



Briefing Paper No. 2:

Wages in Turkey's Garment and Textile Sector

Submitted July 2005
Anne Lally



Preface

This briefing paper serves to inform the Joint Initiative for Corporate Accountability and Workers Rights (Jo-In) as it designs and undertakes its pilot project in Turkey. It will be revisited at the end of the project, based on information collected through project trials and ongoing consultation with local stakeholders. Based on the evolving nature of this work, any citations of this document must have the author's permission.

Wherever necessary, Aslihan Aksoy provided Turkish translation of information accessed for use in this paper and conducted all research for cost of living estimates covered here. She, along with Jo-In International Project Manager Susan Hayter and Jo-In Turkey Coordinator Ayşe Özver, provided invaluable support for this study.

Many thanks to Asalettin Aslanoglu of DiSK/Tekstil trade union, Hakan Ercan of the Middle East Technical University, Engin Sedat Kaya of Teksif trade union, and Benan Vey of Reebok for their very insightful feedback on an earlier draft of this document. Jo-In is also indebted to many stakeholders in Turkey who spent considerable time with us to discuss wages in Turkey. Members of the project look forward to continued cooperation with them.

Contents

1	Background	4
2	Turkey's Laws and Regulations Relating to Wages	4
	2.1 <i>Relevant Treaties Ratified</i>	4
	2.2 <i>Constitution of the Republic of Turkey</i>	5
	2.3 <i>Labour Act of Turkey</i>	5
	2.4 <i>Free Zones Governing Regulation</i>	6
	2.5 <i>Minimum Wage Fixing Committee</i>	6
	2.6 <i>Apprenticeship and Occupational Training Law</i>	6
3	Turkey's Legal Minimum Wage	6
4	Legal Overtime Wages	8
5	Wages in Collective Bargaining Agreements	8
6	Reviewing Wages Across the Garment and Textile Sector	10
7	Measuring the Minimum Cost of Living in Turkey	15
	7.1 <i>State Statistics</i>	15
	7.2 <i>Turkish Trade Unions' Cost of Living Estimates</i>	16
8	Monitoring Wage Standards in Turkey	19
9	Obstacles to Implementation of Wage Provisions	21
	9.1 <i>Common Workplace Practices</i>	21
	9.1.1 <i>Inadequate Payment for Overtime Hours</i>	21
	9.1.2 <i>Inaccurate Reporting of Wages to Avoid Fiscal Obligations</i>	21
	9.1.3 <i>Misuse of New Apprenticeship Policy</i>	22
	9.1.4 <i>Misuse of New Time Compensation Policy</i>	23
	9.1.5 <i>Unregistered Workers</i>	23
	9.2 <i>Challenges in the Broader Context</i>	24
	9.2.1 <i>Lack of Government Capacity</i>	24
	9.2.2 <i>Low Fines for Noncompliance</i>	24
	9.2.3 <i>Low Levels of Unionization</i>	24
	9.2.4 <i>Relatively High Unemployment</i>	24
	9.2.5 <i>Relatively High Tax Rates</i>	25
	9.2.6 <i>The Relative Strength of Turkey's Lira</i>	25

1. Background

Codes of conduct can be one tool used for ensuring that workers in producer countries are paid a fair wage for their labor. With a view to developing guidance for code implementation, it is important to assess the manner in which provisions in codes (including local laws referred to by the codes) are implemented. The trials that will be conducted by the Joint Initiative for Corporate Accountability and Workers' Rights (Jo-In) provide the opportunity for such assessment, particularly with regard to provisions for freedom of association, hours of work, and wages.

As the Jo-In Steering Committee refines questions to be addressed in these trials, the purpose of this paper is to brief the Steering Committee about wage issues in Turkey's garment and textile industries. It also aims to inform discussions about the "living wage provision" in Jo-In's draft Common Code. This paper can also be used by project participants and their colleagues working in Turkey to gain a better understanding about wage issues there.¹

This paper is based on information gathered through discussions with stakeholders in Turkey – from meetings held by Jo-In Steering Group members in November 2004 to follow-up meetings and communications through June 2005. The main sources for this paper included: representatives of Turkey's three textile trade unions (Oz-İplik, Teksif, and Tekstil); Devlet İstatistik Enstitüsü (Turkey's State Statistics Institute); various trade union confederations undertaking cost of living calculations; a cross-section of brand representatives in Turkey (project participants and non-participants, with membership in different Code initiatives); and social auditors conducting monitoring in Turkey.² In order to encourage frank disclosure of wage information, interviews were conducted confidentially except in cases when sources agreed to be named.

2. Turkey's Laws and Regulations Relating to Wages³

Most codes, including Jo-In's draft Common Code, require that local law be upheld in the workplace. This section provides a review of relevant wage legislation and regulation in Turkey.

2.1 Relevant Treaties Ratified

Turkey ratified the ILO's Protection of Wages Convention in 1961 and the ILO's Minimum Wage-Fixing Machinery Convention in 1975. The Social Security (Minimum Standards) Convention was also ratified in 1975.

¹ Because of the targeted nature of this briefing paper, it does not address more technical questions relating to Turkey's labor markets, wage determinants, etc. Supplemental readings on these topics can provide further understanding for those interested in the broader wage discussion in Turkey.

² Information about monitoring in Turkey was also collected at the ILO/Jo-In Seminar on Social Auditing in Turkey, held May 18, 2005 at the ILO Office in Ankara.

³ Source for most legislation: ILO Minimum Wage Database. Accessed at www.ilo.org/travdatabase on May 16, 2005.

2.2 Constitution of the Republic of Turkey of 7 November 1982, Law No. 2709, as amended on October 17, 2001

Article 55 of Turkey's Constitution guarantees a "fair wage." It provides that "the state shall take the necessary measures to ensure that workers earn a fair wage commensurate with the work they perform and that they enjoy other social benefits. In determining the minimum wage, the living conditions of the workers and the economic situation of the country shall be taken into account."

2.3 Labour Act of Turkey, No. 4857 dated 22 May 2003, Resmi Gazete, No. 25134, pp. 1-32, dated 10.06.2003

Articles 32 through 62 of Turkey's 2003 Labour Act deal with wages and compensation. Below are some Articles worth noting:

- **Article 34** provides that a worker has the right to stop work if his/her wages are not received within 20 days after pay day. Even if such a stoppage takes a collective character, it is still not considered a strike and is not subject to the regulations set forth by law regarding strikes.⁴
- **Article 37** requires that workers receive pay stubs accounting for hours worked, overtime, holiday pay, and any deductions and fees.
- **Article 38** provides that penalties may not be withheld from workers' pay, except as provided in employment contracts or collective bargaining agreements. Such penalties may not exceed two days worth of regular wages or piece work wages per month, and the worker must be informed of the reason for deductions. Such deductions must be credited to the account of the Ministry of Labour and Social Security. The Ministry must then designate the use of the funds for training and social services for employees.
- **Article 39** focuses on the minimum wage, how it is determined and by whom (described further below). The minimum wage law applies to all legally-employed employees, regardless of their location (including Free Trade Zones) and status.
- **Article 41** deals with overtime wages. For contracts where the normal workweek is 45 hours, additional hours are calculated at 1.5 times the normal wage. For contracts where the normal workweek is less than 45 hours per week, overtime hours are paid at 1.25 the normal hourly wage for up to 45 hours of work. The Article also provides that a worker can opt for "flex time," i.e., that a worker receive 1.5 hours of free time for every hour of overtime worked in previous weeks.
- **Article 46** provides that workers receive at least 24 hours of rest time in 7 days, and pay for the weekly day of rest. For days when a worker is absent due to medical leave or his/her wedding, for example, the days are counted as worked days. If a factory is closed for non-emergency reasons, a worker receives full pay for those days. If a factory closes due to a natural emergency, workers receive half-pay.

