

HOW DOES THE STATE PROMOTE INFORMAL EMPLOYMENT?
THE CASE OF A *KİLİM* WORKSHOP

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
MIDDLE EAST STUDIES

DECEMBER 2006

Approval of the Graduate School of Social Sciences

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ABSTRACT

HOW DOES THE STATE PROMOTE INFORMAL EMPLOYMENT: THE CASE OF A *KILIM* WORKSHOP

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December 2006, 125 pages

This thesis argues the interaction between the Turkish state and informal employment. Literature review on informal sector, flexibilization of the labor market and feminist approach are the bases of this argument. On the other hand, the role of the state in economy is discussed in relation to Bretton Woods Institutions. Taking into consideration the state and informal employment arguments, this study illustrates with a study of a Kilim Weaving Workshop in a town of Ankara how informal work is connected with the state institution Public Education Center. For this study, I conducted participant observation and semi-structured interviews with 10 people out of 30 in research area.

Keywords: informal employment; gender segregation in the labor market; flexibility in the labor market; welfare state; Public Education Center.

ÖZ

TÜRK DEVLETİ KAYIT DIŐI İSTİHDAMI NASIL TEŐVİK EDER: BİR KİLİM DOKUMA ATÖLYESİ ÖRNEĐİ

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Tez DanıŐmanı : Yrd. Doç. Dr. Aykan ERDEMİR

Aralık 2006, 125 sayfa

Bu çalıŐmada, kayıt dıŐı istihdam ile bir devlet kurumu olan Halk EĐitim Merkezleri arasındaki iliŐki tartıŐılacaktır. Bu tartıŐma, kayıt dıŐı sektör, emek piyasasının esnekleŐmesi ve feminist yaklaŐım üzerinden yürütülmüŐtür. DiĐer yandan, devletin ekonomideki rolü ve Bretton Woods Kurumlarının devletin rolü üstündeki etkisi genel olarak tartıŐılmıŐtır. Kayıt dıŐı istihdam ve devlet üzerine yapılan çalıŐmalar dikkate alınarak, Kilim Dokuma Atölyesi alan çalıŐmasıyla kayıt dıŐı istihdamın bir devlet kurumu olan Halk EĐitim Merkezleri ile baĐı ortaya konmaya çalıŐılacaktır. Bu çalıŐmada, katılımcı gözlem metodu ve 30 kadın dokuma iŐçisinin 10'uyla yapılan yarı-yapılandırılmıŐ görüŐmeler kullanılmıŐtır.

Anahtar Kelimeler: enformal istihdam; emek piyasasında cinsiyet ayrımcılıĐı; emek piyasasında esnekleŐme; sosyal devlet; Halk EĐitim Merkezi.

ACKNOWLEDGMENTS

I would like to express genuine appreciation to Assist. Prof. Dr. Aykan Erdemir, whose guidance, critiques, sympathy and patience helped me very much to write the thesis, not only for being my advisor but also for believing in the research. I would like to express my gratitude to Dr. Tuğba Tanyeri-Erdemir for her kindly support, and for allowing me to share the difficulties I encountered not only in the thesis process, but also in other spheres of the life. I would like to send my sincere thanks to the examining committee members Assist. Prof. Dr. D. Şirin Saracoğlu, Assist. Prof. Dr. Özlem Tür and Dr. Tuğba Tanyeri-Erdemir for their critiques and suggestions to make the thesis better. I also would like to thank to Prof. Dr. Yıldız Ecevit, Assist. Prof. Dr. Aykan Erdemir and Dr. Tuğba Tanyeri-Erdemir, whose lectures and reflections provided me the most valuable insights.

I am fully indebted to my family for their full support throughout my life, for always being by my side and believing in me. I would like to express my special and sincere thanks to my mother Nebahat Yılmaz for her contributions to some of the interviews for the thesis. I would like to express my gratefulness to my father Aytekin Yılmaz for his relaxing conversations, transferring some of my book summaries to the computer, providing different insights and for his several suggestions in the process. My special thanks also go to my little sister Damla Doğuş Yılmaz for always being respectful and considerate.

I would like to thank to Esra Gültekin, Zeynep Başer, M. Ozan Aşık, Zeynep Başak, Rabia Harmanşah, Erhan Şener, and Agah Hazır for their support, technical assistance, tolerance and friendship.

I would like to send my special thanks to Yusuf-Hediye Kaya, and Mayfire-Osman Yılmaz families for their concern and interest, especially to my cousins Nazan Koşar, Gönül Kaya, Hanife Koşar, Türkan Koşar for their support and sharing their experiences with me.

I am gratefully thanked to those who are protagonists of the thesis who accepted interviewing, without them this thesis would not have been carried out.

Last but not least, I would like to thank to Antonio Pertıñez Pertıñez for always being by my side even from a far, for his never ending kindly support and for his encouragement in times that I felt most impotent in the face of difficulties.

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LIST OF ABBREVIATIONS

BWI: Bretton Woods Institutions

ILO: International Labor Organization

IMF: International Monetary Fund

ISI: Import Substitution Industrialization

MONE: Ministry of National Education (of Turkey)

PEC: Public Education Centers

SCSEF: Social Corporation and Solidarity Encouragement Fund

SMSE: Small and Medium Scaled Enterprises

WB: World Bank

WDR: World Development Report

WWII: Second World War

CHAPTER 1

INTRODUCTION

I first became attracted to the study of informal employment and the state because of my several visits to eastern Turkey. I saw and heard a couple of *kilim*¹ weaving workshops operated by the state institution Public Education Centers (*Halk Egitim Merkezi*) in Adiyaman, Van, and the capital Ankara, where women worked for very low pay. Throughout my research, I had a chance to see their working conditions, their encounters in this new social setting, and the transformation of their perception of life as women. This study has been centered on various themes including the link between the state and informal work; neo-liberal transformation in the world economy and Turkey during the 1980s; women in the informal employment, and the women's self-perception, conceptualizations, and aspirations. The apparent expansion of informal work and employment, and the absence of sufficient research on the topic that state and informal employment are closely connected to each other have convinced me that a research on a state based institution and informal work in Turkey was necessary.

¹ *Kilim* is a pileless floor covering hand-woven by tapestry techniques in Anatolia, the Balkans, or parts of Iran. *Kilim* rugs are not just for floor coverings, some of them are for hangings, and some are bench or divan coverings. Available at: http://www.kilim.com/about_kilims/whatskilim.asp (visited: 5 January 2007).

1.1. Purpose of the Study

The purpose of this study is to generate new knowledge by taking the *kilim* workshop research case into consideration by primarily focusing on the relationship between the *kilim* weaving workshop and the state institution. I argue that how the state encourages informal employment within the legal and formal framework of Public Education Centers.

Informalization² in Turkey points to the effects of globalization and liberalization policies after the 1980 transformation to the “free” market economy. The Import Substitution Industrialization Process (ISI)³, during 1960s and till 1970s (Boratav & Yeldan & Köse 2000; Boratav 2002; Köse & Öncü 2002; Şenses & Taymaz 2003), had been the motive for Turkish economy towards industrialization as it was for many other developing countries. The rapid industrialization process of the 1960s, the mechanization of agriculture, rapid population increase, relatively limited amount of cultivated land, and wide sectoral and regional differences in productivity introduced a new wave of migration from the poorest agricultural Anatolian regions in the east to the richest manufacturing regions in the west, such as the Marmara, the Aegean and the Mediterranean (Koşar-Altınyelken, 2003). During those years, migration to cities was referred to as a “full- fledged rural exodus” and has resulted in considerable groups of migrants in the western regions (Franz, De Santis quoted in Koşar-Altınyelken 2003).

² The term informalisation will be defined in Chapter 3.

³ ISI policies will be defined in detail in Chapter 5.

In 1955, the urban population was 28.8% of the total population of Turkey; by 1997 it already reached 65.1%. Only between 1985 and 1990, four million people permanently migrated to the provinces in the western part of the country (De Santis quoted in Koşar-Altınyelken 2003). This migration was primarily chain migration; many families from the same village or region have come together in the same neighborhoods, in and around metropolitan centers (Erman 2001), which is important in constituting the employment network of informal work. The motivation behind this massive migration was that people were in search of new livelihoods, better living conditions, and better employment opportunities (Erman 2001; Bulutay & Taştı 2002). Bulutay and Taştı say that “successful manufacturing due to the ISI policies in the 1960s and 1970s was the great force behind this migration” (Bulutay & Taştı 2002: 3).

Export oriented growth model has been replaced with ISI strategy after the 1980 neo-liberal transformation in the economy. Industry has not developed as it has in developed countries and the economic development was insufficient. According to Bulutay and Taştı “the pull of cities has been generally inadequate to absorb and employ these large volumes of people in satisfactory jobs” (2002; 4). As stated by the authors, “informal sector is a joint enterprise which is possessed and operated by households, either alone or in partnership of the other households, who may use unpaid family workers or contract for irregularly hired workers” (Bulutay and Taştı, 2002: 4).

Many researchers have studied informal employment in Turkey by focusing on a variety of views including the causes of informal work (Bulutay & Taştı 2002), working conditions of workers, quality of life, the shift in the perception of job security and wages (Eraydın 2000; Müftüoğlu-Güler 2000; Erendil-Türkün 2000; Onaran 2000, 2002; Özüğurlu 2002; Özoğlu 2002;).

Early studies on informal sector considered it to be “a separate economic domain” from the formal one which is called dualistic classification. This theory was later criticized for its descriptive rather than explanatory nature. Ayata (1978) emphasized informal work studies should not be considered as a separate economic domain. He states that “it is not appropriate to think that informal activities come about independent of the capitalist system, because in any case capitalism always benefits from these activities” (Ayata 1978: 19). These activities are defined in ILO Kenya Report (Gerxhani 1999) as lack of government support and take place outside the formal-regulated market.

1.2. Research Questions

The major research question is:

1. What is the link between the state and the informal employment in the case of *Kilim Weaving Workshop*?

On the other hand, there are auxiliary or secondary questions that underline the points in the chapters.

2. What is the shift in the state's role after the 1980 military coup and neo-liberal transformation through the IMF and World Bank policies in the Turkish economy?
3. How are working women perceived in the "classic patriarchal" society (Kandiyoti 1988)? To what extent this perception is reflected by PEC, society and women in the workshop case?
4. What is the role of Public Education Centres in Turkey? To what extent is the agency of civil servants influential in producing informal employment as can be observed through the study of women involved informal employment in a *kilim* weaving workshop?

1.3. Structure of the Thesis

The second chapter is the methodological framework used in the construction of ideas presented here. The third chapter is the theoretical framework which explains the debate on the informal-formal sector definition, its deficiency regarding on the early studies and late discussions over the definition. Also the reader will be able to find the institutional structure of the Public Education Centers in order to follow the informal discussion throughout the study. The fourth chapter is about state and the labor market interaction. In this chapter, the emphasis is given to the 1980 turning point in the economic policy decisions. A general discussion is given on the welfare state responsibilities before and after 1980. The fifth chapter presents a broad discussion on flexibility in the Turkish

labor market. The 1980 military coup, neo-liberal change in the economy and society; the ISI strategy of the pre-market period and the socio-economic conditions of Turkey in that period; 1980 deregulation in the economy, in general its effects and results over the Turkish society; and lastly several studies of informal work made in Turkey are presented. In chapter six, we will be able to find women involvement in the informal work, why women work in the informal works, and then the case study on the *kilim* weaving workshop. Later in the chapter, general characteristics of the town and the *kilim* workshop, working conditions of women are presented. Finally, in the conclusion chapter, main research findings are discussed; policy recommendations and suggestions for the future studies are given.

CHAPTER 2

Our knowledge of the world is based on 'understanding' which arises from thinking about what happens to us, not just simply from having had particular experiences (...) perception relates not only to the senses but to human interpretations of what our senses tell us. (Snape and Spencer 2003: 6)

RESEARCH METHODOLOGY

The research was carried out in a small town, in one of the provinces of Ankara and the research was completed in a year, between December 2004 and December 2005. I went to the town one weekend in every month except July, August and September due to being out of Ankara in these months.

Snape and Spencer state that the qualitative research is “a situated activity that locates the observer in the world, it consists of a set of interpretive, material practices that makes the world visible” (2003: 5). The authors say:

These practices (...) turn the world into a series of representations including field notes, interviews, conversations, photographs, recordings and memos to the self. At this level, qualitative research involves an interpretative, naturalistic approach to the world. This means that qualitative researcher study things in their natural settings, attempting to make sense of, or to interpret, and phenomena in terms of the meanings people bring to them. (Snape and Spencer 2003: 5)

The research project had both participatory features and action components. Women workers were encouraged to identify their interest in working during interviews. Throughout the interviews, participants were given space and

encouraged to direct questions to the researcher. This provided a more egalitarian relationship between the researcher and the workers, and facilitated further discussions on the main themes.

