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\(^{33}\) For sake of clarity, it is important to mention that Nozick allows the existence of morality in the state-of-nature. His main purpose is to show that the morality would not suffice to ensure continuity of society and consequently, some sort of state will have to emerge from the state-of-nature (Nozick 1974: 7).

\(^{34}\) Actually one can imagine two different versions of the state of nature i) workers are at the same time consumers ii) workers and consumers are different, in the sense that the latter is placed in another environment (see Halperin 2004). The state of nature based on the second assumption has some other implications but I argue that the overall conclusion as to the outcome in terms of conflict propensity would not be different. For sake of simplicity I construct the state of nature market by making the first assumption.
Inter-class conflict

First of all, there is always inter-class conflict between employers and workers (see figure 3.1). This dimension is generated by the fact that labour is one of the production factors that employers must use, thus, “employer must regard labour as a cost to be minimized” (Hyman 1975: 19-20, see Bethoux et al 2007:78), an attitude which leads to conflict between workers and employers not only about the fair price of labour but also implicitly about the reasonable margin of profit (Edwards and Scullion 1982:3, see also Blyton and Turnbull 1998:3-4). However, the essence of this conflict can only be understood by distinguishing two types of bargaining involved in any employment relationship: firstly, there is always wage-time bargaining for the labour in the sense that the amount of money to be paid to workers in exchange for certain lengths of time of work must be determined. Secondly, there is effort bargaining which involves all the implicit and explicit negotiations over the effort which workers are expected to make in the given timeframe (Edwards and Scullion 1982:5, Blyton and Turnbull 1998:30). The latter results from the inevitable vagueness of the former in the sense that no employment agreement can describe, neither quantitatively nor qualitatively, the exact level of effort expected from workers (Hamilton 2001:438). It is the permanent nature of the effort bargaining and its organic connection with the wage-time bargaining, which is the source of inter-class conflict in every employment relationship (Baldamus 1961: 105-108, Edwards and Scullion 1982:6).

Within the confines of this dimension as long as property rights are protected and there is reserve labour in the market, employers would remain in a powerful position vis-à-vis workers (Crouch 1993:31, Blyton and Turnbull 1998:26-27, Wolfson 2003:261) and given that there is no limit imposed on effort bargaining by an external authority under the state-of-nature market conditions, there will be no stability in workers’ lives (Block 2007:7). One may expect endless and/or unpredictable demands of employers to yield sudden and reactionary outbursts of industrial action ranging from abrupt stoppages to sabotage of means of production. However, if the labour market is tight for an extended period then workers may be in more powerful position and may try to renegotiate the terms of effort and/or wage-time bargaining by again disrupting the production. Indeed, under such conditions one may expect industrial action to be almost permanent (Polanyi 2001 [1944]:238-239).
One possible outcome of all this indeterminacy is that employers would sell their property and quit (see Wolfson 2003:255-256).

**Intra-class conflict**

Second dimension of conflict embedded in employment relations results from the interconnectedness of actors from the same class in the market and thus, it may be called as intra-class conflict (see figure 3.1). The core reason for this conflict is the fact that firms never operate in solitude and thus, they must take each other’s actions into account in all markets including the labour market (see Thelen 2001:77-85). Thus, in a completely unregulated market the outcome of wage-time bargaining in each firm, besides the tightness of labour supply, is essentially determined by the outcome of the wage-time bargaining in other firms in two ways: Firstly, among firms operating in the same sector, if there is no way of reducing the price of other production factors, the price of labour would be the primary source of competitiveness. Secondly, among firms, which are connected with a production chain, the outcome of wage-time bargaining in one firm directly affects the production costs of the connected firms. In either way there would be a tendency among firms either to pay less to their workers than their competitors or to increase their gains in the effort bargaining in order to avoid externalities created by the wage-time bargaining outcomes in the connected firms. Under such circumstances increase in the wages of workers in one firm may lead to stagnation of wages and/or more effort for workers in another firm. Moreover, if the unemployment is high then job-seekers’ tendency of accepting low wages and high effort demands would be, through the interconnections between firms, translated into downward pressure on the wages and upward pressure in the effort requirements of those who are employed. Hence the interconnectedness of firms (and the resulting intra-class conflict among employers) also generates intra-class conflict among workers. Obviously, both of these conflicts would increase the likelihood of disruptions in production in all firms due to the strains they would impose on the inter-class dimension of conflict. Thus, the interconnectedness of firms (and the resulting interconnectedness of workers] generates potential for industrial action.

However, there is also another and perhaps contradictory potential source of conflict. Under the state-of-nature market conditions where each firm is involved in fierce effort bargaining with the workforce in
order to remain competitive, the skilled/experienced or ‘motivated’ workers would be assets which can enable firms to obtain gains without any initial training or extensive control mechanisms. Thus, firms, especially those operating in the same or similar sectors, are better off by offering ‘high’ wages in order to ‘hunt’ such workers. However, by doing so under tight labour market conditions, they either impose an upswing on wage-time bargaining in other firms or create sub-labour markets with different standards for the price of labour (see Halperin 2004:279). Obviously, employing such ‘asset’ workers also has implications for the existing workforce in the sense that ‘motivated’ workers would redefine the conditions of effort-bargaining for the rest.

Therefore, the inevitable connectedness and lack of coordination among firms and among workers in a state-of-nature market would inevitably lead intra-class conflicts which may easily trigger inter-class conflicts manifested through industrial action\(^{35}\) (Vatta 1999: 247, Western 1997:3).6

Within the confines of this dimension, and from intra-employer perspective, the larger firms (in the sense of acquiring more reserve capital than the rest) would be more powerful. Because they can strategically manipulate the wage-time bargaining in both directions either to increase the ferocity of conflict in the inter-class dimension for other firms or to gather all asset workers in their own factories so as to impose skill shortage on the other producers. One possible outcome is the annihilation of small firms and emergence of monopolies. However, if there are no particularly large firms then the outcome of the intra-class conflict among firms may be a great prisoner dilemma manifested through a vicious circle of deteriorating profits and intensifying inter-class conflict. On the other hand, from intra-worker perspective, the skilled workers would be more powerful than the others and would be

\(^{35}\) From a demand management perspective, too, one can reach a similar outcome of inter-firm conflict of interest: in a closed environment, given that a large segment of consumers are at the same time workers, any firm is better off by paying its workers as little as possible as long as the other firms pay ‘fair’ wages. In this way maximum profit will be ensured due to combined effect of the permanent purchasing power of the ‘other’ workers and high profits resulting from ‘low’ wages of firm’s own workforce. However, given the fact that, in accordance with the Olsonian logic of collective action, any firm may pursue this strategy the aggregated outcome would be the obvious ‘prisoner’s dilemma’: all firms would have a tendency to pay less than market-clearance value for labour with a detrimental impact on the overall purchasing power (Halperin 2004:280, Wolfsen 2003:259)
able to seek higher wages regardless of the externalities created by this tendency for the other workers.

**Internal Conflict**

Finally, there is a third and rather abstract dimension of conflict which can be named as the internal conflict experienced by all actors (see figure 3.1): in employment relations especially under the state-of nature market conditions there would be many unknowns as to the production factors and the consumption patterns. Therefore, for any party involved and/or connected in the market there is quite often a choice between taking the advantage of short-term fluctuations and relying on the benefits of long-term trends. This choice, in its essence, can be seen as opting for short or long term interest maximization36.

For workers, the short-term orientation may lead to quitting the existing job as soon as a slightly better alternative emerges or using this option in order to challenge the conditions of existing wage-time and effort bargaining. From employers’ perspective the short term focus may entail simultaneously decreasing wages and increasing effort demands as soon as there is abundance of labour, or laying-off workers immediately after any contraction of consumer demand, or changing the form of capital as soon as some other beneficial opportunities emerge, or using all these options as threats in order to renegotiate the existing conditions of wage-time and effort bargaining. Obviously, the short term interest maximization of an actor would influence all others regardless of the class: a worker by opting for short term maximization will not only influence the subsequent internal conflict dynamics of her/his employer but would also influence the bargaining dynamics for the other workers, and a firm, too, by opting for short-term maximization would not only influence its own workers but would also affect the strategies of other firms. However, despite all the risks involved in the short-term

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36 It is important to note how this can be seen as a power generating relationship: if for a single actor X the position which is thought to be reached as a result of the short term maximization is called A and the position which is thought to be reached as a result of the long term maximization is called B, then these two projections of the actor X into two different future states can be treated like two separate actors, that is, A and B, while the real actor X is imagined as a contested entity rather than an actor. Consequently, A and B can be perceived as two actors both striving for X. The relation between these two actors would be the power generating relationship of a zero-sum game.
maximization, actors cannot make a definitive choice between short-term and long-term interest maximization unless they are assured about the choices of other actors, which is of course not possible under the state-of-nature market conditions.

Figure 3.1: Dimensions of conflict in industrial relations

Power at this dimension is stochastically distributed among actors in accordance with the fluctuations in the prices of production factors and

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37 As it can be noticed, the figure contains a system, which is not mapped by orthogonal coordinates. The reason for this, as mentioned in the text, is that the dimensions of industrial conflict are interdependent. Any point at one dimension has its projection on other dimensions and these projections are projected back into the initial dimension as different points, except the origin where all projections are merging into a single point. Substantively this means that at some point(s) inter-class, intra-class and internal conflict can be simultaneously embodied in a single empirical event. However, the implications of the mathematical qualities of such systems, known as curvilinear coordinates, as well as the exact interpretation of the axes for conflict dynamics are not explored due to the fact that this system is used here only to visually emphasize the interdependency of conflict dimensions.

38 Obviously, there are two possible meanings of power at this dimension: i) relative powers of short and long term thinking as explored in the footnote before the previous one and ii) the relative power of actors vis-à-vis other actors created by the outcome of this first meaning. It is this second meaning of power, which is explored here.
the volume of consumption demands, which are entirely unregulated under the state-of-nature market conditions. The outcome is likely to be extreme volatility in the production processes of all involved firms and lives of all workers resulting from the permanent suspicion of short-term choices of the others. Obviously, the actual choices as well as the insecurity created by the availability of these choices would yield to sudden intensification of conflict at inter-class and intra-class conflict dimensions whose outcomes, in turn, would create new fluctuations that would contribute to the overall stochasticity and increase the internal conflict of those actors who somewhat resist the temptation of short-term interest maximization. The final outcome is likely to be inefficiency and technological backwardness for the entire economy resulting from the lack of accumulation of skills and know-how and the absence of long-term capital investments.

**What if the state-of-nature condition is dropped?**

What happens if the state-of-nature condition is dropped from this imaginary environment?[^39] Although theories of biological evolution inform us that the same uncertainty situation may be effectively tackled by fundamentally different systems, each of which emerges from distinct evolutionary trajectories (Block 2007: 9) one can still point out some general directions in the evolutionary path away from the state-of-nature condition, which would add new twists to conflict dynamics:

In the inter-class dimension, when the evolution away from the state-of-nature commences, one may expect the power inequality favoring the employers to lead to formation of continuous workers' organizations, at least in the same workplace, in order to prevent arbitrary renegotiations of wage-time and effort bargaining by employers (Dunlop [1958] 1993:47, see also Crouch 1993: 31, Blyton and Turnbull 1998:32, Hale and Wills 2007:461). It is very likely that separate worker organizations would merge across workplaces in order to enhance their power. However, once this happens the tension between the leadership

[^39]: Nozick, when establishing his claim of the inevitable emergence of the state, argues that although the evolution away from the state-of-nature has not occurred anywhere as prescribed by his analysis, the events that are conceived as components of this imaginary evolution do still have explanatory value for the actual states as they exist in the reality (Nozick 1974:7-8). As I outline the main themes of possible evolutionary trajectories, I subscribe to this idea.
and rank & file of the organization concerning ‘what needs to be done’ would increase (see Ashenfelter and Johnson 1969: 36). This tension would be another factor influencing the conflict in the inter-class dimension and may trigger wildcat industrial actions (Dahrendorf 1959:279). Moreover, regardless of how encompassing the cross-workplace worker organizations may be, there would always be some workers who would be excluded deliberately or inevitably. This, while generating two subfields of industrial relations as organized and unorganized fields, would trigger yet another conflict, this time between insiders and outsiders of the worker organizations. The gains of insiders, that is, those who are employed in organized industrial relations, may become losses for outsiders, that is, those who are employed in unorganized industrial relations, and may exacerbate inter-class conflict between workers in each of these fields and their employers.

One may also expect that the emergence of cross-workplace worker organizations would motivate employers to get organized in order to prevent determination of wages solely by worker organizations which may gradually act as “monopolist” firms selling labour at any price (McDonald and Solow 1981:896, Jackson 1991:242-243). However, the emergence of employer organizations would have serious consequences for the intra-class conflict among employers: for they would not only deal with worker organizations but they would also either be the stage of the intra-class conflict among firms or they would become instrument of some big firms in the intra-class conflict and they would be used for manipulating the wage-time bargaining so as to gain some advantage against other firms. It is possible that the state may be asked by disadvantaged firms to intervene. One can also imagine that consumers, too, may demand state intervention against such de facto monopolies which may manipulate not only the wage-time bargaining but also the quality and price of final products.

Thus, one can see that any evolution away from the state-of-nature would add the tension between the leadership and rank & file within worker organizations and the tension between insiders and outsiders to the conflict potential of the inter-class dimension while rendering employers organizations as relevant for exacerbation of the conflict potential in the intra-class and also perhaps in the internal conflict dimensions.
In many evolutionary paths it is quite possible that both organizations of workers and of employers would ask for state intervention in order to get some statutory protection for their temporary gains vis-à-vis each other. However, their relationship would not necessarily be antagonistic. The dynamics of intra-class conflict among firms and the tensions within the worker organizations may lead to alliances between organizations of workers and of employers. In this way the associative power of one may start to serve the other (see Wright 2000: 962). Consequently, industrial action against some employers and punitive action against some workers may be jointly organized by them. Moreover, both of these organizations as well as those firms and workers remaining outside may also jointly demand from the state some statutory limitations on the short-term interest maximization choices of all involved actors in order to reduce the internal conflict potential. Sporadically all the actors may also demand state intervention to reduce the internal conflict potential generated by economic fluctuations.

As mentioned above, these possible developments may follow different evolutionary trajectories and dead-end routes at each distinct environment. However, one may still argue that all possible evolutionary paths would include three common features:

First new procedures and laws beyond the basic institutional framework (property rights, money circulation and very short-term verbal agreements) would emerge in order to ensure a degree of certainty at each conflict dimension given that this basic structure is proved to be ineffective in containment of conflict. This means that some kind of formal institutionalization would take place and institutions would matter in power distribution among actors.

Second, as depicted above one may expect all actors (workers, employers and consumers) to get in contact with the state in order to manipulate the institutionalization as well as implementation processes. This means some kind of politics would be involved.

Third, given that production factors and consumption patterns would be very difficult to manipulate with absolute certainty unless the basic institutional framework is challenged, the economic developments would influence the institutionalization processes and accompanying politics. Thus, economy too, would be important (see Blyton and Turnbull 1998:35).
Obviously, within all these three realms, that is, institutions, politics and economy, the most crucial difference between the state-of-nature and the point reached through any evolutionary path would be the nature of the evolved state: for the state, due to demands of intervention in each of these three realms, would evolve into a form which would be different from the minimalist state of the free market, which is depicted as the guardian of three basic institutions (property rights, money circulation, very-short term agreements). Therefore, one can argue that, regardless of the peculiarities of the evolutionary path away from the state-of-nature, the dynamics of conflict and peace in industrial relations would be related to the specificities of institutional structure, politics and economy of each distinct environment and the nature of the state which is called into action to maintain or alter these specificities.

Assessment

It is clear from the state-of-nature exercise that, there are three main conflict potentials embedded in industrial relations under the conditions of entirely free market and any evolution away from this imaginary state of affairs into more real world circumstances would create new conflict potentials while containing some others. In other words, the field of industrial relations is a realm which generates conflict not peace and, under the conditions of entirely free market, the conflict potentials embedded in industrial relations would not disappear but on the contrary they would expand so as to destroy the market itself. Therefore, one should reject the two simple hypotheses, that is, industrial peace results from free markets, and, peace is the normal mode of industrial relations, which might render the inquiry as to the source of industrial peace in neo-liberal environments redundant.

Moreover, it is also clear that industrial conflict manifested through strikes, stoppages and lock-outs can be directly traced back to the inter-class dimension but it would always, at least partly, result from the tensions generated by the intra-class and internal conflict dimensions and, in turn, any overt conflict in the inter-class dimension would increase the tensions in the other ones. In other words, the industrial conflict as well as industrial peace is essentially generated by the interdependence of inter-class, intra-class and internal conflict dimensions. Therefore, any theory that aims to explain the industrial peace should account for how the conflict potentials embedded in all these
dimensions (as well as twists added by worker and employer organizations) are contained.

Now let us revisit the defining characteristics of the neo-liberal environments in order to find out the empirical features, which have to be addressed by any theory of industrial peace.

**Neo-Liberal Environment Revisited**

In the first chapter, it is shown that regardless of the particular spatial/institutional specifications, there are three generic empirical features, which would be present at or influencing any context experiencing neo-liberalism:

i) Interventions of governments, which, under the conditions of democracy or democratization\(^{40}\), enact some neo-liberal measures that are designed to create and sustain free markets,

ii) Co-existence of and possible interactions between organized industrial relations inherited from the preceding era and unorganized industrial relations emerging due to competitive pressures created by the internationalization of production and consumption,

iii) Reactions of the society, international actors or various classes which successfully or unsuccessfully try to resist neo-liberal measures.

Thus, these three features constitute the generic empirical picture of neo-liberal environment. Obviously, any theory of industrial peace in neo-liberal environments should make sense of these empirical features. Indeed, this insight also enhances the findings of the state-of-nature exercise: for it points out the fact that neo-liberalism generates complex environments whose general features cannot be comprehended by simply considering the actions of a minimalist state and influences of free markets. Hence once again it is clear that free markets cannot be the source of industrial peace.

\(^{40}\) In the technical & relative sense of the term as it is outlined by Storm (2008).
A theory for theory of industrial conflict and peace

Arguments presented up to here reveal that one cannot explain the relative industrial peace prevailing in neo-liberal environments by resorting to simple hypotheses, which either considers the peace as an outcome of free markets or rejects that industrial relations generate conflict. Thus, the source of industrial peace in neo-liberal environments remains a puzzle and more elaborate hypotheses are needed.

Unfortunately, the literature of industrial conflict seems to have mimicked the patterns of industrial action; there is an apparent lack of new theorization in the field due to declining labour militancy (Shalev 1992:127, Franzosi 1995:2) and consequently, most of the available theories are to some extent outdated (Ross and Hartman 1960, Ashenfelter and Johnson 1969, Ingham 1973, Shorter and Tilly 1974, Clegg 1976, Hibbs 1978, Cronin 1979, Korpi and Shalev 1980). They fail to offer a ready-made theoretical framework in order to account for the containment of industrial conflict in neo-liberal environments. Therefore, the examination of theories on industrial conflict is partly an exercise of academic resuscitation, that is, trying to recover old theories by using the new ideas in order to account for a situation, which emerged after the formulation of these theories.

Fortunately, the state-of-nature exercise together with the generic empirical picture of neo-liberal environments provides some clues as to what a theory for industrial peace in neo-liberal environments should include:

Firstly, a theory for industrial peace should refer to all dimensions of conflict, which may trigger industrial action (that is inter-class, intra-class and internal conflict dimension as well as twists added by worker and employer organizations) and reveal the way in which the conflict potentials in these dimensions are contained and/or triggered.

Secondly, a theory for industrial peace should be capable of relating the three main empirical features of neo-liberal environments to industrial peace (i.e., i) government interventions which, under conditions of democracy or democratization, enact some neo-liberal

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41 Needle to say that any complete inquiry as to the conditions that ignite conflict would also be the analysis of the circumstances that may generate industrial peace (Edwards and Scullion 1982:9, 281, Dahrendorf 1959:164, Blyton and Turnbull 1998:31, Rueschmeyer 1986:71, Wolfson 2003:258).
measures, ii) the co-existence of organized and unorganized industrial relations, and, iii) the reactions triggered by neo-liberal measures)

*Finally*, a theory for industrial peace should specify how the role of the state as an actor in containment of industrial conflict differs from that of the minimalist state of the free market.

Besides these points, it is of practical importance to recall that the state-of-nature exercise points out *institutions, politics* and *economy* as relevant realms in which one may seek ways of theorizing industrial conflict and peace.

This meta-theory is used as a guide in the subsequent theoretical and empirical chapters to derive and test some hypotheses.
Chapter 4
A Typology for Industrial Peace
in Neo-Liberal Environments

Overview

In this chapter, by using the meta-theory developed in the previous chapter as reference, I critically examine the prominent theories in the literature on industrial conflict and derive two pairs of competing hypotheses as to the source of industrial peace in neo-liberal environments. First pair tries to explain the industrial peace in organized industrial relations and the other pair focuses on the industrial peace in unorganized industrial relations. In both pairs one hypothesis excludes the state but the alternative attributes a crucial role to it. The chapter ends with the incorporation of these two pairs of competing hypotheses into a single typology. This typology will be empirically examined in the subsequent chapters.

Navigation in the conflict literature

In order to be able to critically examine the vast literature on industrial conflict I use the insights provided by the previous chapter as a navigation device: I focus on the three main realms pointed out by the state-of-nature exercise as relevant fields for seeking an explanation for industrial conflict and peace, that is, institutions, politics and economy, and I analyze the theories that try to explain conflict by appealing mainly to one of these realms. During this tour I summarize the prominent theories at each realm, reveal their weaknesses by using the criteria developed in the previous chapter as reference. Then by using arguments borrowed from recent or relevant literature I resuscitate some parts of these theories and derive two pairs of competing hypotheses.

Now let us move to the first realm pointed out by the state-of-nature exercise and examine the theories that try to explain conflict by appealing mainly to institutions.
Institutions and Conflict

The most prominent theoretical framework which places institutions at the center of the analysis of conflict is Clegg’s theory of union behavior under collective bargaining (Clegg 1976). Clegg argues that differences in the industrial action patterns result from the changes in union behaviour which, in turn, can be explicated by appealing to the variations in the bargaining systems across countries (Clegg 1976:12). Indeed, it was initially Ross who specifically claimed that as the bargaining is centralized and unions are recognized, the likelihood of industrial action would decrease (Shalev 1992:28). Actually this idea of increasing institutionalization of industrial relations is also the basis of Ross and Hartman’s ‘withering away’ argument, which considers industrial conflict as a phenomenon that would gradually disappear as working class is integrated into the society (Hibbs 1978:153). The disappearance of conflict was also claimed by Kerr et al by appealing to the “common logic” of industrialization and institutionalization across countries (Kerr et al 1960:41-142) and this claim is asserted again almost three decades later in different forms (see Bellace 1994:21-24, Hanson and Mutler 1988: 27). However, for Clegg conflict remains inevitable in industrial relations like “in other social systems” and he claims that the higher the collective bargaining level is in a country, the lower will be the likelihood of industrial conflict (Clegg 1976:9). Indeed, the main accomplishment of collective bargaining as an institution for containment of conflict is considered to be its separation of industrial realm from the political one (Dahrendorf 1959:277, Taylor 1989:186, Ludlam et al 2003:609, Crouch 1993:37, see also Traxler et al 2001:174) and Clegg takes this for granted by pointing out that collective bargaining is not only an important factor but it is the “principal” factor in explaining union behaviour and conflict patterns (Clegg 1976:11). He attributes only a complementary role to the political action (Clegg 1976:116-117). Accordingly, he uses the collective bargaining structure as the main explanatory variable for explaining the conflict patterns (Clegg 1976:8). However, Clegg does not leave this variable unaccounted for: according to him the attitude and structure of employers’ organizations and management are the main influences shaping the collective bargaining structure (Clegg 1976:10). Thus, one may argue that in Clegg’s theory, in the last analysis, it is the employers who play the most crucial role in the formation and dynamics of collective bargaining institutions. However, the role attributed to the state by Clegg is rather limited: according to him
the state may influence the formation of bargaining structure only at “a sufficiently early stage” (Clegg 1976:10).

Since its publication Clegg’s theory has been severely criticized: For example, according to Cronin, it is a modernist account of industrial relations with evolutionist assumptions and liberalist overtones which assume “ultimate reconcilability” of conflict and equal power distribution among actors (Cronin 1979:25). Moreover, he also claims that “the peculiar rhythm” of industrial conflict with “its accent on discontinuity” is in sharp contrast with almost “continuous and quite linear” existence of institutions therefore, he argues that institutional explanations are weak in explication of conflict patterns (Cronin 1979:25). Similarly, according to Shalev and Korpi, “the minimum requirement” for establishing “a causal link” between institutions and industrial conflict is to show that changes in conflict patterns “closely follow” significant changes in institutions, a condition which they consider, is not satisfied in many countries (Shalev and Korpi 1979:167-168). Shalev criticizes Clegg also on the grounds that considering collective bargaining structure as the ultimate independent variable would preclude scrutinizing the changes occurring in this institution itself (Shalev 1980). According to Shalev and Korpi, institutions can only be intervening variables in explaining conflict patterns (Shalev and Korpi 1979:170). Shalev also points out that the same institutions may lead to different outcomes, a finding, which according to him, undermines the power of institutions as explanatory variables (Shalev 1980). Hyman, on the other hand, does not necessarily “deny that institutions are important” (Hyman 1994:177) but considers Clegg’s theory as an outcome of a misunderstanding resulting from the relative economic and political stability of the period in which it was formulated. Hence, he argues, there is the impression that institutions may sustain themselves independent from the context and thus, they may appear as if they are independent variables with distinctive influence of their own (Hyman 1994).

**Resuscitating Clegg’s theory**

Obviously, it is quite easy to criticize Clegg’s theory given that we are no longer living in the context in which it was constructed, where trade unions were “one of the most important actors shaping our future” (Clegg 1976:1). However, Clegg’s theory remains relevant for three reasons:
Firstly, both trade unions and collective bargaining as institutions, despite all the setbacks, proved to be resilient or crucial enough to remain alive even in the most severely neo-liberalized environments. Thus, it is important to scrutinize their possible role in the containment of conflict and Clegg’s theory provides some clues as to how to understand the link between conflict, collective bargaining and trade unions. Moreover, Clegg’s emphasis on the importance of the attitude of employers in formation of bargaining structures resonates quite well with the rather prominent position of employers in neo-liberal environments. Thus, Clegg’ theory provides some material to scrutinize the implications of intra-class tensions among employers for the inter-class conflict patterns. In other words, it is comprehensive enough to scrutinize all the dimensions of conflict derived from the state-of-nature exercise.

Secondly, at a higher abstraction level, if one considers Clegg’s theory as an attempt to explain a country-specific outcome by using institutional framework as the main explanatory variable, then it would be possible to see that recent institutionalist theories vindicate some of Clegg’s observations. For since the 1990s, contrary to the expectations of convergence among countries due to the pressure of increasing competition and the need for flexibility, countries retained their peculiarities, or more correctly, they responded to the common economic trends in accordance with the peculiarities of their institutional frameworks and thereby revealed that divergent responses to identical trends are possible, a theme which depicts the importance of institutions and is substantially scrutinized in the recent literature (Hall and Soskice 2001, Locke and Kochan 1996:365, Thelen and Steinmo 1992:5-6, see also Block 2007:4,9,12). In this respect, conflict studies, too, point out the importance of institutional difference. For example, Shalev in the 1990s, in an environment where declining strike propensity across countries was interpreted as convergence, revealed that what had taken place was, in fact, the contrary trend of increasing divergence (Shalev 1992:110). More than a decade later Scheuer still argues that, despite the overall decline in industrial conflict across industrialized world, “the substantial national differences which remain evident” require explanation and, although he is sometimes puzzled to discover that identical outcomes may be generated by substantially different institutions, he concludes that institutional divergence “may be judged to play a substantial role” in conflict patterns (Scheuer 2006:144-145).
Finally, new institutionalist literature not only reveals the persistent importance of institutions (Chang 1994:4) but it also allows making some adjustments to Clegg’s main argument and renders it applicable to contemporary circumstances. For example, Traxler et al reveal the fact that the level at which the bargaining is conducted is not necessarily the level at which it is coordinated and the difference between the two may have substantial consequences for the conflict dynamics (Traxler et al 2001: 144, see also Hall and Thelen 2006:28, Dell’Aringa and Pagani 2007) . Similarly, new institutionalist literature in conjunction with the advances in industrial relations theory also provides a new way of understanding the change in institutions themselves which enables us to accommodate actors into the institutional frames without reducing institutions into mere intervening variables (Hall and Thelen 2006:4). For, as Kochan et al (1994) show, institutional frameworks in which actors operate are not entirely coherent, that is, they are not “tightly coupled” (Block 2007: 8) so that actors can make strategic choices, which may lead to changes in the institutions themselves (Hall and Soskice 2001:13). It is also argued that instead of considering institutional stability as “an outcome of inertia”, the continuity of institutions should be regarded as “an active process”: institutions continue to exist because they serve certain actors (Hall and Thelen 2006:4). Indeed, Thelen and Streeck argue that institutions may change radically in subtle ways so as to perform completely new functions which are sometimes in contradiction with the initial purposes (Streeck and Thelen 2005), and all this can happen without any apparent break in their “continuous and quite linear” existence (see Cronin 1979:25), a finding which, for example, explains the phenomenon, that is, how the same “looking” institutions may actually lead to different outcomes (see Shalev 1980) or vice versa (see Scheuer 2006:157).

Given these insights which show the continuing importance of institutions in political economy and point out new ways of understanding them, it is worthwhile updating the institutionalist theory of Clegg in order to use it in explanation of industrial peace in neo-liberal environments. For this purpose, it is essential to re-evaluate the core institution in Clegg’s theory, namely, the collective bargaining in accordance with the insights provided by neo-institutionalist arguments. This requires scrutinizing the processes, which may gradually transform the purpose and function of collective bargaining under the conditions of neo-liberalism. In this respect, the partnership relations between
employers and trade unions through which both sides can accomplish their mutually recognized interests while gradually converting collective bargaining into an institution which enhances competitive position of firms, deserves a special attention (see Edwards et al. 2006; Bacon and Blyton 2006; Lucio and Stuart 2005; Ashwin 2004; Terry 2003; Haynes and Allen 2001; Marks et al. 1998). Indeed, it is claimed that in neo-liberal environments where neither the state nor employers consider trade unions as crucial actors, establishing partnership with employers may become imperative for trade unions (Boxall/ Haynes 1997: 568-571, see Adaman et al 2007:3-4 and Cook 1998: 316). Thus, in order to make sense of Clegg’s theory in contemporary circumstances so as to account for industrial peace, we must re-evaluate the function and meaning of collective bargaining by examining the impact of the new\textsuperscript{42} partnership dynamics on this institution.

The rectified form

Indeed, by taking the neo-institutionalist insights, the state-of-nature exercise and the partnership dynamics into account, one may rectify Clegg’s theory as follows: in order to explain industrial peace in a neo-liberal environment it is essential to reveal the way in which \textit{bargaining and coordination levels} contain inter-class, intra-class, internal conflict potentials. In line with Clegg, one should look at the employers as the most crucial actors in this respect and see whether they, in a particular neo-liberal environment characterized by interventions of the state which tries to ensure competitiveness and flexibility, are willing to or in need of manipulating and coordinating the collective bargaining so as to transform it into a form which is conductive to their interests. The state-of-nature exercise points out that to be able to comprehend the way in which collective bargaining may serve employers, one should not only analyze employers’ interests defined in the context of inter-class conflict but one should also identify intra-class interest differentiations among employers. After employers’ attitude towards particular modes of bargaining is established, one can scrutinize the way in which trade unions operate in this (neo-liberal) environment and form partnership relations which would render them valuable for employers. In this way one should uncover the active partnership processes through which the

\textsuperscript{42} Of course, partnership has always existed between employers and trade unions in some sense. But what is new is that in neo-liberal environments seeking partnerships with employers has become increasingly imperative for many trade unions.
interests of employers and trade unions are simultaneously served by the maintenance of industrial peace through certain modes of bargaining and coordination. It is quite likely that in neo-liberal environments where neither employers nor the state are too enthusiastic for cooperating with trade unions such partnerships would be employer-dominated structures. If for the sake of brevity one calls this entire process the neoliberlization of collective bargaining, then the rectified form of Clegg's theory can be put as a brief hypothesis as follows: In neo-liberal environments,

_Industrial conflict is contained by the neoliberlization of collective bargaining, that is, the manipulation and coordination of collective bargaining by employer dominated partnerships._

However, this hypothesis (thus, Clegg's theory in its rectified form) has some weaknesses: Firstly, it tries to explain containment of conflict only by the primary institutions (i.e., collective bargaining) and processes (i.e., partnership) of industrial relations and by the actions of the primary and organized actors (i.e., employers and unionized workers) to the extent that the role of the state is reduced to that of preparing the initial conditions. In other words, the state is expected to play the role envisaged by the neo-liberalism-in-theory, that is, ensuring competitiveness and flexibility in industrial relations by adopting a rather detached and pro-employer stand, which would force the organized labour to establish partnerships with employers. Thus, whether the state in neo-liberal environments may play a permanent and more balanced role in the conduct and coordination of collective bargaining remains obscure. Secondly, the neo-liberalization of collective bargaining through partnership between employers and trade unions assumed to take place smoothly without any resistance. Obviously, at least in extreme cases, one may expect some resentment from the involved workers. Finally, the focus on bargaining systems is relevant for the study of conflict in organized industrial relations but the fact remains that in neo-liberal environments quite often a substantial part of the employment relations takes place outside the formal bargaining structures. It is clear from the state-of-nature exercise that in order to contain industrial conflict in unorganized industrial relations, there should be more than just the free market. Obviously, the deduced hypothesis is not adequate for explaining the way in which the conflict potential in this segment of employment relations may be contained in neo-liberal environments.
Now let us establish another view of containment of industrial conflict by scrutinizing the second realm pointed out by the state-of-nature exercise, that is, politics, in order to derive an alternative hypothesis, which may rectify some of these weaknesses.

**Politics and Conflict**

The idea of “political exchange” (Pizzorno 1978) between organized labour and governments is the central theme of theories, which aim to connect industrial and political spheres in order to explain conflict patterns. Shorter and Tilly’s model (1974) which attributes political meaning to industrial conflict is a prominent attempt in this respect. This model considers industrial conflict as a manifestation of the ongoing struggle of working class for political control (Cronin 1979:31-32, Bean 1994:146). Indeed, this claim appears robust enough to be repeated by Halperin three decades later (Halperin 2004:284). The core of the argument is that as the labour is provided with the opportunity to solve the important issues in the political arena, the need for using industrial action as an instrument of pressure would decline (Shorter and Tilly 1974:317). However, as Shorter and Tilly recognize there are some institutional prerequisites for this to happen such as a strong worker organization, which would act as “the intervening variable” (Hyman 1994) between political action and industrial conflict. The “intimate ties” between economic and political conflict are also explored by Korpi and Shalev who argue that despite the superior position of employers in a capitalist society working class, too, may acquire power both in industrial and political spheres: in the former by the increasing integration of labour movement and in the latter by the “electoral strength” and the unity of leftist political parties (Korpi and Shalev 1979:169-170). According to Korpi and Shalev as “the political alternative” becomes available for labour in the form of participation in the government and so long as economic performance of the country allows, it is possible to establish industrial peace by shifting the conflict from industrial to political arena (Korpi and Shalev 1979:170-180). Another variant of the political exchange theme is provided by Hibbs who explores the possibility of “shifting the distributional conflict”, which he considers as the basis of industrial conflict, “away from private market place relations” (Hibbs 1978:154) by acknowledging “the industrial relations-welfare state nexus” (Sbragia 2004:244). He argues that when the leftist parties
rule a country typically a large fraction of national income would be
devoted to “social wage” in the form of “collective consumption and
public transfers”, then the “market wage” will be much less important for
the well-being of workers. In such an environment the competition and
struggle among political parties in “the electoral arena” will replace the
collective bargaining and industrial conflict, that is, the typical
instruments designed to cope with the dynamics of the market (Hibbs
1978:165).

What is puzzling about political exchange models is that the causal
connection, which they claim to exist between the political orientation of
governments and conflict patterns, seems to have been severed during
the last two decades of the 20th century. Perhaps this is not surprising
given that during this period the institutional prerequisite of political
exchange, that is, a strong labour movement became a rarity in many neo-
liberal environments. However, regardless of this common trend, Shalev
himself admits that, the theory developed by him and Korpi does not
make sense after 1980 (Shalev 1992:112): for example, in New Zealand
despite the leftward shift in the government, the strike activity did not
decrease or in Japan apparently with no change in the political
composition of the government, the conflict patterns have fundamentally
shifted (Shalev 1992:111). Obviously, these observations also undermine
Hibbs’ model (1978), which, too, envisions a link between the ideology of
governing parties and the industrial action patterns. Moreover, the
connection between industrial relations and welfare states has also been
“frayed” in some countries “which were considered exemplars” of that
connection (Sbragia 2000:244) but significant shifts in the conflict
patterns seem to be not noticed (see Sheuer 2006). In fact, none of the
political exchange models are capable of explaining the case of Germany,
an important advanced political economy with apparently peaceful
industrial relations in the 1970s with no left involvement in the
government (see Korpi and Shalev 1979:183).

Besides these empirical setbacks there are two important
theoretical weaknesses of the political exchange models:

Firstly, these theories do not address all the dimensions of conflict
derived from the state-of-nature exercise. It is clear that the daily
dynamics of effort bargaining at workplace level as one of the primary
sources of industrial action are not addressable in the political arena. In
this sense, regardless of what is exchanged in the realm of politics, there
should always be some control and/or reconciliation mechanisms, which would prevent this primary conflict potential from igniting industrial action. Consequently, there is always a need for an institutional supplement (other than the usual assumption of strong organized labour) to the political exchange models, which should explicate the way in which the non-political conflict potential is absorbed (Bean 1994:146). Similarly, the intra-class dimension of conflict is not addressed either. For these models typically ignore the organizational requirements of employers’ side for existence or continuation of the political exchange and they do not explore how political exchange is linked with the intra-class conflict among employers or with the short and long term interest maximization.

Secondly, the political exchange theories appeal to a rather vague notion of political power (Shalev 1979:484) without presenting any explicit theory of the capitalist state (Bean 1994:150), with the consequence that the question of whether there are upper and lower limits of what can or must be exchanged politically between capital and labour (and the state) remains unexplored⁴³. Indeed, the state in political exchange models, despite its prominent role in neo-liberal environments, appears not as an actor but as mere executive capacity, which can be partly or completely captured and used by any political party through electoral process without any structural limitation.

**Resuscitating political exchange models**

However, despite all these setbacks the political exchange models may still provide some useful insights, for they show the way in which the impact of democracy on industrial relations can be operationalized by making elections relevant for conflict dynamics. Given the importance of democracy or democratization in neo-liberal environments one should try to make use of the political exchange theories by supplementing them with other arguments from the literature. In this respect, connecting the political exchange models with the political cycles literature by using the

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⁴³ For example, there is no theoretical leverage in the political exchange models to show that the idea of “evolutionary socialism” which considers gradual replacement of capitalist system with socialism through electoral victories of Social Democratic parties as viable, is not to be taken very seriously (Burawoy 2003:209,229, see also Wright 2000:992-995, Block 2007:10).
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studies of Hibbs in both of these fields as a linking instrument may be a good strategy.

Scholars of political cycles, among whom Hibbs is prominent, focus on the possible influence of the changes in the politics on the economic performance of democratic countries by scrutinizing the cyclic movements in economy triggered by elections (Nordhaus 1975, Tuft 1978, Alt & Chrystal 1983, Hibbs 1987, Alesina & Rosenthal 1995, Keech 1995, Hallerberg & De Souza 2000, Shi & Svensson 2002). There are two variants of the political cycles theory: the idea that regardless of their ideological orientations, all governments try to manipulate the economy prior to elections in the same way leads to opportunistic cycles variant (Nordhaus 1975, Tuft 1978) while taking the ideology more seriously and assuming that political parties would act within the confines of their principles yields to partisan cycles approach (Hibbs 1987, Alesina & Rosenthal 1995). Apparently, Hibbs subscribes to the partisan cycles idea both in his work in the political cycles literature and in his political exchange model. In fact, theories of Korpi and Shalev (1980) or Shorter and Tilly (1974), which are explored above, are also compatible with the idea of partisan cycles given the importance they attribute to the leftist parties’ involvement in government.

However, taking the other route (i.e., adopting the opportunistic cycles approach), that is, arguing that all governments, regardless of their political orientations, would behave in the same way prior to elections may allow us to rectify the essence of political exchange school as follows: under the conditions of democracy there is a regular exchange between capital, labour and the state which occurs regardless of governments’ ideology and is crucial for industrial conflict dynamics. Obviously, this insight is meaningful only after making the core assumption of the political exchange models explicit, that is, the state is the most powerful actor in organized industrial relations who is capable of playing a permanent and crucial role in conflict dynamics through some institutional mechanisms.

44 It is worthwhile reiterating that government, in this study, is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.
Indeed, this state-centered view may be further elaborated by focusing on the democracy factor, which is used by both political exchange and political cycles models and shown in the first chapter to be one of the characteristic features of all neo-liberal environments. Elections, as the key institution of democracy, can be considered as regular events, which through their influence on the state impose a cyclic twist to the temporality of industrial relations, that is, the regularity of elections may render governments permanently sensitive to societal responses. One may expect this sensitivity to increase as elections approach. If one recalls the claim that any political project such as neo-liberalism aiming to establish free market would eventually trigger some reactions due to the resulting negative externalities (Munck 2004) then one may hypothesize that in a democratic environment the position of the state may be influenced by societal reactions (see Buğra 2007b:3) against the neo-liberalization of industrial relations which gives precedence to employers’ interests. Given that the majority of electorate would consist of wage earners rather than employers, one may expect the societal responses to render the state to be more receptive towards demands of wage earners. The implication is obvious: since the power is a relational phenomenon and elections may gradually change the way in which the state uses its influence as the most powerful actor (i.e., becoming at least temporarily more receptive towards the concerns of wage earners), one may expect this to alter the power distribution among other actors with some consequences for conflict dynamics. Indeed, these insights may be reformulated as a hypothesis: In neo-liberal environments,

*Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.*

This hypothesis is obviously quite different from the previous one which, while attributing rather minimalist role to the state, envisaged that industrial conflict would be contained by the manipulation of collective bargaining through employer dominated partnerships between employers and trade unions, that is, by the neo-liberalization of collective bargaining. For the sake of analytical clarity these two hypotheses, both of which focus on the organized industrial relations and consider

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45 Perhaps this impact can be imagined as a curve, which is gradually increasing until elections and suddenly decreasing afterwards just to start the gradual increase once again.
bargaining and coordination levels as crucial for containment of industrial conflict but differ in the way in which they treat the state, may be posed as competing alternatives as depicted in the figure 4.1.

**Figure 4.1: Competing pair of hypotheses to explain the peace in organized industrial relations**

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<tr>
<th>Excluding the State</th>
<th>Focusing on the State</th>
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<tr>
<td><strong>l a</strong></td>
<td><strong>l b</strong></td>
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<tr>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships</td>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination</td>
</tr>
</tbody>
</table>

Obviously, the containment of industrial conflict in unorganized industrial relations, which quite often accounts for a large segment of the labour market in neo-liberal environments, is not addressed by either of these hypotheses. However, the main insight provided by the political cycles and political exchange models, that is, the public (or perhaps more correctly, the voters) and the state have regular impact on the conflict dynamics through elections may also allow scrutinizing the mechanisms, which contain the industrial conflict in unorganized industrial relations. For the fact that in neo-liberal environments quite often a large segment of workers is not covered by formal bargaining institutions but in principle, due to prevalence of democracy or democratization, everybody is enfranchised, may be used to capture the dynamics of conflict in employment relations, which are not regulated by the formal bargaining institutions. However, in order to accomplish this it is essential to reveal how issues related to unorganized industrial relations may be related to the choices of the public and the state. One may seek new conceptual tools for this purpose by examining the theories, which focus on the third realm indicated by the state-of-nature exercise, that is, economy.

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46 Of course, this analytical preference should not rule out the possibility that these two hypothesis may appear as a sequence in a particular historical setting in the sense that first one leads to the second one. Obviously, the format of competing hypotheses while not discarding this possibility renders empirical examination easier.
Economy and conflict

Scrutinizing the economy in order to find out independent variables for explaining industrial action patterns has created another strand in the theorization of industrial conflict. However, due to the vastness of the literature it is not possible to cover all the variations of this theme in detail nor is it possible to tell the whole story for any of the variations. Yet it is still possible to examine the prominent theories and to point out the explanatory variables they consider crucial so as to attain a general critique of economy-based approach to industrial conflict.

The most prominent “middle-range” theory belonging to this category (Kelly 1998:20) claims that the economic prosperity and conflict propensity are linearly associated47. Quite often substantiated by econometric analysis and “the ritual of significance test” (Franzosi 2004:230), this argument presents trade union membership as the inverse function of unemployment and thereby provides an answer to conflict propensity by implicitly conditioning industrial action on the existence of formal mobilization capacity of workers. In this way, it attributes a crucial role to the unemployment level for explanation of industrial conflict and peace48.

There are three more important middle range arguments: the first one, by mainly pointing out Germany, claims that the export-oriented economies do not generate industrial conflict (Bean 1994:139) and the second one argues that the occupational composition of an economy determines its conflict propensity, more explicitly, the increasing heterogeneity in employment is claimed to have negative impact on the likelihood of strikes. Finally, the third one, which may be named as “neo-liberal offensive” argument (Thelen and Wijnbergen 2003:896), claims that the relative mobility of production factors is the key to understanding the industrial relations dynamics: the increasing mobility of capital vis-à-vis labour imposed by neo-liberalization is claimed to have rendered workers too powerless to revolt.

47 There is also a more “sociological” but less prominent approach which connects economy with industrial action in reverse order: once economic hardship is unbearable for workers due to economic crisis, one may expect an increase in the frequency of industrial action (Franzosi 1995).

48 Inflation, too, is considered important but its implications are much less straight forward.
Besides these middle range arguments there is another economy-based model, that is, the expectation function approach which was formulated more than three decades ago (Ashenfelter and Johnson 1969). Although this model which considers the miscommunication as the source of industrial action appears to be outdated, it is relevant for neo-liberal environments due to its resemblance to more recent HRM accounts of conflict which also reduce the conflict into a communication problem (Jackson 1991:219-224, see Blyton and Turnbull 1998:23). The basic argument is that if one of the actors involved in employment relationship does not understand the limits of what is possible for the other actor in terms of wages, then industrial conflict, that is, strike or lock-out, occurs. Thus, the core of the issue is claimed to be the adjustment of expectations according to economic circumstances.

Finally, there is a more sophisticated and recent version of the economy-based conflict theories, which is devised by Kelly (1998). This theory explains the patterns of industrial actions, especially strikes, by appealing to the shifts between long periods of upward and downward swings in capitalist economy, that is, the long waves of growth and contraction whose existence was first claimed by Kondratieff (Kelly 1998:86).

There are many problems with the economy-based approach to industrial conflict; first of all, the middle range econometric models leave many dimensions of conflict, which may trigger industrial action unexplored. For due to methodological reasons they only focus on the wage-bargaining (Cronin 1979:30, Blyton and Turnbull 1998:17) and thus, ignore its organic relation with the effort-bargaining as a potential source of conflict, neither do they scrutinize the intra-class conflict or the tension between the long and short term interest maximization. Secondly, purely-economy based theories are incomplete in their exposition of the conditionality of their claims since quite often they have implicit institutional assumptions (Bean 1994:152-153, see also Western 1997:4,11). For example, their most important finding, namely, the unemployment is negatively correlated with strikes due to its negative impact on trade unions, requires an institutional supplement to remain

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50 Indeed Cronin two decades before Kelly has already emphasized the importance of adopting a long term perspective in explanation of industrial conflict and he, too, pointed out Kondratieff cycles as a possible connection between economy and industrial relations (Cronin 1979:38-40).
valid, besides the obvious assumption that trade unions must exist: for as Visser argues, unemployment may affect union membership (and thus, the capacity of launching industrial action) only if the legal framework allows selective employment and the job security is low\textsuperscript{51} (Visser 1994: 86-87, see also Western 1997:11, Shalev 1992:115). Similarly, the claim that export-orientation decreases the conflict propensity is considered to be very weak unless it is reinforced by some political and institutional arguments, which reveal the way in which the conflict potentials indicated by the state-of-nature exercise are contained (see Korpi and Shalev 1979:184). Indeed, the conflict history of New Zealand depicts that the export dependency does not always reduce the likelihood of industrial conflict.

However, focusing on export-dependency is not useless for this approach illustrates the weakness of ‘the neo-liberal offensive’ claim (which points out the mobility of capital as the source of industrial peace): for increasing export dependency under certain institutional conditions may be a factor, which enhances workers’ ability to get organized and acquire collective action capacity despite hostile employers due to the latter’s inability to afford disruptions in the production of goods to be exported (Thelen and Wijnbergen 2003).

The other middle range argument, which points out the increasing heterogeneity of employment as the cause of the decline in industrial action due to its negative impact on unionization prospects, is also contestable. Actually, contrary to the prevalent myth, there has never been a homogenous working class (Halperin 2004:289). In this respect the unexpected and successful industrial action of very heterogeneous immigrant service workers in 1990 in the very neo-liberal environment of the US (Milkmann 2006:1-3) or the collective action among the informal female workers in Mexico after the earthquake of 1985 (Wale and Hills 2007:461) should be a warning against any quick generalization as to the collective action potential of ‘unorganizable’ workers of any kind.