⁴ This is the only legal strike workers are allowed to have without a union.

- **Article 47** deals with national holidays. If they do not work on national holidays, workers receive full pay for that day. If they do work, they receive an additional day's pay.
- **Article 49** provides that workers receive an extra day of regular wages for work on Sunday or a holiday.
- According to **Article 53**, an employee has the right to paid leave after being employed for one year. Depending on the length of employment, workers receive 14-26 days of paid leave every year. Paid leave cannot be less than 20 days for workers who are under 18 and over 50.

2.4 Free Zones Governing Regulation, as amended to August 2002, Resmi Gazete No. 24849 dated 17.08.2002

The regulation stipulates that employers in Free Trade Zones must comply with all minimum wage provisions that apply on Turkish territory.

2.5 Decision No. 2004/2 of 28 December 2004 of the Minimum Wage Fixing Committee, Resmi Gazete No. 25686 dated 30.12.2004

This decision is the one that is currently in force, setting the minimum wage at its current level. Please see the following section for more on minimum wages.

2.6 Apprenticeship and Occupational Training Law, Resmi Gazete, No. 19139 dated 19 June 1986; Amended by Law No. 4306, Article 6 on 16 August 1997 and Law No. 4702 on 29 June 2001

This law provides for the hiring of apprentices aged 15-19 in order to provide training in specialized skills. The minimum wage for apprentices is 30% of the legal minimum wage for their respective age category. Section 9 discusses the implementation of this law in greater detail.

3. Turkey's Legal Minimum Wage

On January 1, 2005 the legal minimum wage in Turkey was set at 488.70 YTL gross monthly income (350.15 YTL net income) for workers over the age of 16. The legal minimum wage for 14 to 16 years-old workers was set at 415.80 YTL gross monthly income (297.90 YTL net income). Table 1 provides details about the legal minimum wage and workers' and employers' tax and social security responsibilities.

Table 1:

2005 Legal Minimum Wage and Deductions (For Worker Over Age 16)	
Worker Wages	
Gross Wage	488.70 YTL

Social Security Premium (14%)	- 68.42 YTL
Unemployment Insurance Contribution (1%)	- 4.89 YTL
Income Tax (12%)	- 62.31 YTL
Stamp Tax (0.6%)	- 2.93 YTL
Total Deductions	- 138.55 YTL
Workers Net Wages	350.15 YTL
Employer Costs (Per Worker)	
Gross Wage Paid	488.70 YTL
Social Security Payment (19.5%)	95.30 YTL
Insurance Fund Payment (2%)	9.77 YTL
Employer's Total Payroll Costs	593.77 YTL
Source: Türk Harb-İş Sendikası, May 2005	

Turkish labor law requires that the minimum wage be set at least once every two years; however in recent years it has changed every six to twelve months in response to Turkey's considerable rate of inflation. For example, in 2004 the minimum wage was set in January and then again in June. The fact that 2005's minimum wage applies to a 12-month period illustrates that Turkey's inflation rate has become relatively stable. The minimum wage is expected to be revisited again in December 2005.

In accordance with Article 39 of the Labour Code, Turkey's minimum wage is applied at the national level and is set by the Minimum Wage Fixing Committee. The Committee consists of five representatives of government, five representatives elected by the national trade unions that have the highest membership, and five representatives of the national employer organizations that have the greatest membership. The Committee can be convened by a minimum of ten members, and decides by majority. In the event of a split vote, the Committee chair has the deciding vote.

The Committee has been the subject of criticism from workers and labor advocates who believe that the minimum wage is too low and claim that workers' interests are not adequately represented on the Committee. They believe that workers' real wages have decreased in the past two decades due in part to government representatives who favour business interests, and to union representatives who are less effective than they could be. Some want to do away with the present practice of giving Committee seats to the trade unions with the highest membership rates in favour of a process of all trade unions electing representatives to the Committee. Some members of the business community, in turn, fear that Turkey's rising minimum wage has the potential to make Turkey uncompetitive vis-à-vis neighbouring countries where wages are lower. Others even call for decreases in the legal minimum wage in order to increase employment. Indeed, on 6 May 2005 the IMF's Turkey Director Ann Krueger called for a cut in minimum wages as part of a strategy to increase employment in the formal economy.⁵ Protests in Ankara following Krueger's comments indicate that Turkey's minimum wage will continue to be a central and contentious issue in Turkey.

While representatives of the business and labor community often disagree about the appropriate level for Turkey's minimum wage, the idea of moving away from a national minimum wage to a regional

⁵ According to AFX News Limited, accessed at <http://www.forbes.com/work/feeds/afx/2005/05/06/afx2007069.html> on 6 May 2005.

one is supported by members of both communities. In light of the considerable difference in costs of living between Turkey's big cities and smaller ones in Anatolia, many argue that regional minimum wages could help to ensure that wages reflect the living costs encountered by workers in different regions. Some members of the labor community argue against regional wages, however. They consider that lower wage levels in poorer regions of the country will only reinforce the serious wage disparities that marginalize large portions of the country, further embedding poverty there. They look to a common minimum wage as having long-term benefits for Turkey.

4. Legal Overtime Wages

The 2003 Labor Law changed overtime wage regulations considerably, doing away with differences in overtime pay for Sunday work.⁶ According to current regulations, overtime is paid at a rate of 1.5 times the regular wage for any hours worked in a week above the 45-hour workweek. This means if gross minimum wages are estimated to be 2.18 YTL per hour, then the gross minimum overtime wage would be 3.27 YTL per hour, based on the government-mandated 225 hour regular work-month.

Because overtime is a common practice in Turkey's garment and textile industries, overtime pay is important to consider within a discussion of wages. Although the law limits total overtime to 21 hours in any given week (with a maximum of 11 hours of work in a day with one day in seven off) and 270 total overtime hours in a year, many workplaces reportedly fail to comply with the law. In addition to working more than legally-mandated overtime hours (trade unions report that 12 hours of work a day is often regarded as normal in the informal sector), many workers in both the formal and informal sectors do not receive pay for overtime that complies with the legally-mandated rate of 1.5 times the regular wage. In some cases, no overtime is paid, and in others, workers receive only regular wages for hours worked above the normal workweek. Inadequate payment for overtime work is discussed further in Section 9.