2.1. Sample

Thirty women workers participated in this study. The sample included one Public Education Centre *kilim* weaving teacher, two Public Education Centre representatives, one from the town's PEC and the other is from another town's PEC in order to have a different and objective view to the PEC's employment opportunities. Eight women workers from the *kilim* workshop and one *kilim* seller from *Kale, Ulus* district of Ankara have contributed to the study. The two representatives and the *kilim* seller are male, and the rest of the participants are female.

The age scale of women working in the PEC *kilim* workshop differentiates from 18 to 50. Almost all women are from this town, except three women and their family came from different cities of Turkey. Therefore, the effect of migration in involving informal employment is low. On the other hand, ethnic minorities (Hart 1973; Hadjimichalis & Vaiou 1998; Roberts quoted in McKeever 1998) are defined as another reason of involving to informal work, however, in our case, there is only one woman who is Kurd, and the others are Turk, therefore, the effect of ethnicity is negligible in our case. The majority of working women graduated from or dropped out of primary and secondary school. Therefore, we

can assume that the effect of education level in engaging in informal employment opportunities is high. These will be explained below in detail.

2.2 Research Techniques

Multiple research techniques were utilized to collect data. These included analysis of documents, unstructured and semi-structured interview; and participant observation.

Before going to the research site, Kale district of Ankara is visited, where there are many *kilim* shops, in order to obtain necessary information to go and start to a research. Furthermore, the study is conducted on a multidisciplinary perspective; it incorporated theories and approaches from Sociology, Economics, Political Science and Anthropology.

2.2.1. Research of Secondary Sources

The study process, initially, started by reading the articles and books on the informal sector or economy. The debate over whether the informal economy is separated from the formal one or it is part of the formal one that we cannot separate since the whole capitalist system benefits from these economic activities forced me towards a more research on the role of the state in the economy; the actors' influence, like Bretton Woods Institutions (BWI), over the state; the state and the labor market interaction; the change in the state's responsibilities after the 1980 neo-liberal economic policy domination in the world economy.

Women's involvement in the informal work as a title in the literature necessitated another study on this issue. In the *kilim* workshop case, the whole weavers are women, and I wondered the commonalities between the written text on women and the workshop case.

2.2.2. Interviews

According to Ritchie "individual interviews provides and opportunity for detailed investigation of people's personal perspectives for in-depth understanding of the personal context within which the research phenomena is located" (2003: 36). In addition to this Legard and Keegan and Ward point that in-depth interviews create the knowledge "the importance of talking to people to grasp their point of view, and personal accounts are seen as having central importance in social research (...) where knowledge is not given but is created and negotiated" (2003: 138).

Semi-structured and in some cases unstructured interviews were held on one-to-one and rarely group basis (two-or three worker joined, and I had this chance twice, especially after the assignment of governor to a new post that women became more open to have conversation with. The unstructured approach was preferred in some cases to allow participants to tell their stories in their own way.

The initial plan was to talk with every worker in the workshop, however, for various reasons, only ten interviews could be carried out. As being a foreigner to the town, it took time to become familiar with the people in the workshop in order to gain their confidence to have reliable results.

The interviews I had with representative of the PEC and *kilim* weaving teacher showed me that the important concern for them was confidentiality. The representative asked me in the first interview directly that the result of this study could cause a problem to them. He seemed a bit more relax when I explained that I would only use the research findings without mentioning any names.

As I did more interviews with the women, visited their workshop and spent some time with them in the workshop, I tried to help them in some basic tasks like untying the woolen rope. I watched them and tried to understand the weaving process many times that apparently they started to become familiar with me and in the ongoing process, they started to talk to me easily. Women with whom I did interviews in the later stages of the research were more open and relaxed.

One-to-one basis interviews initially aimed to be tape-recorded, unless the participant felt uncomfortable with it. Therefore, only the interviews I had with representative, *kilim* teacher and two workers are tape-recorded. Other women workers did not accept it. Thus, I usually took notes.

During the visits I had to the town, I first explained my aim and content of the research. Afterwards, the main themes were introduced, stating their ideas were encouraged. Basically, these themes are the perception of women workers by the society, by their families and their self-perception; what are the problems or difficulties that they are encountering in the working process; and what are their demands from the workshop. In the interviews I had with representatives and the

teacher, the main themes were the constitution of PECs in Turkey; which rules they need to follow; and how the production relations were produced in the workshop.

2.2.3. Participant Observation

The design and methods of research were influenced by participant observation approach.

As the role of participant observer is usually played, the researcher uses participation to gain access to members of a group or organization to observe behavior as it occurs, and also to build relations of personal trust needed to elicit full and reasonably frank interview material. Ideally, the researcher blends into the social scene in such a way as to minimize the impact of his or her presence on the behavior of those observed. (Whyte, 1989: 368)

According to participant observation, as depicted by Whyte, it is important to “describe and analyze the behavior of those studied as it would occur without the observer’s presence” (1989: 369).

Women workers were observed in their working area. I visited the workshop several times during the year, however, due to my classes in the week, I had chance to visit the town at the weekends. During these visits, I spent some time with workers whose ages are close to mine that I could constitute a friendship relation between us. I tried to join their working process and attempted to take a part in the production. These informal observations of women’s activities during working time helped me to obtain some picture of the ongoing life of the workshop that after a while life in the workshop starts to repeat itself.

In one of my visit to the town, two girls were trying to finish the *kilim* of one of them. It was not a situation that I had encountered during my visits to the town and workshop. Nevertheless, they said that there has been this kind of solidarity among them, when one of them needs money and necessitates receiving money soon; they help each other to finish the *kilim*.

This event coincided with the assignment of the ex-governor to another town that in the workshop, local skepticism occurred in the workshop. During the discussion when they demonstrated their skepticism about the PEC, they lowered their voice. However, they were speaking confidentially among them about other topics and sometimes they were adjoining other people into the conversation. Since different interviews I had with workers, I felt that a more productive and free discussion could be facilitated among women who were already closely connected with each other and through this it could be achieved more information.

2.3. Analysis and Presentation

Data sources for the qualitative analysis included transcription of notes from interviews. Taped interviews were transcribed word by word; summary notes taken from non-taped interviews were expanded and combined with transcriptions.

The translation of some of the tape-recorded data is given verbatim in the following chapters, allowing the participants to speak up for themselves and encouraging readers to draw their own insights and conclusions.

2.4. Limitations

There are a number of limitations to this study. First, qualitative records all was a small sample. I am aware that I cannot generalize the case in the context of Turkey. Therefore, it does not allow me to make comparisons between different *kilim* weaving workshops besides, I cannot exactly claim that there are state-centered informal employment opportunities in every PEC. Therefore, the results of this study are limited to this case.

On the other hand, in this study, I only analyze the effects of macroeconomic measures on labor market, wages and living standards of workers in the workshop. In the following chapters, I especially emphasized the effects of neo-liberal policies imposed by BWI in order to ensure “sustainable development and well-balanced socio-economic development” (IMF, Republic of Moldova, PRSP 2004: 8), and their effect on the role of the state.

Moreover, as I depicted at the beginning of this chapter, this study brings forward *my perception* of the case that incoming conclusions are *my own understanding* of the carried out-research that some readers may think that it is a form of formal employment that is taking place according to the instructions. However, I consider it as informal employment by the state institution.

CHAPTER 3

THEORETICAL FRAMEWORK

In this chapter, I present theoretical framework of the study which is based on informal work. Therefore, definition of and debates on the informal work; flexibility and flexible production systems, and finally theoretical framework of women in the informal work will be given.

3.1. Debates and Definition of the Informal Work: Who Works and Why?

3.1.1. The definition of the Informal Work

The term informal economy, sector, activity has different names in different countries “related with the ideology it is embodied in” (Hadjimichalis and Viaou 1998: 82). We can come across with different terms like underground economy, secondary economy, parallel economy or *economia sumergida* in Spain, *enformel* or *kayıtdışı ekonomi* in Turkey.

In the early years of informal work arguments, the concept was only discussed within the scope of the Third World Countries. It was seen as an employment opportunity for unemployed people in the labor market due to their poor conditions and underdevelopment. However, today informal work is also studied in the developed countries.

Dualist thinking received further interest in the early 1970s, with the study on Accra, Ghana by the anthropologist Keith Hart. He introduced a new “two sector” terminology and divided the economy into “formal” and “informal”. This approach started with divisions of economic activities and employment into “traditional” and “modern” sectors (Hart, 1973; Bromley, 1974; Sethuraman, 1976; Ayata 1978; Gerxhani 1999).

This approach sees traditional activities as old, which has started before and continue in the face of western capitalist penetration, and views modern activities as those come with western influence, investments, and the application of advanced technologies. (Bromley, 1974: 1033)

Bromley also states that “‘two sector’ approach became the theoretical basis for the literature and almost institutionalized in liberal and neo-classical analyses of Third World Countries” (1974: 1033). Gerxhani states in her study:

This theory was later criticized for its descriptive rather than explanatory nature, the acceptance of economic dualism, and the assumed autonomous relationship between the formal and informal sectors as opposed to one of domination and subordination. (Harding and Jenkins quoted in Gerxhani 1999: 11)

However, Ayata says that “according to the dependency approach, it is not appropriate to think that informal activities occur independent of the capitalist system, because, the Third World Capitalism benefits from these activities” (1978: 19). In opposition to the separation arguments, he says that “the continuing presence of informal sector is necessary for capitalism” (1978: 19).

On the other hand, McKeever defines informal activities as “essentially transitory being a consequence of the imperfect penetration of modern capitalism into the less developed regions” (1998: 1212). While Köse and Öncü emphasize the Capitalist World System approach described by Wallerstein (1974), which argues any national economy cannot be analyzed separately from the rest of the world (2000: 73).

The formal-informal dualism was evaluated in the International Labor Office’s World Employment Program report on Kenya (Gerxhani 1999). As stated in the report, the distinction between informal and formal sectors is as follows:

- Ease of entry
- Reliance on indigenous resources
- Family ownership of enterprises
- Small scale of operation
- Labor intensive and adapted technology
- Skills acquired outside the formal schools system
- Unregulated and competitive markets identify the informal sector of the economy. At the same time, informal activities are largely ignored, rarely supported, often unregulated and sometimes actively discouraged by the Government (Bromley 1974; Gerxhani 1999).

On the other hand, formal sector activities are identified as follows:

- Difficulty of entry

- Frequent reliance on overseas resources
- Corporate ownership
- Large scale of operation
- Capital-intensive and often imported technology
- Formally acquired skills, often expatriate
- Protected markets (through tariffs, quotas and trade licenses). (Bromley 1974; Sethuraman 1976; Gerxhani 1999)

ILO has encouraged informal economy because of its inexpensive means for the government to increase employment (Chuto & Sethuraman quoted in McKeever 1989). ILO and World Bank see the informal sector as an enormous potential for creating employment and growth and recommended encouragement of informal sector in the Third World Countries (McKeever, 1989: 1212). Some governments, including South Africa, have followed this advice and deregulated their economies.

Another major position, the Marxist approach, defines informal economy as “a subordinate sphere or production which has the dual function of alleviating absolute poverty and bolstering the capitalist formal economy” (Bromley & Gery quoted in McKeever 1989). Informal jobs create low cost goods, low wages decrease both “social reproduction and production costs” (Cartaya; Roberts quoted in McKeever 1998).

McKeever states that “the nature of the ties between two economies demonstrates the subsidiary relationship informal work has to the aims of parties in the formal economy, and an example of it is the contracting out of industrial work to informal workers (1998: 1213). According to the author, “social relationships result in the informal economy not showing characteristics of a dynamic sector in terms of its ability to create income or employment” (1998: 1213). McKeever argues:

Informal employment, instead of providing a positive alternative to the predominant labor market, further lowers the life chances of people at the bottom of the economic ladder. Development of the informal sector excuses the state from providing more adequate social welfare services and creating jobs in the formal sector. Informalization means a significant fall in the material quality of life. Informal economy provides a temporary refuge for workers during times of poverty or unemployment. Informal jobs are taken because underemployment is better than unemployment, subsistence preferable to starvation. Additionally, increasing dependence on informal work and goods only exacerbates the economic crises that made people turn to the informal economy in the first place. (McKeever 1998: 1213)

Current studies on the informal work emphasize another perspective that how this form of work developed over time and offers jobs to definite people who would not have them in the formal sector, at the same time exploits other parts of the population (McKeever 1998).