It is not only the middle-range arguments relying on economic factors, which are weak. The more sophisticated ‘wrong expectation’

\textsuperscript{51} In fact it is important to note that in retrospect, one can see that the link between unemployment and industrial action is not as strong as once believed: although increasing unemployment is indeed negatively correlated with strikes, the decreasing unemployment appears not to be associated with increasing strike frequency (Scheuer 2006:144-145, Shalev 1992:115,125).
argument, too, is not very strong. It provides only a half-story for it explores neither the reference conditions used by workers and employers to shape expectations nor does it reveal the way in which and how fast expectations or references would be adjusted to economic conditions. It is important to mention that the other link between economy and conflict propensity, that is the proximity between the economic cycles (of various lengths) and conflict patterns has also been challenged: Shalev (1992) argues that strike patterns were already decoupled from business cycles in the second half of the 20th century. Perhaps more importantly the very existence of Kondratieff cycles “has not been demonstrated convincingly” (Reijnders 1988: 66-67, see also Mandel 1995: viii).

Obviously, all this criticism should not make us loose the sight of the fact that ‘economy matters’ for the dynamics of conflict in industrial relations: particularly export-dependency (Bean 1994:213), the level of competition (Blyton and Turnbull 1998:13-14, 35) and the nature of unemployment 52 (Hibbs 1979:157) prevailing in a neo-liberal environment are factors to be taken into account in explanation of industrial peace. Indeed, one should scrutinize the impact of these factors on different actors in order to account for their strategies and in order to establish the exact content of neo-liberalism emerging in a particular environment as “a reactionary creed” (Peck 2008:4). However, the problem with the economy-based theories is that they are not capable of revealing why, how, when and for whom these factors matter without being reinforced by other theories which appeal to institutions or politics (Western 1997:4). Thus, the economy-based theories should be used as complementary theories rather than core explanations in order to account for industrial conflict and peace in neo-liberal environments.

52 The nature of unemployment can be understood in three different ways: i) whether the prevalent form of unemployment in a political economy is long-term or short-term ii) which particular group or groups are more unemployed, that is, age, gender and perhaps also ethnicity composition of unemployment iii) the fear that unemployment may create, that is, the degree to which the legal framework provides protection against unemployment either in the form of job security or in the form of unemployment benefits. Obviously, all these representations of unemployment are to be taken into account in order to establish the nature of unemployment in a particular political economy.
Resuscitating Kelly’s theory

Kelly’s mobilization theory, however, despite its emphasis on the dubious link between Kondratieff cycles and industrial conflict, requires a special attention. For it, according to Johnson and Jarley, provides a new perspective for looking at conflict dynamics in the era of neo-liberalism where, due to “union decline”, the relevancy of “mainstream industrial relations” based on the analysis of “collective bargaining and its associated institutions” is not always relevant (Johnson and Jarley 2004:543). In this respect, Kelly introduces the notion of “feeling of injustice” into the lexicon of conflict theory (Kelly 1998: 42) and considers workers’ ability to “attribute the blame” of an unjust situation to an agency, for example, to employers, rather than to structural conditions as the prerequisite of industrial conflict (Kelly 1998: 30, 44). According to Kelly as long as some leaders at workplace level “convert” the perception of injustice into the group cohesion, “there is no need for a union” for industrial action to appear (Kelly 1998: 50-51). In this way Kelly refuses the basic institutional prerequisite of the economy based theories and thereby provides a clue as to how to understand containment of conflict in unorganized industrial relations.

However, Kelly’s theory has a crucial weakness: the feeling of injustice seems to be reserved only for workers while both the state and employers are considered to be devoid of any such perceptions. Consequently, the state is portrayed as an agent of accumulation who secures this end only through coercion or deception. However, as Gramsci points out, it is not possible to manufacture consent without some real concessions, and Hyman, too, argues that without addressing the real causes of industrial conflict, pure coercion would only change the way in which the dissidence is manifested (Blyton and Turnbull 1998:310). Similarly, since Kelly does not recognize the importance of some other actors like consumer groups, NGOs and international networks on the dynamics of industrial relations, he also fails to point out the possible implications of the feeling of injustice perceived by these new actors.

However, despite these setbacks in Kelly’s theory it is possible to utilize his concept of the feeling of injustice in explaining containment of industrial conflict in unorganized industrial relations. For this purpose, it is useful to recall the claim that any political project such as neo-liberalism aiming to establish the free market would trigger reactions,
which tries to contain the resulting negative externalities (Munck 2004). In the literature there are, in fact, two distinct arguments as to the agency, which is expected to lead the reaction against neo-liberal measures. Both of these arguments may be used to operationalize Kelly’s concept of injustice in order to generate hypotheses as to the containment of conflict in unorganized industrial relations:

Firstly, Kelly’s concept of injustice may be utilized in line with the idea proposed by Munck (2004) and Burroway (2003) that in the age of contemporary neo-liberalism one should consider non-state actors as the main agency of reaction against neo-liberalism. Having this in mind, it is possible to argue that the industrial conflict in unorganized industrial relations may be contained because of the injustice felt by some new actors, like consumer groups and NGO’s and international networks which leads to direct involvement of these actors in industrial relations. Against this background one may claim that these new actors as “global networks of resistance against social and economic injustice” (Hale and Wills 2007:454,465-467) may correct the most excessive injustices occurring in unorganized industrial relations and in this way they may prevent the conflict potential from being ignited. Of course, whether this amounts to effective resistance against neo-liberalism is doubtful. For the emergence and activities of these actors may also be seen as part of the process of “the transfer of social responsibilities to non-state actors involved in diverse partnerships with public authorities” which encourages “social participation in market reforms” and ensure “governability in a market-dominated economic order” (Buğra 2007a:176-177). From this perspective, the new actors in industrial relations may be seen as working towards the sustainability of neo-liberal project by preventing industrial conflict, which may be ignited by the excessive injustice felt by workers. However, (given that this study aims to find out the causes of industrial peace) whether the activities of new actors amount to serving or resisting the neo-liberal project does not matter from the perspective of conflict containment. The essential question is that whether corrective actions such as initiation, enforcement and monitoring of private labour regulations by non-state actors (see Baron and Diermeier 2007:601, Jones et al 2007:60, Bethoux et al 2007:77) may really contain industrial conflict in unorganized industrial relations. Of course, in order to consider non-state actors as responsible for industrial peace, what needs to be empirically established is the degree to which they operate independently without being
involved in intended or *de facto* partnerships with public authorities. Having all these in mind, one can deduce the following hypothesis from Kelly’s concept of injustice:

*Industrial conflict in unorganized industrial relations is contained by the correction of injustices by non-state actors, that is, NGO's, consumer groups and international networks.*

Secondly, Kelly’s concept of injustice may also be utilized in line with the idea that the reaction against the neo-liberal measures may be in the form of societal response. Indeed, this idea allows us to reinforce the arguments developed in the previous section by using the concept of injustice: the political exchange and political cycle arguments introduce the state, the public and the democracy into the picture and allow to link unorganized industrial relations with the entire political economy by appealing to the electoral power of workers employed in the unorganized field. However, in this general picture there is no instrument to be used to reveal how exactly the elections (or democracy) might influence the conflict dynamics by affecting the choices of the state and voting behaviour of workers in unorganized industrial relations. Kelly’s concept of injustice may answer this question: in order to sustain industrial peace the feeling of injustice perceived by worker-voters who are employed in unorganized industrial relations must be manipulated by some mechanisms in order to prevent the blame of injustice from being attributed to their immediate employers. Instead such mechanisms should render the governments directly or indirectly responsible for the injustice. Thus, if one can reveal the institutional mechanisms which lead to the attribution of the blame of injustice to the state rather than to employers then it is possible to claim that this mechanism reduces inter-class conflict potential in unorganized industrial relations by motivating workers to tackle the injustice not at the workplace by confronting their immediate employers but in the political arena as voters by making demands from the state. This idea may be briefly put as a hypothesis as follows:

*In unorganized industrial relations direct or indirect attribution of the blame of injustice to the state rather than employers (i.e., exportation of conflict into the realm of politics) contains the industrial conflict.*

Indeed, quite similar to the first pair of hypotheses mentioned in the preceding sections, these two hypotheses, too, while trying to account for the same phenomenon, that is, industrial peace in unorganized
industrial relations, by using the same conceptual device (the feeling of injustice), differ in the way in which they treat the state: while the first one excludes the state the second one considers it crucial. Hence for the sake of analytical clarity, these two hypotheses, too, just like the previous ones, may be posed as competing alternatives as depicted in figure 4.2.

Figure 4.2: Competing pair of hypotheses for explaining the peace in unorganized industrial relations

<table>
<thead>
<tr>
<th>Unorganized industrial relations</th>
<th>Excluding the State</th>
<th>Focusing on the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>(The feeling of injustice)</td>
<td>II a</td>
<td>II b</td>
</tr>
<tr>
<td></td>
<td>Industrial conflict is contained by the correction of injustices by non-state actors (NGO's, consumer groups and international networks)</td>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers</td>
</tr>
</tbody>
</table>

Conclusion: A Typology

Since the examination of the theories focusing on the three main realms indicated by the state-of-nature exercise is completed, it is appropriate to draw a general picture of the deduced hypotheses in order to establish a typology and to point out the remaining gaps.

Two hypotheses were deduced regarding the containment of industrial conflict in organized industrial relations where both employers and workers are organized and these hypotheses are, for the sake analytical clarity, posed as competing alternatives:

hypothesis Ia: The manipulation and coordination of collective bargaining by employer dominated partnerships, that is, the neoliberalization of collective bargaining, contains the industrial conflict, and

hypothesis Ib: The pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination contains the industrial conflict.

It is clear that both of these hypotheses consider the bargaining and coordination levels as crucial for containment of industrial conflict, but differ in the way in which they treat the state: while hypothesis Ia
attributes a minimal role to the state, *hypothesis Ib* treats the state as the most influential actor.

Similarly, two hypotheses were derived regarding the containment of industrial conflict in unorganized industrial relations where at least workers are unorganized and quite often informally employed. These two hypotheses are also presented as competing alternatives:

*hypothesis IIa*: the correction of injustice by new actors, that is, NGO’s, consumer groups and international networks may contain the industrial conflict and

*hypothesis IIb*: direct or indirect attribution of the blame of injustice to the state rather than employers contains the industrial conflict.

Obviously, once again both of these hypotheses are derived from the same idea, that is, the feeling of injustice among workers, which remains unchecked in unorganized industrial relations is the essential ingredient, which triggers industrial action. However, like the previous pair these two hypotheses, too, differ in the way in which they include the state into the explanation: while *hypothesis IIa* excludes the state, *hypothesis IIb* attributes a crucial role to it.

**Figure 4.3: A typology for containment of industrial conflict**

<table>
<thead>
<tr>
<th></th>
<th>Excluding the State</th>
<th>Focusing on the State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ia</strong></td>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships.</td>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.</td>
</tr>
<tr>
<td><strong>IIa</strong></td>
<td>Industrial conflict is contained by the correction of injustices by non-state actors (NGO’s, consumer groups and international networks).</td>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers.</td>
</tr>
</tbody>
</table>

**Organized industrial relations**
(Bargaining and Coordination levels)

**Unorganized industrial relations**
(The feeling of injustice)
Given that each of these two pairs of hypotheses are differentiated according to the same principle, that is, excluding the state or focusing on the state, one may present them in a matrix as depicted in figure 4.3 for creating a typology for containment of industrial conflict in neo-liberal environments which spans entire industrial relations. The rows of the matrix, in line with the outcome of the review, divide industrial relations into two fields as organized and unorganized industrial relations, and illustrate the main analytical tools developed to understand these fields within parenthesis. The columns of the matrix, on the other hand, point out whether or not the state is included as the main actor in the explanation.

There are four weaknesses in this typology: Firstly, the column-wise differentiation is too sharp. Probably unlike in the matrix (and in the review) the involvement of the state in bargaining dynamics of organized industrial relations is a matter of degree rather than a choice of absence or presence. Similarly, the management of the feeling of injustice generated in unorganized industrial relations is not necessarily a question of either correction by new actors or manipulation by the state as indicated in the figure. In reality both of these mechanisms may be playing a role. Secondly, the row-wise differentiation in the matrix is also problematic because it clearly indicates a major gap in the conflict literature: while the division of industrial relations into two fields as organized and unorganized is an empirical fact which is observable in all neo-liberal environments, there is no argument in the literature as to whether this very division might be one of the mechanisms of containing industrial conflict on both sides of the division line. Thirdly, although the hypotheses placed in the second column of the typology both focus on the state in their explanations, they are not connected with a unifying logic which may allow understanding the role of the state in containment of industrial conflict at a higher abstraction level in order to form a general theory. Finally, the hypotheses in the typology are deduced on theoretical grounds by referring to the generic empirical picture of neo-liberal environment without making direct and explicit references to concrete historical circumstances of neo-liberalism. Thus, one may question whether they make sense under concrete historical conditions.

From a methodological perspective, the first two of these weaknesses, that is, the sharp divisions created by the row and column-wise differentiations are useful. For in this way one obtains an ideal typology containing four views to be tested by empirical inquiry through
a clear method, that is, testing competing alternatives at each row against
the same empirical reality not only in terms of their content but also in
terms of the validity of their vertical pair-wise distinctiveness. The
empirical inquiry would also reveal whether there is any functional
meaning of the division of industrial relations into organized and
unorganized fields for the containment of industrial conflict. In other
words, the validity and meaning of the differentiations imposed by the
typology would be clarified by the empirical inquiry.

On the other hand, the third weakness, that is, the absence of any
unifying logic for the role of the state in organized and unorganized
industrial relations, is more substantial and has been one of the main
gaps in the industrial relations literature. Obviously, filling this gap would
be imperative for this study only after both of the state-centered
hypotheses in the typology (i.e., those in the second column) are,
empirically shown to be more fundamental explanations than the ones in
the first column.

Finally, tackling the fourth weakness of the typology, that is, the
lack of direct reference to historical circumstances is possible only by
revealing (as part of the empirical inquiry) that the hypotheses in the
typology are also relevant in concrete historical circumstances of neo-
liberalism.

In the following chapters, I empirically examine this typology by
using Turkey’s metal and textile & clothing sectors as test grounds and
show that indeed the state-centered hypotheses placed in the second
column are better explanations, and only then, I engage with the problem
of finding a unifying logic by using O’Connor’s idea of accumulation/
legitimation dilemma and establish a general theory. Before
commencing the empirical analysis of each pair of competing hypotheses,
however, I show that they are also relevant in concrete historical
circumstances.
ANALYSIS PART II

EXAMINATION OF HYPOTHESES

The name of a thing is entirely external to its nature. I know nothing of a man if I merely know his name is Jacob.

Karl Marx

(from Capital-Volume I) 53

Chapter 5
Containment of Conflict in Organized Industrial Relations

Overview
This chapter focuses on the first row of the typology (see the grey area in figure 5.1). This row contains two hypotheses regarding the containment of industrial conflict in organized industrial relations, which are, for the sake of analytical clarity, posed as competing alternatives. Both hypotheses are derived from the idea that in organized industrial relations, the bargaining and coordination levels are crucial for the containment of conflict.

Figure 5.1: The focus of the chapter

<table>
<thead>
<tr>
<th>Excluding the State</th>
<th>Focusing on the State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I a</strong></td>
<td></td>
</tr>
<tr>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer-dominated partnerships</td>
<td></td>
</tr>
<tr>
<td><strong>I b</strong></td>
<td></td>
</tr>
<tr>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination</td>
<td></td>
</tr>
</tbody>
</table>

| **II a**              |                       |
| Industrial conflict is contained by the correction of injustices by non-state actors (NGO’s, consumer groups and international networks) |
| **II b**              |                       |
| Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers |

Another version of this chapter is published:

The first hypothesis (see la in figure 5.1) claims that in organized industrial relations the manipulation of bargaining and its coordination by employer dominated partnerships, that is, the neo-liberalization of collective bargaining, contains industrial conflict. This claim is derived from the idea that in neo-liberal environments the state confines itself to the role of ensuring competitiveness and flexibility in industrial relations, and this would undermine the strength of organized labour and thus, the collective bargaining structures would be dominated by employers and mainly reconcile the interests of various employer groups. Consequently, trade unions would be obliged to establish partnerships with employers and these employer-dominated partnerships, in turn, would contain industrial conflict.

On the other hand, the alternative hypothesis (see lb in figure 5.1) claims that in organized industrial relations, the pro-worker interventions of the democratic state55 (which is sensitive to societal reactions) in the bargaining and its coordination contains the industrial conflict. This is derived from the empirical fact that neo-liberal policies of ensuring flexibility and competitiveness are quite often carried out under the conditions of democracy or democratization understood in the technical & relative sense as “increasing access of the governed into the governing process” (Udayagiri and Walton 2003:318) through regular competitive elections and exercise of basic liberties such as freedom of speech and association (Storm 2008). Thus, under the conditions of democracy governments (which are sensitive to societal reactions due to their democratic accountability) could not allow the emergence of entirely employer dominated bargaining structures by discarding the grievances of workers, hence they would be obliged to interfere with the collective bargaining dynamics in order to establish balance between the interests of workers and employers which would, in turn, contain industrial conflict.

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55 It is worthwhile reiterating that government, in this study, is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.
Turkey’s metal sector as a neo-liberal environment, which accommodates a very large component of organized industrial relations offers appropriate empirical circumstances for examining these two hypotheses. Indeed, the interaction of this sector with the political developments allows one to use the analogy of natural experiment that facilitates the analytical inquiry. In this chapter, by focusing on this case and mainly scrutinizing the validity of the first hypothesis (see 1a in figure 5.1), I show that although employer dominated bargaining systems (that is the neo-liberalization of collective bargaining) appears to be crucial in containment of industrial conflict, the functioning of these systems under the conditions of democracy was possible only if governments make some pro-worker interventions in these systems as well as in the economy and institutional structure. Thus, I demonstrate that the alternative hypothesis (see 1b in figure 5.1) provides a better explanation for containment of industrial conflict in organized industrial relations.

In the following pages, before commencing the empirical analysis, first, I draw a general picture of the organized industrial relations in capitalist economies before and after the rise of neo-liberalism in order to depict the historical relevance of the competing hypotheses in the first row of the typology and then I explain in detail the reason for choosing Turkey’s metal sector as the test ground for examining these hypotheses. Second, I provide a brief history of the organized industrial relations in Turkey and analyze the way in which the state established the foundations of employer dominated bargaining systems in the neo-liberal period. Thirdly, I zoom into Turkey’s metal sector bargaining system, depict the way in which industrial conflict has been contained by this system prior to the gradual democratization in the country and then examine the implications of democratization. Finally, I zoom back to the general picture, draw some general conclusions and point out some questions about the alternative hypothesis (see 1b in figure 5.1) that remain unanswered.

**Historical relevance of competing hypotheses:**

**organized industrial relations and neo-liberalism**

During the post-war period prior to the rise of neo-liberalism, one could distinguish two very general patterns of organized industrial relations in capitalist economies.
In most of the developed countries of Western Europe, North America and Asia industrial relations were organized on the basis of collective bargaining that quite often generated corporatist arrangements between governments and/or the representatives of labour and capital which ensured some kind of control over the wages while providing employment security\(^{56}\). Moreover, these systems were enhanced by or incorporated into various social policy arrangements (Kong 2004). Although within this general picture one could find huge variation across countries\(^{57}\), there were still two common denominators which rendered governments sensitive to workers' demands: firstly, the organized labour with its wage and security claims was recognized as a legitimate partner both by employers and governments quite often as a part of Keynesian demand management strategy. Secondly, these countries were governed by the political systems which reflected the basic characteristics of democracy, that is, civilian governments with executive powers, regular competitive elections, respect for basic liberties such as freedom of association and speech (see Storm 2008) which allowed grievances generated in the realm of industrial relations to be articulated in politics. This structure was capable of containing large-scale industrial conflict at least until the stagflation of the late 1970s.

On the other hand, in most of the developing countries of Latin America, Europe and Asia the political economy was organized in accordance with the strategy of import-substitution. In general, industrial relations in these countries were characterized by heavy presence of public enterprises, central planning and paternalistic protection of workers' rights. Although developing countries quite often lacked comprehensive social policy provisions the strategy of preserving domestic purchasing power and keeping unemployment low provided a degree of security for workers. Despite the substantial variation across developing countries, one could point out two general characteristics

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\(^{56}\) The United States should be considered as an exceptional case due to rather small coverage of collective bargaining and low employment security (see Kochan et al 1994).

\(^{57}\) For example, in Britain industrial relations system combined the voluntary workplace or sectoral collective bargaining, which did not have any statutory basis with the efforts of coordination at the national level between peak labour organization and governments. This system was supplemented by means of tested social policy provisions. On the other hand, in Sweden collective bargaining was much more encompassing and it is essentially conducted at national level. Quite generous and essentially egalitarian social policy provisions complemented the system.
which rendered governments capable of playing a crucial and rather independent role in organized industrial relations: firstly, collective bargaining was largely confined to public sector and the organized labour was under the danger of being co-opted by the state in order to serve the development goal. Secondly, these countries quite often had authoritarian regimes or dubious democracies in which regular competitive elections and basic liberties were either absent or maintained on a rather precarious fashion. However, as a by-product of import substitution strategy, workers’ living standards were kept high and thanks to careful combination of paternalism, co-optation and coercion the industrial relations systems were capable of containing large-scale industrial conflict until the import substitution strategy led to debt crisis in many countries during the late 1970s.

In short, in many developing and developed countries the characteristic feature of the organized industrial relations prior to the rise of neo-liberalism was the ability and/or willingness of governments to directly interfere with collective bargaining dynamics in favor of workers either as a result of the pressure from organized labour and the electorate or due to the requirements of import substitution and Keynesian demand management.

*Neo-liberalism*

In the 1980s the neo-liberalism emerged as a reactionary political project due to the economic crisis both in developed and developing countries. Although the exact content of neo-liberal project remained context dependent, there were some common measures such as increasing the flexibility of employment, withdrawing the state from productive and redistributive activities, promoting export oriented growth, leaving wage determination to market forces, shrinking government budget and refusing to recognize the organized labour as a partner in policy making (Bean 1994:126, Wolfson 2003:255-256, Burawoy 2003:241, Udayagiri and Walton 2003:312, Plant 2004:29, Boxhall and Haynes 1997:568, Crouch 1997:352). These measures would have, at least in theory, quite similar implications for the organized industrial relations in the developed and developing countries: as a result of the withdrawal of the state from productive activities and due to the expected disintegration of corporatist arrangements, organized industrial relations would be essentially confined to private sector and would be increasingly decentralized. Moreover, employer-friendly laws, which
were to be enacted if governments consistently pursued the neo-liberal agenda, would enable the dynamics of collective bargaining to be determined in accordance with employers’ interests. Under these conditions in a truly neo-liberal environment the organized labour would be obliged to establish cooperative partnerships with employers in order to survive. Thus, the industrial conflict would be contained through the mechanism of collective bargaining functioning on the basis of partnership between employers and trade unions at sectoral or workplace level. The essential function of these bargaining structures would be to enhance the competitiveness of firms and/or sectors. This process may be called as the neo-liberalization of collective bargaining.

Democracy

However, the neo-liberal measures, which would generate these employer-dominated industrial relations systems, were to be taken by governments operating in democratic environments. As mentioned above, in developed capitalist countries of Western Europe, North America and Asia this was a default condition but after 1980 in developing countries, too, democracy and/or democratization was increasingly becoming a rule rather than exception. For the rise of neo-liberalism coincided with a new wave of democratization (in the technical & relative sense outlined by Storm 2008, see also Udayagiri and Walton 2003:336, Markoff 1996:80). The military dictatorships of Latin America, which had emerged in the 1970s in order to contain public resentment triggered by the crisis of import-substitution, were replaced by democratic regimes during the 1980s and 1990s (Cook 1998). In Asia, too, during the same period democracies were established sometimes rather unexpectedly in place of authoritarian systems which once considered formidable and stable\(^{58}\) (Robison 2002:92). Finally, the communist regimes of Eastern Europe have collapsed in the 1990s and democracies committed to neo-liberal reforms have emerged (Locke \textit{et al} 1995). To be sure, in countries like Chile, Mexico, Singapore and South Korea the initial neo-liberalization was undertaken by authoritarian governments (de Dios 1997:135), but during the course of 1990s all of these countries witnessed transition to more democratic forms of governance (Laothamatas 1997:7). Although these new democracies were different from each other and from the European or North

\(^{58}\) For example, in South Korea, Indonesia and Taiwan.
American versions, they accommodated some of the key elements of democracy and/or democratization such as civilian governments, regular competitive elections and basic liberties (Storm 2008) and thus, allowed “increasing access of the governed to the governing process” (Udayagiri and Walton 2003:318) or at the very least enabled the articulation and politicization of grievances.

The relevance of the competing hypotheses

One can see that the neo-liberal reforms that would transform organized industrial relations into more employer-dominated and market driven form sooner or later had to be carried out or maintained by governments which were democratically accountable. This might render the new role of the state in organized industrial relations, that is, pro-employer stand and avoidance of direct interference in favor of workers, unsustainable.

Therefore, the following question captured by the hypotheses in the first row of the typology is crucial: Is the containment of industrial conflict in neo-liberal environments the outcome of employer dominated bargaining systems, which function on the basis of partnership between employers and trade unions (i.e., the neo-liberalization of collective bargaining) or is it generated by the pro-worker interventions of democratically accountable governments in these bargaining systems?

Developments in Turkey’s metal sector as a neo-liberal environment, and their interaction with politics, by providing a natural experiment, offer appropriate empirical circumstances for scrutinizing this question.

Natural experiments in social research

Controlled experiments under laboratory conditions contain two phases: first, a particular system is allowed to evolve under isolated conditions and all the factors generated by this system are identified, and second, a new factor is added to the environment to see the way in which the system that was established under isolation reacts to the new factor. Natural experiments in the social world, on the other hand, provide circumstances, which only crudely resemble this sequence. For

59 This is actually temporal reorganization of the traditional idea of using two systems: that is one for the experiment and the other for the control.
the initial isolation is never perfect and it is impossible to be sure that only one new factor eventually enters into the equation. Therefore, the notion of natural experiment in the social world should be perceived as an instrument for organizing the analysis in order to benefit from the clarification provided by the analogy (see Franzosi 2004:6-7). So long as this is kept in mind a sequence of events, which appear in the form of a natural experiment in a particular socio-historical context may be used for disentangling the impact of various factors on a social phenomenon. This is the core reason for focusing on Turkey's metal sector as a neo-liberal environment dominated by organized industrial relations in order to test the hypotheses provided by the first row of the typology.

In Turkey the shift from the strategy of import substitution to export oriented growth in accordance with the tenets of neo-liberalism occurred between 1980 and 1983 under military dictatorship, which fundamentally restructured the entire institutional and legal landscape of industrial relations while suspending the democracy (see figure 5.2). This new environment gave complete freedom to employers to choose the bargaining and coordination modes, and thus, it rendered the partnerships with employers almost imperative for trade unions. Consequently, a partnership based and employer dominated sectoral bargaining system emerged in the metal sector, which employed the largest organized workforce in Turkey in terms of coverage and accounted for one third of the formally employed workers in manufacturing (TUIK 2007).

**Figure 5.2: Conflict patterns in Turkey and the analogy of natural experiment**
The first governments of the neo-liberal period which were entirely or largely unaccountable in democratic terms due to restrictions imposed by the military actively prevented any non-market interference with this kind of bargaining systems and avoided any pro-worker stand. That is, not unlike in the first phase of an experiment, without the influence of democracy ‘factor’ the collective bargaining in Turkey’s metal sector has evolved under the conditions of employer friendly laws and active government support for the market driven industrial relations. During this phase industrial conflict has been almost entirely contained (see figure 5.2). However, from 1987 onwards, similar to the second phase of experiments, a new variable entered into the equation: as the restrictions imposed by the military were gradually lifted the country witnessed gradual democratization, some liberties were restored and politics became accessible to new parties, while freedom of speech could again be exercised to some extent (see figure 5.2). This development coincided with increasing tensions in the metal sector. Between 1989 and 1991 large-scale strikes and wildcat actions took place in this sector and elsewhere. However, after 1991 metal sector bargaining system, despite the sudden rise of industrial strife in 1995 in the public sector, once again proved to be capable of containing mass industrial action, though now the terms of industrial peace have changed (see figure 5.2).

One can treat this sequence of events as a natural experiment in order to examine the validity of two hypotheses provided by the first row of the typology as follows: first, scrutinize the employer dominated bargaining structure in the metal sector and identify the factors that contained industrial conflict prior to the democratization process and then examine the impact of the democratization on this system in order to assess the roles of employer dominated bargaining structures and democratically accountable governments for containment of industrial conflict (see figure 5.2).

However, prior to this exercise it is essential to examine the historical and institutional context of neo-liberalism in Turkey in order to comprehend the conditions surrounding the metal sector.

Organized industrial relations in Turkey: A brief history

Establishing trade unions has been allowed in Turkey since 1947, but the right to strike was granted and collective bargaining was properly
legalized only in 1963 by the enactment of liberal industrial relations laws. According to these laws, which shaped the industrial relations of Turkey until 1980, trade unions could conduct collective bargaining at workplace or sectoral level provided that they represent the majority of workers at the chosen level (Talas 1992: 176). The right to strike could be used when bargaining negotiations failed or when employers infringed collective agreements. This permissive legal structure created “a very favorable climate for the development of trade unionism” and already by 1967 more than 300 new trade unions were established (Jackson 1971: 72-73). The number of trade unions reached up to 733 in 1980 (Tokol 1997: 112). Similarly, the total number of unionized workers increased from 295,000 in 1963 to 5,721,000 in 1980 (Tokol 1997: 109) and union density reached 27 percent in 1979 (Cam 2002: 98). In the period of 1963-1980 the majority of collective agreements were signed at workplace level and employers’ attempts to accomplish more encompassing agreements met fierce resistance by trade unions (Tokol 1997: 135-136). Obviously, in this period, trade unions enjoyed quite a powerful position at workplace level vis-à-vis employers.

During the 1960s majority of trade unions were affiliated with national confederation TÜRK-İŞ, which was promoting the idea of “remaining above the politics” and encouraging cooperative approach in collective bargaining (Jackson 1971: 73; Talas 1992: 176). In exchange for this policy TÜRK-İŞ was considered by governments as the natural partner in industrial relations and thus, it was enjoying the privilege of representing workers in all tripartite commissions. However, gradually some politically autonomous and class-based trade unions distanced themselves from TÜRK-İŞ and established the Confederation of Revolutionary Trade Unions, DİŞK, in 1967. Other smaller confederations, Islamic HAK-İŞ and ultra-nationalist MISK followed the lead. Consequently, during the 1970s the monopoly of TÜRK-İŞ on trade union movement was increasingly challenged.

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60 In fact HAK-İŞ and its affiliates have gone through a very interesting evolution through the 1980s which makes them ideologically more ‘Liberal-Islamic’ rather than ‘Islamic’: HAK-İŞ became the most pro-EU worker organization while gradually deviating from the idea of Islamic brotherhood as the basis for harmonious industrial relations. For detailed analysis of this process see Duran & Yıldırım (2005), Buğra (2002) and Buğra (1998). The ultra-nationalist MISK disappeared towards the end of 1980s.
However, the overall mood of industrial relations until the mid 1970s was relatively peaceful\(^{61}\) thanks to the implicit consensus generated by the policy of import substitution (see figure 5.2). This model, by creating a well protected domestic market, by providing foreign currency for import of essential capital goods and by using public enterprises to produce cheap raw materials and half-finished goods for private manufacturing industry, simultaneously allowed high levels of profit and regular improvements in wages, thus, significantly contributed to the containment of industrial conflict in organized industrial relations like in many other developing countries (see Adaman et al 2008:6). However, in the mid 1970s, as the economic situation deteriorated due to high inflation and the depleted foreign currency reserves, this consensus in industrial relations reached its limits. As the wage increases proved to be increasingly more difficult both in public and private sectors the cooperative approach of TÜRK-İŞ lost its credibility. After the attempt of wage moderation agreement between government and TÜRK-İŞ, which covered all public enterprises and expected to set a pattern for the private sector\(^{62}\) failed in 1978, strikes and wildcat protests permeated all sectors (Sönmez 1992: 125; Cizre 1991: 58-59).

1980 was the turning point for organized industrial relations: in January new stability measures were introduced in order to cope with the deepening economic crisis (Herslag 1988: 38-44) and thereby the hitherto prevailing policy of import substitution was replaced by the project of creating an open market economy in accordance with the tenets of neo-liberalism (Aydin 2005: 43-44). In September the army assumed the political power by organizing a coup and declared its full commitment to neo-liberal economic programme (Yıldızoğlu/Marguiles 1988). During the following three years of military dictatorship\(^{63}\) all trade

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\(^{61}\) It is of importance to mention that when I use the term ‘relatively peaceful’ I refer to the collective bargaining processes rather than overall political climate and the inter-union struggles. Obviously, the intention is neither to underestimate wide-scale worker protests like 15-16\(^{th}\) June events in 1970 which were triggered by TÜRK-İŞ’s attempts to undermine the DISK (Talas 1992:159) nor to discard the brutal military intervention of 12\(^{th}\) March 1971 (see Zurcher 2003:171).

\(^{62}\)Interview # 65 / 26.09.2007

\(^{63}\)In order to comprehend the impact of the military dictatorship on Turkey one should examine the macro and micro picture of the coercion: between 1980 and 1983 the military arrested or detained approximately 650.000 people: proportionally this means almost two of each 50 adults in the age group of 15-64 (TÜİK 2007 & my estimations). Of those arrested at least 171
unions with exception of those affiliated with TÜRK-İŞ\textsuperscript{64} were either temporarily closed or completely banned, collective bargaining and strikes were prohibited while the legal system and the institutional structure of Turkey was substantially altered. A new era has begun.

**Neo-Liberalism and organized industrial relations in Turkey**

As a part of the neo-liberal restructuring, organized industrial relations in Turkey witnessed two major changes: First, the laws of 1963 were repealed and new laws were enacted (Boratav 2005: 147-164; Aydın 2005: 52-56) and, second, new coordination mechanisms were established in order to facilitate the imposition of market discipline to industrial relations. Before focusing on the specificities of Turkey’s metal sector as a neo-liberal environment, it is essential to scrutinize these two major changes in detail.

**Neo-liberal legal framework**

The post-1980 legislation, in order to prevent workplace unionism, replaced the previous accreditation condition for conducting collective bargaining (which was based on simple majority) with a very strict threshold obligation: in order to become the bargaining agent for a certain workplace, trade unions were to represent at least 10 percent of the workers in the relevant sector and more than 50 percent of the workers at the workplace (Adaman \textit{et al} 2008:7,16). It is important to note that, due to the check-off system, membership fees would be paid to trade unions only when they were recognized as official bargaining agents. Thus, in the post-1980 period, failure to meet the thresholds meant complete bankruptcy for trade unions. This implied that trade unions would be permanently engaged in the search for new members.

\textsuperscript{64}In October 1980 TÜRK-İŞ general secretary was appointed by the dictators as the minister of Labour in the junta cabinet. Due to this appointment TÜRK-İŞ was expelled from the International Confederation of Free Trade Unions.
In order to understand the real implications of this accreditation procedure on organized industrial relations, we must also consider the individual labour law of the post-1980 period: this legislation, which was initially enacted in 1971, had granted employers the right to dismiss workers as they saw fit without any explanation or justification (Bakırçı 2004: 49). However, according to the pre-1980 version of the individual contract law, employers had to make severance payment to the dismissed workers in proportion to the length of their employment. Owing to the large sums imposed on employers by this system and the prohibition to establish any form of solidarity fund, large-scale lay-offs were prevented to a certain extent (Talas 1992: 111). However, during the period of military dictatorship (1980-83), the individual contract law, too, was altered so that severance payments were subjected to an upper limit, which restricted the amount of severance payments regardless of workers’ length of employment (Ajans Tüba 1989: 19-24). This alteration substantially undermined the pre-1980 role of severance payments as disincentive against lay-offs, and rendered workers very vulnerable to the threat of dismissal during the post-1980 period. Although the new individual contract law enacted in 2003 obliged all employers to provide a ‘just cause’ for dismissals, the rise in unionization expected to be triggered by this law had not yet taken place by 2006.\textsuperscript{65} The difficulties involved in legal procedure and persistent high unemployment ensured that job security remained a permanent concern for workers despite new legal protection \textsuperscript{66} (Adaman \textit{et al} 2008:7).

Obviously, these conditions put trade unions in a very weak position vis-à-vis employers: while the threshold system forced trade unions to be permanently occupied with recruitment, the lack of employment security for individual workers created various routes for employers to avoid or manipulate unionization\textsuperscript{67}. For example, employers, by using the threat of dismissal, could always diminish the willingness of workers to unionize or could force them to affiliate with a cooperative union, thus, undermining assertive unions’ ability to qualify

\textsuperscript{65} Interview # 21/ 29.03.2006

\textsuperscript{66} Interview # 32/ 20.04.2006, Interview #41/ 02.05.2007, Interview # 51/ 16.05.2007

\textsuperscript{67} Interview #13/14.03.2006, interview #44/09.05.2007, Interview #51/16.05.2007
as bargaining agent for a particular workplace (Suğur/Suğur 2005: 279; Cam 1999: 704).

Another important difference between the pre- and post-1980 legal environments, which was crucial for organized industrial relations, was that according to the pre-1980 laws trade unions could organize strikes during the disputes arising from the bargaining process and they could also strike in order to deal with employers’ infringement of collective agreements (Jackson 1971: 72). However, the post-1980 legislation only allowed strikes, which were related to collective bargaining negotiations (Adaman et al 2008:7, Cizre 1991: 61). It was no longer possible to use strikes in order to prevent infringement of collective agreements (Nichols / Suğur 2005: 32). Obviously, this restriction undermined unions’ ability to pose threats considerably and reduced their attractiveness for workers who could no longer expect serious support from trade unions against arbitrary management decisions. This is considered by a prominent union leader as “the most important loss suffered by trade unions after 1980”.

Moreover, during the course of 1990s the increase in the use of temporary contracts and expansion of subcontract relations, too, had profoundly detrimental impact on unionization prospects (Adaman et al 2008: 9, Koç 1994:166-167). These developments also undermined the employment security of public sector workers who were hitherto enjoying relatively better position in this respect compared to private sector workers.

One can see that, in the post-1980 environment, in order to survive, trade unions were permanently obliged to recruit new members to remain above the thresholds, while all potential and actual members were subjected to job insecurity resulting from high unemployment and lack of proper legal protection. Moreover, attractiveness of membership was further reduced due to the limited ability of trade unions to pose threats against infringements of collective agreements by employers. Consequently, trade unions’ existence was largely depended on their ability to render themselves useful or at least not dangerous for employers instead of solely focusing on representation of workers’ interests. Not surprisingly, of more than 700 unions of the pre-1980

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68 Interview #13/14.03.2006, Interview # 31/20.04.2006
69 Interview # 41/ 02.05.2007
period only about 90 did survive in the new legal environment, and many of these survivors remained dangerously close to the sectoral threshold (Tokol 1997: 112-237; ÇSGB 1994b: 71). Consequently, by 1997 the union density declined to around 15 percent, almost half of the 1979 level (Cam 2002: 98) and by 2000s to perhaps around 10 percent (see figure 5.3).

Figure 5.3: Trade union density after the neo-liberal shift

70Here it is worthwhile reiterating that the official statistics of union density in Turkey are completely inaccurate and this is openly admitted by high ranking officials of the Ministry of Labour (Interview #35/26.04.2006); while for example, the members of the largest union in the textile & clothing sector is given in official statistics as around 330,000 in 2007, the real number was less than 40,000 (Interview #48/11.05.2007). Similarly the official number of workers affiliated with Türk-Metal, the largest union in the metal sector, was more than 280,000 by 2006 but the real number was no more than 95,000 (Interview # 24.04.2006). Therefore, the actual union density in the country is bound to be an estimation rather than an observed statistic. The graph is the result of my estimations based on the manipulation of various data sets provided by TÜIK and ÇSGB. The underlying assumption is that the best indicator for union membership is the number of workers covered by collective agreements (for details of the estimation procedure see Çelik 2003). The density given in the figure is the proportion of covered workers to formally employed workers. However, if one estimates the proportion of covered workers to all workers, the union density would be less than half of the numbers given at any point in the figure!! It is of importance to mention that there are other estimates of union density, which, for example, mention a decline from 46.9 in 1985 to 18.3 in 2006 (see the exact quote in Adaman et al 2008:9). The difference between various estimates essentially results from the moving average formula that is used in the estimation and the initial density that is assumed to be accurate. My inquiry suggests that considering the union density, as 46.9 in 1985 would be an overestimate. Therefore, I think my estimates (given in the figure) are better approximations to the real density.
Neo-Liberal Coordination Mechanisms

During the post-1980 period despite the official discourse praising the merits of free market, governments acquired unprecedented capacity for influencing the wage bargaining in organized industrial relations. This rather puzzling development should be interpreted in terms of the neo-liberal practice of “imposing state control over monopolies in order to return to the conditions of competition” (Hayek 2007 [1944]: 37). In this sense the reason for the need for coordination was obvious: by 1980 workers in the public enterprises constituted almost 35 percent of the entire workforce formally employed in the manufacturing sector. Although the privatization programme would gradually reduce the proportion of public workers to around 10 percent by 2001 (see, figure 5.4 and the privatization trend in figure 5.5), in the short and middle term the state could not avoid being the biggest employer who sets the wage patterns in the entire economy through public wages.

During the pre-1980 period there was no general government policy as to the wage levels in the public enterprises except for the failed attempt of wage moderation in 197871 (Tokol 1997: 153-155, Önsal 1990:8). For in an environment characterized by workplace level bargaining and strong trade unions, and in an accumulation regime, that is, import substitution, which depends on domestic purchasing power, neither the leap-frogging wages in the public enterprises nor the pattern setting influence of this for the private sector were worrying until the deep economic crisis of the late 1970s. However, this free wage determination in the public sector72 could not be allowed in the neo-liberal period where the private firms were expected to fix the wages in accordance with their position in the international markets without being influenced by any ‘non-market’ factor. Therefore, while during almost the entire import-substitution period, the coordination of the wages in the public sector was neither necessary nor desired, in the neo-liberal period in order to prevent the pattern setting influence of the public wages from

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71 Interview #65 / 26.09.2007

72 It is important to note that during the 1963-1980 periods public enterprises were affiliated with 10 different public employers’ organizations. Five of these organizations were affiliated with peak labour organization TISK until 1978. Moreover, before 1980 quite often there was a minister in the cabinets who was responsible for public enterprises (Tokol 1997: 129-131, Önsal 1990: 7-8). What is meant in the text is that despite this coordination capacity there was no coordination among public enterprises before 1980 except for the failed attempt of 1978.
interfering with ‘the market’ the bargaining in the public enterprises were to be centrally coordinated. In other words, in an economy dominated by public enterprises, competitiveness and flexibility in the private firms could only be established by creating a strict and centrally controlled public wage regime.

Figure 5.4: The proportion of public workers in manufacturing- the impact of privatization

The coordination during the period of military dictatorship (1980-1983) was quite easy because collective bargaining was prohibited and the supreme arbitration council appointed by the junta dictated the wage increases in all unionized workplaces (Boratav 2005:150). However, when the new industrial relations laws were enacted and free collective bargaining resumed (1984) a new institutional arrangement was to be made in order to enable governments to retain the same influence on the wage bargaining in the public enterprises. Accordingly, all public enterprises with few exceptions were made affiliates of the new Public Employers’ Organization73 (PEO) that would bargain with all the unions

73 The first step was the establishment of Public Enterprises Coordination Council in 1984. However, eventually in 1986 the Public Employers’ Organization was founded and it immediately affiliated with the peak employers’ organization (TISK). However, the actual process was rather complicated: after 1980 the number of public employers’ organizations was reduced from 10 to 3: KAMU-SEN, KAMU-İŞ and TÜHİS. However, all of these entities functioned in the same way and pursued the same wage policies (Interview #10/ 09.03.2006),
regardless of their official sectors (Tokol 1997:202-203, see figure 5.5). This arrangement would allow the governments to use public sector wage norms as a pattern setting mechanism for the entire manufacturing industry by using the PEO as the channel (see arrows 1&7 in figure 5.5).

The decision of keeping public enterprises out of sectoral employers’ organizations and making them members of the PEO regardless of sectoral differentiation was heavily criticized by employers who feared the emergence of a distinct public bargaining regime under the complete control of the government (Önsal 1990:9). Employers worried that if left alone governments might be tempted to act with “populist impulses” prior to the election periods and send “wrong” wage signals to the private sector74. In fact, in order to calm the employers down and to reveal that the PEO would function in accordance with the logic of the market and not that of politics, the government affiliated the PEO with the peak employers’ organization TİSK75 (see figure 5.5). For the same reason some key public enterprises in the metal sector were allowed to retain their affiliation with the sectoral employers’ organization MESS (see Önsal 1990:10), which is, as I reveal in the next section, the most influential industrial relations entity in Turkey.

Obviously, in a neo-liberal environment, all these arrangements which created and justified a centrally controlled public wage regime would make sense only if this regime sends signals for the price of labour to the private sector that are lower than the market clearance value (see arrows 1&7 in figure 5.5). In this way either the market would establish a price somewhere above the public wage norm or it would just follow the

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74 Interview #1/20.05.2005, Interview #12 / 13.03.2006
75 Interview #1/20.05.2005, Interview # 65/ 26.09.2007
norm; in either way firms would not be forced to pay more than the ‘market clearance’ value for the labour.

It is crucial to note that, as indicated above, the pattern setting effect of the public wages declined in the economy in its entirety as a result of the contraction of public sector through privatization (see figure 5.4). But the importance of public wages remained rather intact within the organized industrial relations for a simple reason: although organized industrial relations rapidly shrank in the private sector because of the detrimental impact of the anti-union neo-liberal legal framework (see the marginalization trend in figure 5.5) \(^76\), public sector remained largely unionized. Thus, the relative share of the public sector within shrinking organized industrial relations remained high (see the privatization and marginalization trends and arrow 1 in figure 5.5). Consequently, public wage norms retained their pattern setting influence within organized industrial relations through the entire neo-liberal period (i.e., until today) as repeatedly mentioned by an ex-president of the peak employers’ organization TİSK \(^77\).

Besides the public enterprises, the neo-liberal period in Turkey inherited another potentially ‘dangerous’ institution for ‘the free market’ from the previous era: the minimum wage. Since 1969 a tripartite commission was obliged to meet at least once every two years in order to determine the minimum wage level for the entire economy (see figure 5.5)\(^78\). The crucial importance of the minimum wage resulted from the fact that officially it would be the bottom line from where all the bargaining negotiations on wages, regardless of whether they are on collective or individual basis would start (see arrows 5 & 6 in figure 5.5). Thus, minimum wage influenced a very large segment of industrial relations. Obviously, any increase in the minimum wage would enforce

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\(^76\) Of course, besides the anti-union legal framework, the expansion of subcontract relations, increasing use of temporary contracts and expansion of informal employment, too, contributed to the shrinking of organized industrial relations (see Adaman et al 2008). However, the legal impediments were still considered the most formidable hurdles (Interview #34 / 25.04.2006).

\(^77\) Interview #1 / 20.05.2005, Interview #2 / 27.03.2006

\(^78\) Although there has been local and regional minimum wages since 1950s, minimum wage was properly introduced only in 1969. It varied across provinces until 1974 and then between 1974 and 1989 countrywide minimum wage was imposed with exception of forestry and agriculture sectors whose minimum wage was determined separately. Finally, from 1989 onwards there was a single minimum wage for the entire country and for all sectors. Actually minimum wage has two levels: one for those under 16 and the other one for those above 16.
employers to negotiate a higher wage level thus, the difference between the old and new minimum wage levels would be gained by workers without any ‘market based reason’. Therefore, in order to be able to establish the free market, the minimum wage, too, required to be handled with care by governments: it had to be low enough to prevent any trend that would force employers to pay more than they would under the conditions of no intervention.

**Figure 5.5: Neo-Liberal Coordination mechanisms and general trends**

Not surprisingly, after the neo-liberal shift in 1980 despite the tripartite appearance of the minimum wage commission, the minimum wage was entirely imposed by governments (see arrow 2 in figure 5.5). A labour representative who was a commission member more than a decade recalls that even if employer and worker representatives managed to agree on a wage level, the government representatives
discarded this agreement and determined the outcome unilaterally\textsuperscript{79}. However, many trade unionists blame the labour representatives in the commission who were always appointed by TÜRK-İŞ for being too docile and allowing government representatives to determine the outcome (see arrow 3 in figure 5.5)\textsuperscript{80}. On the other hand, according to an ex-Minister of Labour, the deliberations in the commission were never very important and in the post-1980 period it was the prime minister who always took the final decision regarding the minimum wage\textsuperscript{81}. Thus, one can argue that during the neo-liberal period the minimum wage, too, was transformed into a new coordination mechanism at the control of governments.

In short, during the post-1980 period, the collective bargaining systems in the private sector were subject to two influences which were determined by governments: Firstly, strictly controlled public sector wage regime has set a certain standard for all the sectoral bargaining negotiations (see arrows 1 & 7 in figure 5.5). Secondly, the minimum wage determined the bottom wage level in the entire formal economy and thus, marked the starting point for the wage negotiations in the sectoral bargaining rounds (see arrow 2 & 5 in figure 5.5). In order for the ‘free market’ to be established in the sense that the price of labour would not be influenced by any ‘non-market’ force, these coordination instruments had to be synchronized so as to send sufficiently low wage signals to the private sector in order to prevent any ‘artificial’ upward swing in the wages.