5. Wages in Collective Bargaining Agreements

When discussing collective bargaining agreements (CBAs) in Turkey, it is important to note that Turkey does not have a centralized bargaining structure. Wage setting through collective bargaining is decentralized, meaning wages are set and implemented at the enterprise level. Nonetheless, the three trade unions that have active CBAs in the garment and textile industries, Öz Iplik-iş (with 13.4% of the sector's registered workers as of June 2004), Teksif (with 54.43%), and Tekstil (with 12.31%)⁷ negotiate "group CBAs." These group CBAs are negotiated by an individual trade union and an association of employers. They apply only to factories where the employers are members of the association and the trade union has fulfilled the legal requisites to be able to negotiate CBAs (most

⁶ Trade unions and brands report that the previous labor law provided for two days pay, in addition to normal weekly pay, for Sunday and holiday work. Labor policies that strongly discouraged Sunday and holiday work were noticeably changed by the new law.

⁷ According to Turkey's Ministry of Labor as of June 2004. While there are other unions in the sector, they do not have the right to collectively bargain according to Turkish law, because they do not represent more than 10% of the workers in the sector and more than 50% of the workers in a given workplace. As noted in the Freedom of Association paper, there are calls from trade unions to change this law.

notably that the trade union represents more than 50% of the workforce). There are also some cases where trade unions negotiate CBAs directly with the individual employer. Enterprise-level CBAs apply to all relevant workers in an enterprise, regardless of their trade union affiliation.

While each of the three trade unions has a different approach to collective bargaining and negotiates separate agreements with factories, the competition among trade unions to win and maintain workers' loyalties often means that trade unions seek wages that are commensurate with those won by other trade unions. This section therefore offers a general idea of the wage provisions in CBAs in Turkey's garment and textile industries.

According to trade unions sources, union members in the garment sector take home (after 28% in deductions is removed) 350-450 YTL per month in wages. Textile workers take home 450-500 YTL per month. One trade union representative commented that these estimates represent starting salaries in these sectors, which is the most common salary level. He reported that take-home wages can rise as high as 600YTL per month for more skilled or experienced workers.

Wages in CBAs are required to increase every six months to counteract the effects of inflation. In some cases, the increases are linked to the rate of inflation, in others the percentage rate of the increase is agreed to in advance. CBAs also provide workers with an annual bonus of 72 or 120 days wages each year (6 or 10 days extra pay each month).

While wages offered by CBAs are higher than minimum wages, particularly if bonuses are counted, the fringe or social benefits negotiated by the trade unions are sometimes the most attractive aspect of trade union membership for workers. In addition to providing transportation to work and daily meals (benefits provided to most workers in the sector), CBAs usually provide subsidies for fuel, education, child care, and money for travel on annual leave. Workers are also provided with packages of food and household items 2-6 times a year (a layover of negotiations during years of high inflation). In the event of marriage, the death of an immediate family member, or disability, additional funds are also provided by the factory.

Based on "back of the envelope calculations," total fringe benefits and bonuses (without counting the industry's common practice of providing meals and transportation) are estimated to average between 140 and 280 YTL per worker per month. Therefore, the combined wages, bonuses, and fringe benefits for average garment workers covered by a CBA are estimated at 490-700 YTL per month; for textile workers, they amount to an estimated 620-780 YTL per month.

While wage clauses in CBAs seem to offer considerable improvements over the legal minimum wage, some have observed weaknesses in CBAs in practice. For instance, some brands and auditors who have monitored factories with active CBAs have observed that CBAs did not offer serious wage improvements over many of the non-union factories producing higher-end apparel in Istanbul or Izmir. In fact, several auditors reported that some non-unionized factories provided better wage packages than the CBAs they were familiar with. In other cases, trade unions and brands have reported that CBAs are not always fully executed. Trade union officials have referred to problems with proper payment of overtime. A brand also cited a trade union factory that failed to comply with the CBA and legal requirement to provide a crèche or child care support.

There are also instances when CBA clauses have violated codes of conduct. In one case reported by a brand, a factory deducted two days' pay from a worker who arrived late to work, an act that complied with the terms of the CBA in that facility. The brand considered that the act was a violation of its code of conduct, which does not permit disciplinary action in the form of monetary fines, and requested repayment of the wages to the worker. It is worth noting here, however, that despite such questions about the implementation of CBAs, most information collected supported a view that unionized factories generally provide higher than legal minimum wages.

CBAs also provide higher overtime wages, which is 2 to 4 times their regular wage in addition to their regular wage for work on Sundays and holidays. In some cases, union members receive an additional day off the week following the holiday. Trade unions nonetheless report that one of their leading wage challenges is ensuring that workers receive overtime pay in accordance with CBAs. In several cases, trade unions and brands have reportedly collaborated with each other to achieve this end.

6. Reviewing Wages Across the Garment and Textile Sector

Because of the high rate of unregistered work⁸ and the under-reporting of wages in Turkey's garment and textile industries, accessing accurate official data about employment and wages is impossible. Table 2 below offers a general sense of the distribution of wages in Turkey's garment and textile industries based on information collected through interviews with trade union, brand, and auditor representatives.

There are several important aspects of the wage discussion that are illustrated in this table. Perhaps most notable is that union workers generally receive the highest wages in the industry when fringe benefits and contract bonuses are included. Nonetheless, as reported above, the table also illustrates that non-union workers may have take-home wages that match those provided through CBAs. In some limited cases, non-union factories reportedly pay even higher wages on average by engaging in profit-sharing or other incentive systems for workers. Elsewhere, non-union factories seem to have mimicked benefits provided in CBAs, such as the provision of food baskets for religious holidays.

Another important aspect of the wage discussion illustrated in the table is the payroll costs borne by the employer as well as the methods used by some employers to lessen these costs. Based on basic calculations, employers at union factories seem to have the highest payroll costs. Notably, all union representatives reported that unionized factories pay full payroll taxes and social security contributions to the government. Combined with the cost of CBA requirements, this spells higher costs than those encountered by other factories. Unlike unionized factories, many employers cut costs by shirking fiscal responsibilities, partially or entirely. The common practice of under-reporting wages to the government, and only partially paying payroll taxes, is referred to as "double book-keeping" in Turkey (not to be confused with the very different practice of "double book-keeping" used in other countries). Relatively high employer and employee payroll taxes combined with lagging enforcement create incentives for employers to pay minimum wages to all workers officially, and then pay wage increases and overtime unofficially in cash. The table exhibits the per worker monthly cost

⁸ The term "unregistered worker" refers to workers who are informally employed by a factory, and have no official status as employees under law. Refer to Section 9 for a further discussion of unregistered workers.

savings from such a practice. If a worker receives a net wage of 450 YTL, for instance, double book-keeping can cut 30-40 YTL of payroll costs. Considered across a factory population of several hundred, the incentive is considerable. In the likely event that overtime is worked, the incentive becomes even greater. Section 9 discusses “double book-keeping” in greater detail.