This perspective points to the “demand by business for low cost labor supplies combined with the presence of many underemployed people in urban areas that has fuelled growth in informal economy employment” (McKeever 1998: 1214).

Thus, as McKeever (1998) says the category of informal workers comprises not only street sellers but also workers of large companies.

Some authors use the term informal activities as a reference to legal and/or illegal practices, which present a number of common characteristics (Hadjimichalis, Vaiou, 1998). First, for Hadjimichalis and Vaiou (1998) these activities are not officially recorded, thereby, they lead to tax evasion; second, informal activities are invisible to “ordinary inspection;” third, informal activities absorb low paid, usually female labor; fourth, they avoid the achievement of the state, “especially with regard to the enforcement of safety and insurance legislation, or the observation of collective bargaining agreements” (Hadjimichalis & Vaiou, 1998: 81).

Some other authors argue that informal activities in the economy cannot be separated from formal ones. States have had a crucial role in the rise of modern markets and in promoting industrial development (Polanyi quoted in Itzigsohn, 2000). States have a key role in regulating labor markets; therefore, it does not make sense to say that the state does not regulate informal economy as such. De Soto and Portes define informal activities “in relation with the state, even though they differ in their explanations of how state regularizes the labor market and leads to the informal working activities” (De Soto and Portes quoted in Itzigsohn 2000).

According to De Soto, the informal economy is “the answer of people excluded from the modern sector by state regulation, it represents the true market forces inherent in the entrepreneurial character of the urban poor who rebel against the coercion of the state” (De Soto quoted in Itzigsohn 2000: 6). He equates every informal sector worker with a *potential entrepreneur*. Thus, the *entire informal sector is seen as formed by entrepreneurs*

On the other hand, according to Portes informal sector is an *income-earning* activity, which is not regulated by the state in contexts where similar activities are regulated. He sees informal economic activities as “an integral part of urban economies in peripheral core of capitalism” (Portes quoted in Itzigsohn 2000). Portes (1989) says that formal and informal economic activities are part of the same economic system and informality is present in the modern sector of the economy, these workers do not receive the protections prescribed by the law.

3.1.2. The Deficiency of the Definition of the Informal Work

Following the description of informal and formal economies’ characteristics, Bromley (1974) pays attention to deficiencies of literature.⁴

One of the deficiencies for Bromley is using dualistic classification and terminology by analysts that for him “it presents two sectors essentially separate and independent. However, sectors are continuously under the effect of state

⁴ According to Bromley, there are nine particular deficiencies of the informal sector literature that the reader can find the whole text in Appendix A.

intervention, and that one part of the sector may be created by the other sector” (Bromley, 1974: 1033).

Another deficiency for Bromley is the tendency to consider “the urban informal sector and the urban poor to be synonymous” (Bromley, 1974:1034). He depicts that “by any reasonable definition, not all persons who work in the informal sector are poor, and not all poor people work in the informal sector” (Bromley 1974: 1034).

Some authors criticize the definition of informal work as it is considered as an economic activity in the context of the Third World Countries. Hadjimichalis and Vaiou consider informal activities as “widespread and an important phenomenon in Southern Europe” (1998: 81), and also informal activities were present and growing in cities of the United States, and in a number of Western European countries (Portes, Castells and Benton 1989). These authors also state that “the usage of ‘informal activity’ and ‘informal production structures’ is more appropriate since there is only one economy” (1998: 81).

Moreover, according to these authors the informal and the formal sectors of the *one* economy are not “simply in close relation, but in an explicit domination/subordination relation” (Roldan quoted in Hadjimichalis & Vaiou 1998).

According to Portes and Castells, the informal economy is not “a set of survival activities performed by destitute people on the margins of society” (1989: 12).

They argue that:

Studies in both advanced industrial and less developed countries have shown the economic dynamism of unregulated income-generating activities and the relatively high level of income of many informal entrepreneurs, sometimes above the level of workers in the formal economy. (Castells & Portes 1989: 12)

They claim that “the informal economy is not a euphemism for poverty; it is a specific form of relationships of production, while poverty is an attribute linked to the process of distribution” (Castells & Portes 1989: 12). They argue that informal economy is not “an individual condition but a process of income generation characterized by one central feature: *it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated*”⁵ (Castells & Portes 1989: 12).

3.1.3. Who Works Informally?

The specific characteristics of the workers because of their weak position in the labor market, who tend to be involved in the informal work, are based on age, gender or social origin.

1. most of them who work at home are women;
2. immigrant workers (internal migrants coming from rural to urban, or international immigrants from less developed countries to developed ones);

⁵ Authors' own emphasis.

3. ethnic minorities
4. illiterate people
5. Young people take place in the informal work (Hart 1973; Castells & Portes 1989;

Hadjimichalis & Vaiou, 1998; Itzigsohn 2000).

At this point, it is possible that the process of informalization tends to reinforce some specific social groupings that differ markedly from those associated with stable social class lines. Therefore, I think, this kind of discrimination in the labor market can lead to an increase in social discrimination and may cause racism.

On the other hand, “the family as an institution facilitates the proliferation of informal practices and the availability of individuals for informal work.

Hadjimichalis and Vaiou give examples from Southern Europe and depict that “in the farms where the family farming persists the “farmer” is always a man and “women usually work informally as unpaid family help in the fields” (1998: 94).

3.2. The Categories of Informal Activities

Hadjimichalis and Vaiou (1998) categorize informal activities.

Table 1 Categorization of Informal Activities

Name of the activity	Motivation	Examples
Criminal activities		Drug trafficking, prostitution, gambling, illegal arms trading, etc. (Italy and Greece)
Profitability exploiting inadequacies of the 'formal' regulatory system	Tax evasion is the main practice	Southern Europe
Reproduction of traditional forms of regions	Seem to disappear in developed regions but still provide some income for segments of population in marginalized regions	Construction, handicraft industries, petty trade and tourism provide employment and income complementary to agriculture. Southern Europe
Specific restructuring strategies		Agriculture, industry, retail, and services

Source: Hadjimichalis and Vaiou, 1998

In this thesis, the informal work refers to legal, officially non-recorded, with low wages, without social security, mostly women employed income-generating activities. The case study does not contain illegal form of informal income generating activities like criminal activities.

3.3. Flexibilisation of the Labor Market and Sub-Categories of Informal Employment

1970 depression in the world economy created a new form of restructuring of the economy which is called Post-Fordism. Flexibility is an important term that describes emerging productive processes and modes of regulation and helps us to understand the changing geography of capitalism (Hadjimichalis & Vaiou, 1998). Hall defines it as “a shift to the new information technologies; more flexible, decentralized forms of labor; decline of the old manufacturing base and the growth of the ‘sunrise’ computer based industries” (1988: 24). Hall continues saying that:

This process has a greater emphasis on choice and product differentiation on marketing, packaging and design; a decline in the proportion of the skilled male, manual working class, the rise of the service and white collar classes and the feminization of the work force an economy dominated by multinationals with their new international division of labor, and their greater autonomy from nation state control, and the globalization of the new financial markets, linked by the communications reduction. (Hall, 1988: 24)

Primary adaptations to the process of flexibilization came from the mass production firms that were affected from the depression negatively. These firms wanted to restructure their production units, in order to regain competitiveness in the market. They benefited from new technology; changed their mode of production and adopted flexibility. Horizontal and vertical division of labor took place in the production process (Scot quoted in Eraydın 2000). As Eraydın (2000) states that integrated production had reached to its limits and caused to low

performance in the economy. Proponents of flexibilization promote that the economy necessitates flexible market, because it always responds changing demand of the economy (Eraydın 2000).

In all of these flexible production organizations, contracting (*fason*) (Eraydın 2000) relations take place. Contracting production is carried out by a firm, which is requested by another firm. Then, the former firm carries out one or a few phases of production process. As depicted by Eraydın “the reasons behind of this form of production are to share risk, and to be able to do differences at the amount and type of goods, and more importantly, to decrease the cost of labor” (Eraydın 2000: 96).

Flexible production necessitates a shift in the role and place of the labor force. Ethnic minorities and women workers gained more importance in the labor market, while unionized labor became vulnerable (Eraydın 2000; Akkaya 2000; Boratav 2003). For Eraydın (2000), labor lost its own bargaining power and it diminished the solidarity that was gained during the Fordist production period. Flexible form of production raises competition among workers, and workers become weak before the employers (Eraydın 2000; Akkaya 2000; Onaran 2000; Onaran 2002; Boratav 2003).

3.3.1. Contracting (*Fason*) Production

There are two different forms of contracting relations. One of them is contracting relations on the production level, and the other is contracting relations on the trade

level. Contracting relations on the production level are divided into two categories: capacity contracting production, and supply contracting production. These forms of production relations usually occur between final good producing company and labor-intensive putting-out producing company (Müftüoğlu-Güler 2000).

Capacity contracting production is especially used when one firm takes a job that is more than its production capacity. The firm contracts with another firm which produces similar goods, and consequently they can meet the orders.

The other form of contracting production is “supply contracting” production (Eraydın 2000). In this kind of contracting, small scale firms request working for another large-scale firm. Eraydın (2000) explains that small-scale firms prefer it because, capital requirement will decrease by producing for another company, so that, small-scale firm will not have to cover the expenditures to find a new market to sell its own goods.

Trade level contracting relations are constituted particularly by small-scaled, lack of management capital, which does not follow demand fluctuations in the market (Müftüoğlu-Güler 2000). These firms would never take producer risk upon themselves, but they always organize production from a far. Producers are in close relations with merchants which points to a dependency relation. Producers can only produce if the merchant has a competitive power in the market, so that the merchant can pay them. On the other hand, Müftüoğlu-Güler (2000) depicts that

in the side of the merchant, since the merchant has to have compatibility in the market, there occurs another competition among producing companies, to make the merchant choose their goods for the market. Thus, the merchant can find the appropriate production price among producers. This causes a price fight among producers and merchants but they would never eliminate each other, after all they need each other (Müftüoğlu-Güler 2000).

3.3.2. Outsourcing⁶ (*Taşeron*) Production

Another result of flexibility is “temporary employment” (Cam, 2002: 95) due to the liberalization in the labor market and in general in the economy. In this form of working:

Workers are hired via mediating job organizers without any officially recognized contract, while the organizers may sign a contract with the “big bosses” to fix their prerogatives and responsibilities, but only vis-à-vis each other. The system does not let workers to describe themselves as “employees” in legal terms. It lacks legality. (Cam, 2002: 95)

Outsourcing workers do not have social and economic rights. They are paid low wages, and Cam (2002) points these wages are lower than the legal minimum wage.

⁶ Sub-contracting production is also used for this kind of production. Sharpston (1975) investigated international sub-contracting relations which is important for the production and dependency relations. More information is given in the Appendix B.

3.4. Women and the Labor Market Interaction

In this part of the chapter, I present brief information on different feminist perspectives on women workers in the labor market as an example of capitalism-patriarchy interaction.

3.4.1. Feminist Approach and the Informal Employment

Radical feminists use a liberal perspective in understanding specific conditions of the development of contemporary feminist approach, they apply any form or instance of male domination (Kandiyoti 1988). For Kandiyoti “Socialist feminists have mainly restricted themselves to analyze the relationships between patriarchy and class under capitalism” (1988: 274).

Kandiyoti (1988) states that “women are more manipulated and subservient under the ‘classic patriarchy’.” According to Kandiyoti “the classic patriarchy can be found in the geographical area that includes North Africa, the Muslim Middle East (including Turkey, Iran, and Pakistan), South Asia and East Asia” (1988: 274). For her, the key of this kind of patriarchy is “the operation of the patrilocally extended household, which is also commonly associated with the reproduction of the peasantry in agrarian societies” (Wolf quoted in Kandiyoti 1988).

In the study of CSE Sex and Class (CSE-SC) group (1982), they question the relationship between exploitation and oppression, and they ask several questions on the subject:

How does a conscious critique of imperialism, racism and sexism affect our approach to class struggle and socialist strategy? Gender division is treated as an essentially ideological question or as something that occurs within the separate space of the family. (CSE-SC, 1982: 78)

According to this group “the central characteristic of capitalism is its drive towards the imposition of value as the means of organizing all aspects of our social existence” (CSE-SC, 1982: 79). They state that “capital in principle seeks to turn every social product into a commodity and every producer into its wage laborer” (CSE-SC, 1982: 79). As stated by the group “capitalism has not created a homogenous working class; wage workers are stratified according to sex, race or nationality, and in many important senses defined primarily as women or as men, rather than by their status as wage labor” (CSE-SC, 1982: 80).