\section*{The neo-liberal laws and coordination in practice}

When the military dictatorship ended in 1983 after severely restricted elections, Turgut Özal, the brain of the neo-liberal project in Turkey, appeared as the head of the civilian government formed by his party ANAP. In January 1980 Özal was the one who, as an undersecretary, designed the necessary measures for the neo-liberalization of the economy and prepared the government decree, which declared the neo-liberal shift. After the government was toppled by the army in September

\textsuperscript{79} Interview # 41/02.05.2007

\textsuperscript{80} Interview # 34/ 25.04.2006

\textsuperscript{81} Interview # 64/ 27.09.2007
1980 he was appointed as the economy minister of the junta and was ordered to implement his neo-liberal programme. Özal was also very close to the business elite of the country: during the 1970s, before commencing his political career, he was the president of the formidable employers’ organization of the metal sector, the MESS (see Karakaş 1992: 112).

In November 1983 after the victory of his party in the first ‘free’ elections in which only those parties that were officially approved by the military could participate, Özal was standing as the prime minister. He was determined to continue with the neo-liberal reforms, and indeed it was he who designed the new coordination instruments that were essential for the establishment of free market. Therefore, the way in which these instruments would be used in the neo-liberal era should have been quite obvious for all the actors involved in industrial relations.

In fact, Özal would not be disturbed by any formidable opposition while implementing his neo-liberal programme in organized industrial relations. For despite the official end of the military dictatorship, the political conditions were far from being democratic: thousands of people were in prison on political charges, prominent politicians of the pre-1980 period were banned from politics, strict rules were imposed on governing and finances of trade unions, interference of union officials with politics was prohibited and finally, the freedom of speech and association were yet to be exercised after complete paralysis of the civil society during the dictatorship years.

**A Natural Experiment in the Metal Sector**

After the neo-liberal shift, the metal sector would employ the largest organized workforce in Turkey in terms of coverage and in average it would annually account for one third of the formally employed workers in the manufacturing industry\(^{82}\). While the bargaining coverage in other sectors were declining to less than 10 percent during the course of two decades after the neo-liberal shift (see figure 5.3), the average annual coverage in the metal sector remained around 30 percent and at some point reached the record high of 45 percent (TUİK 2007, TİSK 2007, 108)

Containment of Conflict in Organized Industrial Relations

Mess 1999. During the entire post-1980 period, the metal sector witnessed only one major strike, which spread across workplaces (see figure 5.2). Therefore, it may be considered as a neo-liberal environment dominated by organized industrial relations where industrial conflict is largely contained. Thus, it is an appropriate sector to zoom in (see metal sector in figure 5.5) for observing the natural experiment (i.e., the impact of gradual democratization on the state and organized industrial relations) that occurred in Turkey during the course of 1980s so as to test the hypotheses in the first row of the typology (see figure 5.1)

**FIRST PHASE: Evolution under isolation**

Having the institutional, legal and political conditions surrounding the metal sector in mind, it is now possible to commence the analogy of natural experiment by first scrutinizing the emergence and dynamics of the employer dominated bargaining system under the neo-liberal conditions of the early 1980s. This would be the first phase where a system (metal sector bargaining structure) is allowed to develop in isolation (from the impact of democratization) and the factors that contribute to its functioning (containing industrial conflict) are identified (see figure 5.6).

**Figure 5.6: Conflict patterns in Turkey and the first phase of the analogy of natural experiment**

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83 This statistic is the outcome of compilation and manipulation of various data from the mentioned sources.
I will first scrutinize the logic of collective action which rendered the establishment of the employer dominated bargaining system in the metal sector possible and then focus on the actors in this system to reveal the way in which collective bargaining serves their interests. The final step is to identify the factors that contained industrial conflict in the absence of democratization in the surrounding environment.

**The logic of collective action**

Employers’ organization of the metal sector, the MESS is the most influential, the best organized, and the most affluent industrial relations entity in Turkey. It was established in 1959 as one of the first employers’ organization and eventually it initiated the foundation of the peak employers’ organization TİSK. During the pre-1980 period in an environment characterized by hundreds of unions and workplace level collective agreements, the MESS was the leading proponent of sectoral collective bargaining. It was famous for its strict opposition to small trade unions, to existence of more than one trade union in a single workplace and to industrial action of any kind. According to the MESS, workplace unionism caused leap-frogging wage increases in the metal sector as each new workplace bargaining took the previous ones as its reference. Not surprisingly, the MESS welcomed the measures of neoliberalization in industrial relations. The new legal framework of the post-1980 period realized many of MESS’ goals: due to the thresholds workplace unionism was no longer possible and industrial action was strictly restricted. Moreover, Özal government allowed two major public iron and steel enterprises to retain their affiliation with the MESS instead of including them into the public wage regime. In this way the MESS would enjoy a strong presence in the iron and steel industry while avoiding any direct government interference in the metal sector bargaining dynamics. Now the MESS could establish its long-desired sectoral bargaining system and could set the pattern in the entire metal sector.

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84 Interview # 5/ 22.02.2006, Interview # 11/13.03.2006, Interview # 12 /13.03.2006, Interview # 59/23.05.2007

85 Although sectoral agreements could be attained in the metal sector during the 1970s, these were accomplished only after fierce struggles with trade unions (MESS 1999: 390-479).
However, the new legal framework had a peculiar feature: workplace unionism was prohibited but the workplace was still defined as the natural unit of bargaining. Collective agreements could be signed either for a workplace or for a group of workplaces while trade unions could only be sectoral. Hence, in theory, it was possible for sectoral trade unions to ask for different terms for each workplace and thereby continue workplace bargaining. Obviously, given the vulnerability of trade unions in the new neo-liberal legal framework, the more likely outcome would be that employers would dictate the conditions of bargaining in their workplaces as they saw fit regardless of harmonization attempts across the sector or perhaps they would quit the collective bargaining altogether by unrecognizing trade unions and determine the conditions of work unilaterally.

One can see that the new-legal framework by reducing the strength of the organized labour created three options for firms to determine the wage levels in accordance with their special needs without being disturbed by trade unions: i) not participating in collective bargaining ii) engaging in workplace level collective bargaining iii) participating in sectoral bargaining arrangements.

Therefore, one may conclude that the neo-liberal shift and its legal implications have substantially altered the logic of collective action for metal sector employers: while during the pre-1980 period they were motivated to act collectively in order to counter increasing strength and militancy of trade unions with which they could not cope with individually, the legal environment of the post-1980 period has provided them, at least in theory, sufficient individual strength to prevent or manipulate unionization. Thus, if there would be collective action among employers it had to be based on another logic than fighting militant unionism. In other words, from an entirely inter-class conflict perspective there was no pressing reason for establishing an encompassing sectoral bargaining system in the metal sector.

However, the analysis of the absolute and relative strength of the MESS indicates that there was indeed another logic of collective action among employers in the neo-liberal environment of the early 1980s and the MESS successfully captured this logic during the first eight years of the neo-liberal period: in these years the number MESS affiliates increased from 310 in 1980 to its historical maximum of 455 in 1988 (MESS 1999). In proportional terms this implied that by 1988 the firms
affiliated with the MESS accounted for almost 45 percent of the entire formally employed workforce in the metal sector (TISK 2007, TÜİK 2007).

The retrospective examination of the internal dynamics of the MESS reveals\(^\text{86}\) that in this period there were three main reasons for affiliating with the MESS and participating in sectoral collective bargaining: i) prudence (i.e., pre-empting re-emergence of militant unionism among skilled metal workers), ii) preventing the use of wages in competition among established firms, and iii) precluding new firms from entering the market by careful manipulation of labour costs.

Although all of these reasons were valid to some extent for all the MESS affiliates, one can argue that the prevention of the use of wages in competition was the main motivation of the automotive firms\(^\text{87}\) while precluding new entries to the market by using labour costs as obstacle might be attributed to the metal and white-goods producers belonging to the largest conglomerate in Turkey, Koç-Holding which has always been the most formidable force within the MESS\(^\text{88}\). Finally, the middle size firms from the foundry and auto-supplement sub-sectors seem to have been motivated by the idea that by affiliating with the MESS they would avoid the tensions resulting from workplace level bargaining\(^\text{89}\).

\(^{86}\) Not surprisingly, the MESS officials carefully conceal any sign of internal conflict. The retrospective analysis of this issue is even more problematic due to well-known reasons. Therefore, during the course of this research it was a formidable task to acquire some knowledge as to the internal tensions of the MESS. For this purpose I conducted interviews with some important sub-sectoral associations, which have overlapping membership with the MESS (these are not industrial relations entities in the sense that they are neither entitled nor desiring to undertake collective bargaining), with some prominent employers and with some experts familiar with the subject. Moreover, I also tried to 'put the pieces' together during my interviews with the MESS officials whose answers to questions regarding the internal conflict were at best indirect. The reasons for affiliation with the MESS and the intra-employer interest differentiations mentioned in the text are my interpretations of the arguments and answers given during these interviews (in total 12 encounters with 9 individuals representing different organizations and/or points of view). I argue that although there can be some speculations as to why certain groups within the MESS desire certain wage policies, these wage policies as well as the identity of the proponents of these policies mentioned in the following pages are beyond speculation or interpretation.

\(^{87}\) Interview #26 / 12.04.2006, Interview #29 / 18.04.2006

\(^{88}\) Interview #13 / 14.03.2006, Interview #14 / 16.03.2006, Interview #16 / 21.03.2006, Interview #27 / 12.04.2006

\(^{89}\) Interview #27 / 12.04.2006, Interview #29 / 18.04.2006
Obviously, so long as the wages imposed by the MESS were not unbearable, participation in the sectoral bargaining would be better than not having collective bargaining at all, for in this way any informal organization of workers at the workplace level would be pre-empted\textsuperscript{90}.

Indeed, one can see that, although inter-class conflict dimension have played some role, the primary reason for the enthusiasm for collective action among the metal employers during the first years of the neo-liberal period was the need of containing intra-class tensions resulting from the connectedness of firms.

**The logic of partnership**

Of course, this retrospective analysis should not obscure the difficulty of motivating metal employers to act collectively in an environment where they could freely choose the mode of bargaining without being threatened by trade unions. Indeed, in this environment the only way for the MESS to attain its goal of establishing a sectoral bargaining system was to convince as many employers as possible to act collectively so as to form a very large group of workplaces and sign a single agreement on behalf of this group. In other words, the MESS had to persuade employers that they would be better off by joining the group and thereby forgo the right to bargain individually with trade unions in spite of the fact that, thanks to the new laws, employers had achieved a dominant position in their workplaces vis-à-vis trade unions.

This predicament of the MESS was exacerbated further: for given that not all the workplaces in the MESS group will be organized by the same union, the MESS would have to convince different trade unions to accept identical collective agreements in order to attain a \textit{de facto} sectoral agreement. Obviously, trying to convince trade unions to accept identical agreements would create a fertile ground for (not-necessarily-cooperative) trade union alliances. Consequently, the emergence of non-cooperative trade union alliances would jeopardize the unity of employers and thereby undermine the harmonization attempts across the sector given that, individual employers, instead of confronting an alliance of unions collectively, could easily dominate or get rid of single trade unions at their own workplaces.

\textsuperscript{90} Interview #13/14.03.2006
Therefore, the MESS needed a union which, during the sectoral bargaining negotiations, would refrain from any assertive attitude and refuse to cooperate with other unions while being strong enough in the entire sector not to be endangered by the threshold conditions and thus, not to be intimidated by employers who might want to de-unionize their workplaces in case they did not want to comply with MESS’ bargaining policy.

When the threshold procedure for unionization was introduced in 1983 at the end of the military dictatorship, only 4 of the 23 trade unions in the metal sector were qualified as bargaining agents with which the MESS had to negotiate (MESS 1999: 396; ÇSGB 1994a: 77) Of these Türk-Metal proved to be the trade union which was capable of and willing to serve employers’ interests.

Türk-Metal has been a staunch supporter of ultra-nationalist ideology since its establishment in 1973. However, in the pre-1980 period it was affiliated with the bread-and-butter oriented and “non-political” confederation TÜRK-İŞ (Talas 1992: 158; Nichols et al. 2002: 34) instead of the ultra-nationalist confederation MİSK. Owing to this affiliation, Türk-Metal managed to continue its activities without interruption during the period of military dictatorship (1980-1983). During this period Türk-Metal also recognized the needs of the MESS, and revealed its willingness to cooperate by declaring that it did not see “any contradiction between the interests of capital and labour” (Nichols/Suğur 2005: 215). It would be the partner that the MESS was looking for.

Consequently, when collective bargaining resumed in 1984 under the new legal framework, the MESS and Türk-Metal established a system of bargaining which at least during the first years of its existence seemed to be capable of safeguarding all the interests represented within the MESS while containing industrial conflict. Now let us focus on this system.
Metal Sector Bargaining System

**Actors** (see figure 5.7): There were four bargaining unions between 1984 and 1991 in the metal sector bargaining system: leftist unions Otomobil-İş and Çelik-Sen91, liberal-Islamic Öz-Demir-İş92 and ultranationalist Türk-Metal. On the employers’ side, the MESS would be the only bargaining actor.

**Figure 5.7: Bargaining system in the metal sector** 93

*Functioning* (see figure 5.7): in this system bargaining negotiations were usually taking place every two years: first the MESS would sign an agreement with Türk-Metal (1) on behalf of those firms whose workers were Türk-Metal members and then the other trade unions which organized the other firms affiliated with the MESS were forced to accept

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91 Otomobil-İş and Çelik-Sen were independent trade unions.

92 Öz-Demir-İş was affiliated with the peak labour organization HAK-İŞ

93 See also figure 5.5
this agreement unconditionally (2 & 3 & 4). In this way it was ensured that all the firms included in the MESS group would have the same collective agreement regardless of the trade unions, which organized their workplaces\(^{94}\).

The wage level determined by this *de facto* sectoral agreement (1) was binding for all those firms affiliated with the MESS except for the public enterprises in the group\(^ {95}\). Moreover, it was considered as the wage ceiling in non-unionized workplaces\(^ {96}\). In this way this agreement was setting the pattern for the entire metal sector and it was also closely followed by other employers’ organizations in other sectors like textile & clothing and chemicals & petroleum\(^ {97}\) (Karakaş 1992:213).

From the MESS’s perspective, this bargaining system had two merits: Firstly, it could dictate its own terms quite easily while negotiating with Türk-Metal thanks to the latter’s principles of “considering the interests of the country more important than those of the union” and endorsing “dialogue and compromise” (Türk-Metal 2007: 8, 22). Secondly, the strict refusal of Türk-Metal to cooperate with the other unions prevented the emergence of formidable and assertive union alliances that might jeopardize the unity of employers. Indeed, Türk-Metal’s adherence to the policy of permanent appeasement with employers, and the determination of MESS for “not changing even a single line of the Türk-Metal/MESS agreement while negotiating with other trade unions”\(^ {98}\) have precluded the other unions from refusing to sign an


\(^{95}\) MESS (instead of enforcing its sectoral agreements in the two major public enterprises, İSDEMİR and ERDEMİR, which remained as its affiliates) was signing separate agreements on behalf of them with two different trade unions. I explore the reasons for this different treatment of public enterprises in the following pages.

\(^{96}\) However, in those firms which are unionized by Çelik-İş or Birleşik-Metal but which are not affiliated with the MESS there was a small possibility of exceeding this sectoral wage ceiling. Therefore, the recruitment efforts of Çelik-İş and Birleşik-Metal quite often appear as a threat to the export oriented medium size firms, which make just-in-time production as subcontractors. Turk-Metal further strengthens itself by offering these firms the protection from the other trade unions and wages lower than the sectoral wage. In other words, Turk-Metal also establishes partnerships in coercion at the workplace level. I explored this strategy elsewhere (Koçer 2007: 260-262).

\(^{97}\) Interview #2 / 27.03.2006, Interview # 21 / 29.03.2006, Interview # 60 / 23.05.2007.

\(^{98}\) Interview #16 / 21.03.06.
agreement, the terms of which were actually decided by Türk-Metal and the MESS. Consequently, the MESS managed to impose a de facto sectoral collective agreement and achieved a degree of harmonization across the sector while accommodating wide range of employer interests.

The most important advantage provided by this system for Türk-Metal was the permanent support from almost all the MESS employers, which ensured that Türk-Metal’s membership would expand and its finances remained secure. For this pattern of bargaining could only persist if Türk-Metal would be the strongest union in the sector so as to keep the workforce obedient and the other unions in check. To underpin this, the MESS members adopted a policy of closed shop: in the MESS workplaces which were unionized by Türk-Metal, new employees were forced to affiliate with Türk-Metal in order to start working (Nichols/Suğur 2005: 221), and members of Türk-Metal who contemplated leaving the union were threatened by employers with dismissal. In this way entering Türk-Metal workplaces was rendered extremely difficult for the other trade unions. In exchange for this support Türk-Metal allowed the MESS to pursue a sectoral wage policy in accordance with employers’ interests without being challenged by workers (Nichols / Suğur 2005: 209-211, Nichols et al. 2002: 29-31). Indeed, this relationship between Türk-Metal and the MESS may be named as partnership in coercion.

Consequently, Türk-Metal’s strength kept on growing while the other unions remained dangerously close to the sectoral threshold. Thus, they increasingly refrained from assertive attitudes during their negotiations with the MESS in order to avoid employer retaliations, which may lead to losing their workplaces to Türk-Metal or even to complete bankruptcy if they fall under 10 percent sectoral representation threshold. Accordingly, the main preoccupation of these trade unions became trying to organize public enterprises and firms, which were not affiliated with the MESS while retaining their MESS affiliated workplaces by accepting the MESS/Türk-Metal agreement unconditionally. In other words, their cooperation with the MESS was for mere survival.

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99 Interview #31 / 20.04.06.

100 Interview #30 / 20.04.2006, Interview #34 / 25.04.2006.

101 Interview #31 / 20.04.06, Interview #34 / 25.04.06.
Therefore, the relationship between the MESS and the other unions may be considered *coercive partnership*.

Indeed, during the period of 1984 and 1990 this system prevented industrial action while attracting new firms. Thus, the metal sector bargaining system appeared as a fine example of containment of industrial conflict in a neo-liberal environment through the partnership between trade unions and employers’ organizations. Now, as in the first phase of experiments let us identify the exact factors within this system, which were containing inter-class, intra-class and internal conflict potentials.

**Containment of Conflict**

The primary reason for the existence of the metal sector bargaining system was to contain intra-class conflict among employers. Therefore, I will first focus on this dimension and reveal the logic of containment, then I will move to inter-class and internal conflict dimensions. After devoting a special section for explicating the way in which the partnership in coercion between the MESS and Türk-Metal contributed to the containment of conflict at each dimension, I will point out the role played by the two external factors which were crucial for the containment of industrial conflict and could not be controlled by metal actors, namely, the new neo-liberal legal environment and neo-liberal coordination instruments.

*Intra-class conflict*

In order to comprehend the way in which the system reconciled the interests of different employer groups until the late 1980s it is essential to draw a picture of firm and sectoral level wage dynamics in this period. Figure 5.8, in its upper panel102, reveals the implications of the wage regime imposed by the MESS for some of its affiliates whose records could be traced for two decades in the available statistics and in its lower panel it depicts the relative position of the MESS-wage in the

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102 For this purpose I scanned ‘the biggest 500 firms in Turkey’ series which is annually published by Istanbul Chamber of Industry (ISÖ) and compiled the statistics about four firms that are affiliated with the MESS and represent distinct internal interest groups.
entire political economy. Now let us examine the position of each interest group within the MESS until the late 1980s by using this figure\textsuperscript{103}.

The competitive group, that is, mainly automotive firms were as usual contend with applying the same wage norms which were low but have not provided any advantage to any of them over others, due to their joint participation\textsuperscript{104}. This can be easily observed in the upper panel of figure 5.8 where the proportions of labour costs to sales are depicted for the two famous auto producers affiliated with the MESS.

The monopoly group, presumably the firms belonging to Koç Holding were also satisfied because the wages in the metal sector, though low, were kept higher than the public wage norms with the result that the entrance to those segments of the metal sector which were occupied by the MESS affiliates was significantly costly compared to other sectors\textsuperscript{105}. This can be seen by comparing the MESS wage with the average wage in all unionized sectors and the average wage in the metal sector in the lower panel of figure 5.8.

Finally, the middle size firms, mainly from foundry and auto-supplement industries were for the time being satisfied. They probably felt that wages were deliberately kept low for their the sake\textsuperscript{106} and having the bargaining outside the workplace saved them from the burden and tension of the direct confrontation with workers’ demands\textsuperscript{107}. It is clear from the upper panel of the figure that the middle size foundry firm affiliated with the MESS, which is chosen as the example has been

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\textsuperscript{103}It is important to note that during the 1980-1983 period there was no collective bargaining and Supreme Arbitration Council was determining the wage increases for those firms, which were included in the collective agreements of the pre-1980 period. However, the MESS was very influential in the Supreme Council decisions and one of its advisors was a permanent member of the council. Thus, it is reasonable to assume that the decisions of the Supreme Arbitration Council regarding the metal sector were taken by considering the desires of the MESS.

\textsuperscript{104}Interview #26/ 12.04.2006, Interview #29/18.04.2006.

\textsuperscript{105}Interview #16 / 21.03.2006, Interview #18 / 28.03.2006, Interview #19 / 28.03.2006, Interview # 31 / 20.04.2006, Interview # 34 / 25.04.2006.

\textsuperscript{106}Interview #13/14.03.2006.

\textsuperscript{107}Interview#27/12.04.2006.
spending increasingly less on labour costs as proportion of its sales, thanks to the wage policy of the MESS\textsuperscript{108}.

\textit{Inter-class conflict}

The inter-class conflict potential was not contained solely through the sheer coercion of workers by Türk-Metal. The MESS had to make some other arrangements to contain industrial conflict. As mentioned above, two very large public iron and steel enterprises, that is, ERDEMİR\textsuperscript{109} and İŞDEMİR, which employed more than 20000 workers, were allowed by the government to keep their affiliation with the MESS instead of being part of the public wage regime. The MESS was aware of the fact that workers in these enterprises could not be easily threatened by dismissal thus, they could easily take industrial action. For unlike managers of private firms the directors of public enterprises would not easily cooperate with the MESS and Türk-Metal in firing militant workers\textsuperscript{110}. Therefore, the MESS exempted ERDEMİR and İŞDEMİR from its sectoral agreement (see figure 5.7) and decided to sign separate workplace level agreements on behalf of these two enterprises with two different unions, with its partner in coercion Türk-Metal in ERDEMİR and one of its coerced partners Çelik-İş in İŞDEMİR. This policy was mutually accommodating for workers and the MESS. From the perspective of the MESS retaining the affiliation of these enterprises and thereby preventing them from joining the public employers’ organization PEO was crucial in order to avoid direct state intervention in the metal sector and to enjoy a strong presence in the iron and steel industry (see the PEO in figure 5.5).

\textsuperscript{108}Indeed to enhance compatibility of its wage policy with the diverse interests of employers the MESS introduced a flexible component to its sectoral agreements: the general structure of a usual MESS agreement implied a single wage increase for the entire sector but so-called social aid package which was in effect an extra monetary sum, had three levels. Thus, although all the firms were obliged to make the same wage increase, they were implicitly divided into 3 subgroups in accordance with the amount of social-aid they had to add on top of the wages. In this way the ability of the system to accommodate distinct subgroups of firms was enhanced.

\textsuperscript{109}ERDEMİR as the sole producer of flat iron products in Turkey was the most-wanted enterprise among unions. In the 1980s the ultra-nationalist Türk-Metal and leftist Otomobil-İş (eventually called Birleşik Metal) fought fiercely for obtaining the bargaining rights for ERDEMİR. In this struggle Türk-Metal has not only enjoyed MESS’s support but –according to Otomobil-İş– has also been illegally supported by the government which was anxious to keep much more militant Otomobil-İş out of ERDEMİR.

\textsuperscript{110}Interview #31 / 20.04.2006, Interview #34 / 25.04.2006.
Figure 5.8: The relative position the MESS wage and labour costs within some MESS affiliates

On the other hand, workers in these two enterprises were better-off by negotiating with the MESS rather than the public employer association PEO, for the latter, as mentioned above, was instrumentalized by the government to send low wage signals to the entire economy (see the public wage in the lower panel in figure 5.8). Thanks to these two

111 The MESS wages of the first three years are my estimations, which are based on a predictive model established by using TÜİK, MESS, TİSK and CSGB data series on average wages in unionized sectors, public wage, minimum wage and the mess wage in other years. The firm level data on labour costs are obtained by scanning ISO 500 statistics (which annually provide data on the biggest 500 firms in Turkey) for the MESS members and then assuming that all the workers in these MESS affiliates would be paid the exact MESS wage. These firms are chosen to represent interest groups within the MESS. However, the possible choices were constrained by the coverage and depth of ISO 500 statistics.
mutually accommodating logics, the MESS managed to separate the most formidable segment of metal workers from the rest by offering them higher pay and thereby reduced the possibility of industrial action by public workers while preventing direct state intervention in the metal sector dynamics.

The other crucial reason for the success in containing the inter-class conflict despite low wages was the careful manipulation of the effort bargaining at the workplace level. This was accomplished by the introduction of the metal sector task classification system in 1983 that contained the exact descriptions of 124 different tasks claimed to have existed in the metal sector which were grouped into 10 wage levels\textsuperscript{112} (Mess 1999c:547-549). Workers were consistently informed and reminded that the pay arrangements were not made according to the work or worker but according to the sophistication of the task\textsuperscript{113}. In this way increasing one’s income appeared possible by climbing in the hierarchy of tasks by acquiring more skills rather than solely demanding wage increase for one’s current task\textsuperscript{114}.

Obviously, the level of bargaining was also playing an important role in containment of industrial conflict: the collective bargaining negotiations were taking place somewhere else beyond the closed doors between Türk-Metal and the MESS enhancing the image that the outcome was not directly attributable to the immediate employers.

Finally, there was a curious coincidence of interest between workers and those employers who wanted to hold their monopoly in the sector by keeping the labour costs above the ‘market clearance’ value.

\textsuperscript{112} What I provided in figures 4.5 and 4.9 as the MESS wage is the average wage estimated by using all the task levels and social-aid packages.

\textsuperscript{113} Interview # 19 / 03.04.2006

\textsuperscript{114} There are two more possible reasons: firstly, connecting the remuneration to a fairly well described task rendered the effort demands of employers more legitimate while putting some limit on them. This simultaneously manipulated and reduced the intensity of the effort bargaining. Secondly, the prevalence of the same task system through the large segment of workplaces across the metal sector increased the conviction of workers that the effort required from a worker to accomplish a particular task and the wage-time bargaining associated with this task had some objective validity which cannot be attributed entirely to the excessive demands of employers. Indeed the overall impact of the task-classification system was to weaken the organic connection between wage-time and effort bargaining and this factor of disconnection was crucial in the containment of industrial conflict potential at inter-class dimension.
Due to this reason metal workers were relatively better off in terms of wages compared to workers in other sectors. This can be seen by comparing the average wage level in all unionized sectors and the MESS wage depicted in the lower panel of figure 5.8. However, it is very important to keep in mind that despite their relatively better wage position, metal workers were complaining about low wages and through the 1980s they have become increasingly more resentful\textsuperscript{115}. Thus, one should avoid considering the relatively high wages of metal workers as the sole or even the most important reason for the containment of industrial conflict while underestimating other factors.

\textit{Internal conflict}

It is also important to see how metal sector bargaining system was preventing short-term interest maximization for employers and workers in order to contain the internal conflict potential. The firms affiliated with the MESS were to make legally binding concession that they would not undertake collective bargaining at their own workplaces unless they officially disaffiliate from the MESS. Given that collective bargaining agreements were usually signed for two years and they, too, were legally binding, the firms which felt that due to some market fluctuations they would be better off by quitting the MESS were obliged to postpone their disaffiliation until the expiration of the existing collective agreement. Obviously, under these conditions it was not possible to respond to very short-term opportunities.

From workers’ perspective the most important impediment, which prevented the short-term interest maximization was essentially external to the metal sector. It was the severance payments arrangement in the national law. Workers were entitled to a lump-sum payment for every year of work unless they quit the existing job voluntarily. Obviously, this rule was decreasing the attractiveness of any short-term opportunity, which may seem tempting due to higher wages or less effort requirements. However, the MESS system, too, contributed to the prevention of the short term interest maximization by workers: as depicted in the lower panel of figure 5.8, the MESS wage was above the average wage in the metal sector thus, workers covered by the MESS

\textsuperscript{115} Interview #16/21.03.2006, Interview #33/24.04.2006.
system, despite their resentment for low wage levels\textsuperscript{116}, were still better off than other workers.

\textit{Partnership in coercion}

Obviously, despite the sophisticated arrangements of the task classification system, the sectoral bargaining and the relatively better-off position of metal workers as a lucky side-effect of intra-class tensions among employers, the coercion imposed on workers by Türk-Metal and the intimidation of other trade unions by the MESS were two essential ingredients of the system. Indeed, partnership in coercion was making contribution to the containment of conflict in all three dimensions: in the inter-class dimension by precluding the emergence of informal worker organizations with more assertive attitude, in the intra-class dimension by preventing the other trade unions to disturb participating firms and force them to quit the collective bargaining altogether, and in the internal conflict dimension by ensuring workers’ obedience to existing agreements.

\textit{External factors}

However, there were two more factors, which were essentially external to the metal sector bargaining system in the sense that they could not be controlled by ‘the metal actors’:

Firstly, the legal framework, which created the primary imbalance of power between employers and trade unions that allowed the partnership in coercion to emerge as a viable trade union strategy.

Secondly, the establishment and pro-free-market use of coordination instruments, which prevented the public wages and the minimum wage from sending ‘wrong’ signals to the metal sector. Indeed, the government policy of synchronizing these two coordination instruments in order to impose a very low wage trend enabled the MESS to impose sufficiently-low-high-wages compared to other manufacturing sectors which were unlike the metal sector closely following these wage signals (see lower panel in figure 5.8). As mentioned above, this was crucial for accommodating various intra-class interests simultaneously while easing the inter-class tensions and internal conflict by creating the feeling of relative well being among metal workers.

\textsuperscript{116} Interview #16 /21.03.2006, Interview #33 /24.04.2006
SECOND PHASE: democratization as a new factor

The analysis up to here was undertaken in analogy with the first phase of experiments where a system (metal sector bargaining structure) is allowed to develop in isolation (from the impact of democratization) and the factors that contribute to its functioning (containing industrial conflict) are identified. Since this phase is completed, now it is possible to move to the second phase where the system (metal sector bargaining structure) is exposed to a new factor (democratization) and the way in which its functioning (containing industrial conflict) affected by the new factor is observed (see figure 5.9).

Figure 5.9: Conflict patterns in Turkey and the second phase of the analogy of natural experiment

Of course, the essential argument is more indirect, what is sought is whether the impact of democratization on governments has some implications for the metal sector bargaining system, or more explicitly, whether the democratization would lead to pro-worker state interventions in the collective bargaining as envisaged by the alternative hypothesis (see lb in figure 5.1). Therefore, I first examine the historical events, which led to a degree of democratization in Turkey and reveal the impact of these events on the ruling government and then scrutinize the implications of these developments for the metal sector.

Democratization and its impact on governments

The military dictators of the 1980-1983 period not only imprisoned militant unionists and banned the leftist labour confederation
DISK but they also prohibited the political leaders of the pre-1980 era to take part in the political life in any form for ten years. Moreover, when the date of free elections was settled in 1983, all the new political parties were examined by the military in order to see whether they had any unwanted or potentially dangerous individuals as members. Consequently, of the 15 new political parties that wanted to participate in the elections of 1983 only three were qualified and two of these parties were somewhat supported by the military. Thus, the third one headed by Turgut Özal appeared as the only civilian alternative. It was this election, which elevated Turgut Özal to the position of prime minister as the head of his party ANAP. Özal government pursued the neo-liberal reforms relentlessly and adopted a very clear anti-union stand. Meanwhile, as expected, the coordination instruments (the public wage norms and the minimum wage) were effectively used to send sufficiently low wage signals to prevent any ‘artificially’ high wage level from being formed in the private sector. As explicated above, this was one of the crucial factors in the metal sector bargaining system.

In 1987 Özal, responding to the latent criticism that he owed his office to lack of competition in 1983 elections, held a referendum to determine whether the public was in favor of the political ban imposed on the prominent leaders of the pre-1980 period which prohibited them to take part in politics. Prior to the referendum Özal’s party heavily campaigned against the lifting of the ban. However, the outcome was with a very small margin against the ban. Consequently, old politicians re-emerged in the political scene as clear alternatives to Özal. In order to pre-empt their actions before they acquire sufficient organizational capacity, Özal called for early elections in 1987 and, though there was a considerable loss in votes, his party retained the leading position in the parliament. A year after elections “for reasons which are not altogether clear” at the time Özal held another referendum presumably to prove his popularity despite the emerging alternatives (Zurcher 2003:300). The outcome was a clear defeat. However, despite his promise of resignation in case of not obtaining support in the referendum Özal refused to leave the office. Five months later in March 1989 ANAP suffered yet another defeat: it dramatically lost in the local elections. This decline in government’s popularity was explained mainly by the persistence of high inflation despite the promise of stability given by Özal and the resulting

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117 Interview #64 /27.09.2007, Interview #65 / 26.09.2007.
“erosion in the purchasing power of average wage earners” (Zurcher 2003:300). Apparently a certain threshold in the tolerance of wage earners was exceeded and the government policy was contradicting with the “social and economic” reality (Yeldan 2001:49).

Shortly after the 1989 local elections and without initiation of trade unions, unprecedented types of wildcat protests against Özal government commenced in the public enterprises, which were included in the public wage regime (Koç 1998:165-166). Workers who took part in these actions not only enjoyed the support of the public but they were also encouraged by the opposition parties headed by the politicians whose ban was lifted by the first referendum (Çetik & Akkaya 1999:156, Mess 1999:386, Koç 1998:166, Karakaş 1992: 29, 39). Somehow the anti-Özal sentiment among public workers combined with the repeated defeats of Özal’s party in increasingly competitive political environment of the late 1980s triggered a spontaneous wave of protests. As the wildcat actions among public workers did not appear to be short-lived the hitherto inactive trade unions were compelled to join their rank & file. They also forced the reluctant and “above the political parties” confederation TÜRK-İŞ, virtually the only peak labour organization with some mobilization capacity, to participate in the rising wave of protests (Talas 1992:158, Koç 1998:101). Although TÜRK-İŞ had already adopted an openly anti-government stand since 1987 (Koç 1998:150) it was, as always, refraining from organizing street protests and instead was seeking ways to be recognized as a partner in policy making just like in the pre-1980 period (see Karakaş 1992: 212). However, as the anti-government protests gained momentum among public workers TÜRK-İŞ could no longer continue its rather soft opposition (see Karakaş 1992: 215). Consequently, it took the leadership of the wildcat actions and started to organize regional protest committees118. The climax was reached in January 1991 when the first general strike organized by TÜRK-İŞ (though just for one day) was followed by the march of mine workers from their city of Zonguldak to the capital. Although the joint action of the police and the army stopped the miners, their march enjoyed wide support and sympathy (Çetik & Akkaya 1999: 155-156, Karakaş 1992: 217, 227). In short, towards the end of 1980s in the wake of democratization, the mobilization potential of organized industrial

relations was suddenly activated and effectively politicized in order to protest the government.

Amid these developments in November 1989 Özal was elected by the parliament as the president and he appointed “a non-entity”, Yıldırım Akbulut, as prime minister whom he thought he could completely control (Zurcher 2003:302). Yet, rather surprisingly, the otherwise obedient new prime minister opposed the president Özal and refused to resist the demands of public workers (Karakaş 1992: 57, 89, 197-203). He would make a crucial alteration in the coordination mechanisms designed by Özal.

While since 1980 the public wage norms were unilaterally determined by the government and declared through the PEO119 (see arrow 1 in figure 5.5) somewhere in 1990120 the government changed its position, no doubt in order to stop the wave of protest121, and decided to make a gentleman deal with TÜRK-İŞ122: according to this new arrangement TÜRK-İŞ and government would jointly determine a common wage floor and the negotiations with the PEO and trade unions would start from this common level123 (see arrow 1 in figure 5.10). This in practice meant the abandonment of the PEO as a control instrument under the direct command of the government124. Therefore, the centrally controlled public wage regime could no longer perform the task for which it was created, that is, establishing free market by sending wage signals that are below the market clearance value to the private sector through

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119 As mentioned in the text, three different institutional arrangements have been made since 1980 in order to enable governments to determine public wages unilaterally: 1980-1983 Supreme Arbitration Board, 1984-1986 Public Enterprises Coordination Council and after 1986 the trio of KAMU-SEN & KAMU-İŞ & TÜHİS. For sake of clarity I refer to the last two arrangements as PEO and consider them as functional equivalent of the Supreme Arbitration Board.

120 The strict government control of public wages started to falter in 1990 though the permanent nature of the gentleman deal arrangement became visible after 1991.

121 The first gulf war which was fought on January 1991, proved to be very helpful to the government. The legal right of governments to postpone strikes in the case of explicit threat to national security was happily used by ANAP government in order to stop all the strikes in the country in January 1991.


124 Interview #9 / 09.03.2006.
coordination of collective bargaining in public enterprises. Now the public wage regime would do exactly opposite of what it was designed for.

In other words, in flat contradiction with the neo-liberal principles, one of the most crucial instruments that was designed to ensure determination of wages in accordance with market trends was transformed into a gentleman deal arrangement between the peak labour organization and the government. When in 1995 another government attempted to go back to the old arrangement of absolute government control over public wages, the public workers responded with wide-scale industrial action\(^\text{125}\), which prevented any change in the system (see figure 5.9). After this wave there would be no major widespread strike incident in the public sector. It is very important to note that the gentleman deal arrangement remained intact until today despite ten different governments, which ruled the country\(^\text{126}\) since 1991.

I argue that this shift in the nature of public wage regime was the direct outcome of the democratization process (in the technical & relative sense outlined by Storm 2008) that commenced in 1987 (see figure 5.9): as the political alternatives emerged due to the repeal of the ban imposed by the military and as the government failed to deliver economic stability, the public resentment (manifested through referenda and local elections) together with the encouragement of opposition parties first triggered and then transformed the spontaneous wildcat industrial actions in the public enterprises that were essentially directed against the public wage regime into organized political protest.

In other words, collective action potential of organized industrial relations has been mobilized for political change. More formally, due to the emergence of political alternatives, one of the key characteristics of democracy, that is, competitive elections, was introduced into the politics. This encouraged more open criticism of government policies and allowed accumulated resentment among wage earners to be manifested through politicized collective action. The government could not resist this

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\(^{125}\) Interview #65/ 26.09.2007.

\(^{126}\) Özal’s ANAP lost the early general elections of 1991 but of course Özal remained as the president of the country until his death in 1993. Between 1991 and 2007 Turkey was ruled by 9 different coalition governments. In the general elections of 2002, the AK party won a spectacular victory and started to rule as the first single party government after more than a decade.
reaction. Consequently, a crucial alteration in the institutional design of the neo-liberal political economy of Turkey was made (see figures 5.5 and 5.10).

**Figure 5.10: The new form of coordination mechanisms**

127 See also figure 5.5
**Limits of Democratization**

It is of crucial importance to keep in mind that the democratization of the late 1980s was by no means substantial because the neo-liberal legal framework, which severely undermined the freedom of association for workers remained entirely intact. Moreover, during the course of 1990s increasing use of temporary contracts together with the expansion of subcontract relations would have detrimental influence not only on unionization prospects in general but also on the willingness of public workers to take collective action. These developments enhanced the negative impact of the new anti-union laws on collective mobilization capacity of workers. Thus, it is possible to argue that although during the late 1980s there were relative improvements in the two indicators of democratization (civilian governments with executive power and competitive regular elections), there was no relative improvement in the third one (freedom of association) (see Storm 2008).

In other words, democratization altered only one of the two major neo-liberal reforms, that is, the strict government control on public wages was discontinued as politics became more competitive but the anti-union laws continued to have detrimental impact on organized industrial relations (see marginalization trend in figure 5.10 and see figure 5.3). None of the ten different governments, which ruled the country since 1991 attempted to alter the neo-liberal laws, which effectively undermined unionization prospects due to threshold obligations. Rather interestingly all the governments after 1991 pursued the policy of allowing pro-worker signals to be sent into organized industrial relations by the new gentleman deal arrangement but they all kept on enforcing the pro-employer legal framework.

**Preliminary Assessment**

As a first approximation, one can argue that this sequence of events lends support to the alternative hypotheses mentioned in the first row of the typology (see Ib in figure 5.1), that is, despite the neo-liberal idea of ensuring competitiveness and flexibility while leaving the wage determination to market dynamics, democratically accountable governments would be obliged to interfere with industrial relations in order to balance the interests of workers and employers in order to contain industrial conflict. However, it is necessary to be cautious. For what happened was a pro-worker alteration in the institutional design for the sake of calming down the public workers who still accounted for a
large segment of employment in the manufacturing sector by 1990 (see figure 5.4). What is important from the purpose of this study, however, is to assess the extent to which the developments generated by democratization, that is, political protests and subsequent institutional change (i.e., gentleman deal arrangement) influenced the employer dominated and partnership based bargaining system in the metal sector. For this purpose, now let us zoom back into the metal sector (see figure 5.10).

**The implications of democratization for the metal sector**

The implications of democratization for the metal sector bargaining system can be briefly stated as follows: in the short term the workers in one of the public enterprises which was included in the MESS system followed the example of public workers covered by the public wage regime and started to strike for higher wages. The MESS suffered a clear defeat in this incident. Soon the industrial action also permeated private firms covered by the MESS system and the MESS once again had to concede. The consequence of these concessions was the mass disaffiliation of middle size firms from the MESS. However, in the long term the system proved to be resilient and kept on functioning as usual on the basis of partnership in coercion and coercive partnerships (see figure 5.7). Moreover, in 1998 it successfully contained a major wildcat action through sheer coercion without making any concessions. Now let us focus on the details of these short and long-term implications of democratization, which provide some additional insight.

**Short-term implications**

During the period of 1989-1991 Çelik-İş, one of the coerced partners of the MESS (see figure 5.7), probably being aware of the changing attitude of government due to declining public support (manifested through series of election defeats and rising wildcat protests among public workers), refused collective agreement proposal of the MESS in the public enterprise İSDEMİR that was, as mentioned above, not included in the public wage regime, but remained as the member of the MESS. The MESS in order to prevent rebellion of public workers had been signing separate agreements in the İSDEMİR, which were providing higher wages than the sectoral agreement of the MESS. Although hitherto being included in the MESS system in this way was beneficial for İSDEMİR
workers due to persistently low wages imposed by the government in other public enterprises which were included in the public wage regime, now as governments’ attitude was changing İSDEMİR workers would no longer be better off. Consequently, Çelik-İş decided to go on strike in İSDEMİR to force the MESS to accept higher wages (Mess 1999a:157). The government, rather surprisingly, revealed its willingness to concede to the demands of Çelik-İş. However, it had no legal right for signing collective agreements in İSDEMİR. For, as İSDEMİR affiliated with the MESS, the government as an employer had abdicated from its right to sign collective agreements in İSDEMİR and it was the MESS who was the legal bargaining partner of the trade union Çelik-İş.

The shift in government’s attitude should have been astounding for the MESS: while used to enjoy free hand in the metal sector it suddenly had to not only struggle against Çelik-İş but also against the government who was pressing for the acceptance of union demands. However, the MESS proved to be tough enough to resist both pressures. Finally, the government ordered İSDEMİR’s general manager to accept the union proposal and sign the collective agreement without the MESS (Cumhuriyet, 21 September 1989). This was grossly illegal. Yet government’s decision prevailed and the MESS was defeated.

Obviously, during the turbulent years of 1989-1990 marked by widespread protests the government could not afford the major and quite popular strike in İSDEMİR to continue nor could it tolerate the stubbornness of the MESS. Consequently, from the perspective of the MESS, the strategy of having key public enterprises as its affiliates in order to prevent direct government intervention in the metal sector utterly failed: the government forcefully excluded the MESS and illegally discarded its bargaining position. However, the MESS took some counter measures too. Firstly, the İSDEMİR was expelled from the MESS for signing an illegal collective agreement. Secondly, the MESS retaliated against Çelik-İş by forcing workers to resign from this union128. Soon facing the danger of falling under the ten percent sectoral representation threshold Çelik-İş was compelled to amalgamate with Öz-Demir-İş (see figure 5.7).

However, the industrial action could not be contained, because during the İSDEMİR struggle the coerced partners of the MESS jointly

128 Interview #34/25.04.2006.
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decided not to follow the usual bargaining pattern in the metal sector which dictated them the conditions determined by the MESS and Türk-Metal (see arrows 2 & 3 & 4 in figure 5.7). Accordingly, in 1990 they refused to sign the sectoral agreement imposed by the MESS. As these unions formed an alliance and indicated their willingness to take industrial action against the MESS, the ability of the Türk-Metal leadership to contain its members’ discontent was thoroughly undermined and Türk-Metal was repeatedly accused of being a “yellow union” (Sönmezsoy/Aslıyüce 1991: 123). The leadership was no longer capable of keeping its workers in line unless concrete gains were provided. Thus, in order to retain its credibility and prevent mass exodus of their members to other unions, Türk-Metal was also compelled to organize strikes. Consequently, by 1990 the entire sector was on strike against the MESS and the sectoral bargaining system was in jeopardy129.

The MESS faced an awkward dilemma: in order to save the bargaining system which was essentially based on Türk-Metal’s strength, it needed to offer an agreement which would satisfy Türk-Metal’s rank & file and thereby grant a degree of credibility to the union leadership. However, any upward shift which, such an agreement would impose on wage levels would decrease the credibility of the MESS among its affiliates. For such a decision would indicate that the MESS could not accommodate all the interests represented within its ranks. Obviously, those firms which, participated in order to prevent wages to be used in competition (mainly automotive producers) would not be disturbed by an upward shift in labour costs as long as all of them remained within the MESS. Similarly, for the firms, which instrumentalized the MESS in order to retain their monopolistic position (mainly firms belonging to Koç Holding) the increasing wages, to a certain extent, would be a welcome development, which would enhance the obstacles in front of the potential competitors. However, the middle size firms that participated in the system to avoid direct confrontation with workers and to pre-empt any informal worker organization could not cope with any wage increase130.

129Interview #33/ 24.04.2006.

130Indeed the MESS in 1988 had already alienated its middle size affiliates by offering a relatively generous agreement in order to calm down the resentment among the Türk-Metal’s rank & file against the union leadership. This decision had triggered fierce internal reaction and caused the disaffiliation of 28 middle size firms which were employing 5.2 percent of the formally employed workforce in the metal sector.
In the event the MESS, instead of satisfying all of its affiliates, preferred to protect the bargaining system by making wage concessions at the expense of its own credibility. Consequently, in 1991 it offered the highest wage increase of the entire post-1980 period (see the right lower panel in figure 5.12). Although these wage increases did not satisfy Türk-Metal’s rank and file (MESS 2000: 469), they had devastating impact on the MESS in terms of the number of affiliates. As depicted in figure 5.11, the membership level started to decline so that between 1989 and 1992, the MESS lost 125 of its affiliates, that is, 30 percent of its 1989 strength in terms members. In fact, the trend of decline continued until 1995 and by then in total 187 firms had disaffiliated from the MESS (TUİK 2008, Mess 1999b). In other words, by 1995 the MESS had lost 43 percent of its 1989 affiliates. Analysis of this decline in terms of workforce reveals that 187 firms resigned from the MESS between 1989 and 1995 employed
only 7.4 percent of workers in the sector while the remaining 268 MESS members accounted for the 30 percent (see figure 5.10). Clearly the concession made by the MESS in order to save the bargaining system had mainly alienated the middle size firms.

The long-term implications

Despite all these developments the MESS system kept on functioning as usual after 1991. For, thanks to the wage increases, the resentment of Türk-Metal’s rank and file against the leadership could be, to some extent, kept under control\(^\text{131}\). Consequently, from 1992 onwards the MESS and Türk-Metal resumed their partnership in coercion. Moreover, the amalgamation of Çelik-İş with Özdemir-İş, as a result of the retaliation of the MESS against Çelik-İş reduced the number of potentially dangerous trade unions in the system while not substantially strengthening any of them (see figure 5.7). Moreover, the dismissal of the public enterprise İSDEMİR from the MESS reduced the likelihood of spread of industrial action from public enterprises into the metal sector and prevented any direct intervention of the state with the MESS system as happened in 1990. Therefore, despite the short term defeats suffered by the MESS, the employer-dominated nature of the metal bargaining system resumed after the stormy period of 1989-1991. However, beyond this appearance of continuity, there were three important changes each of which influenced the ability of metal sector bargaining system to contain industrial conflict in a different way:

Firstly, after 1990, workers in the field of organized industrial relations including those in the metal sector were better off compared to 1980s due to the pattern setting influence of the new gentleman deal arrangement in the public sector which consistently imposed upswing to all wages in the private sector (see arrow 1 in figure 5.10 and lower panels in figure 5.12). Consequently, during the course of 1990s and 2000s the field of organized industrial relations has become “a shrinking island of privileged union members” (Adaman et al 2008:12). In this sense the overall resentment in the organized industrial relations and in the metal sector has declined. This was a factor, which facilitated containment of industrial conflict in the metal sector.

Secondly, the position of the metal bargaining system in the entire political economy has changed. For the public wage regime after the

\(^{131}\) Interview #33 / 24.04.2006.
establishment of the gentleman deal arrangement was sending quite high wage signals to the private sector and consequently, as depicted in the right lower panel of figure 5.12, the difference between the average wage in all unionized workplaces and the MESS wage has substantially declined. Indeed, due to the large share of the public sector in organized industrial relations\(^{132}\) bargaining systems in all sectors were, as usual, following the public wage signals but since these were not the lowest possible signals, the MESS could no longer afford to exceed them. The reason for this can be seen by examining the upper right panel of figure 5.12, which reveals the impact of the new wage regime on the same firms, which were scrutinized in the previous section (reproduced in the upper left panel of figure 5.12). Despite the overall increase in the wages after 1990, and despite the expansion of the workforce employed by these firms, the proportion of their labour costs to sales has remained more or less the same as in the 1980s.