Table 2 also highlights the difference in pay received by workers in Istanbul and those elsewhere in the country. Many Istanbul or Izmir factories producing for high-profile brands reportedly pay above the legal minimum wage. Workers in these locations have come to expect higher wages, because of the high cost of living there and the competition that exists among factories to attract and keep workers. On the other hand, in many factories outside Istanbul (as well as in some “sweatshops” within Istanbul), wages fall considerably below the legal minimum wage, sometimes halving it. As explained in greater detail in Section 9, workers in such factories are not registered with the government and therefore have no legal recourse against employers if they fail to pay the legal minimum wage. It is common for Turkish manufacturers to justify paying below legal minimum wages (which, according to law, applies throughout Turkey), citing the fact that living costs for workers in Anatolia are far lower than for workers in Istanbul.

Workers receiving below the legal minimum wage as “unregistered workers” are estimated to make up about two-thirds of the workers in the garment and textile industries. Due to the pervasiveness of sub-minimum wage pay in these industries, some observers believe that all brands producing in Turkey are served (knowingly or unknowingly) by unregistered workers. Nonetheless, those interviewed from brands, monitors, and trade unions reported that the factories offering unregistered, low-paying jobs tend to produce for markets in Turkey, the former Soviet Union, or the Middle East. Western “bargain” companies were also reported to do business in such factories. If unregistered workers are producing for a higher-end brands, it is often unknown to brands because it is taking place at a second-, third-, or fourth- tier level.

The wage ranges included in the table vary according to skills and experience. Workers operating heavy or complicated machinery tend to receive more money. For example, cutters and sample sewers are paid more, while jobs such as cleaning and basic sewing receive relatively lower wages. In theory, workers may also receive wage raises as they become more experienced. The differential in pay rates based on skill and experience can range from 50-200 YTL per month, especially if bonuses or other incentive programs are in place. In practice, however, many posts in the industry do not require much skill or previous experience. Considerable pay increases therefore remain fairly limited.

It is worth noting here that while interviews did not focus on the question of wage differentials based on gender, race, religion or other factors, several sources observed that there is an apparent trend that the higher-skilled, higher-paid positions in factories tend to be held by men, while the lower-paid, lower-skilled positions tended to be held by women. The reasons for this trend deserve further attention.

Table 2:

Estimated Wages and Labor Costs in Turkey's Garment and Textile Industries As of May 2005									
<i>Workers' Employment Status</i>	<i>Worker Population</i>			<i>Workers' Pay</i>			<i>Employers' Payroll Costs</i>		
	<i>Estimated Number of Workers</i>	<i>% Total Grmt & Txtl Workers</i>	<i>Industry (Garment/ Textile) or Location (Istanbul/ Anatolia)</i>	<i>Workers Monthly Gross Wage (28% withheld)</i>	<i>Workers Monthly Net Wage</i>	<i>Workers' Total Monthly Take-home (Wages, Benefits, Bonuses)</i>	<i>Employers' Taxes and Social Security (21% of gross wages)</i>	<i>Employers' Monthly Labor Cost/ Worker *</i>	<i>Employers' Hourly Labor Cost **</i>
<i>All wages and costs in New Turkish Lira (1.35 YTL=1 USD approximately). Numbers do not include wages for overtime.</i>									
Control Group: Registered Workers Earning Legal Minimum Wage (over 16 years of age)				488.70	350.15	N/A	105.07	593.77	2.64
Registered, Unionized Workers Covered by CBA (incl. bonus and fringe benefits, without overtime)	80,000-90,000	3%	Textile	600-700	450-500	620-780	135-150	940-1130	4.16-5.00
			Garment	480-630	350-450	490-700	105-135	740-1020	3.28-4.52
Registered Workers Not Covered by CBA Full reporting of social security and payroll taxes (no double books)	90,000-120,000	4%	Textile	480-700	350-500	350-700	105-150	593-1100	2.64-4.88
			Garment	480-630	350-450	350-650	105-135	593-1010	2.64-4.50
Registered Workers Not Covered by CBA Incomplete reporting of social security and payroll taxes (double books)	350,000 – 450,000	W	Textile	480-700	350-500	350-700	105	593-1050	2.64-4.68
			Garment	480-630	350-450	350-600	105	593-980	2.64-4.37
Unregistered Workers (Informal workers without social security or other benefits, lacking access to legal recourse for any labor violations)	2,000,000 – 2,200,000	72%	Mainly in Istanbul	260-300	260-300	260-300	0	260-300	1.16-1.33
			Anatolia, sweatshops	185-220	185-220	185-220	0	185-220	0.82-0.98
Unregistered/Clandestine Workers Including Children, Illegal Immigrants, etc.	200,000-400,000	8%		148-185	148-185	148-185	0	148-185	0.66-0.82
TOTAL	3,000,000	100%							

Note: Due to the lack of reliable official wage data, this table summarizes anecdotal wage information provided by representatives of unions, monitors, and brands interviewed for this paper. It is based on a table by Engin Sedat Kaya of Teksif trade union, who also advised on the formulation of this table. This table seeks to provide a general sense of wages in Turkey's apparel and textile industries. It is in no way a conclusive summary of the wage realities in these industries and merits further investigation over the course of Jo-In trials and future consultations with stakeholders.

* Based on employee gross wages, payroll taxes, social security contributions, and any bonuses or benefits (if applicable). This column exhibits the per worker monthly cost savings of under-reporting workers' wages to the government. An additional 75-100 YTL can be added to the total payroll costs and worker take-home wages, accounting for onsite meals and transportation which are usually provided in these and other industries in Turkey.

** Average hourly cost is based on the legal guidance of 225 hours per month. In the case of unregistered workers, this estimate probably *overstates* their hourly wage, since it is more common for workers' average workweek to reach 72 hours, totalling 288 hours or more per month for the same set wages.

7. Measuring the Minimum Cost of Living in Turkey

In order to address questions relating to the adequacy of wages, it is necessary to consider the cost of living for workers. Due in large part to Turkey's history of high inflation rates, Turks have developed relatively robust systems for calculating living costs. The estimates are often referred to by ordinary citizens, and approaches to measuring and reporting them are a subject of public debate. In addition to the State Statistics Institute, several trade unions in Turkey regularly conduct minimum cost of living studies. While the approaches among the institutions vary, they generally are estimated for a family of four – two parents and two children. It is common to assume a single wage-earning family.

Interestingly, Turks sometimes refer to these estimates in English as “living wage” estimates. Indeed, by reviewing the methodology used by these institutions to measure the minimum cost of living, the similarities between certain living wage measurement techniques and these estimates become evident.