CSE-SC group states that “divisions within the working class do exist, and while the Thatcher government’s offensive can be seen as an attack on the working class as a whole, it is inevitable that it is the weaker sections which will suffer most” (1982: 80).

It is usually recognized that the state expenditure on social welfare and social security is necessary for the production of the working class (CSE-SC, 1982: 81).

According to the group, it is perhaps less noted that “the primary means of

support for non-wage earners (especially children and married women) is a breadwinner's wage shared around within a household" (1982: 81).

The social security system is carefully designed not to replace this form of family household as a means of support for the unwaged, but to be harnessed alongside it (CSE-SC, 1982: 81). Social welfare provision also assumes a family household as provider of domestic services and care for the young, the old and the disabled. State care is only usually available where this "family" care cannot be provided (CSE-SC, 1982: 81).

The group depicts that "in the twentieth century, the old and disabled have become defined out of the proletariat in this strictest sense and married women have become semi-proletarianised and used in part as a reserve army of labor" (CSE-SC, 1982: 83). According to the group in the future, as the amount of labor power required by capital will go down, therefore they think that more categories of people will depend upon state support (CSE-SC, 1982: 83). They say that "it is a risk that it will include women, who will thus be defined out of the labor market and out of the proletariat" (CSE, 1982: 83).

In a division of skilled and unskilled labor, women are seen as unskilled due to their close link with their *natural skills* that come with their birth. This issue can also be seen in the workshop due to the patriarchal character of the institution. (Ecevit 1991; CSE-SC, 1982; White 1994; Kasnakoğlu, Dikbayır 2002).

Women are generally employed as unskilled workers to do routine office work. In production-related jobs, women have very low representation at the technical personnel level. In the case of non-production jobs, women are usually employed in standardized jobs and are seldom employed in management. (Kasnakoğlu, Dikbayır, 2002: 333)

Weiss states that labor market segmentation has tended to be explained by labor market theorists as “sexual or according to employer demand” (1987: 225). Employers demand different types of workers depending on the primary or secondary sectors they operate. Therefore, employers think that for women “domestic responsibilities take primacy; they are therefore less career-oriented, less-stable, and more flexible in the work requirements- all of which makes them ostensibly the ideal candidates for the precarious end of the job market” (Weiss, 1987: 225). Thus, she stresses on the employment opportunities for women have been structured before they enter to the labor market by “pre-market” segmentation, considering women’s domestic roles as given (Weiss, 1987: 225).

Gender and age divisions of labor are also present in the informal activities generated by restructuring strategies of firms, “men are the overwhelming majority of heads of micro-firms linked to subcontracting chains in North and Central Italy, Northern Greece, Catalonia and Northern Portugal” (Hadjimichalis and Vaiou, 1998: 95). They say industrial homeworkers are usually women, especially in branches like textile and clothing, footwear, toy-making, small-scale assembly, where the bulk of homework is concentrated (Hadjimichalis and Vaiou, 1998; McKeever, 1998; Cam, 2002). In addition to this, McKeever (1998) asserts

that in jobs where both women and men work informally, women are in the less profitable enterprises. Moreover, he says that being a female lessens one's chances in achieving a good informal job.

Women homeworkers are usually married and have young children, therefore, this type of work is often their only access to paid labor, but they have stressful conditions and ambiguous status in the labor market (Hadjimichalis and Vaiou, 1998). Homeworking ties them home more and diminish their opportunities of getting a formal job. Their position in the labor market is subordinate and in the family it is perpetuated, their expectations and demands are regulated before they engage in specific informal activities (Hadjimichalis and Vaiou, 1998)

According to Ortner "the emergence of the patriarchal extended family, which gives the senior man authority over everyone else, including younger men, is bound up in the incorporation and control of the family by the state" (Ortner quoted in Kandiyoti 1988).

Kandiyoti defines the position of girls under classic patriarchy that "girls are given away in marriage at a very young age into households headed by their husband's father. There, they are subordinate not only to all the men but also to the more senior women, especially their mother-in-law" (Kandiyoti, 1988: 278).

When the marriage is concerned in classic patriarchy:

Women do not normally have any claim on their father's patrimony, whether the prevalent marriage payment is dowry or bride price. The young bride enters her husband's household as an effectively

dispossessed individual who can establish her place in the patriliney only by producing male offspring. (Kandiyoti, 1988: 279)

According to Kandiyoti (1988) “the patrilineage totally appropriates both women’s labor and progeny and renders their work and contribution to production invisible” and she continues saying that “woman’s life cycle in the patriarchal extended family is such that the deprivation and hardship she experiences as a young bride is eventually superseded by the control and authority she will have over her own subservient daughters-in-law” (Kandiyoti, 1988: 279).

In classic patriarchy, subordination to men is offset by the control older women attain over younger women. However, women have access to the only type of labor power they can control, and to old-age security, through their married sons. Since sons are a woman’s most critical resource, ensuring life-long loyalty is an enduring preoccupation (Kandiyoti 1988: 279).

As stated by Kandiyoti “older women have a stake in the suppression of romantic love between youngsters to keep the conjugal bond secondary and to claim sons’ primary allegiance, on the other hand “young women have an interest in circumventing and possibly evading their mother-in-law’s control” (1988: 279).

When women work outside their home and are thus “*exposed*”; they must now use every symbolic means at their disposal to signify that they continue to be worthy of protection” (Kandiyoti 1988: 283). Therefore, they veil themselves and they move in the context of traditional modesty markers (Kandiyoti, 1988: 283). It is a point that we can see the same attitude in the workshop. Women from 18 to 50, married or not, they have the same wearing style in the workshop. They veil

⁷ Author’s own emphasis.

themselves according to the traditional style of the town, it is a very long veil that reaches to the level of feet; they wear baggy trousers (*salvar*), and traditional rubber shoes.

3.4.2. Why do Women Work in the Informal Works?

Wheelock (1990) points the process of industrial restructuring which has occurred since World War II has involved a parallel process of social re-composition, or class restructuring. The major changes in the structure of employment that have taken place can be looked at in terms of three processes: feminization and internationalization of the labor market.

Women started to go out to work and contribute to the family income. It has continued with the recession of the 1970s, and expanded with 1980s. As employment opportunities decrease with the 1980 neo-liberal transformation in the world, young people often have no other choice but to engage in low-paid informal activities. Through such work, due to their restricted and undermined situation in the labor force, “they have limited training and career prospects and cannot easily dissociate themselves from their families. Working at home does not open a path to independence but rather reproduces their position as dependents in a family hierarchy (Hadjimichalis and Vaiou, 1998: 99).

In addition to this, Weiss (1987) emphasizes monopolization of the informal economy with the labor market segmentation in the world. Wheelock (1990) depicts that this creates a crisis between capitalism and patriarchy resulting from

the new employment patterns. The status of women in the labor market as the result of the interaction between the two social systems of patriarchy and capitalism, these new employment patterns threaten patriarchal structures. For her, the potential conflict between capitalism and patriarchy will become greater if the crisis of capitalism moves in the direction of low wage competition. Because, she says that, women in the labor market are more flexible, therefore employers will prefer women rather than men.

However, I think that capitalism and patriarchy goes side by side. Due to the patriarchal relations in the society and reproduction of patriarchy within the household, women and men undertake different forms of jobs in different working areas. Women unlike men mostly carry out informal jobs at home under the influence of patriarchal social structure.

As mentioned in the definition of informal activities chapter, and previous part women work in the informal work for several reasons. First of all, as Wheelock (1990) states, women in the labor market create more flexibility. Then, women *contribute* to the family income. Hadjimichalis and Vaiou (1998) stress in the informal work and irregular work-studies, reference is made to the “family” as an institution facilitating the proliferation of such practices and the availability of individuals for informal work. They say that not all the members of the families work in the informal work, some of them engage to informal while others work in formal jobs (Hadjimichalis and Vaiou, 1998).

White (1994) says that women do not see their jobs as jobs due to several reasons. First of all, woman has been defined equal to her handicrafts skills, weaving, knitting, cooking etc are defined as natural skills of women (White, 1994). Second, they prefer to work at home or in a workshop: “if women work out of the house, among foreigners, it makes them vulnerable to be seen as morally susceptible and to become a matter to be insulted” (White, 1994: 24). She states that, “it is seen as acceptable working for per-piece or in the atelier and it is morally and socially regarded as being part of the group identity” (White, 1994: 25). Due to these skills and tasks, her sexual role and identity promote her to participate to the small-scaled jobs. Women’s participation into the labor market with their natural skills make them cheap labor in the patriarchal-capitalist society. They are seen as individuals who have known those tasks since they were born (White 1994).

Because of all these reasons depicted above, the individuals or employers, mostly men, who organize the women and their labor for production, see their labor not as a productive work under capitalist conditions but as an activity within the house, depending on their sexuality. This is an attempt to strengthen the waged labor with the family tasks and the sexual identity. This causes women to see the tasks not as theirs because they do the same tasks at home. Women regard those tasks as a spare time activity. They do not follow the wage of the working hours because they do not see those tasks as work. Through a working day women of

different ages continue working. Thus, the wages do not reflect the amount of labor that is spent for the product (Weiss 1987; Ecevit 1991; White 1994).

Ecevit (1991) states that familial ideology (Ortner defines it as patriarchal extended family) in Turkey permits sons after husbands, rather than women, to be seen as the secondary breadwinners in family.

Cam (2002) gives two other reasons to why women work in the informal work, the first reason is the exclusion of women from the formal working activities is related with illiteracy ratio of women compared to men; the second reason is migration. He says that women seen as cheap labor in comparison to men in the world over the past two decades. According to him “huge waves of migration amidst the liberal reforms, an increasing proportion of females in the cities became ‘ineligible’ for work. As a cultural phenomenon, the traditional priority of males for outdoor work played an important part in this” (Erman quoted in Cam 2002).

Cam indicates that the rate of illiteracy was 48 % in 1980, and although it declined to 27 % in 1997 reading and writing levels did not change so fundamentally. However, Cam pays attention to the neo-liberal reforms that triggered an unprecedented exclusion from jobs not only for women but also for men (2002: 101). In addition to this, Bulutay and Taştı (2002) indicate that in Turkey, the share of women in the informal work is low due to their low education, religious and traditional factors of the society.

3.5. Conclusion

When we think of the definition of the informal work, we encounter many terms like informal *economy*, *sector* and *activities* however, the definition is provided from the point of view of entrepreneur. The definition considers the firm and the entrepreneur but not the worker (Başak 2005). The definition of the informal sector points to the scale of operation, ownership of the enterprise, labour intensive and adapted technology, unregulated and competitive market, operation outside the state regulation etc. of the informal sector, but does not mention working hours and working conditions of the workers in the sector.

Therefore, in the study, using the term *informal work* and *informal employment* is more appropriate. Because, I try to emphasize the working conditions of workers, the ways in which they work, their working hours etc. Thus, this thesis approaches the issue from the point of view of labor. For that reason, generally in this study, I will try to display that the informal work or employment has exploitative relations in production process and argue that the expansion of informal work increases inequality (Castells and Portes and Benton et al. 1989; McKeever 1998; Eraydın 2000; Müftüoğlu-Güler 2000; Akkaya 2000; Onaran 2000; Onaran 2002).

On the other hand, women in the labor market and patriarchal relations in the economic activities have been underlined. As the reader will encounter, patriarchal relations are embedded in the workshop case. There are many similarities between the *kilim* workshop and the theoretical framework of women

in the informal jobs. Therefore, it is important to examine and understand the gender issue within the context of these two systems. Finally, exploitative relations have doubled up for women workers in the labor market who are working in informal jobs.

CHAPTER 4

STATE AND THE LABOR MARKET INTERACTION

In this chapter, I provide a summary of growth policies that many developing countries followed after the Second World War (WW II). I aim to show the effects of Bretton Woods Institutions (BWI) on the role of the state. The reason that I especially analyze BWI's role over the state is their discourse on poverty reduction. This is also related with my case study on *kilim* weaving workshop that PEC uses the same term "human deprivation" as the World Bank (WB) does. While these institutions aim to decrease the poverty, they reconstruct the role of the state in generating employment through "poverty reduction strategy papers" and the reduction of "human deprivation" policies⁸ that allow informal employment by the state institutions.