From an optimistic perspective, this can be perceived as a win-win outcome, which satisfied employers and workers at the same time. However, this also meant that if after 1990 the MESS wage were to exceed the public wage in order to retain its relatively high position compared to other wages as happened in the 1980s, the distribution of sales’ revenue into profit, wage and raw material components would have to be redefined in the affiliated firms. Thus, although by sacrificing its middle size affiliates the MESS could meet the demands of workers in 1991, after that year it was no longer possible to exceed the public wage with a wide margin without causing major changes in the business strategies of its members.

\(^{132}\) The importance of public wages remained intact within the organized industrial relations despite privatization because of a simple reason: while organized industrial relations has rapidly shrank in the private sector because of the detrimental impact of the anti-union neo-liberal legal framework, public sector remained largely unionized thus, the relative share of the public sector within shrinking organized industrial relations remained high (see the privatization trend and arrow 1 in figure 5.5).
Figure 5.12: The relative position of the MESS wage and labour costs within some MESS affiliates before and after the democratization process\textsuperscript{133}
In other words, the structural boundary of concessions has been reached. Thus, one can see that due to the emergence of the gentleman deal arrangement in the public sector, one of the important factors that contained the inter-class conflict potential within the metal bargaining system, that is, the relative well-being and the resulting isolation of metal sector workers from other sectors, has disappeared. Now, one could expect metal workers to be sensitive to wage improvements in other sectors and adjust their demands accordingly. However, these demands could only be met if the firms affiliated with the MESS agree to make substantial changes in their business strategies. In this sense ignition of industrial conflict in the metal sector has become more related to the developments, which could not be controlled by the MESS and Türk-Metal but making concessions for the sake of maintaining the industrial peace has become more difficult.

Finally, due to the high wages in the public sector, which were accompanied by relative improvement in the minimum wage (see lower left and right panels of figure 5.12), the external conditions that encouraged metal workers to revolt against the MESS system in the late 1980s have disappeared. As depicted above, the industrial action against the MESS commenced after widespread wildcat protests of public workers against the government, which also permeated one of the major public enterprises included in the MESS system. Moreover, the whole society was very sympathetic to these industrial actions due to overall resentment triggered by declining purchasing power, which resulted from deliberately low wage signals sent by minimum wage and public wage under the conditions of high inflation. In other words, metal strikes against the MESS system were encouraged and protected by the general anti-government mood of the period. However, after 1991, although high inflation continued to be a major problem, no other government would consistently impose very low minimum wage and thanks to the gentleman deal arrangement public wages would also never be

134 Except for the monopoly firms, which, as depicted in the upper panel of the figure, still had some leeway for higher wages. Obviously, unless they force all other firms to make structural changes, the monopoly firms could no longer rely on relatively high labour costs in order to prevent emergence of competitors. However, under these conditions seeking foreign markets by using relatively low labour costs as a competitive advantage was more preferable to trying to protect their domestic monopoly at the expense of the unity of the MESS system. Consequently, during the 1990s there was no longer a match between the interest of the workers and the interest of the monopoly firms that used to result in relatively high wages in the 1980s.
consistently kept down as happened in the 1980s. Indeed, as mentioned above, the only major (i.e., cross workplace) public strike of the post 1990 period took place in 1995 mainly to prevent the dismantling of the gentleman deal arrangement135 (see figures 5.9 and 5.10). The main reason for industrial action in the public enterprises after 1991 has been the threat of privatization (see Berber 2005:99). Obviously, the increasing use of temporary contracts and subcontract deals in public enterprises, which rendered public workers replaceable should have also undermined their willingness to undertake collective action. Finally, during the course of 1990s and 2000s for the large part of the society the dynamics of organized industrial relations have become irrelevant as this segment of the labour market was further reduced (see the privatization and marginalization trends in figure 5.10 and see figure 5.3) and only accounted for approximately 10 percent of the formal employment. Indeed, as mentioned above, during this period from the perspective of the larger society, organized industrial relations have become “a shrinking island of privileged union members in a vast sea of underprivileged workers” (Adaman et al 2008:12). Therefore, in the 1990s metal workers would no longer enjoy the external conditions that might be conductive to revolting against the MESS system. In this sense one could argue that suppression of any industrial action in the metal sector through sheer coercion has become easier.

The interaction of these three changes was clearly demonstrated in 1998. In that year metal workers probably due to the developments in other sectors (see the lower right panel in figure 5.12) were convinced that a good agreement was possible136. In order to contain their resentment Türk-Metal gave explicit promises not to sign any agreement with the MESS unless a satisfactory wage level was attained137. However, the leadership did not keep the promise and signed an agreement, which provided meagre wage increases (Radikal, 21.09.1998). As a reaction thousands of Türk-Metal members revolted against the leadership. They stopped working and walked together to the closest public notary, resigned from Türk-Metal and joined the other unions (Nichols & Suğur 2005: 219). It seemed like Türk-Metal leadership lost control over its

135 Interview #65 / 26.09.2007.
137 Interview #31 / 20.04.2006.
rank & file and consequently, the metal sector bargaining system once again appeared to be in jeopardy. However, unlike in 1990 there was no overall mood of resentment in the society and public workers, even those in the metal sector, were not taking any industrial action. Metal workers were isolated. Consequently, the MESS acted with determination and urged all the affiliated firms to take counter measures to suppress the rebellion; accordingly workers were presented with a straightforward choice by their employers: those who refused to re-join Türk-Metal would be dismissed. Many workers who just joined the other unions grudgingly went back to Türk-Metal in order to save their jobs. This time, unlike in 1991, neither the MESS nor Türk-Metal had to make any concessions to workers: the coercion factor jointly used by them proved to be sufficient to contain the industrial conflict.

Assessment

In line with the analogy of natural experiment, the crucial issue is to determine the degree to which the metal sector bargaining system could continue to function independent from the developments triggered by the democratization.

It is clear from the analysis that after the democratization of the late 1980s all the factors, which hitherto enabled the MESS to contain industrial conflict including the partnership in coercion with Türk-Metal proved to be incapable of preventing the wave of industrial protest in the country from expanding into the metal sector. The resulting decision to sacrifice middle-size firms for the sake of saving the bargaining system effectively ended the long-term goal of the MESS, that is, establishing a very encompassing bargaining structure in the metal sector. Moreover, the humiliating and illegal state intervention in the metal sector during the İSDEMİR strike also proved that the MESS while trying to cope with worker unrests could not rely on adherence of governments to the neo-liberal principle of adopting a detached and pro-employer stand. Due to the democratization, the state actions could no longer be predicted by taking prescriptions of neo-liberalism as reference. Thus, (in the short term) the events triggered by democratization revealed that the ability of the MESS to contain industrial conflict and to enjoy a pattern setting

influence in the metal sector was largely dependent on the position of governments.

The long-term impact of democratization, too, was remarkable. After 1990 metal workers, like all others in organized industrial relations, started to enjoy better wages compared to the 1980s. However, they were made more susceptible to wage developments in other sectors, which were beyond the control of the MESS and Türk-Metal. At the same time the ability of the MESS to make wage concessions has considerably declined. This meant that although the likelihood of industrial action might have relatively decreased in the 1990s, in the case of any industrial action the likelihood of the MESS and Türk-Metal to use sheer coercion increased. Moreover, during the course of 1990s the public workers started to enjoy more privileged position thanks to the new gentleman deal arrangement. At the same time their confidence in the security of their jobs thus, their inclination for industrial action declined due to the expansion of temporary contracts and subcontract deals. Consequently, the likelihood of de facto alliance between public workers and metal workers has also substantially decreased. Therefore, it was clear that metal sector workers could not rely on, or be encouraged by, resentment in public enterprises as in the late 1980s. The persistent shrinkage of the relative size of organized industrial relations due to the anti-union neoliberal legal framework (which remained intact despite democratization) also contributed to the isolation of metal workers from the larger society. Indeed, from the perspective of larger society, demands of the “privileged” workers in the “shrinking island” of organized industrial relations lost their legitimacy (Adaman et al 2008).

All these factors while discouraging industrial action increased the effectiveness, and also perhaps, the necessity of coercion as an instrument of containing industrial conflict within the metal sector. Consequently, the partnership in coercion between the MESS and Türk Metal remained intact and continued to play a crucial role.

Therefore, one may argue that the democratization in the country and its impact on governments reshaped the dynamics of the entire organized industrial relations and consequently, the way in which the conflict was triggered and contained in the metal sector, too, has changed.

However, it is difficult to assess who benefited more from this change. The MESS clearly understood that it could not rely on its legal prerogatives in order to resist government interference when the latter
was in a pro-worker mood, due to societal reactions manifested through political protest. Although dismissing the public enterprise İSDEMİR from the MESS was a measure to prevent repetition of such an incident, the lesson was clear: *governments could not be entirely trusted*. Thus, the immediate beneficiary of democratization was workers who managed to obtain unprecedented wage increases and enjoyed a new wage level afterwards. However, in the long run this relatively better wage level proved to be difficult to improve further or entirely maintain. Moreover, the MESS & Türk-Metal cooperation also remained intact. For the democratization by creating better conditions for public workers, by decreasing the level of austerity in the entire society and yet by keeping the neo-liberal anti-union legal framework intact prevented de facto alliances between public workers, larger society and metal workers. Consequently, the likelihood of political mobilization of the collective action potential of organized industrial relations has substantially declined. This effectively reduced the mobilization capacity of metal workers. As clearly depicted in the 1998 incident, when metal workers acted alone they proved to be very vulnerable to employer retaliation and they could not expect any help from governments.

Thus, one may argue that the democratization has changed the way in which conflict was contained in the metal sector in a rather subtle way: it did not entirely favored workers but instead it redefined the conditions of employer domination. The metal sector bargaining system in its entirety remained employer dominated but workers enjoyed relatively better conditions. In this new situation both parties were in different ways constrained: due to the reduced mobilization capacity it was difficult for workers to challenge employer domination but employer domination was not absolute; in the case of wide spread worker unrests and public sympathy, government interference in favor of workers was a possibility to be taken into account. *No party could consider the state as its own permanent ally.*

**Discussion**

How can one relate these findings to the competing hypotheses? Is the containment of industrial conflict in neo-liberal environments the outcome of employer dominated bargaining systems which function on the basis of partnership between employers and trade unions (i.e., the neo-liberalization of collective bargaining) or is it generated by pro-
worker interventions of democratically accountable governments in these bargaining systems?

The analysis in this chapter shows that employer dominated bargaining structures could indeed effectively contain industrial conflict. However, their ability to accomplish this was conditioned by the existence of some complementary factors, which were to be permanently reproduced by governments. The analysis, first of all, shows that under the conditions of democracy one could not expect governments to persistently provide this immediate external support.

As depicted above the metal sector bargaining system has been containing industrial conflict during the 1980s by using a set of factors and mechanisms which could be controlled or created by actors within the metal sector such as the task classification system, high-bargaining level, relatively better-off position of metal workers, the coercion imposed on workers by Türk-Metal and the intimidation of other trade unions by the MESS. However, these factors and mechanisms were effective so long as the power distribution between employers and workers remained unaltered and the position of the metal sector in the entire political economy was stable, that is, wages in other sectors were low. These two external conditions, however, were to be satisfied by governments: first, through the enactment and enforcement of the neo-liberal legal framework, which rendered employers capable of bullying workers and trade unions, and second, by the establishment of coordination instruments, which allowed the public wages and the minimum wage to be used for sending deliberately low wage signals to the economy. The legal framework allowed partnership in coercion between the MESS and Türk-Metal, that is, the core element in the metal bargaining system, to appear as a viable strategy. The low wage signals sent through public wages and minimum wage, on the other hand, preserved the relative position of the metal sector in the entire political economy which, in turn, enabled the MESS to offer sufficiently-low-high-wages that allowed it to accommodate wide range of employer interests while creating relative well being among metal workers. Thus, the ability of employer dominated bargaining system in the metal sector to contain industrial conflict was dependent on the way in which governments enforced the legal framework and used the coordination instruments.

So long as neo-liberalism remained as guiding principle, there should be no reason to suspect that governments would consider other
ways of manipulating these two factors. This is because the way in which legal framework was designed and enforced (i.e., pro-employer) and coordination instruments were used (i.e., sending low signals) in the 1980s were based on the principles of neo-liberalism: they were, besides helping metal sector bargaining system in specific ways, essentially enhancing competitiveness and flexibility in the entire organized industrial relations by preventing interference of ‘non-market forces’ (that is, assertive trade unionism and pattern setting above the market clearance value) with ‘market dynamics’. Had there been no change in the way in which these two factors were manipulated by governments, then one could argue that in neo-liberal environments the employer dominated bargaining systems would be the main source of industrial peace in organized industrial relations as envisaged by the first hypothesis (see la in figure 5.1).

However, the analytical examination of the impact of the democracy factor, as one of the common empirical features of neo-liberal environments revealed that one could not expect consistent pursuit of neo-liberalism by governments when they are democratically accountable. The preceding analysis indicates that the austerity policy of Özal governments could not be continued after clear political alternatives emerged as a result of democratization. As mentioned above, once the politics have become an increasingly competitive field after 1987, the resentment created by the pro-market use of coordination mechanisms triggered wildcat industrial actions in the public sector, which were encouraged by the opposition politicians and approved by larger society. In other words, full-fledged pursuit of neo-liberalism has created a de facto alliance between all wage earners in the society. Democratization allowed this alliance to revolt against the government and to articulate its resentment through political mobilization of collective action potential embedded in organized industrial relations. As a result of these developments government was compelled to convert the neo-liberal coordination mechanism of the public sector into a gentleman deal arrangement, that is, deviating from the neo-liberal course in order to cope with the political crisis.

As depicted above the employer dominated bargaining system of the metal sector was seriously influenced by the political mobilization triggered by democratization and the resulting alteration in the institutional structure. Direct state intervention in favor of workers, wide scale industrial actions, unprecedented wage increases, mass
disaffiliation of middle size firms, and loss of relative position of metal sector in the political economy were the implications of the democratization process on this bargaining system. Obviously, the metal system could prevent mobilization of the collective action potential of metal workers so long as they were isolated from public workers and not encouraged by wide spread societal resentment. However, it was beyond the power of metal sector bargaining system to cope with industrial conflict when it appeared as a part of societal protest. In other words, social peace was to be ensured for the employer dominated bargaining system in the metal sector to function.

Thus, one can argue that, besides the immediate complementary factors (pro-employer laws and low wage signals) that were to be provided by governments which at first glance appeared to be essential for continuation of the containment of industrial conflict by employer dominated bargaining systems, there was indeed a more obscure but more important condition that needs to be permanently reproduced by governments for successful functioning of such systems: preventing wide ranging societal resentment against neo-liberalism which may, by creating \textit{de facto} alliances between all wage earners, cause political mobilization of the collective action potential embedded in organized industrial relations. It was clear that in case of such political mobilization the employer dominated bargaining systems could no longer function.

Rather paradoxically, the sequence of events revealed in this chapter indicates that the only way of preventing political mobilization in organized industrial relations under the conditions of democratization was deviation from the neo-liberal course, making some pro-worker interventions so as to reduce the tension in the society and in this way preventing \textit{de facto} alliances between different segments of wage earners. This shows that some of the immediate complementary factors (such as low wage signals) required from governments by employer dominated bargaining systems may be sacrificed for the sake of preventing wide range societal resentment, which proved to be fatal for such systems.

\textit{The policy mix which ensured this outcome was allowing pro-worker signals to be sent into organized industrial relations by the new gentleman deal arrangement while enforcing the pro-employer legal framework. All governments after democratization persistently pursued this policy.}
Consequently, the way in which industrial conflict was contained in the metal sector was redefined: workers’ conditions were better compared to the 1980s and they were more inclined to be influenced by developments in other sectors. However, in the case of industrial action the possibility of establishing *de facto* alliance with public workers or enjoying popular support has been severely reduced. Thus, the likelihood of the MESS and Türk-Metal to successfully use sheer coercion in order to contain industrial conflict has increased. In other words, after the immediate impact of democratization the situation in the metal sector stabilized and the industrial conflict started to be contained once again by the employer dominated bargaining system but under different conditions and in a different way. *For due to the government policy of preventing political mobilization within organized industrial relations, which required a degree of deviation from neo-liberalism at societal level, the terms of neo-liberalization of collective bargaining at sectoral level had to be re-adjusted. However, it was obvious that without this deviation from neo-liberalism at macro level the neo-liberalization of collective bargaining was no longer feasible.*

**Conclusion**

Having these observations in mind, if we revisit the competing hypotheses (see the grey area in figure 5.1), it is clear that although employer dominated bargaining systems (that is the neo-liberalization of collective bargaining) appear to be crucial in containment of industrial conflict, the functioning of these systems under the conditions of democracy was possible only if governments make some pro-worker interventions in these systems as well as in the economy and institutional structure. Therefore, one can argue that the developments envisaged by the alternative hypothesis, that is, pro-worker interventions of the state, appear to be essential for the first hypothesis to be valid. Consequently, within the limits of this analysis, one can argue that in neo-liberal environments and in the field of organized industrial relations what makes containment of industrial conflict possible is the key role played by the state.

This implies that the alternative hypothesis captures a fundamental feature of neo-liberal environments (see lb in figure 5.1). However, the analysis in this chapter did not focus mainly on this
hypothesis and thus, there remain four questions to be scrutinized further:

First, as mentioned above after the democratization all governments pursued the same industrial relations policy in Turkey: while enforcing the pro-employer legal framework, allowing pro-worker wage signals to be sent into organized industrial relations by the new gentleman deal arrangement. The purpose of this policy was to prevent political mobilization of collective action potential embedded in organized industrial relations. Other than lack of mass industrial action, is there any concrete evidence that this policy indeed prevented the politicization of organized industrial relations?

Secondly, this government policy, due to the anti-trade union nature of the legal framework was increasing the relative size of unorganized industrial relations. What were the implications of this for the ruling governments and for the neo-liberal project?

Thirdly, to what extent this government policy and thus, the dynamics of organized industrial relations have been influenced by economic developments, that is, by contractions and expansions of economy, which are beyond the control of governments?

Finally, how can we explain the persistent pursuit of this policy by ten different governments? Is there any meta-principle of the state within industrial relations, which operates regardless of differences between governments?

I will tackle these questions in chapter 7 where I exclusively focus on the role of the state in industrial relations.
Chapter 6
Containment of Conflict
in Unorganized Industrial Relations\textsuperscript{139}

Overview
This chapter focuses on the second row of the typology (see the grey area in figure 6.1). This row contains two hypotheses regarding the containment of industrial conflict in unorganized industrial relations, which are, for the sake of analytical clarity, posed as competing alternatives. Both hypotheses are derived from the idea that the feeling of injustice among workers, which remains unchecked in unorganized industrial relations, is the essential ingredient, which triggers industrial action.

Figure 6.1: The focus of the chapter

\begin{tabular}{|c|c|}
\hline
Excluding the State & Focusing on the State \\
\hline
\textbf{I a} & Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships \\
\hline
\textbf{II a} & Industrial conflict is contained by the correction of injustices by non-state actors (NGO's consumer groups and international networks) \\
\hline
\textbf{II b} & Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers \\
\hline
\end{tabular}

\textsuperscript{139} Another version of this chapter is accepted for publication:

The first hypothesis (see IIa in figure 6.1) claims that the correction of injustices by non-state actors, that is, NGO’s, consumer groups and international networks may contain the industrial conflict. This claim interprets the activities of these non-state actors as a reaction triggered by the deterioration of workers’ conditions in neo-liberal environments due to the expansion of unorganized industrial relations and increasing internationalization. The expectation is that non-state actors would organize international campaigns against firms, which benefit from unorganized industrial relations, and force them to correct at least the most excessive injustices perceived by workers and thereby prevent industrial action.

On the other hand, the alternative hypothesis (see IIb in figure 6.1) claims that in unorganized industrial relations direct or indirect attribution of the blame of injustice to the state\textsuperscript{140} rather than employers contains the industrial conflict. This claim is derived from the idea that if workers are convinced that the injustice is not created by their immediate employer but it is generated either by impersonal trends or some policies, which can only be manipulated by governments then they will not take industrial action but instead they would express their grievances in the political process.

The dynamics in Turkey’s textile & clothing sector as a neo-liberal environment, and its interaction with international production chains offer appropriate empirical circumstances for examining these two hypotheses. In this chapter, by focusing on this case and mainly scrutinizing the validity of the first hypothesis (see IIa in figure 6.1), I show that under certain conditions non-state actors, through private labour regulation, may force firms to shift their position in unorganized industrial relations and in this way they may decrease the conflict propensity but in the last analysis what contains industrial conflict, even in those circumstances where private labour regulation appears to be effective, is the careful management of the feeling of injustice by

\textsuperscript{140} It is worthwhile reiterating that government, in this study, is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.
governments through minimum wage which renders the realm of public politics relevant for the expression of grievances. Thus, I demonstrate that the alternative hypothesis (see IIb in figure 6.1) provides a better explanation for containment of industrial conflict in unorganized industrial relations.

In the following pages, before commencing the empirical analysis, first, I draw a general picture of international production chains and unorganized industrial relations before and after the rise of neo-liberalism in order to depict the historical relevance of competing hypotheses in the second row of the typology and then I explain the reason for choosing Turkey’s textile and clothing sector as the test ground for examining these hypotheses. Secondly, I provide a detailed analysis of the wage and conflict dynamics in the sector in order point out the way in which the state, through minimum wage and the non-state actors, through private labour regulation, could influence these dynamics. Thirdly, I provide in depth analysis of three firms in order to show how codes of conduct work in practice and interact with the mechanisms controlled by the state. Finally, I zoom back into the general picture, draw some general conclusions and point out some questions about the alternative hypothesis (see IIb in figure 6.1) that remain unanswered.

**Historical relevance of competing hypotheses:**

**unorganized industrial relations and neo-liberalism**

The rise of neo-liberalism in the early 1980s marked a clear shift in the way in which governments defined their relationship with the transnational corporations in many developing countries. This shift was crucial for the expansion of unorganized industrial relations and the emergence of NGO’s, customer associations and transnational networks as new actors in this field.

During the 1960s and 1970s, before the global rise of neo-liberalism, developing countries were trying to acquire some capacity for controlling the activities of transnational corporations operating in their territories. For this purpose, they tried to use the international organizations like the United Nations in order to introduce universal legal standards. The basic motive of these endeavours was the fear that with their formidable resources transnational corporations could dominate
the poor states, spreading fraud and corruption, while not contributing to the development efforts (Jenkins 2005:526-528).

However, in the 1980s when the neo-liberalism with its emphasis on foreign direct investment and export oriented growth emerged, the position of developing countries towards transnational corporations changed remarkably: now, instead of attempting to regulate the activities of foreign firms, these states were trying to attract foreign firms by deregulating the legal frameworks and downgrading workers’ rights (Margheritis and Pereira 2007: 44, Jenkins 2005:527-528). During the 1980s and 1990s, as a result of this paradigm shift which was accompanied by technological improvements in transportation and communication (Crouch 1997:354), the labour intensive parts of the production processes in some industries such as clothing and electronics were increasingly undertaken in developing countries like South Korea, India and Turkey through complex networks of subcontract relations, which were made possible by deliberately weak or repressive labour laws (Grolleau et al 2004:390). The interests of transnational corporations, which tried to reduce their costs to remain competitive, seemed to have coincided with those of developing countries that tried to use the cheap labour to accomplish export oriented growth (Crouch 1997:354). The outcome was the emergence and/or spread of sweatshops and the expansion of unorganized industrial relations characterized by lack of collective bargaining and shrinking capacity of workers to represent their interests through trade unions.

This development triggered two different reactions. Firstly, workers, academics and some volunteers in countries, where the low pay, long hours and unhealthy employment conditions were common, gradually formed new and sometimes clandestine organizations in order to reveal and resist excessive demands of employers while trying to create solidarity among workers (Udayagiri and Walton 2003:316). Da Bindu in Sri Lanka, Karmojibi Nari in Bangladesh, SEWA in India, AMRC in Hong Kong and SARGEM in Turkey are examples of this kind of organizations. Secondly, the non-state actors in North America and Europe, like NGO’s and consumer groups, which were hitherto campaigning for the state intervention to keep the activities of transnational corporations under control in their own countries have established contacts with the new worker organizations and trade unions in developing countries as well as with each other in order to assess and
expose the employment conditions prevailing in the global production chains (Grolleau et al. 2004:388).

**New Activism**

The outcome of this interaction at first glance appears to be a paradigm shift in activism: instead of asking for the state intervention to control the corporations in their own countries, the non-state actors of Europe and North America started to campaign directly against the corporations in order to force them to take responsibility for the employment conditions prevailing in the production chains spreading to whole world. This new kind of activism was inspired from the idea that, the private politics relying on creating public awareness among customers about labour conditions and thereby posing direct threat to the reputation of corporations was more influential than the public politics, which required lobbying and campaigning for the state intervention. However, one should be cautious before considering this new type of activism as entirely independent from public politics and from intended or de facto cooperation with public authorities. For given that, “developments in contemporary world is more than a simple retreat of the state” (Buğra 2007a:175) one should take into consideration the possibility that new activism beyond its self-declared independence may actually involve “diverse partnerships with public authorities” (see Buğra 2007a:176-177).

At first glance, however, this possible complication in the story of new activism is not apparent and new activism appears to be premised solely on the cooperation between non-state actors. The historical account goes as follows: new activism was born out of a process in which, while the local organizations in developing countries were providing information about employment conditions in the production chains, the non-state actors of Europe and North America were campaigning against corporations to force them to improve these conditions. Initiatives like Clean Clothes Campaign and the Labour behind the Label, organizations like Women Working Worldwide, SOMO and Mujer a Mujer have emerged as a result of this kind of interaction (Hale & Wills 2007: 453-476).

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141 This means that, in examination of any particular outcome, such as industrial peace, that may be attributed to the new activism, one should scrutinize whether there was any intended or de facto role played by public authorities and public politics in emergence of this outcome.
Indeed, this approach had some impact: the reputation damaging campaigns initiated by the non-state actors in Europe and North America against the famous brands in clothing sector like Nike, Levi-Straus, and Gap forced these firms to depart from the policy of taking no responsibility for the employment conditions prevailing in the production chains under their control. Instead, these famous brands adopted some labour codes of conduct, which regulated the conditions of work in their suppliers and, by doing so, they set example for other brands and producers. Similar developments were also observed in petroleum and metal industries (Grolleau et al 2004:392-393).

In this environment through the 1990s, the concept of corporate social responsibility, which was hitherto associated with the philanthropic activities of corporations, started to imply the corporations’ acknowledgement of responsibility for the employment conditions in production chains. Now increasing number of firms declared themselves committed to certain standards regarding the employment conditions, which are generically called codes of conduct. This entire epoch of reformulation of corporate social responsibility as the commitment to certain standards of work may be conceptualized as the emergence of private labour regulation through the initiation of non-state actors (NGOs, international networks) who responded to deterioration of working conditions and lack of public regulation.

Therefore, in order to judge the impact of these non-state actors on industrial relations dynamics and to establish the degree to which these actors operate independently from public authorities and public politics, one should scrutinize the implementation and influence of the private labour regulation.

**Codes of Conduct**

In practice the private labour regulation consists of some codes of conduct (CoC) and set of mechanisms, which ensure the implementation of these codes. The codes of conduct (CoC) in general prohibit child labour and excessive working hours, demand certain standards of health and safety in working environment and acknowledge some rights such as the right to collective representation and fair pay. One can crudely identify two types of codes of conduct in terms of the envisaged implementation mechanisms: firstly, there are company codes which do not have any external enforcement and monitoring system; secondly, there are multi-stakeholder codes which emerged out of cooperation
between groups of business and non-state actors and allow external inspection of the compliance (Fransen & Kolk, 2007). The greatest challenge for non-state actors, of course, is to ensure the implementation of the CoCs in all workplaces involved in the complex web of subcontract relations spreading deep into unorganized industrial relations (Hale & Wills 2007: 468). The outcome of full and prevalent implementation of codes of conduct is expected to be improvement in employment conditions and correction of injustices felt by workers.

*The relevance of competing hypotheses*

It has been argued that the common desire of workers employed in the production chains spreading into unorganized industrial relations is to obtain the right to collective representation (Hale & Wills 2007: 467). This is the outcome of the fact that demands of employers are increasingly unchecked by the public regulation as one moves down in the production chain, thus, what workers demand from the private regulation is the ability to acquire some power through collective representation in order to challenge employers. It is possible to derive from this observation that workers in unorganized industrial relations mainly blame employers for the injustice they feel, thus, they want to take action against them by making better use of their associative power.

However, although unorganized industrial relations and especially informal employment is very prone to wild cat industrial action, it is hardly the case that the industrial action would take a permanent form and paralyze the production process in a firm or sector. Coercive methods of employers and the fear of unemployment definitely contribute to the containment of industrial conflict, but, it is not possible to ensure continuity of production unless workers at least to some degree are positively motivated (Edwards & Scullion 1982: 8-9). Thus, in any unorganized industrial relations setting, there should be mechanisms of diverting at least part of the blame of injustice away from employers in order to contain industrial conflict or to prevent it from being a permanent condition that can only be avoided through repression. Despite all the transnationalization of production, regardless of the level of informality and at least from the perspective of workers, unorganized industrial relations are always placed in institutional and economic environments of nation states, thus, workers’ demands are always at least partly directed towards the state (Munck 2004), therefore, one may expect them to blame governments instead of employers for some of the
factors determining their employment conditions. Of course, the
expectation is that, under the conditions of democracy nation states
cannot remain idle against this and they, at least implicitly, respond with
the instruments at their disposal in order to manage the feeling of
injustice among workers. Obviously, if this is the case, then one should
see whether the role played by the state is crucial in those circumstances
where new developments, such as private labour regulation appear to be
effective in containment of industrial conflict.

All these considerations lead to the question which is essentially
captured by the competing hypotheses in the second row of the typology
(see the grey area in figure 6.1): whether containment of industrial
conflict in unorganized industrial relations is the outcome of correction of
injustices by the non-state actors through private labour regulation, or, it
results from workers’ attribution of the blame of injustices, at least partly,
to governments rather than entirely to their immediate employers.

**Empirical analysis and Turkey’s textile & clothing sector**

In order to scrutinize this question empirically, it is necessary to
study the workplace level dynamics in a sector where the production
process is undertaken through a complex web of subcontract relations
spreading into unorganized industrial relations and where the private
labour regulation is somewhat prevalent. Of course, it is also essential to
study these workplace level dynamics within a particular national setting
in order to be able to monitor whether workers’ attribution of the blame
to the factors that are controlled by governments plays a role in
containment of industrial conflict. The production dynamics in the
clothing & textile sector within the context of Turkey’s political economy
provide such an empirical environment.

Turkey is a key sourcing country for clothing industry, and after
China and Bangladesh it is the third largest clothing exporter to the
European Union. The expansion of clothing industry in Turkey was
closely related to the export oriented growth strategy promoted by neo-
liberalism. During the 1970s, the clothing was a small and mainly
domestic oriented industry. However, after the neo-liberal shift in 1980,
it started to grow both in terms of employment and in terms of its share
in total exports while being increasingly involved in transnational
subcontract relations. During the same period the collective bargaining
coverage in Turkey's textile and clothing industries, which are officially considered as a single sector, has been continually shrinking: by 2006 of 2 million workers in the sector (DPT 2006:101) less than 50,000 were covered while this number was more than 150,000 twenty years ago in a smaller workforce. Therefore, one can easily argue that Turkey's textile & clothing industry is a good example of neo-liberal environments characterized by unorganized industrial relations and transnational subcontract chains. Indeed, recognition of this has led Turkey to be selected as the testing ground for a research project to monitor and improve the implementation of codes of conduct by several prominent non-state actors and initiatives such as Fair Labour Association, Fair Wear Foundation and Clean Clothes Campaign.

However, before examining to what extent these initiatives could correct the injustices at workplaces and thereby contain industrial conflict, it is essential to analyze the wage and conflict dynamics in the sector and to depict the potential role of the state.

**The Anatomy of textile & clothing sector**

The production processes in Turkey's clothing and textile sector are characterized by the extensive use of subcontracting. Quite often enterprises are both receiving production orders as well as putting orders out to other firms. There are different reasons for subcontracting: to meet excess demand for a product, to incidentally make use of technology not available in the plant, and to attempt to reduce labour costs (Taymaz & Kılıçarslan 2002: 4-5). The latter seems quite often the primary rationale for subcontracting in the textile & clothing industry in Turkey. The way in which subcontracting reduces the labour costs can only be understood by focusing on the curious mix of informal and formal employment relations in the sector.

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142 Interview #21/29.03.2006, Interview # 41/ 02.05.2007, Interview # 48/11.05.2007, Interview #51/16.05.2007.

143 Interview #38/30.04.2007, Interview #40/01.05.2007, Interview # 42 / 04.05.2007, Interview #44/ 09.05.2007, Interview #49/12.05.2007.
The formality continuum

As depicted in figure 6.2 one can perceive the distinction between formality and informality as a movement in a continuum consisting of five points\textsuperscript{144} 1) complete informality: no social security and registration for workers 2) partial informality: a part of the workforce remains unregistered 3) reduced formality: all workers are registered but a certain amount of their wages is paid without any record in order to reduce employers’ share in the social security premiums. 4) Complete formality but no collective bargaining: all workers and their wages are entirely registered but they are not allowed to unionize. 5) Complete formality and collective bargaining: all workers and their wages are entirely registered and they are allowed to unionize.

Figure 6.2: formality continuum in unorganized industrial relations

One may classify the first three levels of this continuum, that is, points 1, 2 and 3 as ‘informal unorganized industrial relations’ since some or all components of employment at these points remain unregistered, point 4 then would be ‘formal unorganized industrial relations’. Now let us examine wage dynamics at each of these points:

\textsuperscript{144} Interview \#37/27.04.2007, Interview \#38/30.04.2007, Interview \#39 / 01.05.2007, Interview \#40 / 01.05.2007, Interview \#41 / 02.05.2007, Interview \#42 / 04.05.2007, Interview \#43 / 05.05.2007, Interview \#44 / 09.05.2007, Interview \#48 / 11.05.2007, Interview \#49 / 12.05.2007, Interview \#57 / 21.05.2007, Interview \#62 / 23.05.2007.
Containment of Conflict in Unorganized Industrial Relations

Point 5 in the formality continuum

Organized industrial relations characterized by entirely formal employment and collective bargaining exist on the most right-hand side of the continuum at point 5. The wage dynamics of this point are quite similar to dynamics of the metal sector bargaining system explored in the previous chapter: the employers organization TÜTSİS, like the MESS, first reaches a sectoral agreement with the largest trade union TEKSIF (a TÜRK-İŞ affiliate like Türk-Metal) and then forces the other unions (Öz-İplik-İŞ and TEKSTIL) to accept this agreement unconditionally. The wage level in the workplaces included in this group agreement is usually the highest in the sector\textsuperscript{145}. However, at point 5 it is also possible to witness workplace level collective agreements between trade unions and individual employers. The wages determined through workplace level collective bargaining quite often do not exceed the official minimum wage but these agreements include remarkable fringe benefits, like regular delivery of foodstuff and coal by employers and free transportation\textsuperscript{146}. Both of these collective bargaining styles (i.e., sectoral and workplace level) imply that workers and their wages would be entirely registered and thus, they would be entitled to retirement and severance payments.

As it was mentioned above, by 2006 less than 50,000 of two million workers in the sector were placed on point 5. These workers were organized by three trade unions, which are obviously far from meeting the ten percent sectoral representation threshold required by the legal framework\textsuperscript{147}. Therefore, their existence largely depends on employers’ and governments’ tolerance, and thus, their ability to represent their members’ interests is severely limited (see Adaman et al 2008:17). Moreover, due to the sectoral thresholds, the emergence of new trade unions becomes virtually impossible and the resulting lack of competition renders existing trade unions increasingly anti-democratic.

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\textsuperscript{145} Interview \#41/02.05.2007.

\textsuperscript{146} Interview \#45/10.05.2007.

\textsuperscript{147} As mentioned in the previous chapter, trade unions in Turkey can conduct collective bargaining only if they exceed this sectoral threshold. The unions in the textile & clothing sector openly admit that they do not meet the sectoral thresholds (Interview \#41/02.05.2007, Interview \#48 / 11.05.2007, Interview \#51/ 16.05.2007).
Points 3 and 4 in the formality continuum

Firms at point 4 quite often pay the minimum wage to all their workers except those with high skills. Indeed, employers make this very clear by hanging placards in the plant, which read “in this workplace the minimum regime is enforced” implying that wage is not determined by the employer and thus, it is not negotiable. On the other hand, firms on point 3 pay wages higher than the minimum wage but in all official documents declare that they pay minimum wage in order to reduce their share of social security premiums. However, the firms which are strict in paying only the minimum wage (that is those in point 4) seem to offer much more secure employment. For example, in such a workplace in the vicinity of Edirne the employer argues that “our workers deserve more than minimum wage, we know that but we cannot pay more. We are producing for foreign firms and our price is very important. But once somebody employed here he can stay until retirement we do not fire anyone. Sometimes the entire profit of a month is spent in order to pay severance payments of retiring workers”. A similar statement is also made by an employer in Ankara “we only pay minimum wage but we do our best not to layoff anyone even during crisis periods”. In fact, as acknowledged by an ex-minister of Labour, it is not possible to live on minimum wage unless several individuals in the same household are working. However, for workers the real advantage of long-term employment on basis of the minimum wage is the regular payments of social security premiums, which employers argue, increase the labour costs “enormously”, but it entitles workers to retirement and severance payments. Indeed, workplaces functioning on basis of this implicit agreement seem to be immune from wildcat industrial actions,

148 The sign reads: “Bu İş Yerinde Asgari Ücret Uygulanmaktadır”.
149 Interview #43 / 05.05.2007, Interview #44 /09.05.2007 (note that ,the only wage flexibility strategy these firms can pursue is to make internship agreements with vocational training schools in order to employ students on part time basis and pay them the official apprentice wage which is 1/3 of the official minimum wage).
150 Interview #38 / 30.04.2007.
151 Interview #44 /09.05.2007.
152 Interview #43 / 05.05.2007.
153 Interview #64 / 27.09.2007.
154 Interview #11/ 13.03.2006, Interview #42 /04.05.2007.
which are common in lower levels of informality continuum\textsuperscript{155}. Although it is not possible to be certain, one can argue that around twenty percent of workers in the sector, that is, around 300,000 people may be employed at positions 3 and 4 (see DPT 2006: 101).

**Points 1 and 2 in the formality continuum**

On points 1 and 2 in the formality continuum, employers follow the fluctuations in demand and contact each other before determining the wage they will pay\textsuperscript{156}. However, they argue that there is neither sufficient trust nor coordination among employers to make gentlemen deals which would fix the wages on sectoral or regional level\textsuperscript{157}, therefore, the minimum wage functions as the lighthouse or reference which is adjusted according to market fluctuations. During the periods of high demand, employers seek new workers and thus, wage levels temporarily increase above the minimum wage while in bad periods wages go below the minimum and workers are immediately fired\textsuperscript{158}. In response to this insecurity, workers are permanently involved in search for new jobs. When they are offered a higher wage by another employer regardless of how small the difference, they quit their existing job\textsuperscript{159}. Moreover, short wildcat strikes are also very common on points 1 and 2: as soon as workers feel that the firm is given a good production order, the strike is pending\textsuperscript{160}. As one employer puts it “you cannot prevent this kind of strikes, there is always one Walesa among workers who provokes them, suddenly they stop working, go outside and start picketing”\textsuperscript{161}. Although in order to avoid such wildcat actions, employers occasionally prepare black lists which expose militant workers\textsuperscript{162}, the extreme competition and lack of trust among employers at points 1 and 2 preclude any

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\textsuperscript{155} Interview # 37/27.04.2007, Interview #40 / 01.05.2007, Interview #57/ 21.05.2007.

\textsuperscript{156} Interview # 37/27.04.2007, Interview #40 /01.05.2007, Interview #44 / 09.05.2007.

\textsuperscript{157} Interview # 37 / 27.04.2007, Interview #44 / 09.05.2007, Interview #49/ 12.05.2007.

\textsuperscript{158} Interview # 49 / 12.05.2007.

\textsuperscript{159} Interview #37/27.04.2007, Interview #49/12.05.2007, Interview #57 / 21.05.2007.

\textsuperscript{160} Interview #40 / 01.05.2007.

\textsuperscript{161} Interview #37 / 01.05.2007 ("there is always one Walesa among workers", here ‘Walesa’ refers to Lech Walesa, the leader of the Solidarity movement in Poland during the 1980s. Apparently for some reason Lech Walesa is perceived by this particular employer as the symbol of worker disobedience).

\textsuperscript{162} Interview #52/ 17.12.2007, Interview #57 /21.05.2007.
effective blacklisting\textsuperscript{163}. Therefore, one can argue that workers’ attitude shaped by regional consumer prices, too, implicitly influences the way in which the minimum wage is adjusted by employers. For example, according to a trade unionist, “unless there is a crisis it is very difficult to find anyone in the clothing industry who would work for minimum wage in Istanbul. The wage level [in Istanbul] quite often is above the minimum. However, in Anatolia\textsuperscript{164} many people always receive less than the minimum wage”\textsuperscript{165}. The president of subcontract firms’ association also emphasizes this point: “despite the unique official minimum wage, in reality in each province [subcontract] firms adjust the minimum wage according to consumer prices and demand levels so that in reality there are several minimum wages”\textsuperscript{166}. Not surprisingly, the dependency of wages and jobs on market fluctuations render the employment at points 1 and 2 very precarious. However, the most important disadvantage of these points for workers is their complete or partial exclusion from the social security system which reduces the labour costs of the firms but renders the entitlement to retirement and severance payments either very difficult or impossible. Around eighty percent of the workers, that is, more than 1.500.000 million people, in the sector are employed on these two positions (DPT 2006:101)

Briefly one can argue that as one moves in the formality continuum from right to left the labour costs (but not necessarily the net wages) and employment security decrease while the likelihood of wildcat industrial action increases.

\textbf{Tracking down the state}

Of course, for the purpose of this study, before examining the ability of non-state actors to contain industrial conflict in unorganized industrial relations, it is essential to keep the track of the presence of the state in this field to be able to see whether it may play any role in absorbing the blame of injustices felt by workers.

\textsuperscript{163} Interview \#57/ 21.05.2007.

\textsuperscript{164} Anatolia is the Asian part of Turkey

\textsuperscript{165} Interview \#48/ 11.05.2007.

\textsuperscript{166} Interview \#57 /21.05.2007.
In this respect, it is of crucial importance to keep in mind that the emergence of subcontract dominated industrial relations was largely the outcome of deliberate government policies. For in Turkey, since the initiation of the neo-liberal project in 1980 and especially during the course of 1990s and 2000s, governments encouraged and facilitated the expansion of subcontract relations and allowed firms to operate informally in order to ensure competitiveness of manufacturing industry in international markets and also to undermine organized industrial

167 See also figures 5.5 and 5.10 in the previous chapter
relations, which, as depicted in the previous chapter, endowed workers with collective action capacity that could be used for challenging neo-liberal measures. However, the expansion of unorganized industrial relations resulted in attribution of a *de facto* role to governments in the wage dynamics of this field. Indeed, in order to clarify this particular role of the state in unorganized industrial relations it is essential to visualize the positions in the formality continuum within the entire political economy as depicted in figure 6.3.

As one can see, in this figure the field of organized industrial relations, regardless of whether it is public or private, is on point 5 of the formality continuum, the field of unorganized industrial relations on the other hand, accommodate the remaining formality positions, which are besides subdivisions divided into two as formal and informal (see the expansion trend in figure 6.3). Obviously, as indicated in the figure, the position of textile & clothing sector within the political economy of Turkey is very different from that of the metal sector which was examined in the previous chapter: while the former is almost entirely in unorganized industrial relations, the latter is largely in organized industrial relations or influenced by it\textsuperscript{168}. One can also see that, due to the privatization of public enterprises and the marginalization of organized industrial relations (see the relevant trends in figure 6.3), minimum wage becomes crucial not only for a larger segment of workers employed in the textile & clothing sector but also in the entire political economy (Auer & Popova 2003). Therefore, of the two wage signals which are partly or entirely controlled by the state, that is, public wage norms and minimum wage (see arrows 1 & 2 in figure 6.3), it is the latter which can influence the dynamics of textile & clothing sector\textsuperscript{169}.

As mentioned above, the minimum wage plays different roles at each formality point (see figure 6.3): at point 5 it is the wage at workplace level collective bargaining but supplemented by fringe benefits and social

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\textsuperscript{168} Why metal sector remains mainly in the organized field while textile & clothing is mainly placed in the unorganized field is, of course, an interesting question but it is not the purpose of this study to find an answer to this question. These two sectors are chosen to examine the dynamics of the respective fields of industrial relations in which they are placed. However, one may cautiously argue that, as hinted at the beginning of this chapter, besides institutional strength of trade unions, the technological requirements of sectors may also be playing a role in determination of the degree to which a particular sector is placed in the organized or unorganized field.

\textsuperscript{169} Interview #41 / 02.05.2007, Interview #45 /10.05.2007.
security, at point 4 it is the common wage but combined with social
security, at point 3 it is the officially paid wage which can be occasionally
exceeded at the expense of employment security, and finally, at point 1
and point 2, it is the lighthouse wage, which is taken as the reference
during wage determination processes. Given these various roles played
by minimum wage, one may argue that governments, as the sole
determiner of the minimum wage, appear to be present in unorganized
industrial relations at all levels of formality (see figure 6.3).

The logic of subcontract relations

The positions in the formality continuum\textsuperscript{170} are not mutually
exclusive: the same firm can be placed simultaneously on some or all of
these points by making different arrangements for different workers
\textsuperscript{171} (see Buğra \textit{et al} 2005:36). However, quite often firms in the high
formality positions make subcontract agreements with firms in lower
formality points in order to reduce labour costs. Therefore, domestic and
foreign subcontract relations create a complex web and connect all of
these employment positions with each other while generating and/or
transmitting the market fluctuations (see figure 6.2). These subcontract
connections put workers in an awkward position: trying to negotiate the
conditions of wage-time and/or effort bargaining in the subcontract firm
implies dismissal for workers while the same act encourages increasing
use of subcontract and possible decrease in the labour force in the main
firm which is placed at a higher point in the formality continuum.
Therefore, after a labour-cost based subcontract relationship is
established between two firms, workers in both ends\textsuperscript{172} would have to

\textsuperscript{170} One should not think that informality is always entirely imposed by employers, workers may
also prefer informality. For example, since the last couple of years the government distributes
“green card” which provides free access to health services to those people who do not have
sufficient means to cover their own health related expenses. It is not uncommon to find that
workers prefer to be completely informally employed so that they may receive this green card
(see Buğra 2008: 233-234).

\textsuperscript{171}Interview \# 37 /27.04.2007, Interview \#38/ 30.04.2007, Interview \#41/02.05.2007.

\textsuperscript{172}If workers in the main firm demand higher wages or require better working conditions
employers may easily prefer to outsource more tasks to subcontract firms in order to avoid any
increase in the costs. On the other hand, if workers in the subcontract firms demand higher
wages or require better working conditions, then employers may prefer to fire them instead of
increasing production costs for they are chosen as subcontractor by the main firm mainly due
to low production prices they could offer. Obviously, subcontractors may also seek sub-
restrain their demands to save their jobs. Otherwise subcontract relations will function as escape channels (through which jobs are exported into low-wage positions) for firms that want to avoid any increase in the labour costs. This situation either precludes unionization entirely or forces unions to remain very modest in their demands (see Adaman et al 2008:13-15).

Subcontract deals that are offered by foreign producers pose another challenge. In order to secure foreign subcontract deals, firms must be, at least partially, visible for providing legal accountability, that is, at least part of their operations must be registered and this forces them to appear on points 2, 3, 4 or 5. However, these firms are chosen as subcontract-receivers primarily due to their ability to keep the labour costs low\(^1\). Therefore, the rational strategy for firms that are aiming to secure foreign subcontracts is to make use of domestic subcontract relations so as to undertake most of the production in the most left-hand side of the continuum while presenting themselves with minimum possible number of workers in the right hand-side on points 2, 3, 4 and 5. Accordingly, firms would be optimally placed in points 2 and/or 3, for here the legal visibility can be ensured with minimum labour costs. Thus, one can argue that the logic of foreign subcontract relations moves the entire system from right to left so as to leave points 4 and 5 which provide the best conditions for workers increasingly empty. This leads to the disintegration of organized industrial relations (see Bugra et al 2005).

These dynamics have a crucial impact on employment distribution over the points of formality continuum: while the relative share of employment in the first three points of the continuum, which are together classified as informal unorganized industrial relations, increases the employment in the remaining points decreases, that is, the sub field of formal unorganized industrial relations shrinks\(^1\) (Adaman et al 2008: 12, see the expansion trend in figure 6.3). This implies that industrial relations in textile & clothing sector have the tendency of becoming more prone to wildcat industrial action.

\(^{1}\) Interview #38/ 30.04.2007, Interview #39/ 01.05.2007, Interview #40/ 01.05.2007, Interview #42/ 04.05.2007.