7.1 State Statistics

The governmental institution responsible for providing data on Turkey's cost of living and rate of inflation, among other statistics, is the State Statistics Institute, Devlet İstatistik Enstitüsü (DİE). With regard to the cost of living in Turkey, DİE provides monthly data on household expenses based on relatively intricate systems of ongoing data collection from 26 districts throughout Turkey. To determine the basket of goods that are used to measure and weight household expenditures, and to collect other data such as household incomes, the DİE conducts periodic surveys where households' expenses are measured across the country. The most recently reported Household Budget Survey took place in 2003 and covered more than 25,000 households.

The results of the 2003 survey were reported in its 2004 study entitled “Income, Poverty and Consumption.”⁹ It provides some context for discussions about wages, with an estimated poverty line for 2003 of 417 YTL per month for a family of four. According to the study, this meant that 28.12% of Turkey's population fell below this line (up from 26.96% the year before).

Table 3 illustrates the weighting used by DİE to calculate Turkey's Consumer Price Index. These percentages influence those used by many of the organizations that measure living costs in Turkey. Others integrate DİE's monthly data on the costs of goods into their own calculations of the costs incurred by families in Turkey. Interestingly, the percentage of food expenditures has decreased in Turkey over time, with increasing weight being given to costs such as rent, heating, and cultural events/entertainment. Communication costs were also added to the basket in 2002, perhaps acknowledging the increasing use of communications technology in Turkey.

⁹ Devlet İstatistik Enstitüsü, “Income, Poverty and Consumption, 2004.” Available at http://www.die.gov.tr/yillik/24_Gelir.pdf, accessed on May 28, 2005.

Table 3:

Turkey's Consumer Price Index – Used in Calculating Cost of Living	
Good	Percentage
Food	29.42
Alcohol, Tobacco	4.67
Clothing	8.09
Rent, Heating etc.	16.91
House Furniture	6.47
Health	2.71
Transportation	10.42
Entertainment, Culture	3.60
Communication	4.82
Education	2.15
Hotel, Restaurant	5.87
Misc. Items and Services	4.87
TOTAL	100%
Source: DIE, 2003.	

Despite updates to the consumer expenditures basket used by the DIE, many Turks are critical of the DIE's measurements. Some believe that the weighting is designed to understate the rate of inflation experienced by working people, therefore under-representing their living costs. It is for this reason that various organizations opt to collect their own information about living costs, and only rely on the DIE data that they consider to be reliable.

7.2 Turkish Trade Unions' Cost of Living Estimates

Table 4 below overviews the cost of living estimates of four main trade union organizations in Turkey. While all focus on the cost of living for a four-person family, considerable differences exist in the estimates, rooted in different collection and calculation techniques. In the case of DiSK, for example, in order to make the estimate relevant to workers, price research is focused on the markets where workers shop and include calculations for the more affordable, seasonal foods workers buy. Comparisons between weighting of key basket items, most notably food, and the total estimated cost of living are very telling. Interestingly, DiSK dedicates the highest proportion of the budget to food (39.71%), estimating 1,298.59 YTL in living costs per month. Kamu-Sen has the lowest (23.19%), with living costs of 1,804 YTL for a family of four each month.

Table 4

Minimum Cost of Living Estimates Available in Turkey			
<i>Name of the Organization</i>	<i>Amount</i>	<i>When Calculated</i>	<i>Details</i>
<p>TÜRK-İŞ</p> <p>Türk-İş is Turkey's largest confederation with a claimed membership of almost 2,000,000. TEKSİF is the affiliate for textiles & garments.</p>	<p>Türk-İş' calculation of a minimum cost of living for a 4-member family (including one school child [15-19 years old] and one little child [4-6 years]) is 1,603.99 YTL per month. Türk-İş refers to this amount as a "poverty limit," defined as the minimum income needed in a household to survive.</p>	<p>Türk-İş has performed these calculations every month for 18 years. This amount was announced in April 2005.</p>	<p>The Türk-İş cost of living estimate is the total estimated costs of a "starvation limit" for food expenditures (528 YTL in April 2005) plus rent, transportation, utilities, communications, clothing, education, health and cultural activities for a family of 4 living in Ankara. The "starvation limit" is based on a basic diet designed by academic nutritionists at Hacettepe University. Costs of living are computed by Türk-İş's research center using average market prices. Weighting of expenses is based on the Turkey's Household Income and Consumption Expenses Questionnaire of 1994, which was conducted by the State Statistics Institute (DİE). Food expenditures make up 32.9% of estimated costs with other household expenses totaling 67.1% (including alcohol, tobacco, and restaurant expenses).</p>
<p>DiSK</p> <p>DiSK is estimated to have about 365,000 members, having been outlawed by the government in the 1980s and re-starting activities in 1992. DiSK/Tekstil is the affiliate for textiles & garments.</p>	<p>DiSK's last calculation of a minimum cost of living for a 4-member family (one school child and one little child) was 1,298.59 YTL.</p>	<p>As of May 2005, DiSK had suspended estimating Turkey's cost of living, citing that the State's calculation of inflation and weighting for household expenditures were politically-motivated and so were not reliable. Their most recent calculation was made for December 2004.</p>	<p>DiSK calculates Turkey's minimum living expenditures for a family of four. Expenditures are based on a very detailed list of items categorized as food, rental, utilities, communications, cleaning, clothing, education, transportation, and cultural needs. It does not include health costs. Price data is an average of living cost samples taken in different parts of the country, which are found at locations where workers shop. Academics counsel DiSK on the calorie intake required for workers, which takes into account the seasonal varieties of food available to workers. In the December 2004 calculations, food expenditures make up 39.7%, with other household expenses totaling 60.3%. While the calculations do not include estimates for alcohol or restaurant expenses, they do provide for 15 cigarette packets a month.</p>
<p>KESK</p>	<p>Kesk's most recent calculation of a minimum cost of living for a 4-member family (one school child and one little child) was 1,896.63 YTL per month.</p>	<p>Kesk most recently announced the cost of living in August 2004 for that same month.</p>	<p>Kesk's cost of living estimate is based on the calculations of the State Statistics Institute (DİE), offered in Turkey's "updated" Household Income and Consumption Expenses Questionnaire of 2002. KESK checks the prices of food in common marketplaces in Istanbul, and relies on information from DİE for other living costs (clothing, rent, utilities, furniture and household items, communication, health, transportation, education, entertainment and culture, and miscellaneous expenses). In accordance with DİE's weighting suggestions, food expenditures make up 26.7% of estimated costs with other household expenses totaling 73.3% (including alcohol, tobacco, restaurant, hotel, and pastry shop expenses).</p>