4.1. Historical Background of Neo-Liberal Transformation in the World and Its Effect on the State

Before 1980, urban population increased in many developing countries (Mittar 1988). Thanks to the technological innovations and importing know-how technology, and technological improvement in the agricultural sector, many people from rural started to look for new employment opportunities in towns and cities (Mittar 1988; Onaran 2000; Bulutay and Taştı 2002; Onaran 2002; Boratav

⁸ www.worldbank.org (19 May 2006)

2003). In this period after the WW II until the end of 1970s, most of the developing countries adopted welfare state policies (Mittar 1986).

According to the welfare state theory, it has six basic contents. These can be seen in Table 2.

Table 2: The Contents of the Welfare State

1. Social Security
i. Pensions of retirement; incapacity; orphanage and widowhood; substitution of unemployment
ii. Security of job accidents; demise; maternity; decrease in illnesses
2. Services
i. Education (public education and substitutions to the private education)
ii. Health (preventive; ambulatory; hospitality; pharmaceutical)
iii. Housing (construction and assistance)
3. Social and Political Economy
i. Full employment and development
ii. Working Rights (regulation of contract and employment conditions)
4. Redistribution of income against poverty and inequality
i. Integration salary
ii. Specific helps or assistance
iii. Equality of opportunities (scholarships and etc)
iv. Fiscal policy
5. Social assistance to (helps not contributory)
i. families
ii. disabled
iii. immigrants
iv. residents
6. Dependency (help to dependent people)

Source: Beltran, Miguel (2006)

However, welfare state has been facing a crisis due to several reasons since the early 1970s. According to Pierson, the reasons are:

- Major economic change in the world context, “concerns of competitiveness”
- The effect of “economic shift on domestic balances of political power”
- High unemployment rates in many countries
- The “financial impact of population aging” has worsened fiscal situations of the countries (Pierson, 2001: 1).

Pierson states that “globalization has always been seen as a major threat to national welfare states, profound shift in the employment structures of the affluent democracy away from manufacturing and towards services” (2001: 3). He points that “de-industrialization and post-industrial shifts produced severe pressures on the welfare state” (Pierson, 2001: 3).

After 1980, the change in the welfare state structure was towards market-oriented economy for many developing countries. Export oriented growth model has become the most important policy implication in these countries (Şenses and Taymaz, 2003). Before 1980, investments and investors were encouraged by the state in order to empower the domestic market. However, in the second period, with the decreasing effect of the state in the economy, foreign direct investments

were encouraged and the states provided appropriate conditions for the foreign investors in many developing countries (Şenses and Taymaz, 2003).⁹

Foreign direct investments did not expand as much as it was expected in this period; moreover, capital inflows, export increases and industrial production were intensified in some certain countries (Şenses and Taymaz 2003). Many national companies could not achieve to success due to the effective existence of multi-national companies in the international and domestic markets. According to Öniş (2003), large scale of capital inflows contributed to economic growth process positively, however, this growth resulted from the foreign resources more than the increase in international competition. From this point on, he says, “this effect shows us that the growth achieved by IMF supported neo-liberal policies is instable and created fragile economic environment” (Öniş 2003: 509).

Income distribution changed its direction towards the benefit of capital (Yentürk 2003). According to the investment predictions of the neo-liberal reforms, investments should increase when the income distribution is on the benefit of capital. However, this approach did not consider wage effect.

If the share of wages decreases in the Gross National Income, costs will decrease also, thus profit predictions will increase in parallel with investments. This approach neglects demand effect of wages. It is defined as “accelerator” in economics that if the income is distributed on the benefit of labor, effective demand will increase and with the rise of the share of the wages in the gross national income, investments will increase, too. (Yentürk, 2003: 492)

⁹ These developments are valid for the Turkish case. The reader will be able to have more information on Turkey in Chapter 5.

Proponents of neo-liberal market policies claimed that the working class will benefit from export-led-growth model. On the contrary, this new model caused a growing inequality in overall income distribution, and political conflict in many developing countries. Weakening power of trade unions, lessening job security policies, the pressure on the labor market with the military coups, and the informalization of the labor force created a flexible labor market (Cam, 2002).

As it is given in the previous chapter, flexibilization occurred in the labor market in the 1970s and expanded in the 1980s. However, the increase in export and flexibility in the labor market did not create more employment opportunities to the people. Moreover, it created reserve army of labor in the economy (Onaran 2003: 579-580). All these changes in the economy did not arise independent of the world system. The international agencies have significant role in the process.

4.2. Bretton Woods Institutions (BWI) and the State

The decreasing role of the state in the economy is related with the neo-liberal reforms that were and still are applied in the economy. BWI were very affected in this period. These institutions are IMF and the WB.

WB started to move along with IMF at the end of 1970s, and their policies were around neo-liberal economy policies, since then they have been recommending structural adjustment programs (Şenses, 2003: 39). While IMF focused on short-term stability programs, World Bank accomplished medium-term economic

policies such as liberalization of foreign trade, financial liberalization and privatization within developing countries (Şenses 2003: Boratav 2003).

Şenses states, “in the first decade (1980-1990) long-term development problems such as poverty, income distribution, education, health, land reform and employment were put aside” (Stewart quoted in Şenses 2003: 40-41). According to the Washington Consensus (BWI) the primary objectives of stability and adjustment programs are:

- a) Adjusting financial discipline;
- b) Decreasing public expenditures from the areas of health, education and infrastructure;
- c) Expanding tax base and adjusting a tax reform to decrease marginal tax shares;
- d) Liberalization of interest rates;
- e) Competitive exchange rates;
- f) Liberalization of international trade;
- g) Liberalization of foreign direct investments;
- h) Privatization;
- j) De-regulation of the economy;
- k) Protection of the property rights (Fine & Hailu 2003: 89).

The discourse of the BWI, as we can come across in our daily life from news economy bulletins, is to decrease unproductive expenditures and so to adjust a more productive environment where capital can benefit more (Fine & Hailu 2003:

94). This creates a strict budget adjustment that developing countries can no more support their poor people by providing them nutriment help, health, and education services (Fine & Hailu 2003: 94).

WB states that in order to decrease inequality and poverty, economic growth should be achieved. According to the World Development Report 2006

By raising incomes and consumption of people across the distribution of income, economic growth is the main driver of poverty reduction in the developing world (...) Countries experiencing higher rates of economic growth can be expected to reduce poverty much faster than those that grow more slowly. (WDR 2006, 2005: 84)

Elson and Çağatay criticize the policy of IMF and WB because of not caring social content of macroeconomic policies but their social effects (Elson and Çağatay quoted in Fine & Hailu 2003: 78). In other words, they say that IMF and WB care economic growth of the country; however, they do not care how the country achieves to growth.

Growth does not bring socio-economic equality, if the income distribution is not regulated. On the other hand, inequality prevents growth itself, for example, inequality in achieving to education service causes low capacity of human capital. (Fine & Hailu 2003: 78)

According to the Letter of Intent and Memorandum of Economic and Financial Policies of Turkey, April 26, 2005 to IMF, we can see the economic priorities of the Turkish State in order to achieve the targeted economic growth through strict control of public debt, tight fiscal policy in order to keep the current account deficit under control; improving the government spending and taxation to make the fiscal adjustment sustainable; reducing inflation; strengthening international

reserve position and exiting from the financial support of the Fund (Letter of Intent, 2005: 2).

Considering all those written above, we can see that the Letter of Intent April 2005, regards development, equality, or employment as tertiary objectives. IMF says that Turkey should decrease the domestic demand in order to decrease inflation and encourage export. Therefore, current account deficit will decrease so that the capacity of debt payment will increase. In other words, debt payment will be carried out by decreasing labor wages, and it will also help to have an ability to compete in the international market, otherwise due to the current exchange rate policy, Turkey cannot compete in the international trade (Oyan, 2005).

Consequently, we can interpret that the state accepts flexibilization and informalization of labor market for the benefit of capital in order to have compatibility in the international markets.

We can say that following process will not affect labor market positively. As it is depicted above, capital, because of its nature, is always interested in profit maximization (Onaran, 2002). If informal work results from regularization of labor market, stricter laws will make it vulnerable. Therefore, many people will have to work under informal work conditions. Privatization will orient workers to informal working areas (Tansel, 1998). It causes significant earning losses upon re-employment (Tansel, 1998).

Tansel (1998) in her study focused on the impact of privatization on dismissed workers in the cement and petrochemical industry:

To the extent that most post-dismissal jobs lacked formal arrangements and social benefits this implies that most workers moved to the informal sector. Welfare losses were probably higher than those indicated by the earnings losses, since the post-dismissal jobs not only paid lower monetary remunerations but were also of lower quality than the state jobs. (Tansel, 1998: 3)

4.3. Why does the State Encourage Informal Work?

Hadjimichalis and Vaiou say that “the state and certain local authorities have introduced forms of regulation that are a major condition for the development of informal activities” (1998: 96). They define the term regulation as it is used in the sentence as “a directly *political status*¹⁰ and is applied both through active policies and through passive tolerance” (1998: 96).

Since 1980, legislation has been introduced in Spain so that homeworking could gain “formal” status. At the same time, however, the PSOE (*Partido Socialista Obrero Español*¹¹) government passed through Parliament a law permitting very short contracts. The same worker could then be engaged several times a year in different jobs, or alternatively the same contract could be “occupied” by different workers during the year. In either case workers are not employed long enough to qualify for fringe benefits. In 1985-1987, three million contracts per year were signed, increasing dramatically the general rate of irregular work. (Hadjimichalis and Vaiou 1998: 96)

Related with these regulations that allow informal employment in the economy by the Spanish government PSOE, local authorities also take decisions by allowing informal working activities.

¹⁰ Emphasized in the original text.

¹¹ Spanish Socialist Workers Party

The local authorities (communist and socialist) near Barcelona are in favor of industrial homeworking in textiles and clothing since the operations of “putting out” firms contributes 30-40 % of those cities wealth. In Alicante (Valencia), local authorities “protect” footwear and toy industries from the restrictions of Spanish labor legislation, so that they can survive international competition. In those industries, 80-90 % of the workforce works informally. (Hadjimichalis and Vaiou 1998: 96)

Authors give another example from Greece which is very similar to my research in *kilim* weaving workshop that the state institution benefits from informal activities and encourage it as will be seen in the *Kilim Weaving Workshop* Chapter.

The state itself takes advantage of informal piece-work. In public training schools, operating also as boarding houses, women produce carpets for export while still in training programs. They are paid a very low rate, so that their daily earnings in 1987 reached little more than 1000 Drs, or less than one third of legal minimum wage. In addition, the Greek Ministry of Defense subcontracts the manufacturing of tents and other light equipment directly to homeworkers in Beotia (near Athens). (Hadjimichalis and Vaiou 1998: 96)

First, the state started *encouraging* informal work by allowing it. I say encouraging because I base it to my research in the town about *kilim* workers. The state allowed informal work because people were able to do survival activities, and therefore it would provide social peace in the society, because people will be earning income; and second of all, the state wants to have competitiveness in the international markets through cheap labor and low costs of production.

4.4. Conclusion

The shift in the direction of income distribution, the role of the BWI over the state and worsening fiscal position of the countries affected the state's role.

Consequently, the definition of the welfare state has been reformed.

The *kilim* workshop case is a result of this new form of state. It is the result of the flexible labor market. We will be able to see whether the state fulfill its welfare responsibilities in Chapter 6. The state in Turkey and in many other countries like Italy, Greece and Spain (Hadjimichalis and Vaiou, 1998) has been allowing informal activities to be able to compete in the international market. However, in the *kilim* workshop case, we will encounter that the state not only allows or pretends not to see the informal activities, but also provides informal jobs to people, in particular to the workshop case, to women.

CHAPTER 5

THE 1980 MILITARY COUP, NEO-LIBERAL POLICY IMPLICATIONS AND SOCIAL EFFECTS ON THE TURKISH SOCIETY

In this chapter, flexibility in the labor market through neo-liberal policies and 1980 military coup will be emphasized. Flexibility of the labor market generated poor working conditions, and via pro-market policies, significance of unionization has diminished. In accordance with it, life perception has changed that people started to care their present-day more than their future (Eraydın, 2000). They began to care job security and accepted uninsured employment due to high level of unemployment in the society. Owing to all these factors in the Turkish economy, workers have been accepting to work under difficult, uninsured low-paid working conditions. Therefore, increasing acceptance of the informal employment and the role of the state in the expansion of the informal employment will be discussed below.