\(^{1\text{a}}\) Interview #21/29.03.2006, Interview #41 / 02.05.2007, Interview #48 /11.05.2007.
The sources of injustice and the likelihood of industrial action

In this environment the feeling of injustice among workers appears to have been generated by four main problems: first, clothing firms which employ the majority of workers mainly operate on points 1 and 2 on the formality continuum under very poor health and safety conditions\textsuperscript{175}. Second, through the entire sector with exception of point 5 actual working hours increase well above the official limit of 45 hours per week and extra work quite often remains unpaid\textsuperscript{176} (Adaman \textit{et al} 2008:11). Third, majority of workers are employed on very precarious basis and thus, they do not accumulate any rights for retirement or severance payments. Finally, workers lack any continuous and recognized collective representation mechanism, thus, the most crucial issue, that is, wage-time (and effort) bargaining is largely determined by employers\textsuperscript{177}. Only strategy available to workers, other than wildcat strikes, seems to be the permanent and precarious search for new jobs in order to obtain higher wages while losing the chance of accumulating skills. All of these problems increase in their magnitude and prevalence as one moves down in the formality continuum together with the likelihood of wildcat industrial action. Therefore, the ability of non-state actors to contain industrial conflict may be in practice examined by the extent to which the codes of conduct could address these problems.

Obviously, the unionization would be the best solution for it would enable workers to address all these problems themselves by using their associative power rationally. On the other hand, one may at least hypothetically argue that, if workers are permanently supported by an external actor who can address all these problems and prevent their recurrence by pressuring employers to remain at higher points of formality, then the correction of injustice through unionization may be redundant. Moreover, given that workers seem to be ready to accept minimum wage as long as they are given the guarantee of long term employment leading to retirement and severance payments, one can argue that if the health and safety conditions are improved, excessive

\textsuperscript{175} Interview \#32/20.04.2006.

\textsuperscript{176} Interview \#59 / 23.05.2007.

\textsuperscript{177} Interview \#32 / 20.04.2006, Interview \#38 / 30.04.2007, Interview \#39 / 01.05.2007, Interview \#40 / 01.05.2007, Interview \#42 / 04.05.2007, Interview \#44 / 09.05.2207, Interview \#62 / 23.05.2007.
working hours are prevented and retirement of workers is ensured then
the resulting working conditions would still be considered as
improvement despite the remaining imbalance of power between
workers and employers in the wage determination. This would decrease
the likelihood of wildcat industrial action.

**The Promise of Codes of Conduct**

The non-state actors rely on a “climatic change” argument in order
to tackle the sources of injustice in the sector through the CoCs. This
argument is derived from the idea that “brands have a leading role in
creating a climate in any given industry if they adopt CoCs; then the other
firms must follow suit in order to make good business”178. Two successive
phases of the idea of climatic change then serve as an implementation
mechanism for spreading better working conditions envisaged by the
CoCs: change through pressure and imitation.

For many firms operating in the clothing & textile sector, to take
part in production chains, by receiving and offering subcontracts, is
essential in order to ensure profit. If the lead firms make the provision of
reasonable working conditions a prerequisite for subcontracts, the local
firms seeking those contracts would be increasingly obliged to take
workers’ rights seriously179. Thus, foreign lead firms may exercise
pressure on local firms seeking subcontract deals. They would not work
with suppliers that are partly or entirely established on positions 2 and 3
in the formality continuum, meaning that these positions would no longer
be the basis for a viable business strategy. Consequently, domestic firms,
which are seeking foreign subcontract deals, would be increasingly
placed on positions 4 and 5, which provide the most favorable conditions
for workers. Obviously, this would be meaningful only if domestic
subcontract relations which connect positions 4 and 5 to lower levels of
formality can also be eliminated from the system through detailed
inspections by the lead firms and by genuine commitment of first
subcontract receivers. Moreover, if the CoCs with their emphasis on
freedom of association are fully implemented then the placement of firms
in position 5 or 4 in the formality continuum would be entirely
dependent on workers’ choice with the result that freedom of association

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178 Interview #55/ 18.05.2007.
179 Interview #55/ 18.05.2007.
will be exercised by workers in whatever form they prefer. This would not only entail improvement in all working conditions but it would also prevent wildcat industrial actions.

Obviously, the lead firms that are committed to the CoCs would still look for suppliers that can offer low cost production, though now the suppliers, in order to compete, would have to find other ways of reducing their costs than disregarding worker’s rights. Presumably they would seek methods to obtain efficiency and productivity gains. One can reasonably assume that there will be some subcontract firms capable of meeting this challenge. The employment practices and production strategies of these firms would be gradually imitated by other firms that are not necessarily being pressured by lead firms but are seeking better ways of being competitive in order to receive direct and indirect foreign subcontract deals (see Baron & Diermeier 2007:601).

In short, the combined influence of pressure and imitation is to lead to a climatic change in the entire system; the high(er) working standards, as the condition of being connected to global production chains, would be ‘injected’ into the system through foreign subcontract deals offered by the lead firms and smuggled further via domestic subcontract relations.\(^{180}\) Consequently, production will start to move from left to right in the formality continuum with the obvious consequence that the likelihood of organized labour to flourish would increase, the working conditions would improve and the likelihood of wildcat industrial action would decrease (see figure 6.2). In other words, the CoCs (thus, the non-state actors) aim to utilize the high degree of connectedness in the sector created by the subcontract relations in order to improve working conditions so as to generate a predictable and peaceful environment.

Obviously, the climatic change idea is mainly about how the impact of CoCs would spread across the sector but it does not exactly reveal the way in which the full compliance of those firms, which are committed to the CoCs would be ensured. For this purpose, the CoCs rely on three mechanisms: firstly, the firms placed in the higher points in the production chain are expected to monitor the compliance of others down in the chain\(^{181}\), secondly, the trade unions and other non-state

\(^{180}\) Interview #55/ 18.05.2007.

\(^{181}\) Interview #55 / 18.05.2007, Interview #59 / 23.05.2007.
organizations are expected to report any non compliance of the firms\textsuperscript{182}, and finally, workers are also encouraged to report any breach of the CoCs that they may encounter. To empower workers to undertake this task the firms committed to the CoCs are obliged to hang the list of rights granted to workers in a visible place in the plant together with the phone numbers to be called to report grievances. These are local phone numbers and workers can make complaints in Turkish to CoC activists. In this way any injustice felt by workers is expected to be transmitted to the non-state actors who would then take necessary measures\textsuperscript{183}.

\textbf{Practice of Codes of Conduct}

Of course, there are two crucial questions as to the feasibility of the idea of climatic change: Can the climatic change really spread better working conditions, especially the freedom of association, so as to enable workers to tackle the injustices themselves? or alternatively; Can the quick response mechanisms envisaged by CoC proponents really ensure that any injustice felt by workers may be corrected in short time by non-state actors so as to render collective representation redundant? Indeed, by answering these questions one may establish whether non-state actors (through private regulation) prevent the most excessive injustices and thus, contain industrial conflict in unorganized industrial relations.

For this purpose, I will analyze the impact of codes of conduct on three firms operating at the last three positions in the formality continuum (5, 4, and 3 in figure 6.2). These three are chosen from nine firms that are closely scrutinized during the fieldwork\textsuperscript{184}

\textsuperscript{182} Interview #32/ 20.04.2006, Interview #48/ 11.05.2007, Interview # 51/ 16.05.2007.

\textsuperscript{183} Interview #55 / 18.05.2007, Interview #62 / 23.05.2007.

\textsuperscript{184} The selection process was as follows: I first identified 54 firms in the sector by using the internet, association records, and snowball sampling in order to have a sample which contains at least 3 or 4 firms operating at each formality level (see figure 6.2). I contacted all of these 54 firms but only 9 of them wanted to take part in my research. Obviously, under such circumstances it was not possible to pursue a strict selection criteria and I focused on employment relations in these nine firms. I used triangulated respondent accounts to trace recent developments with regard to CoC application in these firms, all of which differed in terms of their level of formality: two are on position 5, two are on position 4, four are on positions 2 and/or 3 and one is on position 1 (see figure 6.2). I present here three of these firms which, in my opinion, best reflect the way in which the private regulation influence (or fail to influence) the sectoral dynamics.
Containment of Conflict in Unorganized Industrial Relations

Given the nature of competing hypotheses examined in this chapter (see the grey area in figure 6.1), it is essential to keep a track of the state in each empirical case that will be analyzed below, as the actor to whom the blame for injustice might possibly be attributed. Given that the minimum wage appears to be the main factor through which the state influences unorganized industrial relations, in order to keep track of the state I will explicitly point out the role played by the minimum wage in each empirical case.

The CoCs as a success story: the case of SIMBUR

SIMBUR is one of the most prominent firms in Turkey operating simultaneously in textile and clothing industries. It is a major exporter with more than 250 million US dollars annual sales in 12 countries including US, Germany, Britain and Chile. SIMBUR produces for famous brands such as Zara, Banana republic, Nike, and Gap. I conducted research in one of the SIMBUR sites in Turkey employing around 3500 workers of which 2900 qualifies as blue collar.

Figure 6.4: The position of SIMBUR in the formality continuum

This SIMBUR site (henceforth just SIMBUR) has a reputation as one of the most enthusiastic factories about CoCs: it has a special social responsibility department, which solely focuses on compliance.
Moreover, SIMBUR belongs to the minority of firms in the sector (especially in the clothing industry), which accommodate a trade union and sign collective bargaining agreements (see figure 6.4). SIMBUR provides a range of services to its workers: such as free transportation, a very developed day care facility for children, free meals and a medical centre with quite high standards\textsuperscript{185}.

SIMBUR, thanks to its ability to comply with quality, cost and social responsibility requirements simultaneously, is labelled as the strategic partner of some famous brands, a position which ensures a long term relationship, that is, permanent demand for SIMBUR' products unless an extraordinary crisis occurs\textsuperscript{186}. The SIMBUR social responsibility chief strongly rejects the idea that the CoC is an issue of secondary importance, which comes only after concerns about cost and quality. He argues that the compliance is equally important: for it is the requirement of their customers (that is: the firms that they produce for and indirectly the customers who use the final products) thus, it must be taken very seriously. He claims that without decent working conditions one cannot ensure quality\textsuperscript{187}.

SIMBUR meticulously pursues a policy of compliance and enforcement for CoCs: while permanently undertaking internal controls aimed at increasing working conditions, it also implements a very strict code in its subcontract relations\textsuperscript{188}. Those firms connected to SIMBUR via subcontract deals are prohibited from further subcontracting and they must comply with the CoC. This is mentioned in a special booklet prepared by SIMBUR\textsuperscript{189}. Thus, SIMBUR does not allow its at least 18 permanent subcontractors which employ around 8000 workers\textsuperscript{190} to benefit from lower levels of formality and it ensures their compliance with CoC by announced and unannounced inspections. The code enforced by SIMBUR in its subcontract firms includes prohibition of child labour and unregistered workers and it forbids the excessive working hours, which in the sector quite often remain unpaid. Moreover, SIMBUR, in

\textsuperscript{185}Interview \# 60/ 23.05.2007.
\textsuperscript{186}Interview \# 59/ 23.05.2007.
\textsuperscript{187}Interview \# 59/ 23.05.2007.
\textsuperscript{188}Interview \# 59/ 23.05.2007.
\textsuperscript{189}Interview \# 59/ 23.05.2007.
\textsuperscript{190}Interview \# 48/ 11.05.2007.
accordance with the CoC requirements, obliges its subcontractors to have a worker representative, which is elected via hidden vote by workers\textsuperscript{191}.

One can argue the case of SIMBUR appears to be the confirmation of the “climatic change” argument: foreign firms ask for compliance from SIMBUR, and as expected by the proponents of CoC project, SIMBUR not only places itself on position 5 in the formality continuum but it also pulls its subcontractors operating in the unorganized industrial relations to position 4 where labour has the potential to get organized and decent employment conditions can be ensured. Of course, it is not possible to assess the extent to which the changes occurring in subcontract firms working with SIMBUR diffuse further to those firms without any direct connection. However, given the opportunities provided by SIMBUR in terms of subcontract deals, there may be a competition among regional firms in order to receive deals from SIMBUR. In fact, SIMBUR’s social responsibility chief emphasizes this point: “You can’t say that if I get subcontract deals I will improve my conditions, you cannot expect any guarantee in this respect, you must improve your conditions in order to get better deals”\textsuperscript{192}. Thus, by looking at the impact of SIMBUR on its subcontractors, one can argue that the promise of CoC is actually ‘promising’. In other words, at first glance the most vocal demand of workers in unorganized industrial relations, that is, collective representation, appears to be made possible by the CoC through which workers can correct injustices they perceive themselves. Moreover, the CoC also seem to able to prevent at least some of the most excessive injustices, which take place in subcontract firms such as unpaid extra hours of work. However, before passing this optimistic judgment one should examine the situation in SIMBUR and its impact on the sector more critically.

In fact, with regard to freedom of association SIMBUR seems to have a double standard: while it accommodates a trade union itself, it argues that the freedom of association clause of CoC does not necessarily imply the existence of trade unions in the workplace\textsuperscript{193}. Accordingly, it forces its subcontract firms to have an elected worker representative rather than a trade union with the obvious implication that none of the

\textsuperscript{191}Interview # 59/ 23.05.2007.

\textsuperscript{192} Interview # 59/ 23.05.2007.

\textsuperscript{193} Interview # 59/ 23.05.2007.
subcontractors have collective bargaining, that is, workers in subcontract
firms cannot effectively negotiate the terms of wage-time and effort
bargaining. The most absurd example in this respect is the existence of
approximately 100 employees working in the SIMBUR factory in a special
building, benefiting from all services but exempted from collective
bargaining due to the fact that they produce for SIMBUR but work for
another employer who is apparently a subcontractor. As the HRM chief
puts it “these workers are not related to us”194. This policy is fully
supported by the trade union TEKSIF195, which argues that trying to
organize SIMBUR’s subcontractors would be tantamount to undermining
the working conditions of SIMBUR workers: because the cost
effectiveness of subcontract firms apparently resulting from the lack of
collective bargaining is one of the major reasons which allows SIMBUR to
afford the existence of a trade union and collective bargaining196. Given
this logic, which is openly admitted by the trade union, one can infer that
the worker representatives in the subcontract firms of SIMBUR cannot
challenge the employers with regards to the wage-time and effort
bargaining, because this would seriously jeopardize the dynamics of the
production chain which are essentially premised on keeping the labour
costs down in the lower positions. Therefore, one can argue that the
freedom of association with its full benefits for workers is not only not
realized completely by SIMBUR’s compliance with the CoC, but to some
extent, it is prevented by it: for in order to preserve conditions created by
the CoC in the main firm employing 2900 blue collar workers, the union
does not attempt to expand the collective bargaining further into the
production chain which includes approximately 8000 workers. Thus, one
can argue that in the case of SIMBUR, the ability of the CoCs to respond
the most important general demand of workers in unorganized industrial
relations, that is, collective representation is not entirely realized.

Obviously, one should at this point examine the other possibility,
namely, whether the quick response mechanisms envisaged by the CoC
may enable rapid and dynamic correction of injustices felt by workers at
SIMBUR’s subcontract firms so as to render collective representation
through trade unions and collective bargaining redundant. According to a

194 Interview # 60/ 23.05.2007.
195 TEKSIF is affiliated with the peak labour organization TÜRK-iş
196 Interview # 48/ 11.05.2007.
prominent activist, to expect workers employed in subcontract firms to mention their grievances by using the phone numbers made available due to the CoC obligations is completely unrealistic. He argues that workers, under the conditions of implicit or explicit pressure of employers, would not dare to call these phone numbers and perhaps not even consider them relevant to their problems. Indeed, it is also argued that the posters which mention when and how the phone numbers are to be used quite often placed in sight of directors’ office, thus, close inspection of these posters by workers is impeded by the implicit menace of surveillance. Moreover, it is also claimed that these posters are written in a deliberately confusing language to prevent workers from contacting the CoC activists. Under these conditions one may argue that workers in SIMBUR’s subcontract firms cannot seriously challenge the injustices they feel, especially about the wage-time and effort bargaining, directly by using the quick response mechanisms established by non-state actors.

The only way of (discovering and) addressing the possible injustices seems to be the inspections by the social responsibility personnel of SIMBUR, by the audits sent by the foreign firms working with the SIMBUR and by the non-state actors. Perhaps not surprisingly, these external inspectors confine their efforts to ensuring health and safety standards, registration of all workers and their wages (that is keeping the subcontract firms in position 4 in the formality continuum). The trade union TEKSIF of the SIMBUR argues, rather apologetically, that “although we do not unionize subcontract firms, we will never allow these firms to slip into informality in any way.” In other words, the overall system created by the CoCs, while focusing on the other prevalent sources of injustice, manages to keep the issue of wage unaddressed in subcontract firms. Hence with regards to wages, the criteria to be used for judging the non-state actors’ ability to correct injustices, that is, through collective representation or quick response, seem to be not satisfied in the case of SIMBUR.

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197 Interview # 55/ 18.05.2007.
198 Interview # 62 / 23.05.2007.
199 Interview # 51 /16.05.2007.
200 Interview # 59 / 23.05.2007.
201 Interview # 48/ 11.05.2007.
Under these conditions one may expect that most of the 8000 workers employed by SIMBUR subcontractors are unlikely to challenge employers in wage related issues thus, they most probably receive minimum wage like many other workers in the sector. However, it is essential to acknowledge that, unlike the majority, they seem to be enjoying better employment conditions characterized by entirely paid and not excessive working hours, healthy working environment and entitlement to retirement and severance payment\textsuperscript{202}. Indeed, according to a prominent activist, workers in the clothing industry internalized the low wage structure so much that it is quite often impossible for them to imagine remarkable increases in their wages\textsuperscript{203}. Thus, one may argue that for the workers in the SIMBUR’s subcontractors the only positive developments induced by the CoCs would be visible while the exclusion of the wage issue would be taken for granted. The outcome is likely to be the generation of peaceful industrial relations based on acceptance of strict minimum wage regime by workers in exchange for secure and long-term employment, which entitle them to retirement and severance payments.

This observation hints that the climatic change idea in practice is likely to generate peaceful two-tier-systems which consist of a workplace enjoying collective bargaining (i.e., the first-tier) and its subcontractors (i.e., the second-tier), which are excluded from collective bargaining but have better conditions than other unorganized workplaces. In other words, because of the CoCs, the conditions prevailing in unorganized industrial relations improve so as to ensure industrial peace but unorganized industrial relations remain unorganized in order to keep organized industrial relations organized.

Now let us examine another company (and production chain), which seems to be completely immune from any positive effect of the CoCs.

**The CoCs as an untold story: the case of ENCOT**

ENCOT is a clothing factory employing around 80 mainly female workers. However, it undertakes large part of its production in

\textsuperscript{202} Interview # 48/ 11.05.2007, Interview # 59 / 23.05.2007.

\textsuperscript{203} Interview # 55/ 18.05.2007.
subcontract firms so that in high seasons more than 1000 workers are producing for ENCOT in many small and unregistered companies under the control of experts appointed by ENCOT while ENCOT is directly undertaking only the most difficult phases of production which are crucial for quality\textsuperscript{204} (see figure 6.5). ENCOT was for a long time in a successful business relation with a French firm. However, due to excessive demands of the French firm for cutting the costs, ENCOT decided to stop the deal. Now, it is connected to a famous local brand via subcontract relations and this local brand is connected to Benetton. Thus, indirectly ENCOT is producing for Benetton\textsuperscript{205}.

**Figure 6.5: The position of ENCOT in the formality continuum**

ENCOT is at the position 4 in the formality continuum and it is connected to foreign brands via indirect subcontract relations (see figure 6.5). However, as evidenced by its heavy reliance on further subcontracts and its concern about labour costs, one can see that ENCOT transmits the production to lower levels of formality to the positions 3, 2 and 1. Like the SIMBUR case, ENCOT’s supply chain may also be used to generate a

\textsuperscript{204} Interview # 42 / 23.05.2007.

\textsuperscript{205} Interview # 42 / 23.05.2007.
climatic change. However, the general manager confidently declares that he is not bothered by the main firms about CoCs. He thinks that their concerns about workers’ rights can never be sincere given their primary interest in cheap production\textsuperscript{206}.

All ENCOT workers are registered and they receive either minimum wage or legal apprenticeship wage (which is one third of minimum wage). However, the manager argues that wages gradually improve according to the performance and skills of workers but he mentions his determination for not making any concessions to anyone who is asking for higher wages or to any attempt of collective action. In other words, he solely determines the conditions of wage-time and effort bargaining. During the only industrial action incidence that he remembers he made this very plain to workers: when they stopped production to force him to make a pay increase; he told them that unless they go back to work he would dismiss all of them and start with a completely new workforce. Consequently, workers had to go back to production without any pay increase\textsuperscript{207}.

Apparently, the reason for the lack of CoC penetration into this particular production chain is Benetton’s failure to commit itself to improving workers’ conditions. In this respect, the primary assumption of the climatic change argument, that is, smuggling higher working standards via foreign subcontract deals, seems not to be present in the first place. Thus, perhaps it is not fair to judge the promise of CoC (and thus, the ability of new non-state actors to correct the injustices) by looking at the experience of ENCOT. However, examination of the ENCOT case provides some clues as to the dynamics that are missed by the climatic change argument.

One of the major differences between SIMBUR, a CoC-showcase, and ENCOT is the way in which these firms are connected to the foreign firms. In the case of SIMBUR the foreign firms offer subcontract deals to SIMBUR and sell the final products elsewhere, however, in the case of ENCOT the primary producer, that is, Benetton, is pursuing the policy of producing clothes which are destined for Turkey in Turkey\textsuperscript{208}; benefiting from cheap labour while avoiding shipping expenses. The lack of any

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\textsuperscript{206} Interview # 42 / 23.05.2007.

\textsuperscript{207} Interview # 42 / 23.05.2007.

\textsuperscript{208} Interview # 42 / 23.05.2007.
remarkable consumer sensitivity for working conditions in Turkey probably renders the policy of not-bothering with workers’ rights viable for Benetton, at least in Turkey, thus, also for ENCOT. This difference reveals a condition attached to the climatic change argument: the foreign firms which offer subcontracts and demand compliance with CoC should not aim at the domestic market in Turkey (or any other country with insensitive consumer profile) in order for the CoC to remain a permanent concern for suppliers.

Moreover, the immunity of domestic oriented firms, regardless of their origin, from CoCs seems to trigger a development which is not likely to be positive for workers: trade unions in the sector are increasingly disinclined to use their resources for trying to organize domestic producers. Instead, they prefer to use their resources for organizing firms that are somehow vulnerable to the impact of CoC209 (see Adaman et al 2008:16). Therefore, one can argue that the CoC project, while to a certain extent encouraging the collective organization of workers in the clothing industry, simultaneously creates a problem of exclusion. Thus, one can argue that the emergence of two-tier peaceful systems like the one generated by SIMBUR is conditioned by the sales strategy of the main firms.

Now, let us examine another case (and production chain) reflecting how complex and unpredictable a CoC-based enforcement mechanism can be.

The CoCs as a complex story: the case of COTREMA

The COTREMA is a Dutch-Turkish joint venture employing 248 workers and functioning in clothing industry210. It is mainly producing as a subcontract firm for at least 35 famous brands of which five are explicitly committed to CoC: Pall-Mall, Scotch & Soda, Helly-Hansen, O’Neill and Gaastra211 (see figure 6.6).

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209 Interview # 48/11.05.2007, Interview # 51/ 16.05.2007.

210 Interview # 51/ 16.05.2007.

211 Interview # 52/ 17.12.2007.
The first episode of the COTREMA story is quite straightforward: a trade union TEKSTİL\textsuperscript{212} attempted to organize COTREMA but the management immediately dismissed all workers affiliated with the union. As a response, union officials who were well informed about COTREMA’s foreign connections first contacted the Dutch partner of the firm and demanded the reinstatement of dismissed workers but the result was negative. As a second step, the union applied to five foreign firms working with COTREMA and committed to CoC. These brands, in turn, asked the COTREMA management to reinstate the workers but the management refused. Moreover, it also moved its production site to 55 km away in order to get rid of the entire workforce, which is ‘contaminated’ by trade union without actually dismissing them. However, the repercussion of refusal to reinstate workers and moving the production site elsewhere was rather mild: only two of the five CoC committed firms (O’Neill and Gaastra) stopped their orders while the remaining three continued to work with COTREMA\textsuperscript{213}.

Figure 6.6: The position of COTREMA in the formality continuum

It is important to mention that unlike the remaining three firms O’Neill and Gaastra are committed to multi-stakeholder type of CoCs, which enable external actors to be involved in implementation and

\textsuperscript{212} TEKSTİL is affiliated with the peak labour organization DİSK

\textsuperscript{213} Interview # 51/ 16.05.2007.
inspection processes. Hence there appears another condition for the success of the climatic change: the degree to which firms remain committed to CoCs under crisis is likely to be influenced by the type of CoC that they adopt (for example, multi-stakeholder or business).

After this temporary defeat, the second episode of the story begun which directly involved some of the non-state actors behind the CoCs: the trade union TEKSTIL through its linkages with activists started a campaign in the Netherlands and managed to take Dutch employers’ association and one of the Dutch trade union confederations which are involved in the promotion of CoCs on board in order to enforce the Dutch partner of COTREMA to re-employ the dismissed workers and then to recognize the union. After a long struggle, the COTREMA management in Turkey was compelled to discuss the situation of dismissed workers with a joint committee consisting of some CoC activists and trade union officials. The negotiations ended with an agreement: all fired workers would be reemployed and the union would be recognized. However, soon it was revealed that COTREMA management and a certain trade unionist from TEKSTIL collaborated during the negotiations in order to deceive the CoC activists: they included some workers in the agreement who were no longer interested in reemployment, thus, the scope of agreement appeared larger than it really was. Moreover, during the negotiations COTREMA fired some more workers who were known to be militant unionists, probably214 with the tacit approval of the trade union. When these recently fired workers, together with those who were fired at the beginning and still wanted their job back, applied to COTREMA management to be re-employed on the basis of the agreement they were disappointed. COTREMA refused their demand, probably again with the consent of the trade union. However, COTREMA still recognized the trade union TEKSTIL as envisaged in the agreement. According to a trade unionist who could monitor all these events from close proximity, “under these circumstances TEKSTIL will be the yellow union of COTREMA factory”215.

In order to unravel this complex story I make the assumption that if COTREMA were not a Dutch-Turkish joint venture, it would not be

214During the interview in which I heard these events, the interviewee implied that the union indeed collaborated with the management in dismissal of militant workers, but he avoided saying this directly, hence I use the word “probably” in the text.

possible to mobilize Dutch actors committed to the CoCs and thus, there would be no second episode of this story. Thus, I will first make an interpretation of the first episode of the story to be able to derive some general conclusions:

The initial fierce reaction of management to the unionization attempt can be explained by the fact that COTREMA was operating on points 2 and/or 3 in the formality continuum: it was heavily relying on partial informality and reduced formality in order to keep its costs down while pursuing a wage policy based on making adjustments to minimum wage according to market fluctuations and laying off workers. Obviously, unionization in the workplace would endanger this kind of existence. Therefore, the COTREMA management refused to recognize the trade union and preferred to risk a couple of its foreign connections instead of reconsidering its entire production strategy.

Thus, there is a weakness in the climatic change argument (thus, in the ability of non-state actors to correct the injustices): the firms facing the CoC-related obligations would actually consider the relative cost of two contradicting strategies: first, to increase the number of foreign buyers by using all the opportunities provided by informality to keep costs down. When this strategy is pursued, in case of a crisis resulting from, for example, lack of freedom of association, the management can easily sacrifice some of the foreign connections, as COTREMA initially did, and keep its production philosophy intact. Second strategy is to change the production philosophy, as envisaged by CoCs, and to seek new ways to improve productivity while respecting workers’ rights so as to secure the subcontract deals provided by CoC-committed foreign firms.

The initial reaction of COTREMA reveals that the first strategy is more plausible given the fact that the majority of subcontract offering firms are not committed to CoCs but are very sensitive to labour costs. Even those firms that are explicitly committed to CoCs seem to be ready to reconsider their position when they have to make a choice at a critical point between costs and worker rights. Here it is important to compare COTREMA with SIMBUR: SIMBUR is considered as a strategic partner by some famous brands. It can rely on a long-term relationship, which guarantees permanent demand for its products and ensures profits and thereby enables SIMBUR to retain its enthusiasm for compliance with CoC. However, firms like COTREMA, with no reputation or high capital reserves, cannot rely on any long term relationship with any foreign firm.
and thus, they must be much more reluctant to comply with any rule which may increase their production costs. In fact, this situation confirms an observation made by a leading proponent of CoC: "the way in which brands are making business determines their influence on supplier: if they are giving orders one at a time they have limited influence but if they give 5 years of permanent order guarantee they will have more influence, however, the tie between the brand and supplier is not strong."\textsuperscript{216}

Thus, one may argue that the success of the CoCs and therefore, the ability of the non-state actors to correct injustices in unorganized industrial relations depends on the nature of the relationship between the main firms and their suppliers: only long term relationships seem to be conductive for the enforcement of the CoCs.

Now let us focus on the second episode of the story, that took place, I assume, due to mixed, that is Dutch-Turkish, ownership of COTREMA which rendered it vulnerable to pressure from some Dutch actors involved in the CoC initiative.

One may argue that the effectiveness of the CoC project, which in the end compelled the COTREMA management to accept negotiations, is closely linked to (and proportionally increasing with) the internationalization of the firms. From an optimistic perspective, this shows that it is not easy to defeat the CoC-project by overwhelming relatively weak local actors. However, there is also a negative side: any purely native supplier who produces for large number of firms only some of which is committed to CoC would be able to determine its policy entirely by cost based considerations without feeling any extra pressure. Hence once again we face the problem of exclusion: it is possible for trade unions not only to leave domestic oriented firms unattended because of their CoC based strategies as shown in the case of ENCOT, but it is also possible that they may also hesitate to engage with entirely native-owned export-oriented firms regardless of the degree of CoC penetration in the particular production chain where these firms are placed. Hence the emergence of two-tier peaceful systems like the one generated by SIMBUR seems to be conditioned by the ownership structure of supplier firms.

However, the most interesting part of the second episode of the story is the ending: the trade union, after launching a successful

\textsuperscript{216} Interview # 55/ 18.05.2007.
international campaign and gathering support from CoC activists, preferred to cooperate (or collaborate) with the employer and sacrificed the fired workers for the sake of ensuring its existence in the workplace. Obviously, this is the outcome of a rational calculation: instead of pressing the employer by using a strong but temporary alliance and thereby starting a very tense and precarious relationship, the union preferred to make a concession to the employer and thereby ensured more harmonious relations in the future. This indicates that CoCs may not be able to resolve the tensions between workers’ interest and union interest that result from the union-aversive nature of the national law (which leads to employer dominated partnerships between trade unions and employers as shown in the previous chapter).

Indeed, one can optimistically argue that after this stage the CoCs, as in the case of SIMBUR, would gradually generate a two-tier-system in which COTREMA factory would be the organized industrial relations component at point 5 in the formality continuum while its subcontractors operating in unorganized industrial relations would constitute the second-tier and they would be placed at point 4 like the subcontractors of SIMBUR. This two-tier system would generate peaceful industrial relations if it functions as in the case of SIMBUR, that is, while wage determination in the second-tier is entirely left to employers, the health & safety standards are improved, excessive working hours are not allowed and social security of workers are guaranteed. However, given the history of the trade union TEKSTIL in COTREMA, one should not discard the possibility that, the unionists and managers of COTREMA may cooperate in order to conceal the exact level of implementation of CoCs at the subcontract firms, or perhaps even at the COTREMA factory itself. This observation points out another condition attached to the realization of the promise of CoC’s: in order for CoCs to generate peaceful two-tier-systems those trade unions (or trade unionists) that organize the first-tier workplaces should not be entirely opportunistic.

**Assessment**

From these examples one may conclude that the climatic change that might be triggered by codes of conduct (i.e., by the non-state actors) is likely to generate two-tier micro industrial relation systems consisting of a first subcontract receiver and the connected firms, that is, sub-subcontractors: while in the first-tier there would be workers who are
employed by the first subcontract receiver, the second-tier would be
formed by workers of sub-subcontractors. First-tier workers would be
employed at position 5 in the formality continuum, that is, they will enjoy
collective bargaining and entirely formal employment thus, they will be
qualified for retirement and severance payments. Although second-tier
workers would be deliberately excluded from collective bargaining, they,
too, would be formally employed and thus, they would also be entitled to
social security. In other words, second-tier would be placed on point 4 in
the formality continuum. Therefore, in this kind of a system the terms of
wage-time and effort bargaining in the second-tier would remain as
management prerogatives but the inspections by first subcontractor,
NGO’s and the main firm would ensure that in the second-tier no worker
is excluded from social security, extra work is paid and healthy working
conditions are provided. The trade union which conducts collective
bargaining at the first-tier is also expected to contribute to this inspection
and enforcement effort. Consequently, the second-tier would be a
minimum wage environment with healthy working conditions and
entirely paid extra working hours but, of course, without collective
bargaining. Obviously, this two-tier micro system is an equilibrium, which
while not undermining the logic of production chain, that is, ensuring that
those firms placed in lower positions do have lower labour costs, tries to
improve the working conditions of all workers involved.

The analysis shows that from the perspective of industrial conflict,
such a micro system is likely to generate peaceful industrial relations. For
the likelihood of wildcat industrial action increases as one goes down in
the formality continuum, that is, as the entitlement to retirement and
severance payments disappears the propensity of wild cat industrial
action increases. Obviously, being excluded from the possibility of
security in old age and sickness generates feeling of injustice in
unorganized industrial relations. Probably unpaid working hours also
contribute to the bitterness towards employers. Therefore, as depicted
above, the combination of minimum wage, long-term employment and
social security decreases the propensity of overt conflict. The two-tier
systems provide this very combination for all the workers in the second-
tier, and thus, they generate peaceful industrial relations. Therefore, one
may argue that new non-state actors by creating these two-tier systems
through implementation of codes of conduct may indeed correct some
injustices generated within unorganized industrial relations and thereby
contain industrial conflict so long as workers in the second-tier do not
consider their exclusion from the conditions prevailing in the first-tier as injustice.

However, the case studies analyzed above clearly indicate that the emergence of such two-tier-micro systems through climatic change triggered by CoCs is conditioned by many factors: by the nature of the relationship between main firm and supplier (that is long term or short term relationships), by the strategy of the supplier (working with a lot of main firms or with a limited number of main firms, and producing for domestic market or producing for foreign markets), by the type of the codes of conduct adopted by the main firm (business type or multi-stakeholder type). Moreover, the climatic change seems to have the potential danger of excluding entirely domestic oriented firms and perhaps also entirely native-owned enterprises. Finally, the degree of consumer sensitivity at the final destination of products, too, appears to be important. On top of these one should also add the strategies of trade unions: if trade unions are purely opportunistic then the emerging two-tier systems may not be generating the peaceful equilibrium based on minimum wage, formal employment, healthy conditions and full payment for extra work at the second-tier workplaces.

Indeed, the best conditions which may allow the climatic change to generate a two-tier micro system with peaceful industrial relations is this: a partly foreign owned and entirely export oriented supplier establishes subcontract links with a small number of main firms which offer long term partnership and adopt multi-stakeholder type codes of conduct while aiming to sell their final products in places where the consumer sensitivity for workers’ conditions is high, and then, a non-opportunistic trade union organizes the supplier’s factory.

Discussion

How can one relate these findings to the competing hypotheses? (see the grey area in figure 6.1). Is the containment of industrial conflict in unorganized industrial relations the outcome of correction of injustices by the non-state actors through private labour regulation, or it results from workers’ attribution of the blame of injustices, at least partly, to governments rather than entirely to their immediate employers?

At first glance by taking all the findings into account one may cautiously claim that under certain conditions the first hypothesis
Appears to be valid, that is, the correction of injustice by non-state actors (NGO’s and international networks) may indeed be possible and preventing industrial action in unorganized industrial relations (see IIa in figure 6.1). This judgment, however, would be erroneous.

Obviously, one may argue that the rate of penetration by codes of conduct into unorganized industrial relations is very small, thus, although they may contain industrial conflict by correcting some injustices, given the sheer magnitude of unorganized industrial relations, this impact cannot account for the overall industrial peace. However, this argument, although not incorrect, does not reveal the essential weakness of the first hypothesis uncovered by the empirical inquiry. For the real problem is not only about magnitude but also about content: it is not the non-state actors and implementation of their private legal instruments, that is, codes of conduct and the resulting two-tier micro systems, which actually contain industrial conflict even in the rather limited segment of unorganized industrial relations which they can influence under certain conditions. What codes of conduct do in practice is to move workplaces, thus, workers placed in unorganized industrial relations, in the formality continuum; from conflict prone positions such as points 1, 2 and 3 into a conflict-averse position, that is, point 4 where the combination of minimum wage, long term employment, social security and healthy working conditions provide peaceful employment relations. The outcome of such a movement, by definition, is a decrease in the conflict propensity.

However, codes of conduct neither generate nor influence the most crucial components of the combination, which makes position 4 less prone to industrial conflict, that is, minimum wage, long-term employment and social security. Although the two-tier systems generated by codes of conduct make these conditions available for those workers placed in the second-tier, it is the state, which determines the exact content and meaning of these peace-generating conditions. Thus, the peace in these two-tier systems is essentially generated by government policies and the way in which workers interpret them. One may deduce from this that even in those limited circumstances in which non-state actors appears to be generating industrial peace through their codes of conduct, this outcome in fact results from an implicit partnership between non-state actors and the state, in which non-state actors move the workplaces into position 4 but it is the state who renders this position
Conductive to industrial peace by absorbing the blame for injustices workers feel. To clarify this argument a further elaboration is necessary:

In an environment characterized by precarious employment, unhealthy working conditions and no social security, once an employer moves into position 4 where all these conditions would be ‘as good as legally possible’ s/he would no longer be the primary agent to whom the blame for injustice is attributed. The basic reason for this appears to be the social security component associated with position 4. However, inclusion of workers into social security system is directly connected with or conditioned by the other two components of position 4: strict adherence to minimum wage is exchanged with long term employment and it is the long term employment that makes inclusion into the social security system meaningful. Indeed, as depicted above, whenever wage issue is mentioned at minimum wage workplaces employers point out this connection by emphasizing their commitment to not laying-off workers even during bad periods. The common practice of hanging placards in the plant, which read ‘in this workplace minimum regime is enforced’ also enhances the nonnegotiable nature of the wage and reminds the underlying implicit exchange217.

Therefore, once a workplace is moved to position 4 by the direct pressure created by codes of conduct or as a result of subsequent climatic change, the direction of blame for injustice changes: the employer would appear as if s/he has done everything possible: social security and long term employment is secured in exchange for strict adherence to minimum wage, and thus, the best possible combination of working conditions from the perspective of someone who used to work in precarious conditions or at least being aware of them is ensured (see Adaman et al 2008:15). Any further improvement can only be possible if the minimum wage improves and it is just too obvious to everyone that not the immediate employer but the government is the one who is responsible for the level of minimum wage. Thus, under these conditions the blame for injustice would be directed to governments.

Therefore, one may argue that what codes of conduct do is to move workplaces into a position where the primary agent to whom the blame

217 Of course this implicit exchange appears beneficial due to general conditions prevailing in the sector: where maintaining informal existence is the norm for firms, finding entirely legal employment would appear to workers as something to be appreciated. Probably if the collective bargaining were the norm then formal employment would not generate the same feeling.
for injustice is directed is the state rather than the immediate employers. Of course, the expectation is that the outcome of this shift in the direction of the blame would be the implicit interaction between governments and workers within the realm of politics, which would render voting rather than industrial action the most relevant medium for expressing the feeling of injustice. This is the real cause of industrial peace in those segments of unorganized industrial relations where codes of conduct can be influential under certain conditions. Indeed, this claim is confirmed by interview evidence: both employers and worker representatives openly acknowledge that dynamics of minimum wage is closely related to the electoral politics. This is in fact one of the reasons why employers quite often oppose early general elections, which according to them, disturbs the dynamics of industrial relations by making governments more inclined to act in accordance with “populist” impulses. Thus, one can argue that non-state actors (through codes of conduct) are workers’ medium of movement in the formality continuum, it is the shift in the direction of blame and the resulting implicit interaction between workers and the state, which contains the conflict. Obviously, in this general picture while it is the state which is the main actor who contains industrial conflict, non-state actors may be considered as its partners in the process which facilitate the change in the direction of the blame of injustice. This seems to lend support to the observation that non-state actors are quite often involved in “diverse partnerships with public authorities” (see Buğra 2007a:176-177) which may be, as in this case, quite subtle.

So far the main focus of the discussion, due to the nature of the two-tier systems generated by the codes of conduct, has been the containment of conflict at position 4 in the formality continuum. However, the analysis up to here allows making some indirect inferences about the conflict dynamics in other segments of unorganized industrial relations where codes of conduct could not penetrate.

As mentioned earlier, minimum wage is crucial for these segments of unorganized industrial relations as well: it functions at point 3 as the officially paid wage which can be occasionally exceeded at the expense of

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218 This issue has been mentioned or implicitly referred to in many interviews during the fieldwork but it was most explicitly acknowledged in two occasions: Interview #2/27.03.2006 and Interview #48/ 11.05.2007. In chapter 7, I show the existence of this interaction between politics and industrial relations in a much more detailed way.

219 Interview #2/27.03.2006.
employment security, and at points 1 and 2, it creates the lighthouse effect as the reference wage. Given the fact that only in the clothing sector more than one and a half million people are employed at these positions, one can see that minimum wage through its influence on unorganized industrial relations, affects a large segment of the society and therefore, the feeling of injustice it creates must be carefully handled by governments. Obviously, as depicted in the analysis above, as one goes down in the formality continuum the immediate employer rather than the government is increasingly held responsible for the injustice. However, one may still expect that, due to the sheer number of workers at these low formality positions, the overall friction in unorganized industrial relations would not be ignored by governments given that they can manipulate the conflict dynamics at these position through minimum wage.

At this point the insights provided by the previous chapter allow making an indirect inference. As depicted there, the reckless manipulation of public wage norms and minimum wage in accordance with neo-liberal prescriptions proved to be dangerous for political stability under the conditions of democracy. For it feeds the resentment in the society: when during the 1980s the government pursued the policy of sending deliberately low wage signals to the economy by using public wage norms and minimum wage in order to facilitate the establishment of free market, the outcome was large scale industrial actions in organized industrial relations which enjoyed great public support due to anti-government feeling in the larger society. Given the crucial role of minimum wage for large number of workers it is reasonable to assume that the manipulation of minimum wage in pursuit of reckless neo-liberalism was one of the sources of this wide spread resentment\textsuperscript{220}.

\textsuperscript{220} Of course, it is crucial to recall that minimum wage has always been too low for ensuring minimum living conditions for a single person, as mentioned above, governments’ assumption is that more than one individual in a household should be working on minimum wage to ensure subsistence. However, it is the extent to which the various functions that minimum wage assumes within the field of unorganized industrial relations are influenced by the level of minimum wage that determines the impact of minimum wage on the resentment in society. In other words, although minimum wage has always been low for a single person, there is low and high minimum wage in the sense of the ability of minimum wage to assume different functions at different formality levels simultaneously so as to prevent resentment. For example, as mentioned in the text the minimum wage, for majority of workers, has the lighthouse effect, that is, it is taken as reference in wage determination by employers. Thus, keeping minimum wage deliberately very low sets the reference too low and triggers resentment among workers.
Therefore, one may argue that at least in Turkey there is an implicit rule for managing the neo-liberal political economy: ruling governments need to ensure that minimum wage does not generate permanent anti-government feeling or intensive conflict between employers and workers so as to lead to wide ranging resentment which might ignite or encourage political protest as happened in the late 1980s. Accordingly, one may argue that what contains industrial conflict at position 4 and what determines the intensity of conflict and resentment in the remaining positions of unorganized industrial relations is the policy of governments regarding the minimum wage in response to the feeling of injustice among workers. However, it is also clear that for the sake of preventing resentment governments cannot undermine the dynamics of unorganized industrial relations entirely by making minimum wage ‘too high’ to assume different functions simultaneously at different levels of formality nor can they entirely ignore employers’ concerns. For, as depicted by the case studies examined in this chapter, unorganized industrial relations should be compatible with the logic of international production chains, which essentially expand into environments where cheap labour and flexible conditions can be found. This implies that governments cannot respond to the feeling of injustice generated in unorganized industrial relations by simply increasing the minimum wage. Instead they should manage the feeling of injustice by careful manipulation of minimum wage so as to prevent excessive friction between employers and workers without damaging the logic of unorganized industrial relations which, as depicted above, is also carefully maintained by the peaceful two-tier micro systems created by non-state actors through codes of conduct.

It should be the management of the feeling of injustice in this way through the politics of minimum wage, which contains industrial conflict at point 4 and prevents excessive friction and resentment at other segments of unorganized industrial relations.

At this point it is crucial to make a reckoning for new activism: as mentioned at the beginning of this chapter, non-state actors have created private labour regulation through new activism, which is based on tackling directly the firms that control the production chains without engaging with public politics. In other words, private politics of new-activism has created the instruments such as codes of conduct, which gained prominence in neo-liberal environments characterized by unorganized industrial relations. However, the analysis in this chapter
suggests that, it is the factor of public politics or politics of minimum wage which appears to be containing and managing the industrial conflict in unorganized industrial relations even in those segments where codes of conduct could be influential. Thus, within the confines of this analysis, one can argue that the effectiveness of private politics in unorganized industrial relations is conditioned by the effectiveness of public politics. The success of non-state actors depends on the success of the state.

Conclusion

Having these observations in mind, one can argue that under certain conditions non-state actors through private labour regulation may force firms to shift their position in unorganized industrial relations which results in decline in conflict propensity, however, even in these circumstances what really contains industrial conflict is the management of the feeling of injustice by governments through minimum wage which renders the realm of politics relevant for the expression of grievances.

Therefore, the alternative hypothesis (see IIb in figure 6.1), which focuses on the role of the state appears to be a more fundamental explanation for the containment of industrial conflict in unorganized industrial relations. However, the analysis in this chapter did not focus on the alternative hypothesis and thus, there remain four questions related to this state-centered hypothesis to be scrutinized further:

Firstly, other than employers’ and worker representatives’ verbal acknowledgements of the impact of electoral politics on the way in which governments manipulate unorganized industrial relations through minimum wage, we still do not have concrete evidence for the implicit interaction between governments and workers in the realm of politics. How do workers in unorganized industrial relations express their grievances in the realm of politics? Is there really some impact of elections on governments’ decisions regarding the minimum wage? Here it is crucial to remember that, at the end of the last chapter the necessity of finding evidence for the separation of organized industrial relations from politics after the gentleman deal arrangement of 1990 has emerged, on the contrary, here it appears that one should find evidence for the

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221This issue has been mentioned or implied in many interviews during the fieldwork but most explicitly acknowledged in two occasions: Interview #2/27.03.2006 and Interview #48/11.05.2007.
connection between unorganized industrial relations and the politics of minimum wage.

Secondly, if indeed there is an implicit interaction between workers in unorganized industrial relations and governments as suggested by the interview evidence, does the growing size of this field have an impact on this interaction? What are the implications of this for the ruling governments and for the neo-liberal project?

Thirdly, to what extent the implicit interaction between governments and workers in unorganized industrial relations has been influenced by economic developments, that is, by contractions and expansions of economy, which are beyond the control of governments?

Finally, the motivation of governments in management of injustice remains unaccounted for. Is it reasonable to expect that in neo-liberal environments all governments would manage the feeling of injustice within unorganized industrial relations in the same way, that is, trying to prevent excessive tension and widespread resentment without damaging the logic of production chains? Is there any meta-principle of governing the state, which ensures the pursuit of the same policy by different governments?

I will answer these questions in chapter 7 where I exclusively focus on the role of the state in industrial relations.
Containment of Conflict in Unorganized Industrial Relations
ANALYSIS PART III

THEORIZATION AT A HIGHER ABSTRACTION LEVEL

They don’t know anything about it, and, if they did they wouldn’t believe it. Filling prescriptions is easy, but getting on with people is much harder.

Franz Kafka

(from A Country Doctor)\textsuperscript{222}

\textsuperscript{222} A Country Doctor, in Metamorphosis & Other Stories, Penguin Classics © 2007, p 188.
Chapter 7
Explaining the Role of the State: Dilemma Theory

Overview
The analyses in the previous chapters reveal that the role of the state in containment of industrial conflict in neo-liberal environments is crucial.

Figure 7.1: The focus of the chapter

Table: Focus of the chapter

<table>
<thead>
<tr>
<th>Organized industrial relations</th>
<th>Unorganized industrial relations</th>
</tr>
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<tbody>
<tr>
<td>Excluding the State</td>
<td>Focusing on the State</td>
</tr>
<tr>
<td>Ia</td>
<td>Ib</td>
</tr>
<tr>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships.</td>
<td></td>
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<tr>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.</td>
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</tr>
<tr>
<td>Ia</td>
<td>Ib</td>
</tr>
<tr>
<td>Industrial conflict is contained by the correction of injustices by non-state actors (NGOs, consumer groups and international networks).</td>
<td></td>
</tr>
<tr>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers.</td>
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</tr>
</tbody>
</table>

223 Another version of this chapter is accepted for publication:


224 It is worthwhile reiterating that government in this study is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.
In chapter 5, the examination of the metal sector bargaining system in Turkey as a case of organized industrial relations showed that governments could not relentlessly pursue the neo-liberal agenda that requires a pro-employer stand. Under the conditions of democracy they were obliged to adopt a more balanced position. This seems to lend support to the hypothesis that in neo-liberal environments pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination contains the industrial conflict (see Ib in figure 7.1). On the other hand, in chapter 6, the scrutiny of textile & clothing sector in Turkey as a case of unorganized industrial relations pointed out the minimum wage as the key instrument which allows governments to manage the industrial conflict and resentment. This finding appears to be in compliance with the hypothesis that in unorganized industrial relations direct or indirect attribution of the blame of injustice to the state rather than employers contains the industrial conflict (see Ilb in figure 7.1).