<p>KESK is a civil servants' trade union without affiliates in textile & garments. The Ministry of Labor estimates that it has about 300,000 members.</p>			
<p>KAMU-SEN</p>	<p>Kamu-sen's last calculation of a "minimum living index" for a 4-member family (one 0-6 year old and one 6-15 year old) was 1,804 YTL per month. Its calculation for a single employee's living limit was 658.98 YTL per month in February 2005.</p>	<p>Kamu-Sen announced its last calculation in May 2005 based on the previous month. They calculate it on a monthly basis.</p>	<p>Kamu-Sen's Research and Development Center takes a unique approach to measurement, calculating the <i>daily</i> costs of living for <i>each</i> member of a family. It therefore provides estimates for the costs for an individual as well as a family. Kamu-Sen uses the monthly information about costs provided by the State Institute of Statistics (DIE). Food costs are based on a 1,800 calorie diet for adults and the older child, and 1,400 for the little child. Other costs are then calculated for each family member, and all are totaled to arrive at a family total. Included in calculations are food, rent, utilities, health, transportation, communication, clothing, cleaning, education, culture, sports, and furniture and household items. Kamu-Sen's break-down of expenses according to each family member offers an interesting commentary on the expected lifestyle of Turkish families.</p>
<p>Kamu-Sen is a civil servants organization without representation in garments & textiles. The Labor Ministry estimates it has 340,000 members.</p>			

NOTE: HAK-İŞ is the confederation of Öz Iplik-iş, which is one of the three trade unions with CBAs in the textile and garment sector. Given its relevance to discussions of wages in the garment and textile sector, HAK-İŞ was contacted for the purposes of this study. The trade union reportedly ceased to measure living costs in 2003 due to the increasing unreliability of the process. The trade union instead refers to DIE statistics and the 2004 poverty study.

8. Monitoring Wage Standards in Turkey

Turkey's Ministry of Labor is responsible for monitoring the implementation of Turkey's legal wage standards. All sources interviewed report, however, that there is limited enforcement of wage laws in the garment and textile industries. Some ILO experts explain that the Turkish government lacks the capacity to conduct an adequate number of factory visits and tax audits to ensure that factories are paying adequate wages, payroll taxes, and social security payments. The threat of legal proceedings against employers who fail to pay legal wages is also limited. Indeed, none of those interviewed were able to cite cases where punitive actions were taken against violators of wage laws.

Trade unions reported that they take their roles as monitors seriously with regard to wages. Factories where trade unions have collective bargaining agreements pay the minimum wage or higher, as well as all social security benefits. There reportedly are also cases where awareness of union scrutiny led employers in factories without CBAs to comply with Turkey's wage laws. There are other cases where trade unions brought factory noncompliance to the attention of brands or the international labor community for increased leverage. Nonetheless, trade unions report that their ability to monitor and improve wage compliance is limited by efforts to curb trade union influence in Turkey (refer to the Jo-In Freedom of Association briefing paper for more information).

There are mixed views among stakeholders in Turkey regarding the effectiveness of auditors, particularly commercial, so-called third-party auditors, to improve workers' wages. Most stakeholders believed that some brand compliance officers had effectively improved wages in some factories due to their personal dedication and the seriousness of the compliance program they represented. Other brand compliance officers were considered to be less serious and therefore less effective. In auditing against codes, brand and third-party auditors are expected to review compliance with wage provisions in codes and with Turkish law – based on whichever is the higher standard. Auditors reported, for example, that they evaluated overtime against the code limit of 60 hours per week (Turkish law allows 66 hours of work a week), and followed Turkish labor limits of 11 hours of work per day.

Most brand compliance officers reported that they assess compliance with regard to the legal minimum wage. In the event that a brand subscribed to a code with a living wage provision – usually through membership in a multi-stakeholder initiative – the representatives interviewed admitted that most if not all of their suppliers were not currently paying a living wage. Several reported that their companies took a longer-term approach to living wages and looked to Jo-In's work to inform their living wage commitments.

Considerable diversity of approaches exists among auditors assessing compliance with the codes of the various multi-stakeholder initiatives involved in the Jo-In project.¹⁰ Auditors performing “independent external monitoring” for the Fair Labor Association (FLA), which requires the payment of minimum wage or the “prevailing industry wage,” simply reported auditing against Turkey's legal minimum wage. On the other hand, the Fair Wear Foundation (FWF) code requires payment of a living wage, defined by FWF staff as the wage determined through collective bargaining. FWF has performed several factory assessments in Turkey, but has not yet defined a living wage for Turkey. It reports that it awaits Jo-In discussions about living wages to help in its assessment of living wage compliance in those factories.

¹⁰ Only FLA, FWF, SAI, and WRC are discussed in this section. Although the Clean Clothes Campaign (CCC) and Ethical Trading Initiative (ETI) have codes that contain living wage provisions, they do not conduct workplace monitoring and so are not included here.

Of those interviewed, auditors accredited by Social Accountability International (SAI) seemed to have the most experience with evaluating living wages in Turkey. Nonetheless, when discussing living wages together, auditors seemed to have diverse takes on living wages and their measurement and implementation. This may in part be due to the choice of sources SA8000 auditors have to calculate a living wage. Auditors may opt to use SAI's basic needs formula¹¹ (either using data collected through market studies or state statistics, such as poverty estimates), or they may opt to consult with local unions. While auditors cited confidentiality clauses in their contracts as barring them from discussing SA8000 living wage estimates in detail, two auditors shared some general information about their approaches to living wage measurement. One did not discuss the technique used for measuring living wages, but estimated it to be about 600-700 YTL per month. Another auditor explained that his "accreditation body" applied the food basket estimates of Turkey's DIE (see previous section) to the SA8000 basic needs formula in order to determine a living wage. For that body, the wage was approximately twice the legal minimum wage.

SA8000 auditors reported that most factories audited do not pay at the estimated living wage level, however. The initial requirement for factories is payment of a legal minimum wage. Indeed, failure to pay the legal minimum wage is a "major noncompliance" in the SAI system. Failure to pay a living wage is only a "minor noncompliance," which requires a plan of action for reaching an estimated living wage standard, possibly over the course of one or two years. There is, however, reported resistance among many factories involved in the SA8000-based BSCI project¹² to entertain pay raises to the living wage standard. It is for this reason, perhaps, that auditors report that no more than 2% of the factories they have audited in Turkey now pay what they define as a living wage. Such compliant facilities tend to be those that are owned and operated by foreign firms, applying European standards to their facilities in Turkey. Auditors also referred to the two factories in Turkey that have received SA8000 certification. Investigation of wage practices in those factories may further inform the wage discussion in Turkey.

The code of the Workers Rights Consortium (WRC) also includes a living wage provision. At the time of writing, however, the WRC reported that it had not yet done an individual factory assessment in Turkey and therefore was not able to provide a solid estimate of a living wage in Turkey. Nonetheless, based on its research to date, the WRC staff has concluded that the prevailing wage in Turkey is not near a living wage. Viewing trade unions as having a leading role in measuring and defining a living wage, the WRC referred to the cost of living estimates offered by trade unions (see previous section) as a good indication of a living wage. Because those estimates are at least twice as high as the prevailing wages in the sector, WRC reported that it considers that company sourcing and pricing practices will have to change in order to bring wages into compliance with living wage provisions in codes.