5.1. The Import Substitution Industrialization (ISI) Period Before 1980

Turkey followed Import Substitution Industrialization development process starting from 1960s until the end of 1970s. Planned development was the name of this process. State was an active agent in the industrialization. It constituted long-run industrialization strategies, and at the same time, it was functioning as an investor and producer in the industrialization process. The share of agriculture in

the national income was decreasing, and production increases of the manufacture industry were increasing faster than national income (Köse and Öncü, 2000).

In 1970s, incentives had been used to develop intermediate and investment goods producing sectors, and in this process, public enterprise had an important role (Şenses and Taymaz, 2003). The basic purpose was to raise domestic demand, therefore wages were quite high in the 1970s (Akkaya, 2000; Boratav, 2003; Şenses and Taymaz, 2003).

In 1970s, Small and Medium Scaled Enterprises (*Küçük ve Orta Büyüklükte İşletmeler*) (SMSEs) were established in order to increase employment, develop new technologies and encourage entrepreneurship (Şenses and Taymaz, 2003).

According to Boratav (2003), at first sight, this kind of industrialization seems to decrease dependency to foreign markets, in contrast to the expectations; the dependency of economy on import has increased. In the First Five Year Plan period, import substitution was positive, however in the following years, the share of aggregate import in the aggregate supply and Gross National Product started to increase.

1962-1976 period, basically included three Five Year Development Plans.

According to Boratav (2003), in the first plan period, public investment and state entrepreneurship were dominated in the economy while after 1970, the state started to encourage private enterprise, gave priority to private accumulation with

incentives and substitutions, where social targets were becoming secondary or tertiary objects.

5.2. The 1980 Transformation in the Turkish Economy

Currently, the Turkish economy can be said that it is operating “under circumstances of a truly open economy, macro economy where both current and capital accounts are completely liberalized” (Yeldan and Boratav and Köse 2000: 2).

Financial capital continuously increased its capital accumulation in the last quarter of the 20th century not only gaining profits in the production process but also in the global level. Therefore, starting from the 1980s structural adjustment programs with the support of the WB and IMF to provide free flow of capital and high real interest rates became the main phases of financial globalization of capitalism (Şenses and Taymaz, 2003; Yeldan, 2005). Yeldan (2005) says the priorities of the financial capital were different. Inflation was declared as an enemy because the wealth was melting down; however, unemployment and demand shortage were not significant problems any more.

In January 24, 1980, the government took stability measures. The depression was going to be dealt with measures; open economy, and in the long-run, integration with the world economy was targeted. Costs had to be decreased to increase compatibility in the world market, (Akkaya, 2000: 216). In the report “Turgut Özal was defending that Turkey would not be able to compete in the world market

with these ‘high wages, therefore, methods to keep wages under control should be found’ had been stated (Boratav, 2003: 147).

The government with Prime Minister Süleyman Demirel did not have the means for applying such labor opposition program in accordance with capital owners and their willing (Boratav, 2003). The September 12, 1980 military coup changed the regime, and the military took the labor market under control for three and a half years (Boratav, 2003: 148), “neo-liberal programs are implemented through authoritarian policies. The beginning of non-egalitarian distribution policies has been secured by anti-democratic means” (Cam, 2002: 105). The obstacles in front of the program January 24 had gone.

Ekzen (2003) defines this period as “Medieval Age of the Republic:”

Medieval age had destroyed ancient cities, ancient culture, science and its intellectuals. Everything was “holy juridical decision” for the people. Medieval age of the Republic demolished all Republican institutions, and buried the republican culture. Social, political and economic decisions, that are neo-liberal juridical decisions, started to come from international financial institutions (Ekzen, 2000: 632).

Industrialization efforts were cut with January 24 decisions and the country followed export oriented economy policies. There are some important differences between industrialization policies and export-oriented economy policies. The first one considers wages as a demand component, and the latter considers wages as a cost element. Wages are a component of production cost and it is a variety that capital can control it (Akkaya, 2000: 226; Cam, 2002). Therefore, when the economy is open and export oriented, with the anxiety of competing in the

international market, wages become an element of decreasing the cost of production. Turkey shifted its income distribution for the benefit of capital and applied structural adjustment programs regularly in order to rearrange labor market; it did connect to world capitalism and increased its foreign trade capacity (Onaran, 2002: 274).

According to the neo-liberal view, the first phase of these programs aimed to establish economic stability in the country. The purpose was to reduce domestic demand. Therefore, neo-liberal economy stated that labor market had to be flexible to provide a balance in the economy (Onaran, 2002). According to pro-neo-liberals in the first phase stability measures may have negative effect on the employment and income distribution, but later on, when the labor market is in order, structural adjustment programs will increase employment and decrease poverty in the long-run. Along with this point of view, unions and minimum legal wage applications seen as problems of adjustment capacity to flexibility of the labor market (Onaran, 2002: 273).

While restricting domestic demand, government took into consideration labor opposition policies instead of monetary and fiscal policies (Boratav, 2003: 149).

The post-1980 Turkish adjustment path can be divided into two phases: 1981-1988 and 1989-1998.

The main characteristic of the first phase is structural adjustment with export promotion, albeit under a regulated foreign exchange system and controls on capital inflows. Over this period, integration to the global markets was

achieved mainly through commodity trade liberalization. (...) The period was also characterized by severe suppression of wage incomes via hostile measures against organized labor. (Boratav and Yeldan and Köse, 2000:3)

In the second period, populism was dominated in the administration. Increased wages were financed by taxing the bourgeoisie. According to Boratav, Yeldan and Köse “the main macroeconomic policy response to the increased wage costs and culminating fiscal deficits was to complete deregulation of financial markets (...) with the declaration of convertibility of the Turkish Lira in 1989, Turkey opened up its domestic asset markets to global financial competition” (2000: 3). These authors say that the post-1989, the era of post-financial liberalization is a process where informal and marginalized employment have been intensified.

5.2.1. The Effect of 1980 Economic Transformation on the Turkish Society

1980s were the years of implications of neo-liberal policies in most of the developing countries. Most of the countries followed export oriented policies. In the early 1980s, exports shot up in Turkey. BWI institutions supported the neo-liberal path in Turkey and Turgut Özal was the extension of these institutions in Turkey:

He cut real wages, peasants’ incomes via adverse shifts in controlled agricultural prices, and government spending. The outcome was a sharp drop in domestic demand. At the time, the saving grace was that Turkey had built up an industrial base over decades of statist, inward-oriented policies. With depressed internal markets, producers started to look for sales abroad. Aided by currency depreciation and ample, targeted, and illiberal subsidies, exports boomed and helped output to grow rapidly through the mid-1980s. The provision of state support to enterprises was taken out of the hands of a relatively impartial bureaucracy and relocated in Prime Minister Özal's office. Corruption

flourished in the newly market friendly environment, contrary to all orthodox expectations (Pieper and Taylor, 1996: 25).

After the corruption in the economy, workers and peasants reacted against their incomes losses, and forced massive wage increases and pro-agriculture price shifts in the late 1980s.

Inflation took off and the distributional framework for the (orthodox) miracle collapsed. The authorities responded by opening the economy to external financial inflows, many of them “hot” which paid for import-led demand and domestic speculative booms in 1992-93 (Pieper and Taylor, 1996: 26).

In the labor market, new constitutional regulations were carried out, and as a result of this unions lost their power. Thus, flexibility became important in the labor market (Köse and Öncü, 2000; Eraydın, 2000; Akkaya, 2000; Cam, 2002; Onaran, 2002).

According to Cam (2002), the effect of liberalization on Turkish economy was negative. When we consider labor market, pro-market policies diminished unionization. “In 1979, the yearly average of workers who signed for collective bargaining remained less than 4% of total employment” (Cam, 2002: 97). The military regime of 1980, with the Unionization Act of 1982, banned DISK Revolutionary Workers Trade Union Confederation, and restricted union activities (Cam, 2002: 98; Boratav, 2003).

Taking into consideration the labor market, the effects of liberalization on employment, at the same time, affected social structure, as well. The employment structure shifted from secure jobs to temporary ones. According to Cam, pro-

market policies exacerbated employment in two basic forms: contract work and the outsourcing system.

After the mid 1980s, the contract work system as a temporary employment model became an overriding recruitment strategy in the public sector companies that were scheduled to be privatized. Market solutions extended the coverage of another temporary employment model, the “tacheron” system. (Cam, 2002: 95)

Workers due to the new employment forms started to work under worse working conditions. Working hours were not determined and there was inequality in the working place. Economy pushed workers out of work force, caused bad working conditions, and created new jobs to people:

The proportion of people working more than 25 hours per week is 33 % in the total working population. The proportion of people working more than 40 hours per week in total working population is 50 %. 35 % of total working population works more than 50 hours per week (Onaran, 2002: 279).

5.2.2. The Result of the Economic Transformation in the Turkish Society

It is mentioned above that the neo-liberal economic policies diminished in unionization, it caused regulations in the labor market, decreased the role of the state on the whole economy with privatizations and structural adjustment programs, and also new employment forms emerged. State withdrew from public sector, tried to decrease its role in the economy, moreover it privatized public sector and encouraged private entrepreneurship (Boratav, 2003; Onaran, 2003, Ekzen, 2003). Moreover, public expenditures turned towards financing internal

debt (Ekzen, 2003, Yeldan, 2005). Active governance principles substituted with welfare state system.

Turkey, through these policies, became and is a country where different levels of low wages are paid to workers. The legal minimum wage is low, there are wages less than that, and there are people who work without insurance, and earn little amount of money, in other words, there are many people working in informal activities just to receive some money. Therefore, people have two choices in front of them, first is to work in informal activities, or to be unemployed.

Workers did not have job security due to the flexible labor market (Onaran, 2000). According to a research made by DISK Birleşik Metal İş Union, workers gives priority to work security more than wages.

Q: If you had to make a choice, which one would you choose between these two choices: work security, or high wages.

A: For the year 1999, 783 workers paid \$340 for monthly wage answered: 91.1% of 783 workers choice work security. (Onaran, 2000:206)

The reason behind this is the anxiety of becoming unemployed in an environment where there is huge unemployment. Low wages do not create new employment opportunities owing to the financialization of the economy, but protects existing jobs.

5.3. Informal Employment in Turkey

In Turkey, informal working expanded not only in rural areas, but also in urban areas. Informal work creates a segmented labor market. According to Eraydın (2000), gross wages are equal in both formal and informal works. Worker in the informal job receives more net income than formal jobs. Eraydın (2000) says that due to the insurance payments in the formal jobs, a worker receive less net income, but a worker in the informal job does not have insurance, therefore, he or she receives insurance payment as money. Thus, especially women in the labor market prefer to work in informal jobs, because, according to the patriarchal family ideology in Turkey, they contribute to the family income rather than receiving subsistence income (Eraydın, 2000).

Workers prefer earning more than having social security (Eraydın, 2000). Especially if there is one insured worker in families, in which there are more than one worker, uninsured workers can benefit from the one's insurance, and can cover his or her health expenditures for free (Eraydın, 2000). As a result of this, they prefer to work without insurance, and receive more money.

On the other hand, the state promotes informal employment or informal activities of the companies in an indirect way. Eraydın (2000) states that labor laws protect workers and bring responsibilities to the employers. However, companies cannot fulfill these responsibilities due to competition in the market, and the state does not mind it. Therefore, it creates unfair competition, and workers, except certain

companies, cannot benefit from their legal social rights, at the same time, some firms, which serve these social rights, consider high unemployment rates and informal employment conditions, and keep wages at a low level (Eraydın, 2000).

Another indirect way of state promotion of informal work is the high taxes that are taken from wages. Income tax reduces the net income of insured workers, it decreases purchasing power parity, and workers do not prefer to work insured, and adjust themselves to informal employment opportunities (Eraydın, 2000: 111).

5.4. Case Studies of Informal Employment from Turkey

Taking into consideration the historical development of labor market towards a flexible one, we see that informal work has been created through migration, pressures on wages, de-unionization by the military regime, and export-oriented growth caused to a weak labor market. In order to compete, exporting companies started to use informal labor within their units.

Now, I would like to make a sample from case studies in order to show that under which circumstances informal workers work, and what kind of working place they use. In short, I would like to emphasize the features of informal work.

As it is mentioned above, outsourcing, home-based and any other form of production should be studied in the “global capital accumulation” framework (Özüğurlu, 2002: 400). Therefore, we should not miss the link between socio-

historical change and new capital accumulation forms. Denizli sub-contracting raw cotton material weaving is an example of this connection.