However, some issues about these state-centered hypotheses (see the grey area in figure 7.1) appear to be crucial but so far remained theoretically and empirically obscure:

Firstly, the link between politics and industrial relations seems to be quite important: In the organized field, the key for containment of industrial conflict appears to be the separation of politics from collective bargaining in order to prevent mobilization capacity of workers from being used for political protest. On the other hand, in the unorganized field the exact opposite, that is, the interaction between workers and governments through politics (of minimum wage) seems to be the possible mechanism, which contains the conflict. However, in both cases, other than the interview accounts, the concrete evidence for these links with the politics was absent.

Secondly, in chapter 5 the expansion of unorganized industrial relations appeared to be the outcome of deliberate government policy of reducing the mobilization capacity of workers by shrinking the size of organized industrial relations. On the other hand, the analysis of the unorganized industrial relations in chapter 6 suggests that governments, through minimum wage, influence the conflict dynamics of this field. However, governments seem to be constrained in the way in which they could manipulate the minimum wage. They have to pursue a minimum wage strategy which would prevent wide spread tension and resentment
among workers while not damaging the logic of production chains. However, whether the expansion of unorganized industrial relations could affect the viability of this strategy is not yet scrutinized.

Thirdly, the extent to which economic developments influence government policies regarding the organized and unorganized industrial relations still remains unaccounted for.

Finally, the analyses in previous two chapters show that the policies regarding the industrial relations should not be influenced by the differences between governments. The logics underlying these policies, that is, preventing political mobilization within the organized field and managing the resentment and conflict within the unorganized field, appear to remain valid for all governments. This implies that there should be a meta-principle of the state, which remains equally binding for all the ruling parties. However, so far no such meta-principle is pointed out.

In short,

i) the link between the politics and the organized and unorganized industrial relations,

ii) the implications of the expansion of the unorganized field,

iii) the impact of economy on governments’ industrial relations policy,

iv) (whether there is a) meta-principle of the state which forces all governments to act in the same way

are the issues that remain theoretically and empirically obscure. Obviously, in order to claim that state-centered hypotheses in the second column of the typology account for containment of industrial conflict these issues must be clarified.

Indeed, the last one (i.e., iv) of these issues is of crucial significance, for if one can discover the meta-principle of the state, then it may be possible to connect the vindicated (but distinct) hypotheses in the typology (see the grey area in figure 7.1) at a higher abstraction level in order to establish a general theory of the state in industrial relations. Such a theory may also clarify the remaining obscure issues.

Therefore, in this chapter, I construct a state-centered conceptual and analytical framework (dilemma theory) by pursuing an intuitive idea: balancing accumulation and legitimation is the meta-principle of any capitalist state. This theory offers a general explanation for the containment of industrial conflict in neo-liberal environments.
In the following pages, I first introduce the dilemma theory and construct a set of analytical devices for its operationalization. Secondly, I apply it to the case of Turkey to see whether it can account for the reality uncovered in previous chapters from a state-centered perspective. Finally, I assess the findings and discuss the way in which they clarify the points which hitherto remained obscure. The chapter ends with the reiteration of key results.

**Dilemma Theory**

O’Connor (1973) argues that any capitalist state must undertake two potentially contradictory tasks: ensuring accumulation of capital while legitimizing this process for those who are not capable of accumulating capital. Thus, if, for the sake of building a parsimonious conceptual framework, one reduces the political economy into a game between three generic actors – ‘capital’, ‘labor’ and ‘the state’ – one expects capital to prefer and press for increased state support for accumulation and, labor, unless mobilized for radical change, to demand legitimation.

Although accumulation can always be understood as increasing capital’s share in the surplus value generated by the economy, legitimation cannot simply be reduced to its polar opposite. The state may promote an ideology that portrays a particular accumulation pattern as inevitable and thus, legitimize the system by hegemony without directly influencing the share of capital in the national product (see Jackson 1991:244). Similarly demands for legitimation may also be crushed by sheer coercion (Dahrendorf 1959:279). However, given the fact that in any capitalist society those who would prefer legitimation are likely to be the majority (that is, wage earners) sooner or later legitimation must be ensured in terms of real material gains for them despite the immediate consequences of such a policy for accumulation. On the other hand, the fact remains that neither the capitalist state nor the capitalist society can be sustained without accumulation. Thus, it is only temporarily possible to sacrifice accumulation for the sake of legitimation or legitimation for the sake of accumulation, most of the time these tasks must be balanced. Consequently, the state, regardless of the ideologies of ruling political parties, permanently faces the problem of maintaining the balance between accumulation and legitimation.
This can be considered as the meta-principle guiding all governments. The role that is played by the state in organized and unorganized industrial relations, too, may be comprehended by referring to this meta-principle. Now let us examine these fields one by one from the perspective of accumulation /legitimation dilemma

*Organized industrial relations*

The state may cope with the accumulation/legitimation dilemma by delegating the task to a system which may, to some extent, separate politics from economy. In this way the state may simultaneously avoid the responsibility of legitimation while indirectly ensuring it. This system is the organized industrial relations in which labour and capital collectively undertake the legitimation task by engaging in collective bargaining with minimum state intervention or even without it\(^{225}\).

Obviously, as depicted by the state of nature exercise in chapter 3, to ensure the continuity of production, the institutional structure of organized industrial relations must be designed by the state so as to prevent the conflict potential embedded in different dimensions (i.e., inter-class, intra-class and internal) from becoming extremely inflammable. For this purpose, the state while leaving the wage-time bargaining to the representatives of workers and employers may regulate the effort bargaining. Similarly, opportunities for short-term interest maximization may also be limited by the state. Indeed, the degree to which these constraints and regulations are enforced may be a strategic instrument that can be used by the state to impose a particular accumulation/legitimation regime. However, the most important element in the institutional structure of organized industrial relations is the rules, which regulate the associative power of workers (see Kelly 1998:60). Given that workers’ associative power is not only crucial for inter-class conflict but it also exerts substantial influence on the collective organization of employers, the rules regulating this power, too, may be used by the state as another strategic instrument for imposing a particular accumulation/legitimation regime.

\(^{225}\) Indeed one may argue that the conflict potentials embedded in organized industrial relations are reflections of or generated by the difficulty of maintaining a balance between accumulation and legitimation.
The influence of the state in organized industrial relations is not, however, confined to legal means. Some pivotal wages, that is, those wages, which have a pattern setting impact may be very susceptible to government manipulation, thus, they may also be used as strategic instruments. The public sector wages, for example, can be effectively used for imposing certain patterns on the wage-time bargaining in organized industrial relations in order to deliberately enhance or alter the existing accumulation/legitimation regime. A more subtle way, of course, is to use macroeconomic policy instruments (i.e., interest rates) for the same purpose.

The state may use its strategic instruments, without being directly implicated, for influencing the way in which accumulation/legitimation dilemma is handled by collective actors in organized industrial relations. However, as depicted in chapter 5, there are two problems with the field of organized industrial relations which prevents it from being the ultimate solution for handling the accumulation/legitimation dilemma without direct state intervention:

Firstly, the ability of organized industrial relations to keep economic sphere separate from the politics is limited by and dependent on the economic conditions, which are essentially beyond the immediate and absolute control of any actor. Employers and trade unions, when they fail to agree, may still ask for state intervention and unexpected economic fluctuations would increase the likelihood of such impasses in organized industrial relations. In such circumstances if the relative size of organized industrial relations is large, then it is very likely that collective actors would have sufficient resources to politicize their demands and ask for state intervention. Obviously, this would undermine the very logic of organized industrial relations by bringing back the accumulation/legitimation dilemma to the state.

Secondly, if the state fails to use its strategic instruments carefully or due to economic crisis or political pressure was compelled to make abrupt changes in the way in which it uses these instruments so as to alter the existing accumulation/legitimation regime then it will be implicated and held responsible. In such circumstances the collective action capacity embedded in organized industrial relations may be politically mobilized by the organized labour in the form of street

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226 This can be the relative size of the bargaining coverage.
protests and industrial actions, which may paralyze both economy and politics.

Obviously, these two contingencies are likely to be interrelated and sequential: responding to organized pressure for intervention by altering or re-imposing the existing regime of accumulation/legitimation may result in political mobilization of the organized labour.

Unorganized industrial relations

As depicted in chapter 6, the state would be directly held accountable by those who are excluded from the channels of collective representation, that is, those who are employed in unorganized industrial relations, for their circumstances. Thus, in a political economy sooner or later the feeling of injustice generated at workplace level will be a political issue and its importance and urgency would increase with the relative size of unorganized industrial relations. This means that the state would be responsible for the injustice generated within unorganized industrial relations especially if it uses a pivotal wage such as minimum wage as a strategic instrument of manipulation, which can be easily traced back. Indeed, one may argue that not only the way in which such instruments are used but also their very emergence may be considered as response to the demands of legitimation and accumulation from unorganized industrial relations.

Therefore, unlike in the case of organized industrial relations, the politicization of accumulation/legitimation dilemma in unorganized industrial relations is almost inevitable. However, what is different from organized industrial relations (where the associative power of workers and employers can be strategically mobilized at any time to pressure governments) is that in unorganized industrial relations lack of collective mobilization capacity limits the occasions, which may explicitly reveal the politicization. In this respect election periods would be very crucial. Because elections allow the only legal collective action capacity acquired by those who are employed in unorganized industrial relations, that is, the right to vote, to be exercised in order to react to the way in which the accumulation/legitimation dilemma is handled by the state.

Obviously, it is possible for the state to avoid this direct responsibility by reducing the size of unorganized industrial relations by encouraging collective representation of workers and employers and in this way expanding the organized field. However, as depicted above,
organized industrial relations do not provide the ultimate solution: during economic crisis actors in this field may convert the accumulation/legitimation dilemma into a major political crisis by first demanding and then reacting to the direct state intervention.

The state in industrial relations

One can see that neither organized industrial relations nor unorganized industrial relations allow the state to permanently avoid from being directly responsible for or smoothly solving the accumulation/legitimation dilemma. Yet both of these fields may facilitate the task in different ways: unorganized industrial relations may reduce the danger of widespread and sudden mobilization against a particular accumulation/legitimation regime and organized industrial relations, under appropriate economic conditions, may prevent the extensive politicization of the dilemma.

However, as depicted in chapter 5, the exact opposite is also possible: the way in which the strategic instruments of the state is used (for example, pivotal wages) for the sake of maintaining a particular accumulation/legitimation regime may trigger politicized collective action in organized industrial relations and simultaneously generate wide spread feeling of injustice and extensive resentment in unorganized industrial relations. Indeed, during the periods of alteration of the accumulation/legitimation regime this kind of double reaction which creates a de facto alliance between all wage earners may only be prevented by extensive use of coercion and suspension of democracy. However, as long as democracy is retained, the state must use its strategic instruments in order to prevent emergence of such a crisis even if this precludes consistent imposition of a particular accumulation/legitimation regime.

This implies that extensive expansion of organized or unorganized industrial relations may also reduce the way in which the strategic instruments of the state (legal framework, macroeconomic policy and pivotal wages) can be used. In turn, the way in which these instruments are used may also stimulate further expansion or contraction of these fields. In fact, one may argue that in a political economy the available options for tackling the accumulation/legitimation dilemma would be conditioned by the relative sizes of the organized and unorganized industrial relations.
Two time horizons

There is an ideal solution for the accumulation/legitimation dilemma: enabling the entire economy to function better in the sense of generating more growth and in this way simultaneously ensuring accumulation and legitimation. A particular accumulation pattern can then be legitimized by increasing labour’s income, shared by a growing number of people, while keeping its relative share constant. However, the functioning of economy in its entirety remains elusive and the policy instruments available to the state are not sufficiently precise to generate a predictable outcome immediately (Keech 1995: 22-44). Therefore, one should adopt two time horizons for the government, that is, short and long: the government must balance accumulation and legitimation in a short time horizon, while trying to approximate to the ideal solution (i.e. improving the economic performance in order to increase growth and employment) in the long run. In other words, governments always try to balance legitimation and accumulation in an economic situation about which they cannot do much in short term, partly because of the many external constraints in an economy which is not autarchic, partly because of the many unknowns involved227. Hence the accumulation/legitimation dilemma forces governments to focus on short time horizon, at least, in the way in which they use some of their strategic instruments such as pivotal wages.

Empirical Projection

In order to apply this entire conceptual framework, which might be called as the dilemma theory, to empirical circumstances, it is essential to develop an analytical model which would allow attributing a concrete meaning to expressions like accumulation bias, favoring legitimation...etc. Given that the way in which the accumulation/legitimation dilemma is tackled by the state is conditioned by the economic circumstances; this model should connect the economy with the state’s use of its strategic instruments. One way of doing this is to focus on the interaction between economy and pivotal wages and to develop tools in order to capture the changes in the use of other strategic instruments.

227 The inconsistency between long and short time horizons can also be attributable to the patch-work structure of any state: that is, state agencies focusing on long horizon and short horizon are most of the time neither identical nor perfectly coordinated.


Analytical Model

In order to capture the choices of the state regarding accumulation and legitimation under given economic circumstances, one may plot the changes in a particular pivotal wage\(^{228}\) against the changes in the GDP. The idea behind this simple operation is as follows: by adjusting the level of a pivotal wage, the state determines to what extent the surplus value generated by the economy is shared between the capital and labour in those segments of the economy which is influenced by this pivotal wage, and thereby attains a particular balance between accumulation and legitimation tasks. The change in the pivotal wage is determined by the state while the change in the GDP is considered as a stochastic variable, in the sense that it is beyond the absolute and immediate control of the state. In other words, while annual change in the GDP can only be influenced in the long time horizon, the annual change in the pivotal wage requires immediate action. More formally, the state has to make a choice on y-axis (through action or inaction) in response to a given point in the x-axis so as to reach an actual balance point in the space mapped by x and y axes (see figure 7.2).

For the sake of simplicity one may argue that the balance between accumulation and legitimation can be attained by choosing a point on y-axis which is equal to the value of the given x point. This would mean that the state would use its power so as to ensure that the labour would be compensated by the capital in proportion to the economic growth indicated by the annual GDP change\(^ {229}\). Formally all the points referring to this balance can be depicted by the line, \(y = x\). Hence this line is called the balance line (see figure 7.2).

\(^{228}\) It is important to recall that pivotal wage is defined as the wage, which has a pattern setting influence on the economy.

\(^{229}\) This is an ex-ante model. The idea is that the state does not act by looking at the GDP statistics, but GDP change is used (retrospectively from the perspective of inquiry) as an approximation to the knowledge of the state about the economic circumstances at the moment of the decision. Obviously, in this respect the GDP is a better indicator than the GDP per capita.
Dilemma Theory

Figure 7.2: Analytical model for accumulation and legitimation

230 There is an implicit assumption as to the perception of actors in the analytical model: employers (capital) and workers (labour) are assumed to perceive the value of money in the same way. This assumption requires using a measure common to both actors. For this purpose I used the value of the pivotal wages in US dollars: due to high inflation and currency devaluation of the lira, the dollar value of wages was relevant for purchasing power at least since the 1980s and increasingly so between 1990 and 2004. Indeed one ex-minister of Labour and Social Security told me that the consumer price index was never taken into account in minimum wage deliberations (interview #64 / 27.09.2007). On the other hand, the importance of dollar value for employers results from the dependence of Turkey on imports of half-finished goods and on export of final products, which were all bought and sold in dollars between 1970 and 2004. However, instead of using US dollar values it is possible to establish a more sophisticated model by using consumer price index for workers and producers price index for employers. This approach leads to multidimensional vector entities, which require employing trigonometric functions for making sensible interpretations but at the end these interpretations do not differ much from what is presented here.
Dilemma Theory

Let us elaborate on this model by examining possible choices available to the state (points in the y-axis) by looking at two main contingencies (see figure 7.2).

- If there is negative economic growth the balance point will be either in ZONE I or in ZONE III, under these circumstances if the state chooses a point (such as point b) that has a negative y-value which is smaller in absolute value than the given negative x value then the actual balance point lies in the small part of ZONE III which is above y = x and under y = 0. This would mean that the loss of income by the labour would be less than the loss of profit suffered by the capital. Hence the balance would be in favor of legitimation.

(such as point a) that has a positive y-value despite the negative x value then the actual balance point would be in ZONE I and would be attained by abandoning accumulation entirely for the sake of legitimation. For any such point would imply that income of the labour would be increased despite declining profits of the capital. Therefore, ZONE I is called pure legitimation region.

(such as point c) that has a y-value which is negative and larger in absolute value than the given negative x-value then the loss of income for the labour would be more than the declining profits of the capital. Consequently, legitimation would be partly sacrificed for the sake of accumulation. When this occurs the actual balance point would lie in the ZONE III under the y = x line.

- If there is positive economic growth the balance point will be either in ZONE II or in ZONE IV. Under these circumstances if the state chooses a point (such as point d) that has a y-value which is higher than the given x value then the actual balance point would be above the y = x line and in ZONE II. This implies that the increase in the income of labour will be greater than the increase in the profit of the capital. Thus, accumulation would be partly sacrificed for the sake of legitimation.

(such as point e) that has a y-value between 0 and the given x value then the income of labour would increase less than the profits of the capital thus, part of these profits would be
accumulated, thus, legitimation would be partly sacrificed for the sake of accumulation.

(such as point f) that has a negative y value despite the positive x-value, then the income of the labour would decrease while profits were increasing and the actual balance point would be in ZONE IV. This implies that the capital would not only accumulate its recent profits but would also increase them further by paying less to the labour. Hence any actual balance point lying in ZONE IV would mean that the legitimation is entirely abandoned for the sake of accumulation. Hence ZONE IV is called pure accumulation region

Thus, one can argue that the balance line (y = x) divides the entire two-dimensional space mapped by x and y-axes into two areas: the upper part should be named as legitimation region and the lower part should be called accumulation region (see figure 7.2). The detailed analytical descriptions of these regions are given in figure 7.3.

Figure 7.3: Analytical descriptions of accumulation and legitimation regions

| LEGITIMATION REGION | • ZONE I (pure legitimation region)  
|                     | • The area between y = 0 and y = x in ZONE III  
|                     | • ZONE II except the area between y = x and y = 0 |
| ACCUMULATION REGION | • ZONE IV (pure accumulation region)  
|                     | • The area between y = x and y = 0 in ZONE II  
|                     | • ZONE III except the area between y = 0 and y = x |
The Legitimation Level

One may use this model in order to create a variable, which would quantitatively express the balance between accumulation and legitimation in a particular year. For this purpose, one may define the Euclidian distance between the actual balance point determined by the state and the corresponding point on the balance line as legitimation level (see the dotted lines in figure 7.4).

Figure 7.4: The legitimation level at two different points

If the actual point lies in the legitimation region, the legitimation level will be positive but if the actual point is in the accumulation region it will be negative. The legitimation level allows expressing the outcome of the interactions between the state, capital and labour as a single number.
Therefore, one can scrutinize the behaviour of this variable in order to examine, for example, the impact of elections on industrial relations.

**The Mean Actual Balance**

One can also use this model in order to attain a simple expression of the actual balance between legitimation and accumulation during a given period. For this purpose, one may define the slope coefficient $\Psi$ obtained from the equation $y = \Psi x$ as the mean actual balance. The best estimate for $\Psi$ can be found by using Gaussian least squares$^{231}$. Here it is important to note that $\Psi$ is merely a measure of representation$^{232}$.

Obviously, $\Psi = 1$ for the balance line, and if $\Psi$ is smaller than 1 for a given period then one should conclude that the period had accumulation bias, that is, during this period, in average the system could be maintained by giving precedence to accumulation rather than legitimation. However, if $\Psi$ is larger than 1 this implies that the period had legitimation bias (see figure 7.5). The mean actual balance can be used to link institutional changes and overall political climate with the political economy and industrial relations. Thus, the mean actual balance allows to relate the use of pivotal wages to the way in which some other strategic instrument of the state are used in a particular period, such legal framework or institutional structures.

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$^{231}$ If $f(\Psi) = \sum (y - \Psi x)^2$, then solving $\lim_{\Delta \Psi \to 0} \frac{f(\Psi + \Delta \Psi) - f(\Psi)}{\Delta \Psi} = 0$ for $\Psi$.

$^{232}$ In other words, $\Psi$ should not be considered as a regression coefficient. The only common thing between $\Psi$ and regression is the use of least squares technique. This is not sufficient to consider $\Psi$ as a regression coefficient for two reasons. Firstly, here the equation $y = \Psi x$ is not used to explain $y$ with $x$. In fact it is the $\Psi$, which is to be explained by appealing to structural and cyclical changes. Secondly, in classical regression theory it is the dependent variable (i.e., the one assigned to the $y$-axis), which is to be considered stochastic while the independent variable (i.e., the one assigned to the $x$-axis) should be considered non-stochastic. Obviously, in the analytical model presented in the text, the exact opposite is the case. The implication of all this is that one cannot establish the statistical significance of a particular $\Psi$ value by using t-test based (derived from standard deviations) inferences of classical regression theory. Therefore, in the following pages I design another method for examining the significance of particular $\Psi$ values, which is based on simulations.
Figure 7.5: Two types of mean actual balance lines

Now since the conceptual and operational description of the dilemma theory is completed, it is possible to interpret neo-liberalism in accordance with this framework.

Re-interpreting neo-liberalism

Within the confines of the dilemma theory, neo-liberalism may be perceived as a political project which promotes the idea of favoring accumulation at the expense of legitimization. Moreover, it can also be interpreted as a reaction against the strategy of extensive delegation of the accumulation/legitimation dilemma to organized industrial relations which in many countries proved to be not only incapable of handling it without implicating the state but also appeared to be severely limiting the state’s freedom of choice for altering the existing regime. Thus, neo-liberalism motivates governments to actively use their strategic instruments, especially the legal means, to shrink organized industrial relations (see 1 in figure 7.6) while imposing accumulation bias into the
political economy by using pivotal wages and macroeconomic measures. The only instrument reserved for legitimation is hegemonic ideology. Of course, the economic growth that is expected to be triggered by free market, too, would in the long run contribute to the legitimation of the neo-liberal project.

However, by drawing on the insights provided by the dilemma theory one can argue that under the conditions of democracy the persistent pursuit of neo-liberalism is not sustainable and would sooner or later trigger two types of legitimation crisis:

Firstly, if the marginalization of organized industrial relations is not sufficiently rapid (see II in figure 7.6) or the state tries to impose accumulation bias without shrinking organized field (see 2 and I in figure 7.6) then at some point collective organization of workers may be mobilized against the accumulation bias and lead to simultaneous paralysis of the economy and politics. This may be called the \textit{explicit crisis} of neo-liberalism (see figure 7.6).

Secondly, if or after organized industrial relations is marginalized (see III and IV in figure 7.6), the resulting expansion of unorganized industrial relations would compel the state to use its strategic instruments in order to prevent the feeling of injustice among workers from being permanently directed to employers which may hamper production and lead to accumulation crisis. Consequently, the way in which these instruments are used would implicate the state and be politicized (see V in figure 7.6). Therefore, incumbent governments especially prior to elections would have to take the expectations of the electorate (majority of which would be employed in unorganized industrial relations) rather than neo-liberal prescriptions into account when they make decisions regarding the manipulation of unorganized industrial relations. This may be called the \textit{implicit crisis} of neo-liberalism (see figure 7.6).

The state, as depicted earlier\textsuperscript{233}, may prevent the recurrence of explicit crisis by shrinking the organized field while simultaneously

\textsuperscript{233} In chapter 5, it is shown that after the large scale protests of 1989-1990 all governments pursued the same policy: allowing pro-worker signals to be sent into organized industrial relations by the new gentleman deal arrangement while enforcing the pro-employer legal framework. This translates into the dilemma theory in graphical terms as 3a and 3b in figure 7.6
imposing legitimation (see 3a and 3b in figure 7.6) but there is no way of preventing the recurrence of implicit crisis (see III, IV and V in figure 7.6).

Figure 7.6: Interpretation and implications of neo-liberalism according to the dilemma theory

Regardless of whether the implicit and explicit crisis of neo-liberalism occur separately or simultaneously, unless sheer coercion is used and so long as the conditions of democracy are retained, the only way to cope with these crises is to impose legitimation bias into the relevant field or
fields of industrial relations, that is, deviating from the neo-liberal course (see 3b and 4 in figure 7.6). Therefore, the role of the state in containment of industrial conflict should be explained by referring to the emergence of explicit and/or implicit crisis of neo-liberalism and the resulting legitimation decisions.

In previous chapters I focused on the dynamics of metal and textile & clothing sectors as cases of neo-liberal environments placed respectively in organized and unorganized industrial relations. During this endeavour I discovered the crucial role played by the state in containment of industrial conflict indirectly by tracing its influence in the scrutinized sectors. In order to apply the dilemma theory to the same empirical circumstances\textsuperscript{234}, however, it is essential to focus directly on the state and to point out explicitly its strategic instruments, especially pivotal wages, which allow it to manipulate organized and unorganized industrial relations. Moreover, it is also essential to recall crucial legal and institutional changes, which might have affected the way in which accumulation/legitimation dilemma was tackled. Therefore, it is useful to reiterate the characteristics of and developments in organized and unorganized industrial relations in Turkey in order to reveal the position of the state in these fields clearly.

**Adjusting the Focus: Turkey revisited**

In Turkey, collective bargaining was properly legalized in 1963 by the enactment of new industrial relations laws. This legal structure was very conductive for the development of organized industrial relations, and the overall mood in this field until the mid 1970s was relatively peaceful\textsuperscript{235} thanks to the implicit consensus generated by the import substitution policy which simultaneously allowed high levels of profit and

\textsuperscript{234} It is of crucial importance to note the dilemma theory is devised by using the qualitative evidence provided by chapter 5 and chapter 6, and it is tested here by the quantitative data, which is not used in previous chapters. Thus, it is developed by using one data set and tested by using another one.

\textsuperscript{235} It is of importance to mention that when I use the term ‘relatively peaceful’ I refer to the collective bargaining processes rather than overall political climate and the inter-union struggles. Obviously, the intention is neither to underestimate wide-scale worker protests like 15-16\textsuperscript{th} June events in 1970 which was triggered by TÜRK-İŞ’s attempts to undermine the DISK (Talas 1992:159) nor to discard the brutal consequences of the military intervention of 12\textsuperscript{th} March 1971 (see Zurcher 2003:171).
regular improvements in wages. In this environment the total number of unionized workers remarkably increased and organized industrial relations flourished. However, in 1980 the policy of import substitution was replaced by the project of creating an open market economy in accordance with the tenets of neo-liberalism (Aydın 2005: 43-44). The military coup of that year created the conditions for necessary restructuring. Consequently, the industrial relations laws of 1963 were repealed and much more restrictive laws were enacted in 1983 in order to tame the trade unions (Aydın 2005: 52-56; Boratav 2005: 147-164). These developments indicate that the state influenced the dynamics of organized industrial relations through two quite different legal frameworks: the permissive laws of 1963 and the repressive laws of 1983. One may consider the enactment of these legal structures as strategic decisions to establish and/or alter two distinct accumulation/legitimation regimes: import substitution and export oriented growth.

Organized industrial relations in Turkey is divided into two distinct sub-fields as public and private (see figure 7.7). Public sector is characterized by relatively better conditions for workers and by its (increasingly more explicit) pattern setting influence for the organized industrial relations in the private sector.

Before 1980, the collective bargaining at workplace level determined the wages in various public enterprises, that is, there was no central policy. In this sense there was no difference between public and private sector. The outcomes of bargaining in both of these sub-fields were mutually influencing each other. However, due to the relative easiness of obtaining higher wages in the public sector the collective bargaining at public enterprises have had a pattern setting influence for the private sector negotiations, more than the vice versa (see 1a in figure 7.7). After the neo-liberal shift a centrally controlled mechanism was established and between 1980 and 1989, that is, in Özal period, public wages were strictly determined by governments in order to impose

\[\text{236 As mentioned in chapter 5, Özal was the minister of economy in the junta government (1980-1982) and after short absence he appeared as prime minister (1983-1989), and then finally, he became the president until his death (1989-1993). However, from 1989 onwards his strict adherence to prescriptions of neo-liberalism was not pursued by his successors due to rising wave of protests. For sake of convenience I call the 1980-1989 periods, as Özal years, in order to emphasize purely neo-liberal industrial relations policies of the time.}\]
‘market discipline’ to organized industrial relations in the private sector (see 1b in figure 7.7). However, in 1990 the centrally controlled wage determination mechanism was replaced by a gentleman deal arrangement which allowed the joint determination of wage norms by government and the peak labour organization TÜRK-İŞ. These norms could be further adjusted at workplace level bargaining (see 1c in figure 7.7).

Indeed, given the important role played by public wage through the history of organized industrial relations, it can be considered as one of the strategic instrument of the state that could be used to impose accumulation or legitimation on organized industrial relations. In this sense, one should consider the public wage in the terminology of the dilemma theory as one of the pivotal wages controlled by the state. It is important to recall that, as mentioned in chapter 5, due to the privatizations initiated after the neo-liberal shift the share of public sector gradually shrank (see the privatization trend in figure 7.7) but it still accounted for quite a large part of organized industrial relations, and thus, the influence of the public wage on the collective bargaining in private sector remained intact.

In Turkey unorganized industrial relations has always accounted for a larger portion of non-agricultural employment than organized industrial relations. During the pre-1980 period the relative share of the unorganized field was not expanding due to growth in organized industrial relations induced by the permissive legal framework of 1963. However, the neo-liberal shift in 1980 and the resulting inclination towards export-oriented production had crucial impact on unorganized industrial relations. Obviously, expansion of the unorganized field would be very conducive to development of industries, which would compete on the basis of cheap labour. Consequently, after 1980 as the relative share of organized industrial relations in the entire employment declined, the relative share of the unorganized field started to grow\textsuperscript{237} (see the marginalization trend in figure 7.7).

\textsuperscript{237} Increasing immigration, too, contributed to the expansion of the unorganized field. Quite often it is the push factors (such as the war in the Kurdish regions) rather than pull factors which motivate people to immigrate within Turkey. The expansion of unorganized industrial relations results from the inability of formal economy to create sufficient number of jobs for arriving immigrants. Thus, the immigration quite often implies deterioration of living conditions, which leads people to hold on to archaic traditions as the cornerstone of their
As depicted in chapter 6, unorganized industrial relations contain distinct sub-fields, which are distinguished from each other in terms of their degree of formality. For analytical clarity, however, it is still possible to disregard these differences and divide the entire unorganized field into two sub-fields as formal and informal. The informal sub-field has been permanently expanding since 1980 (see expansion trend in figure 7.7): by

Kadriye D. was one of the many victims in Diyarbakir: after she was raped and made pregnant by an ‘unknown’ relative, she was killed by her brother in November 2003 to save the family honour in accordance with the decision of the elders. She was 15 years old.

238 See also figures 5.4, 5.9 and 6.3
2000 more than 50 percent of the entire non-agricultural employment was informal (Auer & Popova 2003). Given that trade union density was reduced to around 10 percent of the remaining 50 percent, one can safely argue that by 2000 more than 90 percent of workers were employed in formal or informal unorganized industrial relations.

The expansion of the unorganized industrial relations in such a way may be considered as the outcome of a strategic decision of the state in accordance with the accumulation/legitimation regime promoted by neo-liberalism.

The minimum wage, as depicted in chapter 6, has been crucial for unorganized industrial relations since 1969. It plays different roles at different levels of formality within unorganized industrial relations: at high levels of formality it is the strictly paid wage supplemented by social security and promise of long-term employment but as the level of formality decreases the minimum wage becomes either officially paid wage or the lighthouse wage to be taken as reference both by employers and workers. As explained in chapter 5, after 1980 minimum wage was unilaterally determined by governments (see arrow 2 in figure 7.7). Therefore, one should consider the minimum wage in the terminology of the dilemma theory as one of the pivotal wages controlled by the state.

Having these observations in mind, one may apply the dilemma theory to the case of Turkey in order to see whether it can make sense of the empirical reality uncovered in previous two chapters from a state-centered perspective. This may also shed light on the points, which remained obscure:

i) the link between politics and industrial relations,

ii) the implications of the expansion of the unorganized field and

iii) the impact of economic developments on government policy²³⁹.

²³⁹ Obviously, the fourth obscure point mentioned at the beginning of the chapter, that is, whether there is a meta principle of the state which forces all governments to manipulate industrial relations in the same way, will be clarified if the entire analysis in this chapter, based on the assumption that it is the accumulation/legitimation dilemma which is the meta principle, is vindicated.
However, before applying the analytical model to the case of Turkey, it is useful to point out the expectations implied by the dilemma theory in order to establish some interpretation guidelines, which might be helpful during the empirical analysis.

**Interpretation guidelines:**

**Expectations deduced from the dilemma theory**

Dilemma theory, as mentioned above, envisages neo-liberalism as a certain way of handling the accumulation/legitimation dilemma, that is, the use of pivotal wages and legal means by the state in order to favor accumulation at the expense of legitimation. This also implies deliberate shrinking of organized industrial relations and thus, inevitable expansion of the unorganized field.

According to the dilemma theory, these measures are likely to trigger explicit crisis in organized industrial relations, that is, political mobilization of the collective action potential against governments, while generating implicit crisis in unorganized industrial relations, that is, emergence of elections as a permanent constraint in the way in which the strategic instruments of the state can be used to manipulate the unorganized field.

The only possible solution for the state to cope with these crises and thereby contain the industrial conflict would be to impose legitimation bias into the relevant field or fields of industrial relations, that is, contradicting neo-liberal prescriptions (see 3b and 4 in figure 7.6). Therefore, in general terms, neo-liberalism implies the following sequence: a period of accumulation bias, emergence of explicit and/or implicit crisis and shift into legitimation bias (see figure 7.6).

The explicit crisis of neo-liberalism can be empirically spotted by observing that elections do have an influence on organized industrial relations and by pointing out first, general irrelevance of industrial actions for legitimation outcomes due to the undermined role of collective bargaining, and second, collective actions against governments.

The implicit crisis, on the other hand, can be spotted by the influence of elections for the legitimation imposed into unorganized industrial relations.

In simplest terms, the indication of governments’ success in tackling the explicit crisis would be disappearance of elections as relevant
factors for organized industrial relations due to the re-delegation of accumulation/legitimation dilemma to collective bargaining. Moreover, the use of legal means so as to allow collective bargaining to generate legitimation bias may also be considered as another indicator.

On the other hand, the tendency of imposing increasing legitimation bias into unorganized industrial relations as a response to the expansion of this field may be taken as evidence for the attempts of governments to tackle the implicit crisis.

The impact of economy on the accumulation/legitimation dilemma, on the other hand, can be spotted by examining the relationship between the GDP changes and legitimation levels. The positive and/or negative associations between these variables would indicate the way in which economic circumstances influence the government decisions regarding industrial relations.

**Empirical Analysis**

Having the interpretation guidelines in mind, I apply the dilemma theory to Turkey in three phases: First, after plotting both of the pivotal wages (minimum wage and public wage) against the GDP changes and pointing out industrial actions, elections and distinctive years in the resulting pictures, I derive some preliminary conclusions. Second, I make a period analysis by employing the mean actual balance variable in order to see whether the general sequence envisaged by the dilemma theory (accumulation - explicit and/or implicit crisis-legitimation) is observable and whether the preliminary conclusions may be strengthened further. Finally, by using the legitimation levels generated by the two pivotal wages as dependent variables, I establish two multivariate models in order examine the impact of politics and economy on the dynamics of organized and unorganized industrial relations.

**Phase I: Visual Interpretation**

Figure 7.8 shows the application of the model to Turkey by using the two distinct pivotal wages. The upper panel is based on the minimum wage and the lower one is on the public wage. In both figures the boxed-crosses depict the actual balance points of the 1970-1979 period during which the import-substitution was the main economic strategy and trade
unions were operating in quite a free legal framework. The other crosses show the actual balance points of the 1980-2004 period during which the establishment of an open-market economy was the undisputable maxim and the power of trade unions was severely restricted. The election years are designated with "E", the industrial action years are marked with "S" and years with economic crisis are illustrated with “C”. Naturally, some years are marked with more than one letter. In order to facilitate the comparison between the panels each designation is preceded by a number indicating the last two digits of the year of observation.

By looking at the upper panel based on the minimum wage and comparing the number of points above and below the balance line, one may conclude that the preference of the state through 1970-2004 period was more for legitimation than accumulation. Moreover, increasing GDP growth appears to be associated with increasing legitimation. However, one can also see that during these 35 years, the state has entirely abandoned legitimation for the sake of accumulation seven times (see the points in the pure accumulation region), while making the opposite choice only once (see the pure legitimation region). One may further note that during election years (marked with 'E') the choice was made either in favor of legitimation or exactly on the balance line, but never below. In other words, regardless of the economic situation, between 1970 and 2004 governments never favored accumulation over legitimation during an election year. To make this point more clearly, one can examine the government’s choices in crisis years (marked with ‘C’). Four of the five crisis years witnessed a preference for accumulation over legitimation, so it appears that to favor accumulation during an economic crisis is the usual choice. There is only one exception: when the crisis coincided with elections, the government preferred to abandon accumulation entirely for the sake of legitimation. Finally, by focusing on the years, which witnessed big strikes and public dissidence (marked with ‘S’) we can see that all four of these years the choice was in favor of legitimation. This suggests that industrial unrest as well as the need to win elections was inducing governments to sacrifice accumulation for the sake of legitimation. The fact that two of the years of industrial unrest coincided with elections suggests a possible link between the two.

On the other hand, the visual interpretation of the lower panel based on the public wage is not so straightforward. Only clear tendency appears to be the association of increasing GDP changes with increasing legitimation. By comparing the number of points above and below the
balance line one can see that through the 1970-2004 periods there was no clear tendency favoring any particular choice: there are 16 points clearly falling into each region while 3 points are placed almost exactly on the balance line. Moreover, unlike the upper panel there is no clear pattern of favoring legitimation at election years. However, during the last years of Özal we find legitimation in both panels (see the years 89, 90 and 91). Each of these three years was marked by mass industrial action and an election. Simultaneous legitimation in both panels is also observable for the year 99 when economic crisis coincided with elections. However, the point referring to the year 95 despite coincidence of elections with industrial action is in the accumulation region in the lower panel while being found in the legitimation region in the upper one.

Obviously, not only there is no clear pattern of accumulation and legitimation in the lower panel but it is also not easy to point out a common tendency in both panels besides some sporadic resemblances and the association of increasing GDP change with increasing legitimation.

As a first approximation, one may explain the difference between upper and lower panels by referring to the defining characteristics of the fields they capture. Due to the pivotal wages that are used in their formation, these two panels reflect dynamics in the different fields of industrial relations: While the upper panel based on minimum wage reflects the dynamics of unorganized industrial relations, the lower panel based on public wage captures the dynamics of organized industrial relations.

As mentioned above, before 1980 there was no particular central policy with regards to organized industrial relations, and the public wages like all other wages were entirely determined at the workplace level by employers and trade unions. In other words, the task of balancing the accumulation/legitimation dilemma was delegated to the collective bargaining structure without direct state intervention. The annual outcomes (see boxed crosses in the lower panel) in terms of accumulation and legitimation reflect the relative power of trade unions in this period: 7 out of 10 points in this period fall into the legitimation region.
Figure 7.8: Accumulation/legitimation through two pivotal wages 1970-2004
However, during the Özal years (1980-1989), the public wage was strictly controlled in order to send low wage signals to the entire economy. In other words, the delegation of the task of maintaining accumulation/legitimation balance to collective bargaining was to great extent revoked and the government directly assumed the responsibility. The simultaneous occurrence of strikes, elections and legitimation at years 89, 90 and 91 in the lower panel may be interpreted as the resulting political mobilization in the organized industrial relations, that is, the explicit crisis of neo-liberalism.

On the other hand, since 1969 the minimum wage has been the main tool to cope with the feeling of injustice generated within unorganized industrial relations. One may argue that the preference for legitimation imposed through the minimum wage before 1980 should be related to the import substitution strategy of this period which required keeping purchasing power of wage earners high in order to provide market for highly protected domestically manufactured consumer goods. In this period the relative size of unorganized industrial relations was rather constant. However, after 1980 the size of unorganized industrial relations started to expand. Consequently, after 1980 the minimum wage assumed increasingly crucial role of pattern setting for the entire economy and it could not be excluded from the political calculations of governments. Thus, one may argue that after 1980 the implicit crisis of neo-liberalism was increasingly present in the system as envisaged by the dilemma theory and this was forcing the state to opt for legitimation, particularly in election years.

One may actually further interpret the legitimation in both panels at years 1989, 1990 and 1991 which mark the end of Özal period and witnessed a general election and large scale industrial actions as the simultaneous emergence of explicit and implicit crisis of neo-liberalism. According to the dilemma theory one would expect the state to cope with these simultaneous crises by imposing legitimation bias into the system. However, at this stage of the analysis it is not possible to detect a shift from accumulation into legitimation.

The gaps in this visual interpretation can be filled and interpretations can be strengthened further by using the other variable proposed in the analytical model: mean actual balance lines.
Phase II: Actual Balance in sub-periods

The balance between legitimation and accumulation in the long run should be influenced by the underlying institutional structure, economic strategy and motivation of governments. Therefore, a periodization on the basis of deep changes in economic strategy, ideology and institutions of industrial relations, should reflect in shifts in the mean actual balance lines between accumulation and legitimation between such periods. This kind of analysis would shed light on some points, which remained obscure in the preceding section.

As mentioned above, in the history of industrial relations in Turkey, since 1970 there were two important turning points: the year 1980 marks the first year of the shift from import-substitution into neo-liberalism, the beginning of the central control over public wages and the commencement of gradual marginalization of organized industrial relations. On the other hand, the year 1990 marks the establishment of gentleman deal arrangement for determination of public wages, that is, the reversal of the central control policy, and it also seems to be coinciding with the simultaneous emergence of the explicit and implicit crisis of neo-liberalism. Therefore, one can divide the entire history captured by the two panels of the preceding figure (1970-2004) into three periods by using these dates as 1970-1979, 1980-1989 and 1990-2004 and then estimate the mean actual balance lines for each sub-period. In this way one may capture the overall mood of each of these periods in terms of accumulation or legitimation bias, and see whether the sequence envisaged by the dilemma theory, which is to be the source of the containment of industrial conflict, that is, accumulation bias - explicit & implicit crisis - legitimation bias, has really occurred in organized and unorganized industrial relations. It is also important to recall that while the dilemma theory does not mention anything on the magnitude of legitimation bias which is to follow the explicit crisis in organized industrial relations, it expects to detect some sign of increasing legitimation bias in the unorganized industrial relations during the course of neo-liberalism due to the expansion of this field and the resulting increase in its importance in politics.

Figure 7.9 depicts the application of mean actual balance tool to both of the pivotal wages for the periods of 1970-1979, 1980-1989 and
1990-2004: the upper panel depicts the minimum wage based lines and the lower one shows the public wage based lines240.

In the lower panel focusing on organized industrial relations there is a clear pattern: while the 1980-1989 line has a severe accumulation bias indicated by a negative slope (Ψ_{1980-1989} = -0.34) the other two periods, that is 1970-1979 and 1990-2004 both have substantial and quite similar legitimation bias (Ψ_{1970 - 1979} = 2.048 and Ψ_{1990-2004} = 2.14). Although it was not possible in the previous figure to discern a clear pattern in organized industrial relations, now there is a clear picture which enhances the analysis based on visual interpretation: during the 1970-1979 period the handling of the accumulation/legitimation dilemma was delegated to the collective bargaining structure, which obviously, generated an overall legitimation bias (Ψ_{1970 - 1979} = 2.048), seemingly due to the strength of trade unions resulting from the permissive laws of 1963.

The meaning of the strict central control over the public wages during the 1980-1989 period is now quite clear: imposing an accumulation bias (Ψ_{1980-1989} = -0.34) on the system in accordance with the export oriented growth strategy inspired by neo-liberal prescriptions so as to allow accumulation of capital while enhancing the competitiveness of employers in international markets. Finally, the impact of the gentleman deal arrangement on the public wage after 1990 is also obvious: reversing the trend of the previous period and re-imposing the legitimation bias (Ψ_{1990-2004} = 2.14). Actually, rather similar slopes of the 1970-1979 and 1990-2004 lines (Ψ_{1970 - 1979} = 2.048 and Ψ_{1990-2004} = 2.14) may imply that although organized industrial relations was increasingly marginalized in the latter period, the position of those who were employed in this field were relatively similar in both of these periods. Indeed, one can see that after 1990, as hinted by the visual interpretation, the delegation of accumulation/legitimation dilemma to the gentleman deal arrangement (and thus, to collective bargaining) has indeed generated legitimation as envisaged by the theory.

240 Recall that Ψ is not a regression coefficient (see the mean actual balance definition given above together with the related footnote). The implication is that one cannot establish the statistical significance of a particular Ψ value by using t-test based (derived from standard deviations) inferences of classical regression theory. Therefore, here there is no table of standard deviations or t-values for the estimated Ψ values. Instead I examine the significance of particular Ψ values by using simulations and by redefining the term significance as historical validity of periodizations. See the subsequent pages for more on this.
Thus, one may argue that the decision to establish a gentleman deal arrangement resulted in the imposition of legitimation bias into organized industrial relations, which, in turn, prevented the recurrence of explicit crisis of neo-liberalism (see 3b in figure 7.6). Consequently, industrial conflict in organized industrial relations was contained through sectoral bargaining systems as in the case of metal sector scrutinized in chapter 5.

In the upper panel focusing on unorganized industrial relations one can also see a clear pattern: while the 1980-1989 line has an accumulation bias (Ψ_{1980-1989} = 0.72) the other two periods, that is 1970-1979 and 1990-2004 both have legitimation bias, though the magnitude of this bias in the latter period is much greater (Ψ_{1970-1979} = 1.77 and Ψ_{1990-2004} = 2.44). The previous purely visual interpretation suggested that during the entire 1970-2004 period the overall choice of the state was in favor of legitimation in unorganized industrial relations. However, now we can detect a period of accumulation bias in between two legitimation bias periods: while before 1980 during the import substitution period the minimum wage was used to impose legitimation bias into the system (Ψ_{1970-1979} = 1.77 ), the 1981-1989 period, that is, the first decade of neo-liberalism, appears to have witnessed accumulation bias (Ψ_{1980-1989} = 0.72) just to be followed once again by legitimation bias of higher magnitude in the 1990-2004 period (Ψ_{1990-2004} = 2.44).

In other words, there are clear shifts in the way in which the state manipulated the unorganized industrial relations in its attempt to cope with the accumulation/legitimation dilemma. Indeed, the difference in magnitudes of legitimation bias in two periods (Ψ_{1970-1979} = 1.77 and Ψ_{1990-2004} = 2.44) can be explained by the expansion of unorganized industrial relations after 1990 due to further marginalization of the organized field and the resulting increase in the number of people for whom the minimum wage was vital. Due to this trend the direct responsibility of governments for coping with the accumulation/legitimation dilemma has also increased. The outcome, as detected by the visual analysis, was the implicit crisis of neo-liberalism, which forced governments to impose higher legitimation bias into the system in order to secure their position (see V and 4 in figure 7.6). This, of course, complies quite well with the expectations of the dilemma theory.
However, one should also note that there has already been an implicit crisis during the first years of neo-liberalism. This can be detected by comparing the magnitudes of accumulation bias imposed during the 1980-1989 period in the upper panel through public wage (\(\Psi_{1980-1989} = -0.34\)) and in the lower panel through the minimum wage (\(\Psi_{1980-1989} = 0.72\)). These two numbers are quite different both qualitatively and quantitatively. The reason is that, as depicted in the previous phase of the analysis, during all election years in the period of 1980-1989 governments opted for sending legitimation signals to unorganized industrial relations while sending accumulation signals to organized industrial relations. This was due to the fact that already during the first decade of the neo-liberalism the relative size of unorganized industrial relations was (becoming) large, thus, governments could not risk their position for the sake of being entirely consistent in the use of two pivotal wages. This shows that the implicit crisis of neo-liberalism existed also in the first decade of neo-liberalism which prevented consistent implementation of neo-liberal prescriptions even by the most committed governments.

Finally, we should note that although in the previous visual analysis it was not possible to point out a common pattern in the way in which two different pivotal wages were used, now by comparing the upper and lower panels of figure 7.9, one can see that there was after all a common pattern: in both panels\(^{241}\) legitimation bias precedes (\(\Psi_{MW_{1970 - 1979}} = 1.77\) and \(\Psi_{PW_{1970 - 1979}} = 2.048\)) and follows (\(\Psi_{MW_{1990 - 2004}} = 2.44\) and \(\Psi_{PW_{1990 - 2004}} = 2.14\)) the accumulation bias of the 1980-1989 period (\(\Psi_{MW_{1980-1989}} = 0.72\), \(\Psi_{PW_{1980-1989}} = -0.34\)). This common feature indicates that despite continuing adherence to the idea of establishing an export-oriented economy, there was a shift from accumulation into legitimation in the entire political economy occurring around 1989 or 1990, following the simultaneous emergence of explicit and implicit crisis of neo-liberalism manifested through large-scale industrial actions in the organized and wide spread resentment in the unorganized industrial relations.

\(^{241}\) Abbreviations: \(\Psi_{MW}\) stands for mean actual balance imposed by minimum wage and \(\Psi_{PW}\) stands for mean actual balance imposed by public wage.
Figure 7.9: Mean Actual Balance Lines by two pivotal wages

Balance Lines imposed by Minimum Wage 1970-2004

Balance Lines imposed by Public Wage 1970-2004
This observation complies with the dilemma theory which also envisaged the same sequence: in order to cope with the explicit and implicit crisis of neo-liberalism the state, through some strategic decisions, imposed legitimation bias into both of these fields of industrial relations and thereby contained the industrial conflict.

However, before accepting this overall interpretation, one should objectively judge the validity of periodization on which the entire argument rests by answering a critical question: Is it possible that despite their substantive historical meaning, the turning points used for the periodization are just arbitrary?