With regard to calculating workers' wages and their compliance with various "living wage" standards, most seemed in agreement that factories' common practice of providing hot lunches and roundtrip transportation should be recognized as cost-saving for workers and therefore should be factored into living wage estimates. Additional in-kind benefits – such as those provided in CBAs in the sector, i.e. fuel, marriage, vacation, birth, and death allowances; education aid; child care; etc – would also be included in calculations to determine workers' total wages. For more information about different organization's

¹¹ The SA8000 Basic Needs Formula is as follows:

$$\text{Basic Needs} = \frac{1}{2} \text{ Average Household Size} \times \text{ Food Basket /Person} \times \frac{\text{Average Household Expenditure}}{\text{Food Expenditure}} \times 110\%$$

Contact SAI for more information about the organization's approach to living wage measurement.

¹² The Business Social Compliance Initiative (BSCI) was launched in Brussels in 2004 and sets out to audit and monitor the social performance of factories world-wide by utilising one common system, based in part on the SA8000 standard. A BTSI pilot project is currently underway in Turkey.

approaches to living wage measurement generally, please refer to other Jo-In documents that address specifically the measurement and implementation of living wage provisions.

9. Obstacles to Implementation of Wage Provisions

In order to aid the Jo-In Steering Committee as it refines questions to be addressed in project trials and considers the draft Common Code living wage provision, this section reviews some of the obstacles to fair wages that exist in Turkey's garment and textile industries. Common workplace practices that do not comply with wage provisions add to the challenges presented by Turkey's labor market and policies. As the project unfolds, while some obstacles may be added to this list, it is hoped that effective solutions to these challenging issues can be found.

9.1 Common Workplace Practices

9.1.1 *Inadequate Payment for Overtime Hours*

US and European brands report that violations of overtime wage standards are far more common in the factories where they produce than violations of the minimum wage. Trade unions also report that overtime pay is an issue in some factories with CBAs. One frequent issue is the miscalculation of overtime wages by management. That is to say, if employers understate the worker's hourly wage (by dividing the monthly wage by more than the government-mandated maximum of 225 hours of regular time per month) then their calculations of overtime wages (found by multiplying the regular hourly wage by 1.5) will fall below the workers' correct hourly overtime wage. This is compounded by the fact that the practice of double book-keeping means that workers often cannot use their wage slips to check management calculation of their overtime wages (refer to 8.1.2 for more on double book-keeping). In many cases, workers may not have a solid count of the number of hours of overtime worked or the hourly rate they should receive for those hours.

To address the need for workers to be able to monitor calculation of their wages, trade unions and some brands have required employers to provide pay slips that accurately report all hours of work and the wages paid for those hours. They have also focused on the importance of worker and management education regarding Turkey's somewhat complicated wage laws. Some brands are also working with factories to improve their productivity. They have observed decreases in overtime in various cases where productivity systems are effectively put in place.

9.1.2 *Inaccurate Reporting of Wages to Avoid Fiscal Obligations*

As discussed earlier in the paper, it is very common in Turkey for employers to under-report workers' wages in order to avoid paying payroll taxes and social security contributions. The practice, referred to as "double book-keeping" in Turkey (not to be confused with very different "double book-keeping" practices elsewhere in the world), is practiced in almost every sector in Turkey – in both white- and blue-collar environments. As evidenced in Table 1, if workers are paid the legal minimum wage, employers pay 21% above workers' gross wages, and total worker and employer payroll taxes and social security payments are about 70% higher than workers' take-home wages. High payroll taxes therefore create incentives for employers to report lower wages to the government in order to skirt paying taxes. Unlike the practice of "unregistered work," which avoids taxes and other costs by keeping workers completely off the books, "double book-keeping" is used to minimize payroll costs for registered workers. In many cases, workers'

wages are reported at minimum wage levels, even if they receive higher wages or overtime premiums. Workers then receive net wages (or even gross wages) in cash without any paper trail of payment.

Workers may also support the practice of double book-keeping if it means that they are able to keep more of their gross wages. Young workers who benefit from other family members' benefits, or those who see factory work as a short-term activity, reportedly prefer the short-term gains of cash in hand to the long-term promise of pensions and social benefits gained through social security payments, including health care, unemployment insurance, higher severance pay, etc. Labor experts have raised concern about the practice, however. There may be short-term consequences for workers if they are not able to access certain social services due to underpayment of social security contributions. Moreover, the long-term effects of large portions of the population failing to invest in the public pension system are generally concerning for Turkey as a whole.

Brands and third-party auditors have diverse views of this widespread practice. While some refuse to fill the role of Turkey's tax officers and therefore only focus on workers receiving their due take-home pay, other brands report that they do not tolerate the practice. Some codes, such as the FWF code, require that factories uphold legal contractual relationships with workers, which means that all taxes and social security must be paid in full – even if it is contrary to workers' wishes.

Considering the prevalence of this practice, brands, monitors, and trade unions agree that it is a central topic to consider with regard to root causes, effects, and sustainable solutions during this project. At least one brand has consulted with factories to calculate the combined costs of keeping two sets of books (administrative costs, taxes on year-end profit, in addition to the risk of public embarrassment if caught). Several factories reportedly have found that double book-keeping is not financially advantageous after such a cost-benefit analysis. Others report that by requiring factories to provide workers with pay stubs that accurately record all payments, factories have opted against keeping the second set of books, since it is too risky to provide workers with stubs that document wages that do not comply with legal requirements.

9.1.3 Misuse of New Apprenticeship Policy

The Apprenticeship and Occupational Training Law, as amended in 1997 and 2001, allows for the hiring of apprentices over the age of 15 in order to help them develop skills for employment in particular sectors. The regulation requires that such workers receive 8 to 10 hours of education per week; that their working hours are limited to 35 per week; and that they receive at least 20 days of paid leave per year. Apprentices are prohibited from working overtime. To encourage such training, the government covers the cost of employers' social security costs for the apprentice, and the minimum wage for these workers is one third that of regular workers. This policy is reportedly abused, however. In some factories, large portions of the workforce are called "apprentices" despite the fact that the law limits the hiring of apprentices to 10% of any workplace. In those locations, the apprentices do not receive their 10 hours of required education each week and are required to work overtime. In some cases, apprentices are fired after their apprenticeship ends and replaced by other young workers, who can be paid at lower rates. Auditors have also reported cases where factories have received "exception letters" from members of parliament stating that they may employ more than 10% of the workforce as apprentices and that they do not have to obey overtime prohibitions for apprentices.

To counteract the misuse of the apprentice policy, at least one brand reports that it has required suppliers to pay apprentices full wages. Others allow factories to pay one third wages to apprentices but claim to monitor the treatment of apprentices with regard to hours, education, and the percentage of the workforce they represent. To avoid mistreatment of apprentices, one union places an age limit of 27 on apprentices

and calls for a guarantee of one year's employment at the end of their training period and payment of regular wages throughout the training. The union also calls for additions to the law to ensure that apprentices have the right to join trade unions, elect their representatives, participate in CBAs, and go on strike.