Özüğurlu states that Denizli textile production adapted itself to export-oriented growth model in 1980s. Looms and engines were coming from domestic market due to the previous ISI policies. However, after 1985-1990, machines started to come from abroad, and meanwhile Denizli took its place in international outsourcing and the production system of chains of global goods (Özüğurlu, 2002: 404).

Textile companies in Denizli started to produce foreign companies' goods with the brand of foreign firms for the world market. While these global firm (*küresel fabrika*) entrepreneurs were producing for international market, they received incentives and loans from the state (Özüğurlu, 2002). These loans and incentives helped them to change their equipments with modern and technologically developed ones. These global firm entrepreneurs developed a sub-contracting network in their local area, and created a new form of supply field in the world market (Özüğurlu, 2002: 404).

Firms are gathered in Denizli at Organized Industry Region (*Organize Sanayi Bölgesi*), and small Industry Sites (*Sanayi Siteleri*), and they benefit economically from being closer to the ports and market. They developed economic and social networks among them, and became a part of international production networks (Erendil-Türkün, 2000). Therefore they achieved to information easier, and it

made firms and region profitable (Erendil-Türkün, 2000). Nevertheless, some other capacity contracting firms were harmed by the economic crisis.

These firms only produce, and constitute labor reserve for the firms who sell goods to domestic and international markets. They do not export and consequently do not receive foreign currency. They are affected negatively in the economic crisis periods owing to the devaluations and free rate of exchange. When a crisis occurs, these global firms would limit their demand of goods from their capacity sub-contracting firms, and these firms would try to find new sub-contracting networks with other companies from different cities like Bursa, Adana, İzmir, İstanbul, or they will be closed. Therefore, sub-contracting firm will be unprotected (Erendil-Türkün, 2000; Özoğlu 2002).

On the other hand, there are informal working areas, which are not organized as Denizli or Gaziantep. According to a field study on shoemakers in Gedikpaşa, İstanbul, carried out by Müftüoğlu-Güler (2000), working places are usually small production areas, in the back streets, in the *hans*, old and/or in the wooden houses that are about to collapse, where there might start a fire in an incautious situation. People do not take precautions; working conditions are not hygienic and usually threat people's health (Müftüoğlu-Güler, 2000; Özoğlu, 2002).

These unhealthy working conditions are not a coincidence. In the informal employment, and work, low costs are important. Workers care receiving more money than their health.

Müftüoğlu-Güler (2000) points four basic elements that are necessary to be a shoemaker in Gedikpaşa. First, informal working areas that are constituted by informal networks and the relationship between employer and employee is usually informal. Sometimes, employer and employee are relatives and therefore, the production relation develops in this line (Müftüoğlu-Güler, 2000).

Second, informal worker works out of the social security system. Informal worker is interested in producing more and try to receive more money for per piece working. If the informal worker wants to be insured, it may cause to be unemployed, thus, worker never depicts his willing of being insured (Müftüoğlu-Güler, 2000). Informal worker minds the “reserve army of labor” who would like to work without insurance, and so, informal worker does not strive, cares his or her short time job, and wants to earn his or her wage.

Informal workers, related with the job they are doing, can work for part-time or seasonal, and at the end of the season, unqualified or low qualified workers become unemployed (Müftüoğlu-Güler, 2000).

Third, informal workers should accept working for per-piece. Müftüoğlu-Güler states that shoemakers follow sub-contracting production system. Hence, they follow the supply-demand conditions of market and produce according to these indications. When the orders are dense, informal type of work (flexible production system) keep up with the seasonal putting-out system. Therefore, informal workers would like to work more and earn more.

Finally, the last element is the individual perception of informal worker at work. Informal worker, due to the informal employment circumstances, always compete with himself and accepts himself as an “atomized individual”, therefore, informal worker considers himself far from unionization (Müftüoğlu-Güler, 2000: 133).

5.5. Conclusion

The reasons of the flexible labor market that stated in this chapter are 1980 military coup, neo-liberal policy implications by the Turkish State, integration with the world economy. These developments put pressures over the labor market that caused expansion of the informal employment. The welfare state did not fulfill its responsibilities, worsening working conditions broadened.

Until this chapter, we were able to review the literature on informal work and employment. From this point on, we will see a detailed study on the *kilim* weaving workshop. The working conditions of women in the workshop can be compared with the literature.

CHAPTER 6

THE PUBLIC EDUCATION CENTERS AND THE KILIM WEAVING WORKSHOP

6.1. The Definition and Function of the Public Education Centers

The purpose of establishing Public Education Centers (PEC) in Turkish Republic was to expand literacy and the new administration system, therefore, the first aim of the PEC is the education of people of the country.

PECs are connected with Ministry of National Education (MONE), and its functions are organized in accordance with MONE Widespread Education Institutes Instructions.¹² According to the Instructions' first part, first chapter and article 4, the courses that are given by PEC or any other institutes, such as literacy courses, professional and technical, social and cultural courses, are unpaid and open to public. The main objects of these technical and professional courses are to prepare people to business and normal life; to make them obtain working skills and become an active worker; to give them motivation and knowledge in order to open his or her own work or to work in another place; and prepare people, who are already working in a place, to new technology and innovations who could not be able to receive technical education in public or private schools.

¹²Ministry of National Education, Instructions of Widespread Education Institutes (Milli Eğitim Bakanlığı Yaygın Eğitim Kurumları Yönetmeliği, Resmi Gazete) 14.02.2006/26080 Available at: http://mevzuat.meb.gov.tr/html26080_0.html (visited: 19 May 2006)

The target and functions of the common education is defined in the part one, chapter two, article 5. As stated by the article, the main constitution has determined the general purposes and basic principles of the Turkish National Education. Parallel with this instruction, education should follow the Atatürk principles and revolutions in accordance with universal law, should be appropriate to democracy and human rights, and should be integrated with planned development targets in order to fulfill its function.

The national education should prepare permanent opportunities like literacy courses, or completing their unfinished education according to the necessities and features of the society and individuals; should prepare people to possible education occasions in order to become accustomed to the new technological, scientific, economic, cultural and societal developments of our age. For that reason, with the aim of development of the society, by activating public, private and local resources it is aimed to make people participate to development projects.

Other functions and targets are to introduce new technologies and improve new service areas in agriculture, industry and service sectors; to provide jobs to unemployed people or to people who want to work at a new job, and to help people to gain skills in order to improve their life standards; and teach people new abilities to spend their spare time more productive.

The principles of widespread education are first of all it is open to everybody; important to be suitable to every necessity; it should be permanent, scientific,

planned and open to modernization and developments; voluntary participation to the education process is important; about the financial support, all the courses and activities are gratis; *education is everywhere* is the essence; all the courses are in relation and integrated with the formal school education; activities and productivity are enhanced by cooperation with different public, private and volunteer institutions.

Second part, chapter one article 8 of the Instruction is about the activities that can be carried out in the centers, these are: providing continual education to complete incomplete education, and planning and applying programs in collaboration with relevant education institutions according to needs and conditions. Obtaining multi-sided job education, industrial education and applying professional and technical education programs; doing researches related with local labor market on the employable professional fields, arranging courses in these fields, and training qualified intermediary workforce are the activities of PEC.

Part six, chapter five, article 68 of the Instruction points the purposes of the programs. Age, gender and education differentiation is not regarded. People who had never been included or have left normal school system at a phase can attend these courses with the intention of improving knowledge, skill and behaviors. The centers considering the participators' capability, expectations and requests prepare these programs. The content of the programs are twofold:

a) general education programs: completing courses provide people a chance to complete their lack of education; citizenship education programs; health, family life, mother-child education programs; social and rural development programs, income-generating, skill-gained programs that are integrated with professional and technical programs and meet the needs of urbanization and agriculture technology;

b) Professional and Technical Education Programs: basic skill development programs; and technology programs.

In an interview with a representative of PEC, he said that when people want to follow courses or want PEC to open a course, they should convey their request to the governorship and then the governor send this request to PEC. The right of giving certificate only belongs to PEC in all around Turkey. All the services that are related with widespread education must be connected with MONE. Besides, private courses should be connected with MONE, as well, and any institution or individual cannot open an ability course without being in collaboration with PEC.

PECs search thoroughly the field in order to determine the needs of the area. PEC opens the course according to the number of people who want to attend. However, they do not consider the number in the literacy courses, and find the teacher themselves in these cases.

The representative defines the aims of the PEC are to pull people into education process, who had gone out of the normal school education, and provide them

employment opportunities, make them obtain new skills such as computer skills, language, accountancy courses, and make people to go appropriate with the new circumstances of the age. In some villages, milking, hunting and whitewashing courses are also included in the list of the PEC courses.

6.2. The *Kilim* Weaving Workshop and the Discussion

Before going through the case study of *kilim* weaving workshop, it is important to look at the situation of the town. What is the geographical condition of the town? What are the features of the town? Is it near to the market and is this town special to produce *kilims*?

The town is in the Central Anatolian part of Turkey, close to the Capital, Ankara. It is also a tourism town and receives native and foreign tourists. There are traveling tours to the city, most of these tours visit the activities of the PEC and tourists buy *kilims* or order *kilims* so as to buy in the next months.

Therefore, it is understandable why the *kilim*-workshop is in this town. On the other hand, when we get involved with the workshop, the idea of *kilim*-weaving course goes with the governor and the teacher. According to an interview I carried out in the Kale part, Ulus district of Ankara, the *kilim* shop owner told me that the governor had established another workshop in his previous post. After his designation to this town, the workshop turned into garbage area.

The same process has been happening in the town I study. Governor and the *kilim*-weaving teacher are assigned to another city, and women workers in the workshop have started to channel themselves to other forms of production such as agriculture, and the *kilim*-weaving workshop began to lose its significance in the town following their movement to other city. In addition, the new governor of the town does not consider the *kilim* workshop as an important income generating activity and he told to the representative of the PEC that he will not be involved in *kilim* weaving activity of the workshop, but they can continue if they want to carry it on.

6.3. The Role of the Social Cooperation and Solidarity Encouragement Fund

Kilim weaving activities in the workshop make progress with the subsidies of the Republic of Turkey Prime Ministry Social Cooperation and Solidarity Encouragement Fund (SCSEF) (*Türkiye Cumhuriyeti Başbakanlık Sosyal Yardımlaşma ve Dayanışmayı Teşvik Fonu*). The fund also implies the role of the state in its struggle with poverty.

Social cooperation is a part of service sector in order to diminish, delay and provisionally remove *deprivation* that comes out related with the organization of the society. Life as a human being can only be possible when the human deprivation is removed. Social cooperation gives priority to absolute human

deprivation, and makes an expansion to the relative deprivation. Social cooperation services are distant from populism, partisanship, and obligation.¹³

SCSEF gives the social help to the people who are not able to earn minimum income level to subsist himself/herself and the people around him/her that he/she is responsible to care. This help can be carried out by the official institutions or by the semi-official or volunteer institutions with the authority given to them by the laws. Before helping, they should determine and control who are in need of this help. After determining the people, the help maintains that these people suffice themselves sooner by giving them help in money, or goods. Therefore, according to the premiership SCSEF is defined as a kind of social security or social service to public.

According to the discourse of the state, human deprivation is the essential focus of the social cooperation services. Considering these reasons local initiatives are being established. The purpose is to increase incomes of people living in poverty in rural or urban areas, and make them have their permanent job and increase their life standards. Therefore, they create income-generating projects.

There is no limit of subject in income-generating projects. The aim is to contribute production and productivity increase in the present economic activities, or to use present resources in order to gain income. Some example projects are vegetable, animal production; agricultural production operations; handicraft, souvenir goods

¹³ www.sydtf.gov.tr

production; trade, retailing; sale marketing. Besides, there are educative projects devoted to employment. The main intention is to contribute to poor people in order to obtain social and technical skills by giving them short or long-term courses in collaboration with these public or civil society institutions, and to assist them to find jobs with these skills.

6.4. The Case of the *Kilim* Workshop

This study was carried out between December 2004 and December 2005. There were 30 women workers in the workshop: 22 of them were working in the *kilim* weaving workshop and 8 were working in the blanket weaving workshop.

I began to interview the women working in the *kilim* workshop and the representatives of the PEC in December 2004. *Kilim* workshop in this town has been active since 2001, and was established with the efforts of the newly assigned governor (*kaymakam*) to the town. Before this governor there neither a *kilim* workshop, nor a famous *kilim* design of this town.