This question can be answered by a simulation exercise that would allow comparing the periodization used in this analysis with all possible random periodizations. For this purpose, one can use the following procedure separately for the upper and lower panels of figure 7.9: (1) choosing a random period size $S_i$ between 4 and 35 (that is taking four years as the minimum length of a meaningful period in which a shift from legitimation to accumulation or vice versa may occur); (2) choosing $S_i$ random years from the period of 1970-2004; (3) estimating the mean actual balance $\Psi_i$ for these $S_i$ years; (4) repeating these three steps 10000 times in order to create a set of randomly estimated $\Psi_i$ values for randomly chosen sets of $S_i$, which due to the central limit theorem should be normally distributed; (5) standardizing the full $\Psi$-set with 10000 values so as to create a probability distribution; and (6) placing the (standardized) historical values $\Psi_1$, $\Psi_2$ and $\Psi_3$, for respectively $S_{1970-1979}$, $S_{1980-1989}$ and $S_{1990-2004}$ on this density distribution and judging the coincidence between their occurrence probability and that of the values obtained from random periodizations. The outcome of this procedure undertaken separately by using public wage changes (for the upper panel) and minimum wage changes (for the lower panel) is shown in figure 7.10.

The outcome of the simulation exercise is encouraging: in the upper panel one can see that both the 1970-1979 and 1990-2004 values ($\Psi_{PW\text{1970-1979}} = 2.048$ and $\Psi_{PW\text{1990-2004}} = 2.14$) fall into the area of randomness, while the value for 1980-1989 period ($\Psi_{PW\text{1980-1989}} = -0.34$) appears to be much less likely to be due to mere chance. This is in line with the fact that both in 1970-1979 and 1990-2004 the task of coping with the accumulation/legitimation dilemma was delegated: the public wage emerged in the former period directly out of collective bargaining at
lower levels, and in the latter period it was the joint outcome of the gentleman deal arrangement between governments and the peak labour organization, and the collective bargaining at lower levels. Hence there was a little chance of pursuing a deliberate policy by governments in these periods. However, in the 1980-1989 period, the public wage was centrally controlled for the sake of pursuing a neo-liberal agenda, hence it was deliberate. In the lower panel the \( \Psi \) value of the first sub-period \( (\Psi_{MW_{1970-1979}} = 1.77) \) falls into the sphere of randomness, the other \( \Psi \) values obtained from the second and the third periods \( (\Psi_{MW_{1980-1989}} = 0.72 \text{ and } \Psi_{MW_{1990-2004}} = 2.44) \) appear to be significant. This means that legitimation bias that was signalled through the minimum wage during the pre-1980 may not have been a conscious choice of governments in the presence of still strong trade unions at that time, but both the accumulation bias of 1980-1989 and legitimation bias of 1990-2004 do not appear to be the result of chance.

Thus, one can argue that the interpretation of the period analysis presented in this section, which strengthened the previous visual analysis and confirmed the expectations of the dilemma theory has a sound mathematical basis.

However, there are still three issues which are pointed out by the dilemma theory and/or spotted during the visual interpretation but still not entirely proven: do elections really have different influence on organized and unorganized industrial relations? How does industrial action influence the dynamics of these fields? What is the impact of economic conditions?
Figure 7.10: Periodization tests

- **Periodization test for balance lines imposed by minimum wage**
  - Pre-1980 line = 1.77 (standardized)
  - 1980-1989 line = 0.72 (standardized)
  - Post-1990 line = 2.44 (standardized)

- **Periodization test for balance lines imposed by public wage**
  - 1980-1989 line = 0.34 (standardized)
  - Pre-1980 line = 2.048 (standardized)
  - Post-1990 line = 2.14 (standardized)
Phase III: Explaining Legitimation Levels

These questions can be answered by establishing multivariate regression models for the two legitimation series generated by the pivotal wages. These two series are derived for the period 1970-2004 in accordance with the definition mentioned above (i.e., Euclidian distances between the actual points and balance points on x = y line in respective panels of figure 7.8) are depicted in figure 7.11.

Figure 7.11: Two legitimation series

The dilemma theory and the claims emerged during the previous sections require to include the GDP change, strike participation and elections as well as interactions among these variables into the regression equations as factors that affect the legitimation series. It is useful to reiterate the expectations about the impact of these variables implied by the dilemma theory: so long as accumulation/legitimation dilemma is delegated to collective bargaining one would expect elections to have no influence on the legitimation series determining the dynamics of organized industrial relations (that is legitimation through public wage series in figure 7.11). However, one would expect this series to be positively influenced by industrial action. For so long as collective bargaining remains as the real determination mechanism, workers
demand legitimation directly from their employers by using their associative power through industrial action\textsuperscript{242}.

On the other hand, due to direct accountability of governments, one would expect elections to have positive influence on the legitimation series, which determine the dynamics of unorganized industrial relations (that is legitimation through minimum wage series in figure 7.11). However, one would expect industrial actions to have no influence on this series. For those who are employed in unorganized industrial relations cannot officially strike and their wildcat actions are not recorded. In other words, strikers belong to organized industrial relations and thus, they are not relevant for the legitimation levels in the unorganized industrial relations.

As to the GDP levels, given the rather positive relationship observed in the previous panels between the GDP change and legitimation levels, one would expect the increase in the GDP to have positive influence on both legitimation series. In other words, improving economic conditions should generate more legitimation.

I choose the logarithm of the number of strikers\textsuperscript{243} as the variable that captures the influence of strikes. The GDP is included in the form of annual change while election years are incorporated as a dummy variable (election = 1 and no election = 0). Note that in order to decrease the level of multicolinearity the interaction between log(strikers) and GDP is dropped from the equation\textsuperscript{244}. The resulting models are presented separately for the two legitimation series in table 7.1 and table 7.2.

Before interpreting these tables it is important to note that in order to avoid unjustified influence of large error values, the regression

\textsuperscript{242} Needles to say that, if the accumulation/legitimation dilemma is not delegated to collective bargaining but undertaken directly by governments, one may expect industrial action to be directed against governments.

\textsuperscript{243} The logarithm of strikers allows seeing the strikes as the state sees them; they become important only if the number of strikers increase by thousands.

\textsuperscript{244} For the same reason the other legitimation series as an explanatory variable in each case is also dropped. So the legitimation through minimum wage does not appear as an explanatory variable for the legitimation through public wage and similarly the legitimation through public wage does not appear as an explanatory variable for the legitimation through minimum wage. However, it is important to note that the models established without this constraint despite multicolinearity related changes in significance structure do not undermine the interpretation given in this section.
coefficients and associated probabilities estimated by the method of least squares are complemented with the outcomes of a more robust estimator, the Huber function\(^{245}\). So long as the difference between OLS (or GLS) coefficients and Huber coefficients is small the probabilities generated by the former are presented, however, if the difference is large then both coefficients and their respective probabilities are given, and substantive interpretation of the difference is made. Finally, to compare the relative importance of coefficients, all the models are supplemented with OLS (or GLS) beta coefficients.

The table 7.1 reveals the way in which explanatory variables account for the legitimation series generated by the public wage, thus, it reflects the dynamics of organized industrial relations. It is important to note that there are two separate models presented in table 7.1, while model I is established by excluding entries of the years 1983 and 1991 which proved to have large influence, model II includes all entries. Both of these models have significant negative intercepts implying that the organized industrial relations has an inherent accumulation bias\(^{246}\) which should not be surprising given the crucial role of accumulation in capitalist production mode. Similarly, in both models the positive GDP growth is significant and associated with increasing legitimation. This

\[
\begin{align*}
f(\Delta_j) &= \begin{cases} 
\frac{x^2}{2} & \text{if } |\Delta_j| \leq \hat{\sigma} \\
\hat{\sigma} |\Delta_j| & \text{if } |\Delta_j| > \hat{\sigma}
\end{cases}
\end{align*}
\]

where \(\Delta_j = Y_j - \beta X_i\)

\[
\hat{\sigma} = \frac{\text{median} (\Delta)}{0.6745}
\]

\(Y_i =\) observations of the dependent variable, \(X_i =\) observations of the independent variables,

\(\beta =\) coefficients of independent variables

**median** (\(\Delta\)) stands for MAD: median absolute deviation about the median

which is **median** (\(|x - \text{median}(x)|\)) for any random variable \(x\). Note that the MAD of a standard normal random variable is 0.6745. Thus, in order to standardize any particular MAD to obtain a robust variance estimator, one should divide it by 0.6745. Hence is the robust variance expression in the formula. The Huber function is minimized via repeated iterations in order to obtain robust coefficients (for details of Huber estimations see Faraway 2005:98, Kelly 1996:36).

\(^{245}\) The Huber function is this:

\(^{246}\) This means that if one can hypothetically discard all the factors then the system would always generate negative legitimation, that is, accumulation.
Dilemma Theory

confirms the expectation that improving economic conditions imply more legitimation. However, the impact of elections variable in these two models is different. While in model I the influence of elections is not statistically different from zero (that is insignificant) in the model II this factor has positive and significant impact. Indeed, beta coefficients of model II indicate that the elections variable has the largest relative impact on the legitimation level. Obviously, model I confirms the expectation that in organized industrial relations elections should not be influential but model II does not confirm this expectation.

The explanation of this discrepancy is in the condition attached to the expectation: elections would not influence organized industrial relations so long as accumulation/legitimation dilemma is delegated to the collective bargaining. However, as depicted above during the 1980-1989 period due to strict control of the public wage by governments the collective bargaining at lower levels cease to be the determining mechanism, consequently, workers employed in organized industrial relations held the government directly responsible and thus, the politics became relevant for organized industrial relations. One may argue that during this period the conditions of explicit crisis of neo-liberalism were emerging. The fact that when two election years in this period is excluded (1983 and 1991) from the analysis, the impact of elections disappears shows that the expectation as to the relation between organized industrial relations and politics and the condition attached to it are both statistically making sense.

One should note the large difference between the Huber and GLS coefficients associated with the elections variable in model II as a further evidence for the crucial influence of these two years. Thus, the insignificance of elections in model I should be explained by the fact that except for the period of 1980-1989 the accumulation/legitimation dilemma was delegated to the collective bargaining, thus, the realm of politics was rendered irrelevant for organized industrial relations.

If we look at the log(strikers) variable in both models which captures the impact of industrial action on legitimation levels, it is also possible to confirm the other expectation regarding organized industrial relations, that is, industrial action has a significant positive impact on legitimation levels.
### Legitimation Through Public Wage

**MODEL I:** 1983 & 1991 excluded / **MODEL II:** 1983 & 1991 included

<table>
<thead>
<tr>
<th>Variables</th>
<th>GLS beta coefficients</th>
<th>Huber Coefficients</th>
<th>GLS coefficients</th>
<th>t-values</th>
<th>Associated probabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-12.522</td>
<td>-13.4317</td>
<td>-2.801</td>
<td>0.093</td>
<td>GLS I ***</td>
</tr>
<tr>
<td></td>
<td>12.513</td>
<td>-13.2825</td>
<td>-2.630 GLS II</td>
<td>0.016</td>
<td>GLS II **</td>
</tr>
<tr>
<td>Elections</td>
<td>1.2222</td>
<td>47.9779</td>
<td>48.7381</td>
<td>1.529</td>
<td>GLS I</td>
</tr>
<tr>
<td>Elections</td>
<td>0.5871</td>
<td>18.8740</td>
<td>21.0677</td>
<td>0.002 GLS II</td>
<td>(2.39 Huber II)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.049 GLS II</td>
<td>(0.025 Huber II) **</td>
</tr>
<tr>
<td>log(strikers)</td>
<td>0.6041</td>
<td>0.6248</td>
<td>1.0558</td>
<td>1.32 G Singh (1.30 Huber)</td>
<td></td>
</tr>
<tr>
<td>log(strikers)</td>
<td>0.5183</td>
<td>0.6518</td>
<td>1.0558</td>
<td>1.87 G Singh (1.51 Huber)</td>
<td></td>
</tr>
<tr>
<td>GDP growth</td>
<td>0.5318</td>
<td>2.2764</td>
<td>2.1065</td>
<td>2.655 GLS I</td>
<td>0.013 GLS I **</td>
</tr>
<tr>
<td>GDP growth</td>
<td>0.4595</td>
<td>2.2425</td>
<td>2.1065</td>
<td>2.533 GLS II</td>
<td>0.015 GLS II **</td>
</tr>
<tr>
<td>Elections* log(strikers)</td>
<td>-1.0254</td>
<td>-3.5245</td>
<td>-3.9605</td>
<td>-0.951 GLS I</td>
<td>0.35 GLS I **</td>
</tr>
<tr>
<td>Elections* log(strikers)</td>
<td>0.1177</td>
<td>0.8511</td>
<td>0.7769</td>
<td>0.671 GLS II</td>
<td>0.49 GLS II **</td>
</tr>
<tr>
<td>Elections* GDP</td>
<td>-0.4513</td>
<td>-4.2026</td>
<td>-4.0327</td>
<td>-1.74 GLS I</td>
<td>0.092 GLS I *</td>
</tr>
<tr>
<td>Elections* GDP</td>
<td>-1.0069</td>
<td>-6.0832</td>
<td>-6.3097</td>
<td>-3.54 GLS II</td>
<td>0.0013 GLS II **</td>
</tr>
</tbody>
</table>

**Note:** The initial OLS model is transformed in order to solve the heteroskedasticity generated by log(strikers) variable and the resulting GLS models are presented in this table.

**GLS I diagnostics (1983 and 1991 excluded):**
- F-statistic = 2.255 (at 6 and 27 degrees of freedom)
- associated probability = 0.0682
- Multiple R-Square = 0.33
- Adjusted R-Square = 0.19
- Condition index: [1.0 | 13.8 | 36.5 | 56.9 | 97.8]
- Multicollinearity is possible
- Durbin-Watson: 1.52 & RUN TEST and visual diagnostics reveal no autocorrelation
- Gleiser test & Spearman rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity.

**GLS II diagnostics (1983 and 1991 included):**
- F-statistic = 3.413 (at 6 and 29 degrees of freedom)
- associated probability = 0.0089
- Multiple R-Square = 0.41
- Adjusted R-Square = 0.30
- Condition index: [1.0 | 6.3 | 11.6 | 17.7 | 20.2]
- Multicollinearity is unlikely
- Durbin-Watson: 1.22 is in the uncertain region but RUN TEST and visual diagnostics reveal no autocorrelation
- Gleiser test & Spearman rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity
- Elimination of two highest cooks' distance entries (years 1983, 1991) generates the GLS I Model

Indeed, the beta coefficients of model I indicates that the industrial action is the most influential of all significant factors affecting organized industrial relations. One should note that in both models the difference between the GLS and Huber coefficients of log(strikers) variable is large. However, while in model I both probabilities are significant, in model II only the probability associated with the GLS coefficient remains...
significant. Indeed, this discrepancy, too, should be interpreted as the outcome of the large influence of politics on organized industrial relations during the 1980-1989 period which finally resulted in explicit crisis of neo-liberalism at the end of the 1980s: for if we just focus on Huber probabilities associated with the elections and log(strikers) variables in model II we can see that they are in complete compliance with the expectations associated with the unorganized industrial relations where industrial action is irrelevant for the legitimation outcome but elections are crucial.

Thus, one can further argue that these two Huber probabilities of model II confirm once again the irrelevance of collective bargaining for organized industrial relations during the 1980-1989 period due to strict central control imposed by the state, which finally led to explicit crisis. The analysis of interaction terms enhances these findings\textsuperscript{247}.

We can see that the multivariate analysis confirms all the expectations as to the organized industrial relations that are implied by the dilemma theory and emerged during the course of previous phases of the analysis.

Table 7.2 reveals the way in which explanatory variables account for the legitimation series generated by the minimum wage. Thus, it reflects the dynamics of unorganized industrial relations. This model, like the previous models has a significant negative intercept implying that unorganized industrial relations, too, has an inherent accumulation bias. The positive and significant impact of GDP on legitimation levels is also very similar to the previous models and complies with the expectation that improving economic conditions imply more legitimation. However, the interesting part of the model is the positive significant impact of elections and insignificance of industrial action.

This outcome complies with the expectation that for those employed in unorganized industrial relations politics are the relevant realm for legitimation levels while industrial actions are undertaken by other people for other purposes. Indeed, OLS beta coefficients show that elections are the most influential variable affecting the legitimation levels in unorganized industrial relations. Moreover, the small differences between the Huber coefficients and OLS coefficients can be interpreted as the stability of this underlying logic of unorganized industrial relations

\textsuperscript{247} See Appendix 1.
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despite the fluctuations in the actual magnitude of legitimation at various years.

**Table 7.2**

<table>
<thead>
<tr>
<th>Variables</th>
<th>GLS beta coefficients</th>
<th>Huber Coefficients</th>
<th>GLS coefficients</th>
<th>t-values</th>
<th>Associated probabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td># # #</td>
<td>-17.7791</td>
<td>-16.6472</td>
<td>-1.831</td>
<td>0.08</td>
</tr>
<tr>
<td>Elections</td>
<td>0.8315</td>
<td>43.0224</td>
<td>41.8905</td>
<td>2.298</td>
<td>0.03</td>
</tr>
<tr>
<td>log(strikers)</td>
<td>0.1176</td>
<td>0.7686</td>
<td>0.6737</td>
<td>0.681</td>
<td>0.50</td>
</tr>
<tr>
<td>GDP growth</td>
<td>0.5314</td>
<td>2.5971</td>
<td>2.6233</td>
<td>3.133</td>
<td>0.004</td>
</tr>
<tr>
<td>Elections*log(strikers)</td>
<td>-0.1864</td>
<td>-1.1205</td>
<td>-1.0256</td>
<td>-0.502</td>
<td>0.62</td>
</tr>
<tr>
<td>Elections* GDP</td>
<td>-0.5512</td>
<td>-4.3860</td>
<td>-4.4121</td>
<td>-2.431</td>
<td>0.02</td>
</tr>
</tbody>
</table>

**OLS diagnostics**
- F-statistic = 3.146 (at 5 and 29 degrees of freedom) | associated probability = 0.022 **
- Multiple R-Square = 0.35 | Adjusted R-Square = 0.24
- Condition index: | 1 | 7.9 | 19.9 | 21.2 | 49.8 | multicolinearity is possible
- Durbin-Watson: 1.36
- RUN TEST and visual diagnostics reveal no autocorrelation
- GLEJSER test & SPEARMAN rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity
- Elimination of highest cooks’ distance entry impose no alteration in the significance structure

These findings strengthen the idea that since the 1970s the field of unorganized industrial relations, due to its large size, was politicized and this has been the permanent condition during the entire neo-liberal period. This confirms that the implicit crisis has been present in Turkey since the inception of neo-liberalism. The outcome, as clearly depicted by the model, was a permanent pressure for legitimation, which could not be ignored especially during the election periods. This, according to the theory, is the reason for containment of industrial conflict in unorganized
industrial relations. It is important to note that the analysis of interactions enhances these interpretations\textsuperscript{248}.

We can see that, as to the field of unorganized industrial relations, too, the multivariate analysis confirms the expectations that are implied by the dilemma theory and emerged during the course of previous phases of the analysis.

**Assessment**

The three-phase analysis of the way in which the accumulation/legitimation dilemma was handled in Turkey indicates that the pursuit of neo-liberalism during the 1980s implied the imposition of accumulation bias into the entire industrial relations and marginalization of the organized field, that is, a clear break from the legitimation oriented import-substitution strategy, as envisaged by the dilemma theory. The result was simultaneous emergence of explicit and implicit crisis: the undermined position of collective bargaining rendered the realm of politics relevant for organized industrial relations and finally triggered industrial actions against government (see I and II in figure 7.6). On the other hand, the expansion of the unorganized field, too, constrained governments' choices due to increasing importance of this subfield for politics (see V in figure 7.6). Consequently, in the beginning of 1990s the state had to deviate from the neo-liberal course and imposed (or created necessary conditions for imposition of) legitimation bias into the both fields of industrial relations by using pivotal wages and making necessary institutional changes (see 3b and 4 in figure 7.6).

Obviously, these events which can be perceived as the sequence of accumulation bias - explicit & implicit crisis - legitimation bias, comply with the expectations of the dilemma theory regarding the consequences of neo-liberalism. Moreover, the analysis, as envisaged by the theory, also confirms that this sequence was generated by the relevance of politics for the unorganized field, and when collective bargaining properly functions, the irrelevance of politics for the organized field.

Therefore, one may argue that the expectations that are deduced from the dilemma theory are confirmed by the empirical analysis\textsuperscript{249}.

\textsuperscript{248} See Appendix 1
Thus, the dilemma theory is capable of accounting for the empirical reality uncovered in previous chapters and providing a state-centered interpretation.

**Discussion**

As the assessment shows dilemma theory is capable of accounting for the empirical reality uncovered in previous chapters from a state-centered perspective, but does it offer something more? How can we relate the findings and interpretations in this chapter to the issues that remained obscure in previous chapters? Namely, i) the link between politics and the organized and unorganized industrial relations, ii) implications of the expansion of the unorganized field, iii) the impact of economy on governments’ industrial relations policy.

Let us examine these issues one by one to see whether the analysis in this chapter provides new explanations and evidence:

*The politics and industrial relations*

The analysis in chapter 5 indicated that, in organized industrial relations, the key for containment of industrial conflict is ensuring the separation of politics from collective bargaining in order to prevent mobilization capacity of workers from being used for political protest. On the other hand, the analysis in chapter 6 suggested the exact opposite for the unorganized field, that is, politics of minimum wage, which generates implicit interaction between workers and governments is the cause of containment and/or management of conflict. However, concrete evidence for these claims was lacking.

In this chapter the dilemma theory provided a theoretical interpretation for both of these claims by describing neo-liberalism as an ideology of sacrificing legitimation for the sake of accumulation and provided the required evidence: as anticipated in the first phase and

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249 It is worthwhile reiterating that this confirmation is not an example of applying a theory to empirical conditions from which it was derived at the first place. For the dilemma theory is devised by using the qualitative evidence provided by chapter 5 and chapter 6, and it is confirmed in this chapter by the quantitative data, which is not used in previous chapters. Thus, it is developed by using one data set and it is confirmed by using another data set. Hence its validity is confirmed at least in the case of Turkey.
revealed in the third phase of the analysis, in Turkey between 1980 and 1989 the shift into neo-liberalism and strict control over public wages, by imposing accumulation bias into the organized field \( \Psi_{PW,1980-1989} = -0.34 \), undermined the collective bargaining and rendered politics relevant realm for seeking redress as depicted by model II in table 7.1. However, the establishment of gentleman deal arrangement in 1990 severed the link between politics and organized industrial relations by re-delegating the task of coping with accumulation/legitimation dilemma to collective bargaining. This arrangement as depicted in the second phase of the analysis started to generate legitimation \( \Psi_{PW,1990-2004} = 2.14 \) and as indicated by model I in table 7.1, rendered politics irrelevant for the dynamics of organized industrial relations and thereby prevented political mobilization of the collective action potential. These findings provide necessary evidence as to the nature of the link between politics and organized industrial relations that was lacking in chapter 5: so long as collective bargaining properly functions (that is without direct government intervention in favor of employers) the organized industrial relations and politics would remain separate.

The analysis in this chapter also depicts the exact opposite nature of the link between politics and the unorganized field: the model in table 7.2 shows that the politics have been relevant for the dynamics of the unorganized field through the entire scrutinized period, a finding which confirms the implicit interaction expectation emerged in chapter 6, which was only substantiated by interview accounts.

However, besides providing theoretical leverage and empirical support for the claims emerged in previous chapters, the analysis in this chapter also shows that while the explicit crisis of neo-liberalism, that is, political mobilization of collective action potential in organized industrial relations against neo-liberalism, could be solved by effective re-delegation of accumulation/legitimation dilemma to collective bargaining. But the implicit crisis, that is, politicization of the unorganized field and the resulting constraint in government actions, is likely to be a permanent condition in neo-liberal environments.

This is clearly depicted by the lack of pure consistency in the way in which organized and unorganized fields were manipulated by the most committed neo-liberal government during the 1980s. The government preferred to impose legitimation bias into unorganized industrial relations during the elections years due to its large and increasing size,
while imposing accumulation bias into organized industrial relations, instead of pursuing neo-liberal agenda consistently by imposing accumulation bias into both of these fields. In other words, the analysis shows that resentment of those who were employed in unorganized industrial relations could not be discarded even by the most neo-liberal governments. Thus, since its inception neo-liberalism has been facing the implicit crisis.

This indicates that if organized industrial relations entirely disappear, neo-liberalism is bound to generate at least one type of legitimation crisis, which would, in turn, preclude its implementation.

*The implications of the expansion of unorganized field for the neo-liberal project*

In chapter 5 the expansion of unorganized industrial relations appeared to be the outcome of deliberate government policy of retaining neo-liberal legal framework intact in order to reduce mobilization capacity of workers by shrinking the size of the organized field. On the other hand, the analysis of the unorganized field in chapter 6 suggested that governments, through minimum wage, influence conflict dynamics of this field but they were constrained in the way in which they could manipulate minimum wage. They had to pursue a minimum wage strategy which would prevent wide spread tension and resentment among workers while not damaging the logic of production chains. However, the implications of the expansion of the unorganized field for the neo-liberal project remained obscure.

In this chapter, the dilemma theory envisaged that shrinking the organized field is imperative for implementation of neo-liberal project but it is bound to generate implicit crisis, that is, limiting the policy options of ruling governments as to unorganized industrial relations due to increasing importance of this field for electoral politics. Indeed, the empirical application of the theory revealed (in the second phase of the analysis above) that in Turkey the magnitude of implicit crisis increased gradually and forced governments to impose higher levels of legitimation bias into unorganized industrial relations after 1990.

This development was envisaged by the dilemma theory: the particular use of strategic instruments of the state would influence the relative size of the organized and unorganized fields and, in turn, the relative sizes of these fields would increasingly constraint the way in
which strategic instruments may be used by the state to tackle the accumulation/legitimation dilemma. The insistence of the state to retain neo-liberal legal framework intact, that is, using one of its strategic instruments in a certain way, in order to marginalize organized industrial relations (see 1, 3a and 3b in figure 7.6), increasingly limited the way in which it could use the other strategic instrument, that is minimum wage (see V in figure 7.6). In other words, being consistent with neo-liberalism in the use of one strategic instrument increasingly precluded such consistency in the use of the other one.

This may be considered as the indication that for the state the consistent pursuit of neo-liberalism with all available strategic instruments is not possible.

*Impact of economy on government policies*

In previous chapters the extent to which economic developments beyond the control of governments influence the policies regarding the organized and unorganized industrial relations remained unaccounted for. The operational model based on dilemma theory, by defining the economic developments as a stochastic variable, allows examining this obscure point.

The analysis in this chapter indicates two results: firstly, when there is economic crisis governments sacrifice accumulation for the sake of legitimation, that is, adopting a pro-employer stand. However, if economic crisis coincide with elections the choice, at least within the unorganized field, is the opposite: adopting a pro-worker stand and preferring legitimation. Secondly, both in the organized and unorganized fields improving economic conditions are associated with increasing legitimation, that is, governments are likely to adopt a pro-worker stand when economic conditions improve. These findings indicate that unless politics interfere, contraction of economy leads to pro-employer stand and expansion of economy leads to pro-worker stand both in the organized and unorganized industrial relations.

However, the important point revealed by the multivariate models is that the politics of unorganized industrial relations appeared to have constrained the choice of governments in this particular field, that is, implicit crisis of neo-liberalism proved to be capable of overruling the
dictates of economic circumstances\(^{250}\). Similarly, the second phase of analysis shows that delegation of accumulation/legitimation task to collective bargaining, too, proved to impose an overall legitimation bias into the system regardless of economic circumstances \((\Psi_{PW1990-2004} = 2.14)\). These two findings imply that without curtailing democracy and banning collective bargaining it is not possible to force accumulation bias into industrial relations. For shrinking the size of organized industrial relations in order to prevent legitimation imposed by collective bargaining leads to expansion of the unorganized field (see 1 and III in figure 7.6) which through its link with politics force governments to regularly impose legitimation (see V and 4 in figure 7.6). In other words, under the conditions of democracy it is not possible for governments to pursue the entirely pro-employer policy that is required by neo-liberalism.

Thus, one may once again argue that, if democratization or democracy is one of the features of neo-liberal environments, then the consistent pursuit of neo-liberalism is not possible.

**Conclusion**

The explanations in the preceding section suffice to show that, dilemma theory, not only accounts for the empirical reality uncovered by previous chapters from a state-centered perspective but it also offers a theoretical leverage and provides the required empirical evidence for the issues and questions that remained hitherto obscure. Indeed, by combining these insights provided by the dilemma theory with findings of previous chapters and by referring to the empirical characteristics of neo-liberal environments, one can make a conclusive explanation for the containment of industrial conflict:

Under the conditions of democracy or democratization capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the conditions, which would sooner or later lead to regular deviations from neo-liberalism. The outcome would be industrial peace resulting from the exportation of industrial conflict into the realm of politics with detrimental implications for consistent pursuit of neo-liberalism.

\(^{250}\)See interaction analysis in appendix A for details.
For, as depicted in chapter 1 (by citing historical developments) and in chapter 3 (by using the state of nature exercise) the implementation of neo-liberal prescriptions requires active and persistent state interventions. However, due to the obligation of capitalist states to cope with the dilemma of accumulation/legitimation, neo-liberalism is trapped in a vicious circle:

So long as organized industrial relations are not marginalized full-fledged implementation of neo-liberal policy of favoring accumulation would not be possible due to the mobilization capacity of workers that may lead to *explicit crisis*. In order to cope with this problem the state, as envisaged by the hypothesis lb (see figure 7.1) and depicted in chapter 5, would be forced to make pro-worker interventions in the neo-liberalized collective bargaining systems which would result in generation of legitimation by these systems. In this way for the sake of preventing political mobilization of workers in the organized field, that is, in order to disconnect this field from politics, the state, at least temporarily, would deviate from the neo-liberal course.

However, if and after organized industrial relations largely disappear, the state would be directly held responsible for solving the accumulation/legitimation dilemma for increasingly large group of people employed in the unorganized field, that is, it will face the *implicit crisis*, and thus, under the conditions of democracy it would regularly be forced to prefer legitimation at the expense of accumulation due to the implicit interaction between workers and governments. This process, as envisaged by hypothesis IIb (see figure 7.1) and depicted in chapter 6, would result in the attribution of the blame for injustice also partly to the state, and thus, it would render the politics the relevant realm and voting the effective medium for addressing grievances generated in industrial relations, and thereby create the necessary background condition for industrial peace while rendering consistent implementation of neo-liberalism impossible.

As one can see, the marginalization of organized industrial relations and thereby prevention of political mobilization against the neo-liberalization of collective bargaining is one of the conditions for full-fledged implementation of neo-liberal prescriptions; however, emergence of this condition implies regular deviations from the course of neo-liberalism at least during the election periods due to the resulting expansion of the unorganized field.
Thus, in neo-liberal environments trying to avoid *explicit crisis* leads to *implicit crisis*, which can only be solved by regular legitimation decisions. The analyses in this and previous chapters reveal that only when the state provides this basic background condition, which seems to be easier to accomplish when economy is expanding, industrial conflict can be contained by other factors and actors. For example, it can be contained by the employer dominated bargaining systems in the organized field as depicted in chapter 5 and by the private labour regulation in the unorganized field as shown in chapter 6.

Having all these findings in mind, one can make the following remark:

*Containment of industrial conflict in neo-liberal environments should be explained by referring to the emergence of explicit and/or implicit crisis of neo-liberalism and the resulting legitimation decisions of the state which is permanently involved in tackling the accumulation/legitimation dilemma.*
CONCLUSION

It is an important postulate of scientific method that we should search for laws with an unlimited realm of validity.

Karl Popper

(from Poverty of Historicism)\textsuperscript{251}

\textsuperscript{251} Poverty of Historicism, Routledge © 2004, p 95.
Chapter 8
Accounting for Industrial Peace in Neo-Liberal Environments

Overview

In this study I tried to fill a gap: there is no theoretical framework in the literature, which would allow us to comprehend the decline in industrial conflict in many countries and sectors since the early 1980s, that is, during the ascendancy of neo-liberalism. The existing conflict theories mainly belong to the pre-1980 period and the recent scholarship seems to have abandoned the study of conflict due to disappearance of mass industrial action. However, as I demonstrate in chapter 3, industrial relations always generate conflict between employers and workers. Therefore, peace cannot be taken for granted. It is something that needs to be explained.

In chapter 1, I show that the reality generated by or associated with neo-liberalism, that is, the neo-liberal environment, contains three generic empirical features (government interventions under the conditions of democracy or democratization, the simultaneous existence of organized and unorganized industrial relations, some reactions against neo-liberalism), which allow to make many (equally valid) potential explanations for the relatively peaceful industrial relations that characterize the post-1980 period in many countries. Thus, industrial peace in neo-liberal environments is a puzzle, which calls for serious contemplation. In order to solve this puzzle I constructed the following preliminary theoretical proposition:

Capitalist states, under the conditions of democracy or democratization, must balance accumulation and legitimation but neo-liberalism promotes the use of strategic instruments of the state to favor accumulation. It also opposes the extensive delegation of accumulation/legitimation dilemma to organized industrial relations. However, neo-liberalism cannot be implemented without generating legitimation crisis which forces capitalist states to deviate regularly from neo-liberalism. The outcome would be industrial peace resulting from the exportation of industrial conflict into the realm of politics with detrimental implications for consistent pursuit of neo-liberalism.
Accounting for Industrial Peace in Neo-Liberal Environments

This argument is constructed by using a single case (i.e., Turkey) but by appealing to a common principle, which applies to all capitalist states at least under the conditions of democracy (i.e., tackling the accumulation/legitimization dilemma). Therefore, it has the potential to be used as a general theoretical proposition that can be applied to other cases in order to account for industrial peace prevailing in neo-liberal environments252.

In this final chapter, after summarizing the findings of this study by briefly reconstructing the dilemma theory, I will address some possible objections and point out some themes that may be explored by further research and allow dilemma theory to be applied to other cases.

Summary

Neo-liberalism is a political project which, in any context it is implemented, initiates a dynamical process with three empirical characteristics: i) interventions of governments which, under the conditions of democracy or democratization, enact some neo-liberal measures that are designed to create and sustain free markets, ii) co-existence of and possible interactions between organized and unorganized industrial relations iii) reactions of the society, international actors or various classes which try to resist neo-liberal measures. One may observe these characteristics that constitute the neo-liberal environment in various contexts such as sectors, countries or continents. The historical record reveals that, regardless of the context, neo-liberal environments (not neo-liberalism!) are conducive to industrial peace. Hence is the question scrutinized in this study: what is the source of the relative industrial peace in neo liberal environments?

Before constructing a theoretical proposition that may shed light on this question, however, one should test some of the potential explanations that can be deduced from the existing conflict literature in order to reduce the complexity. This would clarify what exactly needs to be theorized about the source of industrial peace in neo-liberal environments.

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252 Indeed it is shown in Koçer R.G., and Visser J (2009) that both the dilemma theory and the analytical instruments developed for its operationalization are applicable to at least one more neo-liberal environment: the USA.
Organized industrial relations

One possible line of thinking as to the source of industrial peace is provided by Clegg who attributes the primary role in containment of conflict to collective bargaining (Clegg 1976). Given that, despite all the setbacks, organized industrial relations characterized by collective bargaining is part of any neo-liberal environment, it is to scrutinize the role of collective bargaining in containment of conflict. Indeed, new institutionalist literature indicates that one should not consider institutional stability as the outcome of inertia. Institutions continue to exist because they serve certain actors and beyond the appearance of continuity they may change radically in subtle ways in accordance with the interests of these actors. Thus, in order to use Clegg’s theory to account for industrial peace, it is necessary to scrutinize processes which may transform the purpose of collective bargaining under the conditions of neo-liberalism. In this respect, the partnerships between employers and trade unions deserve a special attention. For in neo-liberal environments where neither the state nor employers consider trade unions as crucial actors, establishing partnership with employers often becomes imperative for trade unions. It is quite likely that such partnerships would be employer dominated. They would, while containing industrial conflict, allow manipulation of collective bargaining in accordance with the employers’ interests. One may call this the neo-liberalization of collective bargaining and deduce a hypothesis: *industrial conflict in organized industrial relations is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of collective bargaining by employer dominated partnerships.*

However, one may also consider the collective bargaining just as an intervening variable and may focus on the possibility of political exchange between the organized labour and governments in the political arena as the main mechanism for the containment of conflict in organized industrial relations (Pizzorno 1978). The core of the political exchange argument is that as the labour is provided with the opportunity to solve the important issues in the political arena, the need for using industrial action as an instrument of pressure would decline. This line of thinking usually attributes a crucial role to the leftist governments and assumes the existence of strong labour organizations. However, there is no consistent relation between governments’ ideological orientations and conflict patterns especially during the last two decades of the 20th century marked by the ascendancy of neo-liberalism. In fact, in the same period
strong labour organizations have become a rarity in many countries. Thus, the idea of political exchange does not provide an alternative hypothesis to account for the industrial peace in neo-liberal environments. Fortunately opportunistic cycles school provides another way of looking at the idea of political exchange (Nordhaus 1975, Tufte 1978): regardless of their ideological orientations and without the pressure of labour organizations all governments try to manipulate the organized industrial relations prior to elections in order to attract votes. Given that the majority of electorate would consist of wage earners, one may expect governments to be more receptive towards demands of wage earners prior to elections and to use the power of the state to intervene in organized industrial relations in their favor. From these insights one may deduce another hypothesis: Industrial conflict in organized industrial relations is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.

Turkey’s metal sector, which accommodates a very large component of organized industrial relations offers appropriate empirical conditions for examining these two hypotheses, which may be posed as competing alternatives for the sake of analytical clarity.

In Turkey, the shift from the strategy of import substitution into export-oriented growth in accordance with neo-liberalism occurred between 1980 and 1983 under military dictatorship, which fundamentally restructured the institutional and legal landscape and suspended the democracy. As a part of this restructuring organized industrial relations in Turkey witnessed two major changes: First new laws were enacted which gave complete freedom to employers to choose the bargaining mode, and, second, some government controlled coordination instruments are established in order to use public wages and minimum wage to send wage signals to the private sector that are lower than the market clearance value so as to allow employers to determine the wages in accordance with their needs.

Under these conditions, a partnership based and employer dominated sectoral bargaining system emerged in the metal sector. In this system one of the trade unions, Türk-Metal, cooperated with the employers’ organization MESS so as to allow collective bargaining system to serve employers’ interests. This partnership involved the suppression of workers’ demands by Türk-Metal and the intimidation of other trade
unions by the MESS, and allowed the MESS to set the wage pattern for the entire sector while preventing industrial action. Besides the partnership in coercion between the MESS and Türk-Metal, there were several other factors in this system which helped containment of conflict such as the task classification system, high-bargaining level, relatively better-off position of metal workers and special treatment of public enterprises affiliated with the MESS. However, these factors were effective so long as the power distribution between employers and workers remained unaltered and the position of the metal sector in the entire political economy was stable, that is, wages in other sectors were low. These two external conditions, however, were to be satisfied by governments: first, by retaining the pro-employer legal framework, and second, by the persistent use of coordination instruments for sending deliberately low wage signals. The first governments of the neo-liberal period, which were unaccountable in democratic terms due to restrictions imposed by the military, actively provided this external support.

However, from 1987 onwards a new variable entered into the equation: democratization. As the restrictions imposed by the military were gradually lifted the politics became an increasingly competitive field. Consequently, the resentment created by low wage policy in public enterprises triggered wildcat industrial actions in the public sector. These were encouraged by the opposition politicians and approved by the society. In other words, the full-fledged pursuit of neo-liberalism has created a de facto alliance between all wage earners. Democratization allowed this alliance to revolt against the government and articulate its resentment through political mobilization of collective action potential embedded in organized industrial relations. Consequently, the government was compelled to convert the neo-liberal coordination mechanism of the public sector into a gentleman deal arrangement: from 1990 onwards, the public sector wage norms would be jointly determined by governments and the peak labour organization TÜRK-İŞ. Thus, public sector would no longer send deliberately low wage signals to the rest of the organized industrial relations.

The metal sector bargaining system was seriously influenced by the political mobilization triggered by democratization and the emergence of the gentleman deal arrangement. Direct state intervention in favor of workers, wide scale industrial actions, unprecedented wage increases, mass disaffiliation of middle size firms, and the loss of the
Accounting for Industrial Peace in Neo-Liberal Environments

relatively better-off position of metal sector in the political economy were the implications of the democratization process on this bargaining system. Although in the long run the metal sector bargaining system remained employer dominated, metal workers started enjoyed better conditions compared to the 1980s thanks to the indirect impact of the new gentleman deal arrangement in the public sector.

The events of the late 1980s clearly revealed that the employer dominated and partnership based bargaining system in the metal sector could prevent mobilization of metal workers so long as they were isolated from public workers and not encouraged by wide spread societal resentment. However, it was beyond the power of metal sector bargaining system to cope with industrial conflict when it appeared as a part of large scale societal protest. In other words, social peace was to be ensured for employer dominated bargaining system in the metal sector to function. This shows that some of the immediate complementary factors (such as low wage signals) required from governments by employer dominated bargaining systems may be sacrificed for the sake of preventing wide ranging societal resentment which proved to be fatal for such systems. The policy mix, which ensured this outcome, was allowing pro-worker signals to be sent into organized industrial relations by the new gentleman deal arrangement, while enforcing the pro-employer legal framework introduced during the military dictatorship period. All governments after the democratization of the late 1980s persistently pursued this policy, which (together with the privatization of public enterprises) gradually shrank the relative size of organized industrial relations without provoking the involved workers as happened in the 1980s. Obviously, this was a kind of balancing policy: keeping organized industrial relations small and employer dominated (by enforcing the neo-liberal laws) without allowing workers to be too much strained (through the wage signals sent by the gentleman deal arrangement) in order to prevent them from using their collective action potential for political mobilization. In other words, entirely pro-employer and neo-liberal government policies (i.e., enforcing pro-employer laws and sending low wage signals) of early 1980s were proved to be infeasible under the conditions of democratization.

This empirical analysis shows that although employer dominated bargaining systems (i.e., the neo-liberalization of collective bargaining) appear to be crucial in containment of industrial conflict, the functioning of these systems under the conditions of democracy appears to be
possible only if governments make some pro-worker interventions in organized industrial relations, which would prevent political mobilization of workers. Therefore, the second hypothesis, which focuses on the role of the state provides a better explanation for containment of industrial conflict in organized industrial relations.

This shows that a theory of containment of conflict in neo-liberal environments should explain the role of the state in organized industrial relations: why do all governments regardless of their differences persistently pursue the same ‘policy of balance’?

Now, let us move to the other field of industrial relations in order to clarify what exactly needs to be theorized there.

Unorganized industrial relations

Kelly, by introducing the feeling of injustice into the lexicon of the conflict theory, provides a new perspective to look at the conflict dynamics in the era of neo-liberalism, where collective bargaining and trade unions are not always relevant (Kelly 1998). This approach considers workers’ ability to attribute the blame of an unjust situation to an agency, for example, to employers, rather than to structural conditions as the prerequisite of industrial conflict: as long as some leaders at workplace level convert the perception of injustice into the group cohesion, industrial action may be ignited without trade unions. If one considers the feeling of injustice as relevant not only for workers but for all actors that are present in neo-liberal environments, then one may develop two hypotheses as to the source of industrial peace in unorganized industrial relations.

Firstly, Kelly’s concept of injustice may be utilized in line with the idea that in the age of neo-liberalism non-state actors (NGO’s and international networks) are the main agency behind the reactions against neo-liberal measures (Munck 2004). Thus, conflict in unorganized industrial relations may be contained by non-state actors’ reactions, which are triggered by the injustices they observe. Against this background, one may claim that these new actors may correct the most excessive injustices and in this way prevent the conflict potential from being ignored. The question is that whether corrective mechanisms such as private labour regulations initiated, enforced and/or monitored by non-state actors can really contain industrial conflict in unorganized industrial relations. Obviously, in order to consider non-state actors
responsible for industrial peace, one should establish the degree to which they operate without being involved in intended or de facto partnerships with public authorities. Having all these in mind one can deduce the following hypothesis: \textit{industrial conflict in unorganized industrial relations is contained by the correction of injustice by non-state actors, that is, NGO’s, consumer groups and international networks.}

Secondly, Kelly’s concept of injustice may also be utilized by appealing to the idea that the reaction against the neo-liberal measures may be in the form of societal response. This idea allows to reveal how exactly the elections (or democracy), which is present in neo-liberal environments, might influence the conflict dynamics in unorganized industrial relations by affecting the choices of governments and the public: in order to sustain industrial peace, the feeling of injustice perceived by worker-voters who are employed in unorganized industrial relations must be manipulated by some mechanisms so as to prevent the blame of injustice from being attributed to immediate employers. Instead, such mechanisms should render the governments directly or indirectly responsible for the injustice. Thus, if one can reveal the institutional mechanisms which lead to the attribution of the blame of injustice to the state rather than to employers, then one may claim that this mechanism reduces conflict potential by motivating workers to tackle the injustice not at the workplace by confronting with their immediate employers, but in the political arena as voters by making demands from the state. This idea may be briefly put as a hypothesis: \textit{industrial conflict in unorganized industrial relations is contained by direct or indirect attribution of the blame of injustice to the state rather than employers (i.e., exportation of conflict into the realm of politics).}

In order to examine these two hypotheses one should study workplace level dynamics in a sector where unorganized industrial relations are dominant and the codes of conduct as the main corrective instrument of non-state actors are prevalent. Of course, it is also essential to see whether workers’ attribution of the blame to the factors that are controlled by governments plays a role in containment of conflict. The clothing & textile sector in Turkey provide appropriate empirical circumstances.

This sector is characterized by the extensive use of subcontracting. The main reason is reducing labour costs by benefiting from the mix of informal and formal employment relations in the sector which constitute
a continuum of five points: 1) complete informality: no social security and registration for workers 2) partial informality: a portion of the workforce remains unregistered 3) reduced formality: all workers are registered but a certain amount of their wages is paid without any record in order to reduce employers’ share in the social security premiums. 4) complete formality but no collective bargaining: all workers and their wages are entirely registered but they are not allowed to unionize. 5) complete formality and collective bargaining: all workers and their wages are entirely registered and they are allowed to unionize. The vast majority of the workers in the sector are employed in lower levels of formality at points 1, 2 and 3, which do not allow them to be entitled for retirement and severance payments. As one moves down in the formality continuum, labour costs and employment security decrease, while the likelihood of wildcat industrial action increases. This means that the combination of minimum wage, long-term employment and social security decreases the propensity of conflict.

Minimum wage is of crucial importance: at point 5 it is the wage at workplace level collective bargaining but supplemented with fringe benefits and social security, at point 4 it is the common wage but combined with social security, at point 3 it is the officially paid wage which can be occasionally exceeded at the expense of employment security, and finally, at point 1 and point 2 it is the lighthouse wage, which is taken as the reference during wage determination processes. Given these different roles played by minimum wage, one may argue that governments as sole determiner of the minimum wage, are present in unorganized industrial relations at all levels of formality.

In this environment, the feeling of injustice among workers is generated by four problems: first, the majority of workers are employed at points 1 and 2 in the formality continuum under very poor health and safety conditions. Second, through the entire sector, with exception of point 5, working hours increase well above the official limit of 45 hours per week and extra work quite often remains unpaid. Third, majority of workers do not accumulate any rights for retirement or severance payments. Finally, workers lack any continuous and recognized collective representation, thus, wage and effort bargaining is largely determined by employers. All these problems increase in their magnitude and prevalence as one moves down in the formality continuum. The likelihood of wildcat industrial action, too, increases as one goes down, that is, as the entitlement to retirement and severance payments
disappears the propensity of conflict increases. Obviously, being excluded from the possibility of security in old age and sickness generates feeling of injustice in unorganized industrial relations.

In order to tackle these problems, non-state actors hope to accomplish “climatic change” in the sector by using the codes of conduct: the higher working standards as the condition of being connected to global production chains would be ‘injected’ into the system through foreign subcontract deals (between famous brands and local firms) and smuggled further via domestic subcontract relations (between first subcontractors and sub-subcontractors). Consequently, production will start to move from low to high positions in the formality continuum with the result that working conditions would improve and the likelihood of wildcat industrial action would decrease.

The detailed analysis of three textile & clothing firms shows that climatic change that might be triggered by codes of conduct is likely to create two-tier micro industrial relation systems: while in the first-tier there would be workers who are employed by the first subcontractor of famous brands, the second-tier would be formed by workers of sub-subcontractors. First-tier workers would enjoy collective bargaining and entirely formal employment thus, they will be qualified for retirement and severance payments. Second-tier workers would be excluded from collective bargaining but they, too, would be formally employed and thus, they would also be entitled to social security. Therefore, the second-tier would be placed at point 4 of the continuum. Consequently, the second-tier would be a minimum wage environment with healthy working conditions, entirely paid extra working hours but, of course, without collective representation. Obviously, such micro systems keep unorganized workers unorganized in order to ensure that organized workers remain organized but they still generate peaceful industrial relations. Because the combination of minimum wage, long-term employment and social security decreases the conflict propensity. However, the emergence of two-tier-micro systems is conditioned by many factors. The best combination of conditions is this: a partly foreign owned and entirely export oriented supplier establishes subcontract links with a small number of main firms, which offer long term partnership and adopt multi-stakeholder type codes of conduct while aiming to sell their final products in places where the consumer sensitivity for workers’ conditions is high, and then, a non-opportunistic trade union organizes the supplier’s factory.
From these findings one may argue that, under certain (limited) conditions, new non-state actors, by creating two-tier micro systems through implementation of codes of conduct, may indeed correct some injustices generated within unorganized industrial relations and thereby contain industrial conflict. However, this would be an erroneous conclusion.