9.1.4 Misuse of New Time Compensation Policy

The addition of the concept of "flex time" to Turkey's labor law in 2003 is seen by many as problematic. While the law imitates similar laws in other European countries and seeks to provide more flexibility for Turkey's workforce, its execution in the garment and textile sector is generally seen as weighing heavily on workers. As stated above, Article 41 provides that workers can opt to work overtime and receive compensation time at a rate of 1 ½ hours for each overtime hour worked. While this may seem an attractive option to some, others have reported that, in practice, the law is easily exploited by employers to call for overtime work at peak periods, and, rather than paying overtime wages, to provide time compensation during slow business periods.

While it is not clear how widely the provision has been used to date, trade unions and other observers report that workers strongly dislike the new law. Workers are reportedly concerned that they will not be given the option to choose between overtime pay or compensation time, as the law requires. When commenting on the new provision, one brand reported that the execution of this provision in a way that does not correspond with the spirit of the law would violate code standards with regard to overtime hour limits, overtime pay requirements, and forced labor. Information collected through the Jo-In trials may provide more substantive information regarding the ways in which this policy is applied.

9.1.5 Unregistered Workers

Unregistered workers are those workers that work "informally" for factories. Because Turkish labor law only applies to legally-employed workers, the estimated 2,500,000 unregistered workers in Turkey's garment and textile industries have no legal recourse against exploitation by employers. As exhibited earlier in this paper, most unregistered workers do not receive legal minimum wage, and many receive considerably lower than that. There are real incentives in place in Turkey that encourage this practice. By hiring unregistered workers, a factory can save 300 to 450 YTL per worker per month. Even if an unregistered worker receives the equivalent of a minimum wage in take-home pay, the employer can save about 280 YTL per worker per month by not paying any social security and other payroll taxes for that worker. Many cite Turkish law as the main cause of unregistered workers. By extending labor protections to unregistered workers, they argue that workers would have a claim to higher wages and recourse against employers who exploit them. Combined with adequate enforcement mechanisms, this would undermine incentives to skirt wage laws.

Many factories that pay minimum wages are also reportedly in favor of extending the law to unregistered workplaces, which they currently consider to have an unfair competitive advantage in Turkey. Since all brands interviewed reported that they do not tolerate the use of unregistered work, some consider it the responsibility of brands to call on the government to apply the labor law in unregistered facilities. Others observe that even higher-end brands that produce in factories paying higher than the legal minimum wage encounter savings from unregistered workers through second-, third-, and fourth-tier subcontractors in Turkey. Project trials can further inform discussions about unregistered workers in this sector.

9.2 Challenges in the Broader Context

9.2.1 Lack of Government Capacity

All those interviewed for the purposes of this paper cited the lack of government enforcement as a leading factor in wage violations in the garment and textile factories. It is reported that Turkey's labor inspectors do not have the capacity to enforce wage law (or other aspects of the law in general) in the thousands of factories in Turkey. Factory inspections therefore are reportedly rare, particularly in the export sector. As stated above, none of the sources interviewed were able to cite a legal case involving violations of Turkey's wage law or punitive measures against a factory that failed to pay the legal minimum wage.

9.2.2 Low Fines for Noncompliance

In addition to the general lack of labor enforcement in the sector, the low fines for noncompliance with the law relating to wages seem to further undermine any incentive for factories to implement the law. While governments in previous decades are reported to have set high penalties for violations of the labor law, today the maximum fine for noncompliance with overtime laws, for example, is 675 YTL per factory per year. Considering the large sum that can be "saved" by undercutting workers' wages, the calculated risk of noncompliance – even if uncovered – seems relatively inconsequential.

9.2.3 Low Levels of Unionization

Related to the lack of government enforcement is the low rate of unionization and collective bargaining agreements in Turkey's garment and textile sector. Without government protection of freedom of association, trade unions face considerable obstacles in Turkey in organizing workers and negotiating CBAs. As reported in greater detail in the Jo-In freedom of association briefing paper, Turkish law sets high pre-requisites for trade union membership: e.g. membership is limited to registered workers (with unregistered workers reportedly making up most of the employees in the sector); there must be at least 10% membership among all employees in the sector; and a trade union must represent half a workplace. Since trade union presence is linked to implementation of various wage provisions, it is considered that increasing union presence can enhance implementation.

9.2.4 Relatively High Unemployment

According to Turkey's State Institute of Statistics, in June 2005, Turkey's unemployment rate was estimated at 10.9% between February and April this year. The "Household Labor Force Survey" conducted by the Institute showed that the unemployment rate is 13.3% in urban areas and 7.5% in rural areas. Total unemployment in Turkey is estimated at 2.1 million, with an employment rate of 47.1%.¹³ As explained above, it is also estimated that more than 28% of Turkey's population is living below the poverty line.¹⁴ This reality creates labor market conditions where employers can find and hire workers who are willing to work for wages that fall below the legal minimum wage.

¹³ According to State Institute of Statistics, accessed at <http://www.die.gov.tr/english/SONIST/HHGELTUK/hhgeltuk.html> on July 3, 2005.

¹⁴ Devlet İstatistik Enstitüsü, "Income, Poverty and Consumption, 2004." Available at http://www.die.gov.tr/yillik/24_Gelir.pdf, accessed on May 28, 2005.

9.2.5 Relatively High Tax Rates

According to the Turkish Clothing Manufacturers' Association (TCMA), Turkey has the highest payroll taxes of all OECD countries.¹⁵ Many have cited this fact as one of the main reasons for unregistered work and double book-keeping. They argue that if employees were not so expensive to add to the books, more would be placed there, spelling higher revenue for the state in the long run. Others remind their colleagues that comparing Turkey's tax rates with other OECD countries is not entirely fair, given that average wages in other countries are far higher. They argue that relatively higher payroll rates are necessary to collect the revenue needed by the state. Rather than calling for decreases in taxes, they call for increases in legal enforcement, which can just as effectively address unregistered work and double books. As Turkey develops, the ongoing debate about the impact of payroll taxes is likely to continue.

9.2.6 The Relative Strength of Turkey's Lira

In 2004 and 2005, the lira grew considerably stronger against the dollar. While this represented a positive change in Turkey's fiscal health, it created a challenge for Turkey's garment and textile sector, with negative impacts reported for wages. The main challenge for the sector has been remaining competitive with Asia, where a cheap, efficient workforce offers similar products at lower prices. Since the dollar is used in Asia, the products' costs become even cheaper relative to Turkey. Arguing for higher wages becomes more difficult in this context, since Turkish wages in dollars are now several times higher than those of their competitors in Asia.

For further information relating to this report contact info@jo-in.org

¹⁵ As reported by Turkish Time news service, http://www.turkishtime.org/agustos/81_en_1.htm, accessed June 2, 2005. The TCMA reportedly repeated this observation in a May 2005 interview with a European journalist.

