"Three views of a secret": Containment of industrial conflict in neo-liberal environments
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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>Ia</td>
<td>Ib</td>
</tr>
<tr>
<td><strong>Organized industrial relations</strong> <em>(Bargaining and Coordination levels)</em></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>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>IIa</td>
<td>IIb</td>
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<tr>
<td><strong>Unorganized industrial relations</strong> <em>(The feeling of injustice)</em></td>
<td></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>
</tbody>
</table>

54 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 state\(^{55}\) (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 Ia 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 Ib 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 Ib 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. 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, 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 stable58 (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 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-IŞ, 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-IŞ 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-IŞ and established the Confederation of Revolutionary Trade Unions, DİSK, in 1967. Other smaller confederations, Islamic60 HAK-IŞ and ultra-nationalist MİSK followed the lead. Consequently, during the 1970s the monopoly of TÜRK-IŞ on trade union movement was increasingly challenged.

60 In fact HAK-IŞ and its affiliates have gone through a very interesting evolution through the 1980s which makes them ideologically more ‘Liberal-Islamic’ rather than ‘Islamic’: HAK-IŞ 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 MİSK disappeared towards the end of 1980s.
However, the overall mood of industrial relations until the mid 1970s was relatively peaceful\textsuperscript{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 \textit{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\textsuperscript{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 (Aydın 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\textsuperscript{63} all trade

\textsuperscript{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\textsuperscript{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\textsuperscript{th} March 1971 (see Zurcher 2003:171).

\textsuperscript{62}Interview # 65 / 26.09.2007

\textsuperscript{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 (TÜJK 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. The difficulties involved in legal procedure and persistent high unemployment ensured that job security remained a permanent concern for workers despite new legal protection (Adaman 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. 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

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65 Interview # 21/ 29.03.2006

66 Interview # 32/ 20.04.2006, Interview #41/ 02.05.2007, Interview #51/ 16.05.2007

67 Interview #13/14.03.2006, interview #44/09.05.2007, Interview #51/16.05.2007
as bargaining agent for a particular workplace\textsuperscript{68} (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”\textsuperscript{69}.

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

\textsuperscript{68}Interview #13/14.03.2006, Interview # 31/20.04.2006

\textsuperscript{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**

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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 TÜİK 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**

![Graph showing the proportion of public workers in manufacturing](image)

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

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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 (TİSK). 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 sector\(^{74}\). 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 TİSK\(^{75}\) (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

\(^{74}\) Interview #1/20.05.2005, Interview #12 / 13.03.2006

\(^{75}\) Interview #1/20.05.2005, Interview #65/ 26.09.2007
norm; in either case 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.
Containment of Conflict in Organized Industrial Relations

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.

\textbf{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. 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,

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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\(^{84}\). 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\(^{85}\). 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.

\(^{84}\) 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\(^\text{89}\).

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\(^{86}\) 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 *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-Sen\(^{91}\), liberal-Islamic Öz-Demir-İŞ\(^{92}\) and ultra-nationalist 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\textsuperscript{94}.

The wage level determined by this \textit{de facto} sectoral agreement (1) was binding for all those firms affiliated with the MESS except for the public enterprises in the group\textsuperscript{95}. Moreover, it was considered as the wage ceiling in non-unionized workplaces\textsuperscript{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\textsuperscript{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”\textsuperscript{98} have precluded the other unions from refusing to sign an

\textsuperscript{94} 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{95} MESS (instead of enforcing its sectoral agreements in the two major public enterprises, İŞDEMİR 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.

\textsuperscript{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. Türk-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, Türk-Metal also establishes partnerships in coercion at the workplace level. I explored this strategy elsewhere (Koçer 2007: 260-262).

\textsuperscript{97} Interview # 2 / 27.03.2006, Interview # 21 / 29.03.2006, Interview # 60 / 23.05.2007.

\textsuperscript{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 panel\(^{102}\), 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

\(^{102}\) For this purpose I scanned *the biggest 500 firms in Turkey* series which is annually published by Istanbul Chamber of Industry (ISO) 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 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

\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 İSDEMİR, 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 İSDEMİR 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 İSDEMİR. 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-ı is (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-ı is- has also been illegally supported by the government which was anxious to keep much more militant Otomobil-ı ş out of ERDEMİR.

\textsuperscript{110}Interview #31 / 20.04.2006, Interview #34 / 25.04.2006.
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

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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 ÇSGB 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\(^{112}\) (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\(^{113}\). 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\(^{114}\).

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.

\(^{112}\) 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.

\(^{113}\) Interview # 19 / 03.04.2006

\(^{114}\) 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. 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.

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

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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 ib 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
Containment of Conflict in Organized Industrial Relations

DİSK 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\(^{117}\). 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

\(^{117}\) 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 Ö zal 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-Ö zal sentiment among public workers combined with the repeated defeats of Ö zal’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 committees\(^\text{118}\). 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

\(^{118}\text{Interview #6 / 28.02.2006.}\)
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 (Zürcher 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 & TÜHS. 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

\(^{125}\) 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 lb 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 union. 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.
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 jeopardy.\textsuperscript{129}

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 increase.\textsuperscript{130}

\textsuperscript{129}Interview #33/ 24.04.2006.

\textsuperscript{130}Indeed 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. 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\textsuperscript{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.

\textsuperscript{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

The MESS wages for the first three years in the left upper panel are my estimations based on a predictive regression model established by using TÜİK, MESS, TİSK and ÇŞGB 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.
In other words, the structural boundary of concessions has been reached\textsuperscript{134}. 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

\textsuperscript{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 arrangement\(^\text{135}\) (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 possible\(^\text{136}\). 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 attained\(^\text{137}\). 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.

\(^{136}\) Interview #30 / 20.04.2006, Interview #34 / 25.04.2006.

\(^{137}\) Interview #31 / 20.04.2006.
Containment of Conflict in Organized Industrial Relations

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 jobs138. 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 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 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.

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.