Because, what codes of conduct actually do is to move workers from conflict prone positions such as points 1, 2 and 3 into a conflict-averse position, that is, point 4 in the formality continuum. However, codes of conduct neither generate nor influence the most crucial components of the combination, which makes position 4 less prone to industrial conflict, that is, minimum wage, long-term employment and social security. Although the two-tier systems created by codes of conduct make these conditions available for those workers placed in the second-tier, it is the state, who determines the exact content and meaning of these conditions. Therefore, the peace in these two-tier systems is essentially generated by government policies as to the minimum wage and the way in which workers interpret them. For after a firm moves to position 4, the employer appears as if s/he provides the best possible conditions by offering workers long term employment on minimum wage, which guarantees social security and severance payments. It is clear to workers that it is the government, who determines the minimum wage not their employers, and their conditions may improve further if the minimum wage increases. Consequently, for those workers employed in position 4 the blame of injustice is directed to the government rather than their immediate employers. Interview evidence suggests that in response to this pressure, governments, adjust minimum wage in accordance with the ‘populist’ impulses prior to elections in order to gain electoral advantage. Thus, even in those limited circumstances in which non-state actors appear to be generating industrial peace by enforcing their codes of conduct, this outcome in fact results from an implicit partnership between non-state actors and the state: non-state actors move the workplaces into position 4, but it is the state who renders this position conductive to industrial peace by absorbing (and responding to) the blame of the injustices workers feel.

Moreover, one can see that what determines the intensity of conflict and resentment in the remaining positions of unorganized industrial relations (i.e. positions 1,2, and 3) is again the policy of governments regarding the minimum wage. For given the various
functions performed by minimum wage at these formality levels (especially the lighthouse function) which employ large number of workers, complete disregard of workers’ interests in minimum wage determination would feed the societal resentment while causing excessive friction between workers and employers. Both of these outcomes are detrimental for political stability and, as revealed during the late 1980s, even the most neo-liberal governments cannot afford to ignore them. However, governments cannot just increase the minimum wage. This would damage the logic of unorganized industrial relations, which is based on decreasing labour costs as one goes down in the formality continuum. The preservation of this logic is vital for many firms operating in or benefiting from the unorganized field. Thus, governments, regardless of their political orientations, are obliged to pursue a policy of balance: managing the feeling of injustice by careful manipulation of the minimum wage so as to prevent resentment in the society and excessive friction (between employers and workers), while not damaging the logic of unorganized industrial relations. Thus, not only at position 4 but also in the remaining positions in unorganized industrial relations, it appears to be the management of the feeling of injustice by governments through the politics of minimum wage\textsuperscript{253}, which plays the main role in containment of conflict.

This analysis shows that, under certain conditions, non-state actors by using the private labour regulation may force firms to shift their position in unorganized industrial relations (i.e., creating two-tier micro systems), and in this way, may decrease the conflict propensity. However, in the last analysis, what contains industrial conflict, even in those circumstances where private labour regulation appears to be effective, is the careful management of the feeling of injustice by governments through minimum wage, which renders the realm of electoral politics relevant for the expression of grievances. Thus, the second hypothesis, which emphasizes the role of the state provides a better explanation for containment of industrial conflict in unorganized industrial relations.

\textsuperscript{253} It is crucial to recall that minimum wage has always been too low from the perspective of ensuring minimum living conditions for a single person. As mentioned in previous chapters, governments’ assumption is that more than one individual in a household should be working on minimum wage to ensure subsistence. However, it is the extent to which the various functions that minimum wage assumes within unorganized industrial relations are influenced by the level of minimum wage that determines the impact of minimum wage on the resentment in society, and, in this sense there is low and high minimum wage.
This shows that a theory of containment of conflict in neo-liberal environments should also explain the role of the state in unorganized industrial relations: why do all governments carefully manage the feeling of injustice generated within unorganized industrial relations instead of adopting an entirely pro-employer or pro-worker policy?

Dilemma Theory

The preceding findings show that governments play a crucial role in containment of industrial conflict both in organized and unorganized industrial relations: they try to prevent political mobilization within the organized field by separating it from politics and manage the resentment within the unorganized field by using the politics of minimum wage. The inquiry suggests that these ‘balance’ policies should not be influenced by the differences between ruling parties. These observations clarify what exactly needs to be theorized about the source of industrial peace in neo-liberal environments to attain a general theoretical proposition: why is it important for governments to contain industrial conflict? Why do they need to pursue the same balance policies regardless of their differences? These questions require seeking a meta-principle of the state, which remains equally binding for all governments as the basis for a general theory.

O’Connor argues that any capitalist state must undertake two potentially contradictory tasks: ensuring accumulation of capital while legitimizing this process for those who are not capable of accumulating capital (O’Connor 1973). It is only temporarily possible to sacrifice accumulation for the sake of legitimation or legitimation for the sake of accumulation, most of the time these tasks must be balanced. Consequently, the state, regardless of the ideologies of ruling political parties, permanently faces the problem of maintaining the balance between accumulation and legitimation. This can be considered the meta-principle of the state. Accordingly, if one reduces political economy into a game between three generic actors – ‘employers’, ‘workers’ and ‘the state’ – one expects employers to prefer and press for increased state support for accumulation, and workers, unless mobilized for radical change, to demand legitimation.

The state may cope with the dilemma of accumulation/legitimation by delegating it to organized industrial relations in which labour and capital collectively undertake the legitimation task by engaging in collective bargaining. However, in organized industrial relations
employers and trade unions, when they fail to agree, may still ask for the state intervention. Unexpected economic fluctuations, which cannot be controlled by any actor, would increase the likelihood of such impasses. In such circumstances, the organized labour may politicize its demands by using the mobilization capacity it acquires. This may seriously undermine the political stability.

On the other hand, the state will be directly held accountable by those who are placed in unorganized industrial relations for their circumstances. Thus, the feeling of injustice generated at workplace level is likely to be a political issue. However, in unorganized industrial relations the lack of mobilization capacity limits the occasions, which may explicitly reveal the politicization. In this respect, election periods would be very crucial for they would allow the only legal collective action capacity acquired by those who placed in unorganized industrial relations, that is, the right to vote, to be exercised in order to react to the way in which the accumulation-legitimation dilemma is handled by the state.

Against this background, neo-liberalism may be perceived as a political project which promotes the idea of favoring accumulation at the expense of legitimation. It is also a reaction against the strategy of extensive delegation of the accumulation/legitimation dilemma to organized industrial relations which limits the state’s freedom of choice for altering the existing accumulation/legitimation regime. Thus, neo-liberalism motivates governments to use their strategic instruments, especially the legal means, to shrink organized industrial relations while imposing accumulation bias into the political economy by using pivotal wages (such as public sector wages and minimum wage) and macroeconomic measures.

However, under the conditions of democracy the persistent pursuit of neo-liberalism would trigger legitimation crisis in two different ways: Firstly, if the marginalization of organized industrial relations is not sufficiently rapid or the state tries to impose accumulation bias without shrinking organized field, then at some point collective action capacity of workers may be mobilized against the accumulation bias and lead to simultaneous paralysis of the economy and politics. This may be called the explicit crisis of neo-liberalism. Secondly, if or after the field of organized industrial relations is marginalized, the resulting expansion of unorganized industrial relations would compel the state to use its
strategic instruments in order to prevent the feeling of injustice among workers to be permanently directed to employers which may hamper production and lead to accumulation crisis. Consequently, the way in which these instruments are used would be politicized and thus, incumbent governments would have to take reactions of the electorate (majority of which would be employed in unorganized industrial relations) rather than the neo-liberal prescriptions into account when they make decisions regarding the manipulation of unorganized industrial relations. This may be called the *implicit crisis* of neo-liberalism. Although the state may prevent recurrence of explicit crisis by shrinking the organized field, there is no way of avoiding implicit crisis.

This framework, that is, the *dilemma theory*, suggests that containment of industrial conflict should be explained by referring to the emergence of explicit and/or implicit crisis of neo-liberalism and the resulting legitimation decisions of the state, which is permanently involved in tackling the accumulation/legitimation dilemma. This implies that in any political economy the initiation of neo-liberal project is likely to trigger the following sequence: *a period of accumulation bias, emergence of explicit and/or implicit crisis and shift into legitimation bias*.

It is possible to operationalize this framework by creating a two dimensional space by plotting the changes in the GDP as indicator of economic conditions against the changes in a pivotal wage, which is controlled by governments and has a pattern setting influence (on either organized or unorganized industrial relations) as the indicator of governments’ choices. In this space, if \( x = y \) is defined as the ideal line created by ideal balance points, then the distance between actual and ideal points may be called as *legitimation level*. The slope of the least squares line, which is fitted to a set of actual points in this space, may be called as *mean actual balance*. These two variables would allow interpreting the choices of the state in terms of accumulation and legitimation.

One may apply these tools to the case of Turkey by using public wage as the pivotal wage for the organized, and minimum wage as the pivotal wage for the unorganized field. The outcome of the analysis made on this basis indicates that the pursuit of neo-liberalism during the 1980s implied imposition of accumulation bias into the entire industrial relations and the marginalization of the organized field, that is, a clear break from the legitimation oriented import-substitution strategy of the
1970s. The result was simultaneous emergence of the explicit and implicit crisis: the undermined position of collective bargaining rendered the realm of politics relevant for organized industrial relations and finally triggered industrial actions against government. On the other hand, the expansion of unorganized field, too, constrained governments’ choices due to increasing importance of this subfield for politics. Consequently, in the beginning of the 1990s governments deviated from the neo-liberal course and imposed legitimation bias into both fields of industrial relations by using the pivotal wages and making necessary institutional changes. Obviously, these events comply with the sequence of accumulation bias - explicit & implicit crisis - legitimation bias\textsuperscript{254}.

The analysis also shows that, the resentment of those workers who were employed in unorganized industrial relations could not be discarded permanently even during the initial years of neo-liberalism. The government during the 1980s preferred to impose legitimation bias into unorganized industrial relations in the elections years, while imposing accumulation bias into organized industrial relations instead of pursuing the neo-liberal agenda consistently by imposing accumulation bias into both of these fields. Thus, since its inception neo-liberalism has been facing the implicit crisis. Finally, it is also shown that due to its expansion, the unorganized field has become more important for electoral politics, and thus, the magnitude of implicit crisis increased forcing governments to impose higher levels of legitimation bias into unorganized industrial relations after 1990.

The analysis also reveals that the contraction of economy leads to pro-employer stand, and expansion of economy leads to pro-worker stand both in organized and unorganized industrial relations. This means that when there is economic crisis, governments sacrifice legitimation for the sake of accumulation. However, if economic crisis coincides with elections the choice, at least within the unorganized field, is the opposite: adopting a pro-worker stand and preferring legitimation. This shows that the implicit crisis of neo-liberalism is capable of overruling the dictates of

\textsuperscript{254} It is worthwhile reiterating that this confirmation is not an example of applying a theory to empirical conditions from which it was derived at the first place. For, as mentioned in chapter 7, the dilemma theory is devised by using the qualitative evidence provided by chapter 5 and chapter 6, and it is confirmed by the quantitative data, which is not used in previous chapters. Thus, it is developed by using one data set and it is confirmed by using another data set. Hence its validity is confirmed at least in the case of Turkey.
economic circumstances. Moreover, the redelegation of accumulation/legitimation task to collective bargaining after the explicit crisis of late 1980s proved to impose an overall legitimation bias into the system regardless of economic circumstances.

These findings substantiate the dilemma theory and imply that unless democracy is curtailed and collective bargaining is entirely banned, it is not possible to impose accumulation bias into industrial relations persistently as envisaged by neo-liberalism.

One may argue that the dilemma theory offers an explanation for the crucial role played by the state both in organized and unorganized industrial relations. Therefore, it allows us to comprehend the source of industrial peace in neo-liberal environments: Capitalist states, under the conditions of democracy or democratization, must balance accumulation and legitimation, but neo-liberalism promotes the use of strategic instruments of the state to favor accumulation. It also opposes the extensive delegation of accumulation /legitimation dilemma to organized industrial relations. However, neo-liberalism cannot be implemented without generating legitimation crisis which forces capitalist states to deviate regularly from neo-liberalism. The outcome would be industrial peace resulting from exportation of industrial conflict into the realm of politics with detrimental implications for consistent pursuit of neo-liberalism.

**Discussion and Some Ideas for Further Research**

As it stands here dilemma theory is just a preliminary theoretical proposition developed by examining a single case. Similarly, the analytical framework, too, is applied to a single political economy. Therefore, both the proposition and the analytical instruments need to be further inquired, tested and developed. In order to facilitate further inquiry and for the sake of clarification, in this last section of the dissertation I address five of the potential objections which might be raised against the dilemma theory, and I point out some of the themes that may be explored by further research.

**Persistence of neo-liberalism**

The first possible objection is this: dilemma theory claims that in the realm of industrial relations, governments cannot implement neo-liberal policies without creating conditions which would lead to regular
deviations from neo-liberalism. Either explicit crisis or implicit crisis would force governments to impose legitimation on industrial relations contrary to the requirements of neo-liberalism. Does this mean that neo-liberalism has been or will always be abandoned in all contexts in which it is implemented?

The answer is negative: No, what is claimed by dilemma theory does not imply that neo-liberalism would be entirely abandoned, nor does it mean that governments would cease to subscribe to the idea that free markets are the ultimate solution for economic growth. What is argued here is that, due to democratic accountability of governments, there will be regular deviations from the policy of sacrificing legitimation for the sake of accumulation. This is especially true in the case of implicit crisis that results from the expansion of the unorganized field and the attribution of the blame of injustice to governments. Here, the deviations from neo-liberal course are likely to be coupled with general elections. Hence is the regularity. For governments cannot ignore the feeling of injustice generated in the realm of unorganized industrial relations prior to elections and it is also likely that adopting purely employer friendly (and detached) posture would be detrimental for accumulation in the long run due to increasing resentment in the society. Therefore, governments would use their strategic instruments (pivotal wages, laws and perhaps the management of macro-economy) so as to regularly impose legitimation on industrial relations. On the other hand, in the case of explicit crisis, which results from political mobilization of collective action capacity in organized industrial relations because of the resentment created by the neo-liberalization of collective bargaining, the deviations of governments from the neo-liberal course may be sporadic rather than regular. However, as mentioned above, the recurrence of explicit crisis is avoidable, but so long as democracy is retained, the recurrence of implicit crisis is inevitable. Because, trying to avoid the explicit crisis (by shrinking the organized field) triggers and exacerbates the implicit crisis. Thus, the deviations from neo-liberalism, too, are expected to recur.

This implies that governments, by imposing legitimation on unorganized industrial relations, are likely to deviate from the neo-liberal course regularly, but this does not mean that they would also deviate from the neo-liberal discourse. Indeed, one may expect the deviation from neo-liberalism in practice to be accompanied by more intensive use of the discourse of neo-liberalism so as to avoid losing the support and
confidence of employers. Moreover, after a period of legitimation, governments are likely to return to the neo-liberal course to ensure accumulation and satisfy employers but not indefinitely: the next period of elections would remind them their dependence on societal approval. Therefore, unless analytically examined, the deviations from neo-liberalism may be invisible at first glance. So if I reiterate the answer: dilemma theory does not imply that neo-liberalism cannot be implemented; it claims that neo-liberalism cannot be consistently and persistently implemented, and, this ensures the industrial peace. To identify deviations, however, one may need to examine the political economy that is under scrutiny carefully without being influenced by the persistence of the neo-liberal discourse.

Of course, these arguments should be verified by application of dilemma theory to other neo-liberal environments, which allow direct use of the analytical instruments as they are presented here. In this respect, countries which have minimum wage regulation and public sector with pattern setting influence can be explored without any major modification of the dilemma theory. Latin American countries (Brazil, Chile, Uruguay, Bolivia, Honduras, and Mexico) are likely to provide appropriate empirical circumstances. Of course, in such applications one should not only examine the deviations from the neo-liberal course, but should also scrutinize the way in which these deviations are obscured by the persistent subscription of governments to the neo-liberal discourse.

*Deterioration of workers’ conditions*

The second possible objection to the dilemma theory is this: If there are regular and inevitable deviations from the course of neo-liberalism which result in legitimation decisions, how can we account for the deteriorating conditions of workers, for example, in terms of wages in some neo-liberal environments? How can this ensure industrial peace? This question may be answered by appealing to two types of relativity that is likely to shape the perception of workers. First of all, as Tufte (1978) argues, the (worker) voters are inclined to evaluate their conditions from a short term perspective: the changes in the conditions are labelled as improvement or deterioration in accordance with workers’ latest experience, not by comparisons with the best times that they have ever lived. Therefore, the fact that what looks like an improvement in the short term may not compensate for the long term losses, may not concern (worker) voters due to the short term focus in
their perception. Secondly, workers may evaluate the changes in accordance with the prevailing economic conditions: thus, during a period of economic crisis or stagnation, a government decision which keeps their real wages constant or leads to a relatively small decline may be perceived as legitimation (as envisaged in the analytical model) despite the fact that this actually means deterioration. Thus, when evaluating the legitimation decisions of governments, one should avoid thinking that workers would perceive the impact from a long term and objective perspective by taking into account the highest purchasing power ever attained and by disregarding the prevailing economic circumstances. Finally, at least in the case of Turkey, one should recall that legitimation does not directly result from the increase in the pivotal wages, but from the subsequent dynamics triggered by this increase. Therefore, the exact magnitude of legitimation may be much larger than as it can be read from the changes in the pivotal wages.

All this shows that when examining a neo-liberal political economy in order to identify what counts as legitimation, one should avoid using measures like long term changes in the purchasing power but instead, should focus on the perception of workers as to the alterations in pivotal wages under given circumstances from a short term perspective. Moreover, it is also necessary to take into account the processes triggered by government decisions in organized and unorganized industrial relations so as to see the exact magnitude of legitimation that is generated indirectly. Thus, the fact that in some neo-liberal environments workers’ conditions may be judged to be deteriorating from an objective perspective does not necessarily undermine the dilemma theory.

However, these arguments still hint a theme which may be explored by further research: If what matters for workers is short term improvements and they tend to forget their long term losses, then one may argue that the correct strategy for implementing neo-liberalism is to create two simultaneous trends in workers’ conditions: one trend should be with short-wave-length marked by upward (legitimation) and

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255 Indeed, the idea that workers’ expectations are shaped by the conditions prevailing in the labour market at the date of their first entry seems to lend support to both of these relativity arguments (see Kelly 1998:99).

256 Due to, for example, the lighthouse role assumed by the minimum wage any increase in this pivotal wage provides workers leverage for their wage demands.
downward (accumulation) movements in workers’ conditions, the other
trend, however, should be with long-wave-length marked by constant
downward (accumulation) movement. The alternating short-wave trend
should be embedded in the constant long-wave trend so that downward
movements in the short-wave trend should gradually create and sustain
the constant downward movement in the long-wave trend. In this way
regular legitimation decisions of the short-wave trend would obscure and
ensure the gradual imposition of accumulation in the long term. Perhaps
this is the way in which neo-liberalism is implemented and industrial
peace is retained in practice. An inquiry, which would examine this
hypothesis should also answer the following question: is there any
threshold point where the upward shift in the short-wave trend would
impose an upward shift to the long-wave trend so as to suspend the neo-
liberalism completely?

Controversial nature of the Democracy factor

The third possible objection is about the democracy factor, which
is crucial for the dilemma theory. According to the dilemma theory, what
forces governments to respond the explicit or implicit crisis of neo-
liberalism by regular deviations from neo-liberal course is the democratic
accountability. As demonstrated in chapter 1, neo-liberal project is quite
often accompanied or followed by the process of democratization or it is
implemented in established democracies. Indeed, the co-emergence/co-
existence of neo-liberalism and democracy/ democratization is claimed
to be not mere coincidence: the international capital requires democratic
harmony and people under the conditions of neo-liberalism demand
democratization (Laothamatas 1997:7, Udayagiri and Walton 2003:318,
Munck 2002:18, Cook 1998:315). Thus, neo-liberalism triggers or paves
the way for the process of democratization. Obviously, in this study I did
not thoroughly examine this claim. Instead, after providing historical
evidence for the proximity between the neo-liberal project and the
process of democratization in many countries, I classified the factor of
democracy/democratization as one of the constituting components of
neo-liberal environments. However, I acknowledged that the usual

\[257\] What I mean is a shape like this:

where the short term wave gradually creates the long term trend. Here it is useful to note that the method of filtering
out fluctuations from a time series in order to reveal the trend may preclude the
comprehension of how neo-liberalism persists if it is used in the analysis of main indicators
(such as purchasing power) of a political economy. For this would obscure the short-wave
length, which is crucial for legitimation.
understanding of the term democracy is too vague to be useful mainly because of the implicit ideal type that associates the democracy with the forms of governance in Western Europe and North America. This implicit reference prevents us from acknowledging the developments (however small they may be) in other countries. Thus, I used the technical & relative definition proposed by Storm: according to this approach, civilian governments with executive powers, regular competitive elections, and, the freedom of speech and association should be considered as benchmarks of democracy. Consequently, any improvement in these conditions should be considered as process of democratization in relative terms (Storm 2008). The dilemma theory is constructed against this background.

Obviously, one may simply reject the claim that democracy and neo-liberalism co-existent or co-emergent phenomena. However, if this basic claim is contested then the burden of proof lies with the protagonist: s/he should, by referring to all the cases cited in chapter 1 (Chile, Mexico, Taiwan, Indonesia, Singapore, South Korea, Argentina, Brazil, Turkey etc), show that the processes that lead to democratization are independent from or unrelated to the processes triggered by neo-liberal project. However, even if one succeeds in proving the irrelevance of the emergence of democracy and pursuit of neo-liberalism, this does not disprove the dilemma theory: so long as democratization renders governments sensitive for societal demands, regular deviations from neo-liberalism would be inevitable. This would still allow explaining industrial peace by the dilemma theory. However, in this case dilemma theory would be based on a lucky coincidence of two trends in history. Yet, this does not undermine the importance of, and the need for, further research on the nature of the link between neo-liberal project and democratization.

On the other hand, one may, without rejecting the claim of co-emergence/co-existence of neo-liberalism and democracy, object the technical & relative definition proposed by Storm. It is possible to argue that not all improvements in the core components identified by Storm would allow the society to pressure governments for legitimation. Thus, although democratization may indeed be triggered by the neo-liberal project, the resulting changes may not be substantial or sufficient to force governments to take the implicit or explicit crisis into account when they tackle accumulation/legitimation dilemma. Political systems may remain virtually unaccountable but, due to the technical & relative definition that
is used here, they may still count as systems, which experience a process of democratization. If this is the case, can we still expect dilemma theory to be valid? If not, how can one account for industrial peace that may be prevailing in such systems? This is a fair point to be taken into account. Thus, the possible definitions of democratization should be explored by further research to obtain criteria that would more precisely identify the conditions and institutions, which would render governments accountable. Obviously, if such a definition is found and can be operationalized, then it would be essential to rectify the dilemma theory accordingly.

Finally, one may claim that perhaps democracy (however it is defined) is not a necessary condition for the emergence of explicit or implicit crisis of neo-liberalism. Given that even for the absolute rulers with no accountability it was difficult to implement widely unpopular policies consistently (see Schumpeter 1943:241), one may argue that deviations from neo-liberalism may be inevitable in all neo-liberal environments regardless of the presence or absence of the democracy factor. Perhaps even dictatorship would be forced to deviate from free market policies in order to respond latent resentment in the society. This line of thinking points out a country like China as the possible case for further research.

**Operationalization of the accumulation/legitimation dilemma**

The fourth possible objection may be against the new variables that are used in this study, that is, legitimation level and mean actual balance, which are generated by plotting changes in the pivotal wages against the changes in the GDP. One may argue that these two measures can only be used if pivotal wages such as minimum wage and public wage exist and are important in a political economy as primary strategic instruments of the state. Moreover, one can also claim that these variables are incapable of capturing the impact of some other factors such as welfare benefits. In fact, all these are valid points to be taken into account and to be explored by further research.

However, I argue that not in terms of their exact definition (that is Euclidian distance between actual and ideal points in the case of

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258 Obviously, this also means that neo-liberalism may be implemented without being accompanied by democratization. This would imply that there is no relation between the process of democratization and the project of neo-liberalism.
legitimation level and the slope of the least square line in the case of mean actual balance) but in terms of what they try to capture the variables that are developed in this study are robust. For in order to analyze a political economy in terms of accumulation and legitimation, it is necessary to capture decisions at a moment (which is used as the temporal unit of analysis) and trends during a period so as to observe (and distinguish) the momentary decision and cyclic movements in legitimation. I think, the variables that are developed here are in this sense useful and they may be further developed to capture the impact of some other factors such as welfare benefits.

Moreover, I also argue that at least one dimension of the analytical space which is used for creating the new variables, that is, changes in the economic conditions, too, is to be considered robust. For, as mentioned in this study, the functioning of economy in its entirety remains elusive and it is beyond the absolute control of any actor. Thus, economic circumstances provide the stage where the decisions as to the legitimation and accumulation have to be taken. Although one may disagree with the use of changes in the GDP as the indicator of economic circumstances, it remains imperative for any analytical model, which aims to capture the way in which accumulation/legitimation dilemma is handled, to include a variable that would reflect changes in economic circumstances. It is needless to mention that this variable must be considered stochastic.

**Influence of other actors on legitimation**

Finally, it is also possible to object the implicit assumption as to the relation between the state and governments, which underlies the dilemma theory and the analytical instruments that are created for its operationalization. As repeatedly mentioned in previous chapters, in this study government is defined as the body that runs the state and makes decisions on its behalf, whereas the state is defined as “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). However, one may argue that governments cannot run the state in its entirety alone and some other actors, too, may be quite influential in the way in which accumulation/legitimation dilemma is

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259 See footnotes 26, 34, 58, 69, 154, and 238.
handled. For example, independent central banks may have substantial influence as they adjust interest rates or control the money supply. Similarly, one may also argue that the judiciary which is almost always independent from ruling governments may also be capable of imposing legitimation or accumulation bias into industrial relations by consistently adopting certain interpretations of laws when examining the disputes between employers and workers. Finally, one should also take into account the possible influence of the international actors such as IMF and World Bank in the way in which governments handle the accumulation/legitimation dilemma.

Indeed, these examples point out an interesting research question that may be answered by further research: to what extent some independent actors within the state apparatus such as central banks and judges or some international actors such as IMF and World Bank may impose accumulation and/or legitimation bias into industrial relations by using the instruments at their disposal?

**Epilogue**

All these five (and other possible) objections together with the questions, which require further inquiry clearly indicate that dilemma theory is a preliminary construct to be further developed. However, I sincerely hope that it provides at least a starting point for the examination of the source of relative industrial peace prevailing in neo-liberal environments.
APPENDIX
Analysis of Interactions

Interaction terms complicate the differentiation structure in each model and create influence families, which require their own interpretations. One may derive three such families from each legitimation model by taking the derivative of the dependent variable with respect to the included pure independent variables as follows:

\[\text{Legitimation}_{PW} = \beta_0 + \beta_1 \text{Elections} + \beta_2 \log(\text{Strike}) + \beta_3 \text{GDP} + \beta_4 \text{Elections} \times \log(\text{Strike}) + \beta_5 \text{Elections} \times \text{GDP}\]

\[\frac{\partial \text{Legitimation}_{PW}}{\partial \text{Elections}} = \beta_1 + \beta_4 \log(\text{Strike}) + \beta_5 \text{GDP}\]

\[\frac{\partial \text{Legitimation}_{PW}}{\partial \text{GDP}} = \beta_3 + \beta_5 \text{Elections}\]

\[\frac{\partial \text{Legitimation}_{PW}}{\partial \log(\text{Strike})} = \beta_2 + \beta_4 \text{Elections}\]

\[\text{Legitimation}_{MW} = \beta_0 + \beta_1 \text{Elections} + \beta_2 \log(\text{Strike}) + \beta_3 \text{GDP} + \beta_4 \text{Elections} \times \log(\text{Strike}) + \beta_5 \text{Elections} \times \text{GDP}\]

\[\frac{\partial \text{Legitimation}_{MW}}{\partial \text{Elections}} = \beta_1 + \beta_4 \log(\text{Strike}) + \beta_5 \text{GDP}\]

\[\frac{\partial \text{Legitimation}_{MW}}{\partial \text{GDP}} = \beta_3 + \beta_5 \text{Elections}\]

\[\frac{\partial \text{Legitimation}_{MW}}{\partial \log(\text{Strike})} = \beta_2 + \beta_4 \text{Elections}\]

Although it is possible to derive infinite number of variations for each of these influence families by using hypothetical values for variables, I confine the analysis to those cases, which emerge due to actual

\[\text{in this analysis all data points are included in both models.}\]
historical values. I only show the analysis of the first two influence families for each main model. The third families generate values, which are not statistically different from zero. The purpose is to determine whether the interactions had a statistically significant influence at particular historical junctures. To accomplish this, I examine the behaviour of two entities:

- **probability** \((t_i)\) which captures the movement of the significance of the interaction in the probability space generated by appropriate t-density distribution

- **influence** \(i\) which depicts the influence of the interaction on the legitimation level

For each influence family, I first examine the movement of **probability** \((t_i)\) for all relevant values (i.e. historical records) in the probability space and then I depict only those **influence** \(i\) values for which **probability** \((t_i)\) decreases below 0.1. The other **influence** \(i\) values will be depicted as zero. The explicit expressions of **probability** \((t_i)\) and **influence** \(i\) together with the years at which they are estimated will be presented below the graphical representations. Substantive interpretation of the interactions follows the graphs.

In the following pages the movement of the **Probability** \((t_i)\) is depicted on the left panel of each figure while **influence** \(i\) values whose statistical significance are confirmed by this movement are depicted by vertical lines on the right panel together with the constituting variables of the interaction and the dependent variable.
\[
\frac{\partial \text{Legitimacy on PW}}{\partial \text{Elections}} = \beta_1 + \beta_4 \log(\text{Strike}) + \beta_5 \text{GDP}
\]

\[
\text{probabilit}(t_i) = \text{probabilit}(\frac{A_i}{B_i})
\]

\[
A_i = \beta_1 + \beta_4 \log(\text{Strike})_i + \beta_5 \text{GDP}_i
\]

\[
B_i = \sqrt{\varphi} \quad \text{where}
\]

\[
\varphi = \text{var}(\beta_1) + \text{var}(\beta_4) \cdot \log(\text{Strike})_i^2 + \text{var}(\beta_5) \cdot \text{GDP}_i^2
\]

\[
+ 2 \log(\text{Strike})_i \cdot \text{cov}(\beta_1, \beta_4) + 2 \text{GDP}_i \cdot \text{cov}(\beta_1, \beta_5) + \log(\text{Strike})_i
\]

\[
\text{Influence}_i = \beta_1 \cdot \text{Elections}_i + \beta_4 \cdot \text{Elections}_i \cdot \log(\text{Strike}) + \beta_5 \cdot \text{Elections}_i \cdot \text{GDP}
\]

\[
\]
\[
\frac{\partial \text{Legitimation}_{PW}}{\partial \text{GDP}} = \beta_3 + \beta_5 \text{Elections}
\]

Probability(\(i\)) = Probability\left(\frac{A_i}{B_i}\right)

\[A_i = \beta_3 + \beta_5 \text{Elections}_i\]

\[B_i = \sqrt{\varphi}\quad \text{where}\]

\[\varphi = \text{var}(\beta_3) + \text{Elections}_i^2 \ast \text{var}(\beta_5) + 2 \text{Elections}_i \ast \text{cov}(\beta_3, \beta_5)\]

Influence\(_i = \beta_3 \text{GDP}_i + \beta_5 \text{Elections}_i \ast \text{GDP}_i\]

\[i = \{1970, 1971, \ldots, 2004\}\]
\[
\frac{\partial \text{Legitimacy}_{onMW}}{\partial \text{Elections}} = \beta_1 + \beta_4 \log(\text{Strike}_i) + \beta_5 \text{GDP}_i
\]

probability\( i \) = probability\( \frac{A_i}{B_i} \)

\[A_i = \beta_1 + \beta_4 \log(\text{Strike}_i) + \beta_5 \text{GDP}_i\]

\[B_i = \sqrt{\varphi} \quad \text{where}\]

\[\varphi = \text{var}(\beta_1) + \text{var}(\beta_4) \cdot \log(\text{Strike}_i)^2 + \text{var}(\beta_5) \cdot \text{GDP}_i^2 + 2 \log(\text{Strike}_i) \cdot \text{cov}(\beta_1, \beta_4) + 2 \text{GDP}_i \cdot \text{cov}(\beta_1, \beta_5) + \log(\text{Strike}_i)\]

\[\text{Influence}_i = \beta_1 \text{Elections}_i + \beta_4 \text{Elections}_i \cdot \log(\text{Strike}) + \beta_5 \text{Elections}_i \cdot \text{GDP}
\]

\[
\frac{\partial \text{Legitimation}_{MW}}{\partial \text{GDP}} = \beta_3 + \beta_3 \text{Elections}
\]

\[
\text{probability}(t_i) = \text{probability}\left(\frac{A_i}{B_i}\right)
\]

\[
A_i = \beta_3 + \beta_3 \text{Elections}_i
\]

\[
B_i = \sqrt{\varphi} \quad \text{where}
\]

\[
\varphi = \text{var}(\beta_3) + \text{Elections}_i^2 \cdot \text{var}(\beta_3) + 2 \text{Elections}_i \cdot \text{cov}(\beta_4 \beta_5)
\]

\[
\text{Influence}_i = \beta_3 \text{GDP}_i + \beta_5 \text{Elections}_i \cdot \text{GDP}_i
\]

\[
i = \{1970, 1971 \ldots 2004\}
\]
Interpretation

In the case of legitimation through public wage (see figure 1 right-panel), the impact of elections interacting with the GDP change and log(strikers) has no significant positive impact except for two occasions: 1991 which is marked by wide ranging protests against the government (triggered by low wage policy of the last decade) and 1999 which is marked by early elections amid economic crisis. In other occasions the impact is either zero or negative implying the separation of the realm of politics from that of organized industrial relations. As explored in the main text, this was prior to 1980 and after 1991 due to the delegation of accumulation/legitimation dilemma to collective bargaining. The positive significant impact in 1991 is the indication of the explicit crisis, which resulted from the undermined position of collective bargaining due to government control over wage determination during the 1980s.

When one looks at the right panel of figure 3 for the same interaction (in the case of legitimation through minimum wage), the most crucial difference is that here the impact was positive also in 1973 implying that even prior to 1980 period the manipulation of unorganized industrial relations was imperative. However, the most important difference between the right panels in figure 1 and in figure 3 is that in the latter the interaction never has a negative value even during the initial years of neo-liberal period, implying that elections (or more accurately concerns of governments with elections) either balanced the other factors so as to attain an equilibrium or they imposed a positive legitimation level. This lends support to the idea that the implicit crisis was a permanent condition during the neo-liberal period.

In the case of legitimation through public wage (see figure 2), the impact of GDP growth interacting with the elections shows that the electoral politics never forced governments to disregard economic conditions in organized industrial relations. This can be seen in the left panel, which shows the movement (of the significance function) in the probability space: the interaction remains significant through the entire period regardless of the election years. This means that economic factors influence government decisions regarding organized industrial relations without being influenced by governments’ concern with elections.

On the contrary, when the same interaction is estimated for the legitimation through minimum wage (see figure 4), one can see that elections always render the influence of GDP growth on governments’
decisions insignificant. This is clearly visible (in the left panel) in the movement (of significance function) in the probability space: through the entire period, the interaction remains significant except for the election years, in each election year economic conditions seem to have no impact on governments’ decisions regarding the minimum wage. Surprisingly, this pattern remains unaffected by the change from import substitution to export-oriented growth in accordance with neo-liberalism. This lends support, once again, to the argument that implicit crisis was the permanent condition during the entire neo-liberal period (but as depicted in the main text only the magnitude of this crisis increased): governments cannot disregard unorganized industrial relations (more accurately the feeling of injustice generated in this field) when they are manipulating the minimum wage during the election years.
Analysis of Interactions
# Interviews

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Abbreviations

Non-state actors
AMRC: Asia Monitor Resource Center
SARGEM: İşçi Sınıfı Kültürünü Araştırma ve Geliştirme Merkezi
SEWA: Self Employed Women's Association
SOMO: Stichting Onderzoek Multinationale Ondernemingen

Peak Labour Organizations
DİSK: Türkiye Devrimci İşçi Sendikaları Konfederasyonu
HAK-İŞ: Türkiye Hak İşçi Sendikaları Konfederasyonu
MİSK: Milîyetçi İşçi Sendikaları Konfederasyonu
TÜRK-İŞ: Türkiye İşçi Sendikaları Konfederasyonu

Trade Unions
BİRLEŞIK-METAL İŞ: Birleşik Metal İşçileri Sendikası (metal)
ÇELİK-İŞ: Demir, Çelik, Metal Mamüllerİ Sendikası (metal)
ÖZ-DEMİR-İŞ: Türkiye Öz Demir-Çelik Madeni Eşya ve Oto Sanayii İşçleri Sendikası (metal)
TÜRK-METAL: Türkiye Metal. Çelik, Mühimmat,Makine,Metalden Mamül Makte, Mekanla Manül Eşya ve Yardımcı İşçileri Sendikası (metal)
ÖZ-IPLİK-İŞ: Tüm Dokuma, İplik, Trikotaj ve Giyim Sanayii İşçileri Sendikası (textile & clothing)
TEKSİF-İŞ: Türkiye Tekstil, Örme ve Giyim Sanayii İşçileri Sendikası (textile & clothing)
TEKSTIL-İŞ: Tekstil İşçileri Sendikası (textile & clothing)
BATİŞ: BağIMSiz Tekstil İşçileri Sendikası (textile & clothing)

Peak Employers’ Organization
TİSK: Türkiye İşveren Sendikaları Konfederasyonu

Sectoral Employers’ Organizations

261 Research Centre for Working Class Culture (established in Turkey)
262 Employer representatives in collective bargaining
MESS: Türkiye Metal Sanayicileri Sendikası (metal)
TÜTSİS: Türkiye Tekstil Sanayi İşverenleri Sendikası (textile & clothing)
KAMU-İŞ: Kamu İşletmeleri İşverenleri Sendikası (public)
KAMU-SEN: Türkiye Maden Enerji ve Hizmet Sektörü Kamu İşverenleri Sendikası (public)
TÜHİS: Türk Ağr Sanayi ve Hizmet Sektörü Kamu İşverenleri Sendikası (public)

**Employer and Businessmen’s Associations**

TÜSİAD: Türk Sanayicileri ve İşadamları Derneği264 (general)
DÇÜD: Demir Çelik Üreticileri Derneği265 (metal)
OSD : Otomotiv Sanayi Derneği266 (metal)
TAYSAD : Taşınabilir Araçları Yan Sanayicileri Derneği267 (metal)
TÜDÖKSAD: Türkiye Döküm Sanayicileri Derneği268 (metal)
İTFAD: İstanbul Tekstil ve Konfeksiyon Fasoncuları Derneği269 (textile & clothing)
TGSD : Türkiye Giyim Sanayicileri Derneği270 (textile & clothing)

**International and National Organizations and Ministries**

ÇSGB: Çalışma ve Sosyal Güvenlik Bakanlığı271
DPT: Devlet Planlama Teşkilati272
ILO: International Labour Organization
ISO: İstanbul Sanayi Odası273

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263 Employer representatives with no collective bargaining activities
264 Association of industrialists and businessmen in Turkey
265 Association of iron and steel producers in Turkey
266 Association of automotive producers in Turkey
267 Association of auto-supplement producers in Turkey
268 Foundrymen’s Association of Turkey
269 Association of subcontract firms in Turkey
270 Association of clothing producers in Turkey
271 Turkey's ministry of labour and social security
272 National planning organization in Turkey
273 Istanbul Chamber of Industry
OECD: Organization for Economic Cooperation and Development
TÜİK: Türkiye İstatistik Kurumu\textsuperscript{274}

\textsuperscript{274} Turkey's official statistics institute
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Cronin, E. J. (1979) "Industrial Conflict in Modern Britain", Croom Helm.


ÇSGB (2006) the unpublished file containing ÇSGB labour statistics and Resmi Gazete articles covering the period of 1984-2006 gathered by The Statistics Department of Çalışma ve Sosyal Güvenlik Bakanlığı / the Ministry of Labour and Social Security. This file is photocopied by the permission of the ÇSGB.


Cumhuriyet, daily newspaper, see www.cumhuriyet.com.tr


Dünya, daily newspaper, see www.dunyagazetes.com.tr


MESS (2006) the list of MESS affiliates as it was published in MESS’ website in May 2006, website www.mess.org.tr.

MESS İşveren Gazetesi, Monthly Newspaper published by the Türkiye Metal Sanayicileri Sendikası, MESS, website www.mess.org.tr.


Radikal, daily newspaper, see www.radikal.com.tr


Tekstil İşveren, monthly journal published by Türkiye Sanayii İşvereneleri Sendikası TÜTSİS, website www.tekstilisveren.org


Nederlandse samenvatting

Drie visies op een geheim: Beheersing van arbeidsonrust in de neo-liberale context

Neoliberalisme als politiek project staat lijnrecht tegenover alle factoren, instituties en beleidsmaatregelen die gezien worden als belangrijke oorzaken van vreedzame arbeidsverhoudingen in de naoorlogse periode in vele ontwikkelde en ontwikkelingslanden. Ofschoon, collectieve onderhandelingen, corporatisme, de welvaart staat, import substitutie, en Keynesianisme worden alle afgewezen door het neoliberalisme. Opmerkelijk genoeg lijkt arbeidsonrust gedurende de afgelopen twee decennia van de 20e eeuw waarin de neoliberalere ideologie opkwam in vrijwel alle delen van de wereld te dalen in plaats van toe te nemen. Waarom is dit?

De literatuur over conflict en rust in de arbeidsverhoudingen legt de nadruk op de onvermijdelijkheid van conflict en is daarmee niet in staat om een direct antwoord te geven op de vraag hoe vreedzame arbeidsverhoudingen in stand worden gehouden in een neoliberalere context. Dit temeer omdat de academische interesse voor het onderwerp is gedaald tegelijkertijd met de daling in arbeidsconflicten na 1980. Deze studie heeft tot doel dit hiat op te vullen. Het is een empirisch ingebedde oefening in het ontwikkelen van een theorie waarin een algemene veronderstelling wordt ontvouwd aangaande de oorsprong van relatief vreedzame arbeidsverhoudingen in de neoliberalere context. De casus van Turkije dient hierbij als een heuristisch middel. Turkije is gekozen om het feit dat het een uitstekende test casus is met drie algemene empirische kenmerken waarvan gebleken is dat ze tot stand komen in neoliberalere omstandigheden. Deze kenmerken zijn als volgt analytisch te onderscheiden: ten eerste zijn er overheidsinterventies gericht op het stimuleren van de markt binnen de context van democratisering in technische en relatieve zin. Ten tweede kent Turkije het gelijktijdig bestaan van krimpende georganiseerde en uitbreidende ongeorganiseerde arbeidsverhoudingen; ten derde is er gemeenschappelijk of op klasse gebaseerd verzet tegen neoliberalere maatregelen.

De theoretische veronderstelling die in dit proefschrift uiteen wordt gezet is de volgende: onder omstandigheden van democratie of democratisering, waarvan gebleken is dat ze aanwezig zijn of tot stand
komen in elke neoliberale context, kunnen kapitalistische staten geen
neoliberaal beleid implementeren op het terrein van de
arbeidsverhoudingen zonder de omstandigheden te creëren die vroeg of
laat leiden tot regelmatige deviaties van neoliberalisme. De heersende
vreedzame arbeidsverhoudingen in neoliberale omgevingen is de
uitkomst van deze paradox en leidt tot de impliciete verschuiving van
arbeidsontsteking naar het politieke domein. De onafwendbaarheid van deze
paradox en daarmee de opkomst van relatieve vreedzame
arbeidsverhoudingen in een neoliberale context is het resultaat van het
feit dat elke kapitalistische staat voortdurend geconfronteerd wordt met
de opgave om twee potentieel tegenstrijdige taken te balanceren:
enzijds accumulatie van kapitaal te garanderen terwijl dit proces
anderzijds gelegitimeerd moet worden ten opzichte van degenen die niet
in staat zijn om kapitaal te accumuleren.

Binnen dit kader komt neoliberalisme naar voren als een politiek
project dat een idee promoot waarin de voorkeur wordt gegeven aan
accumulatie ten koste van legitimering. Daar komt bij dat het
neoliberalisme het delegeren van het accumulatie/legitimatie dilemma
naar de georganiseerde arbeidsverhoudingen, gekenmerkt door
collectieve onderhandelingen, tegenhoudt. Georganiseerde
arbeidsverhoudingen voorkomen dat overheden direct verantwoordelijk
worden gehouden voor het oplossen van het accumulatie/legitimatie
dilemma, maar dergelijke arbeidsverhoudingen beperken tegelijkertijd
de mogelijkheid van overheden om het bestaande accumulatie/legitimatie regime te wijzigen. Dit wordt veroorzaakt door
het feit dat werknemers binnen georganiseerde arbeidsverhoudingen een
mobiliseringscapaciteit hebben die ingezet kan worden tegen overheden
wanneer deze neo-liberaal beleid door willen voeren. Aldus zet het
neoliberalisme overheden aan om te relatieve omvang van
gearrangeerde arbeidsverhoudingen terug te brengen terwijl de nodige
maatregelen worden genomen om legitimering op te offeren in naam van
accumulatie in de gehele economie. Het enige instrument dat
gereserveerd wordt voor legitimering is hegemonische ideologie. Echter,
onder de omstandigheden van democratie of democratisering is het
voortdurend nastreven van neoliberal bestuur niet mogelijk omdat de
implementatie van neoliberalisme in veel gevallen leidt tot twee soorten
legitimerings crises die organisch verbonden zijn:

Allereerst zet de marginalisering van georganiseerde
arbeidsverhoudingen in lijn met de eisen van het neoliberalisme
vakbonden ertoe aan om partnerships met werkgevers aan te gaan om zichzelf nuttig te maken voor werkgevers in plaats van primair de belangen van de werknemers te vertegenwoordigen. Als gevolg hiervan ontstaan systemen van collectieve onderhandelingen die gedomineerd worden door werkgevers en de voorkeur geven aan accumulatie. Desalniettemin is het waarschijnlijk dat wanneer de marginalisering van georganiseerde arbeidsverhoudingen niet voldoende snel verloopt en werknemers nog voldoende stakingscapaciteit hebben zij zullen mobiliseren tegen deze neoliberale vorm van collectieve onderhandelingen en de economie en politiek verlammen. Dit zou ik de * expliciete crisis* van het neoliberalisme willen noemen. Tenzij absolute dwang wordt gebruikt kan een expliciete crisis alleen opgelost worden door de interventie van de staat die in ieder geval tijdelijk de omstandigheden schept om legitimering in georganiseerde arbeidsverhoudingen te genereren. Dit zou een afwijkung van de neoliberale koers betekenen tenminste totdat de stakingscapaciteit van werknemers voldoende afgenomen is.

Ten tweede, wanneer of nadat georganiseerde arbeidsverhoudingen gemarginaliseerd zijn, zullen zittende regeringen in toenemende mate gedwongen worden om de reacties van werknemers in ongeorganiseerde arbeidsverhoudingen in ogenschouw te nemen, in plaats van de neoliberale vereisten, wanneer zij beslissingen maken aangaande het accumulatie/legitimatie dilemma. De reden is dat wanneer georganiseerde arbeidsverhoudingen gemarginaliseerd worden, een toenemende hoeveelheid werknemers in ongeorganiseerde arbeidsverhoudingen de schuld voor het onrecht dat zij ervaren bij de overheid plaatsen als gevolg van de onvermijdelijke poging van de laatstgenoemde om het veld te manipuleren, en vervolgens hun verontwaardiging uitten in hun stemgedrag tijdens verkiezingen in plaats van in opstand komen tegen hun direct leidinggevenden in de vorm van stakingen op de werkplek. Aldus wordt als een resultaat van de expansie van ongeorganiseerde arbeidsverhoudingen het arbeidsconflict geëxporteerd naar het politieke domein. Dit zou ik de * impliciete crisis* van het neoliberalisme willen noemen. Zolang de democratische omstandigheden in stand worden gehouden zal de impliciete crisis overheden regelmatig dwingen om accumulatie op te offeren in het belang van legitimering. Als gevolg hiervan zullen zij niet in staat zijn om consistent neoliberale beleidsmaatregelen door te voeren.
Kortweg laat ik in deze studie zien dat neoliberalisme gevangen zit in een vicieuze cirkel: terwijl het georganiseerde arbeidsverhoudingen marginaliseert om een mogelijke expliciete crisis te voorkomen, in gang gezet door mobilisering van werknemers, wordt het geconfronteerd met een impliciete crisis waardoor de politiek het relevante domein wordt en stemmen het effectieve medium wordt om grieven op te agenda te zetten die ontstaan als gevolg van uitbreidende ongeorganiseerde arbeidsverhoudingen. Dit leidt tot relatief vreedzame arbeidsverhoudingen terwijl consistent implementatie van neoliberalisme onmogelijk wordt gemaakt.

Dit argument, dat ik voor het gemak de dilemma theorie noem, wordt in de dissertatie geleidelijk opgebouwd door een gedetailleerde analyse van de metaal- en kleding/textiel sectoren in Turkije, en hun interactie met algemene politieke en economische ontwikkelingen in het land. Zowel primair kwalitatief materiaal (gebaseerd op 65 semi-gestructureerde interviews en documentanalyse) als kwantitatieve technieken (simulaties, regressie analyse en visueel analytische beschrijvingen) worden gebruikt om dit argument te construeren en te onderbouwen. De toepassing van de dilemma theorie in andere neoliberale contexten (landen, sectoren) en het vervolgonderzoek dat nodig is om de theorie te verfijnen worden aan het eind van het boek besproken.