The *kilim* workshop was established on a big area. It has a big saloon where there are 20 looms made of steel. Women work alone in these looms, because the PEC does not want any style differentiation in motifs of the *kilims*. PEC thinks that any change can affect the quality of *kilim*. When a *kilim* has a mistake, the PEC cuts 10 YTL (\$ 7,46; € 5,46) from the wage. However, as I mentioned before, women help each other when they have catch up the deadline of the orders or when they

are in need of money. Every loom has a wastebasket which is used for the unused wool rope.

The saloon was good arranged that it is always ready for tourist visits. Women sit on short divan (*sedir*) made of wood. They put cushion (*minder*) for sitting, to make the wood softer. They do not lean to anything, and they weave *kilims* always in the same position, only they can move sides of the divan depending on the width of the *kilim*.

Representative of the PEC told me that the economic situation of these *kilim* and blanket weavers is not good, and they support their families financially and contribute to their family income through their work. The idea of setting up a workshop was to provide work opportunities to poor people, and so that they could receive Social Solidarity Fund.

This workshop has been active until now, because the women have been producing good quality *kilims*. According to the definition of *kilim* by the PEC representative, *kilim* is a competitive market commodity, and they weave *kilims* with root colors and light woolen or silk rope in order to weave high quality *kilims*. They have plant roots to obtain the colors at PEC and they paint the ropes there.

Root colored *kilims* are durable and more qualified than chemical ones. These *kilims* can be used at least a hundred years and more without losing its color. (The *kilim* seller from Kale district)

Women, in December 2004, were weaving one square meter of *kilim* for 90 YTL¹⁴, and every square meter of a *kilim* brings 10 YTL to Social Cooperation and Solidarity Fund. Poor people support their families financially by working in the workshop. According to the PEC representative, families of the women do not make it a problem; on the contrary, families support them, sometimes, women bring their children to the workshop, and look after them there, so, it becomes a safe place for women and families:

We as PEC actually want them to work in their houses. It would be better for them, because they can work whenever they are free. They can cook, look after their children and weave *kilims* at the same time. However, it is not possible for now due to the lack of enough looms for everybody.

I think, the PEC representative perceives weaving as a natural skill and thinks that domestic responsibilities take primacy for women, and wants to expand the process of weaving into their lives that consequently women's labor will be occupied and employed full time during the day. In this case, women will have to cook, clean the house, look after their children and weave *kilim* during the day. They will not consider the labor time they spend on a *kilim*. There will always be a possibility for women that they can continue weaving *kilim* later. Then, he continues and says that they have many orders of *kilims* that women cannot catch up. As a result, in order to weave *kilims* faster, PEC may carry production process to the houses as a future project:

¹⁴ New Turkish Liras

We can shift workshop to a capitalist private enterprise in the future, nevertheless, that will be more profit based, because *kilim* trade is going very slow right now, but our primary concern is to help poor people in the town.

The women weave *kilims* to native and foreign tourists but also to Italian and American Consulates. The representative says that through the consulates PEC introduces Anatolian culture and *kilim* designs to western culture.

The PEC announces the courses that are established for people. PEC provides skills to local people that they can learn and earn money from jobs by using these skills, such as silver and copper handwork, blanket and *kilim* weaving.

In the *kilim* weaving process, PEC works in cooperation with the governor of the town. PEC prepares the training courses and the materials, and SCSEF finances the costs. The price change since the establishment of the workshop till 2004 can be seen in Table 3.

Table 3: The Price shift (2001-2004)

Year	cost of raw materials for each m ² of <i>kilim</i>	m ² wage for per worker	m ² price for per <i>kilim</i> in the market	Profit for per m ² <i>kilim</i> going to SCSEF
2001 ¹⁵	10 YTL (\$ 6,90; € 7,81)	45 YTL (\$ 31, 034; € 35,16)	75 YTL (\$ 51,72; €58,60)	20 YTL (\$13,79; € 10,92)
2004 ¹⁶	25 YTL (\$18,66; €13,66)	90 YTL (\$ 67,16; € 49,18)	125 YTL (\$ 93,26; € 68, 30)	10 YTL (\$ 7,46; € 5, 46)

Source: Central Bank of the Republic of Turkey Exchange Rates Archive¹⁷

¹⁵The exchange rate for December, 2001 \$1=1,45 YTL, and €1=1,28 YTL

¹⁶ The exchange rate for December, 2004 \$1=1,34 YTL, and €1= 1,83 YTL

The women in the workshop are paid per piece. According to the representative, PEC wants women to support their families. If a woman weaves 4m² *kilim* in a month, they can at least receive legal minimum wage¹⁸ and contribute to their family income. On the other hand, according to an interview with a woman worker:

A woman can weave a *kilim* at least in one and a half month, and almost always, due to the general orders of the *kilim* size, we weave 3 m², therefore, we can never receive legal minimum wage.

As can be seen from the Table 3, for a 3 m² *kilim*, workers earned 135 YTL (\$ 93,10; € 105,46) while the legal minimum wage was 222 YTL in December, 2001. On the other hand, a worker earned 270 YTL (\$ 201,50; € 147,54) while the legal minimum wage was 488, 70 YTL in December, 2004.

There is an apprenticeship period for the workers in the PEC. They actually do not receive *wage*, they receive “encouragement premium” (*teşvik primi*). Women work from 8.30 am to 5 pm, six days per week, and they also can work voluntarily on Sundays. They are not insured, thus they do not have social security. Most of the women have their social security coverage from their husbands, or fathers. Nonetheless, with the new social security law which is accepted by the Grand Turkish National Assembly and then by the President in June 2006, women who

¹⁷ <http://www.tcmb.gov.tr/> (30 December 2006)

¹⁸ Legal minimum wage for December 2001: 222,00 YTL (\$153,10; €173,43); for December 2004: 488,70 YTL (\$364,70; €267,05)
http://www.csgeb.gov.tr/istatistik/cgm/yillar_asgari_ucret.htm (visited: 30 December 2006)

are not married will not be able to use the social security coverage coming from their families, after they are 25 years old.

PEC normally brings lunch meals for women from soup-kitchen (*aşevi*). The function of the *aşevi* is to serve food to poor people. It is organized by the local authority or municipality of the towns or cities. Local authority pays the price of the food and *aşevi* serves it. Most of the times, *aşeviler* serve food in the evening during the Ramadan, the month of fasting. Unfortunately, in the workshop, some of the women do not like the meals of the *aşevi* and for that reason; they go and have their lunch at the restaurants or kiosks. However, PEC does not pay for food since they have an agreement with the *aşevi* of the town. Women seem that they do not want to eat it, and prefer to eat other things than the food is served to them. There might be two different factors behind this behavior: first one is, women may not like to be seen as *poor* eating the food of *aşevi*; while the second one is they may not really like the food served to them.

I witnessed an interesting event which, I think, is an important indication of the constituted relationship between the *kilim*-weaving teacher and two students within the workshop. There were 10 workers in the workshop when I was there for the weekend. Women gave me an impression of being under pressure by the PEC. Because, when I wanted to start an interview with a worker, I asked her how long she has been working in the workshop, she wanted to ask to the teacher to start the interview. I told her that I received permission from the teacher and that

they can easily talk to me. They wanted to ask to the teacher themselves, when the teacher confirmed my words and one of the women came near me and started to talk to me confidently.

This is an interesting point to consider for me since it indicates a significant relationship network in the workshop. The teacher sets up and manages the relations within the course. However, there could not be established the idea of a *kilim* workshop in the PEC by the teacher, governor and the representatives.

According to the instructions of the PEC, the main aim of the PECs is to provide literacy courses and skills to poor people who can work and support their families financially. After the assignment of the governor and teacher to another town, the number of women working in the workshop decreased. As the representative said before, the main aim of the workshop is to provide jobs to poor people and help them to contribute to their family incomes. So why they did not establish the idea within an institutional structure, why does it move with the governor?

One of the women I interviewed told me that she started to work in PEC when she was 18 years old. When the workshop was established, she started to work there. She began to learn weaving with a small *kilim*. She said learning how to weave a *kilim* takes a week. They receive money per piece, but they do not accept that they earn per piece and they say they receive money for per m²; however, they cannot gain the money before finishing the *kilim*.

The woman I interviewed with was weaving a *kilim* during the interview, and she said that she has been weaving the *kilim* for one and a half month. It was a 3 m² *kilim* and at the end of the month she was going to gain 270 YTL. She depicted that since nobody interferes with her, she does not pay very much attention to the job and this is one of the nicest things that she likes working there. When she wants to go out, she goes and does whatever she wants, and it makes her feel free in her job. She is single for now, and she likes working and earning her own money. As she does not need so much money, she feels free with the money she receives from the PEC, and it is enough for her to spend. She depicts that if she were working in another place, she would not be able to go out whenever she wants, but she also knows that she could earn more money.

In the PEC, she feels cared for because when she gets ill, the PEC helps her financially. PEC receives hospital expenditures, and buys medicine for women. When one of the women seems sick, the teacher permits her to go home and rest.

In the town, to be married is important, especially for the young women. According to this young woman, working means freedom, and this freedom is until marriage. Women can start to work when they are older, when they have children in the ages of 10-11 or over. There are women working in the PEC who have children at those ages, and there are older women, as well. The PEC says that there is not a problem for women to work there. However, another woman

told that if they did not have some financial difficulties, their husbands and the society would not let them to work.

Women support each other financially in the workshop. They collect some certain amount of money among them and give it to one of them every month. The woman, who receives money, prepares cake and pastries at home and serves it in the workshop with tea, at noon. Thereafter, they continue working. This kind of women gatherings are called as *gün* (days) in the society, and women come together in the houses of one another, but these working women makes this social activity in the workshop.

A young woman said that if she were not working and staying at home, she would probably be joining to the *gün* among women or family visits. She said these kinds of gatherings are so common in this town.

Women at home only do their housework, watch TV, and visit each other, however it is very boring to stay at home more than two days, so, I prefer working, and so, I can go out of the house.

Working in a workshop gives her a group identity. This makes her free in the patriarchal society, and therefore she can go out of the house and do the things that she would not be able to do or she would had to ask to her father: in short, she would need her father's permission.

She said, when a girl gets married in the town, the husband's family does not let women to work, to work more than the husband, or to earn more money than the husband. They think that women should work in the house and take care of

housework. She criticized her family, too. They want her to quit working, and get married. Nevertheless, she wants to work and likes spending the money she earns.

I prepare my own trousseau, when I want to buy a gift to any of my friends, I just buy it, I do not ask for money from my father, but if I were not working, I had to ask my father and it is not certain that he would give me any.

It is an example of the idea that if women work at home it would not make them independent but rather make them dependent on the family. The woman said that these days she could leave the job because, her family wants her to get married, and interview the family of the prospective groom. She does not want to get married, but she does not want to oppose her family either.

I wish I had studied and gone to the university. Now, I would have had my own job, and I would have been working in better conditions.

In the traditional patriarchal family, young women do not have the opportunity to oppose the father as far as the father is the head of the family. Therefore, I think that since she could not say to me that “I cannot oppose to my father” and she said she does not want to oppose her family.

She quit secondary school education when she was 13, her family wanted her to continue her education but she did not want it. At the moment, she wants her sister to continue her studies and attend university.

She and her sister started to work in the workshop together. After her elder sister got married, she had to leave working in the workshop. The elder sister worked there during her engagement period that she prepared her own trousseau, but

afterwards she left the job because her husband did not want her to continue.

There was another engaged girl in the workshop that she had the same fate with elder sister. This young woman will also leave working in the workshop after her wedding. She added that this opinion would change eventually; it is a traditional point of view that results from the previous generation.

Women, who are married, have problems within their families, too. Sometimes husbands, and sometimes their sons do not want their wives or mothers respectively to work. They consider it a moral issue. However, financial problems of the families enable women to work, and their families cannot say anything to this situation, but it is a temporary situation, too. An adult, divorced woman said that:

I take care of the house and the children. Actually, my son does not want me to work, most of the women here have the same problem, and their husbands do not want them to work either. Nevertheless, they do not tell this to others. My son does not confirm that I work, but he is serving in the military right now. When he finishes his military duty, I will quit. On the other hand, my daughter is going to get married, so that, I have to work and make her dowry.

The idea of the son shows us that he thinks “the proper place for a woman is at home, attending her housework and the children, while her husband is the breadwinner” (Ecevit, 1991: 56). Yet, the son may be deeply under the effect of the patriarchal family structure, which produces a *masculinity* that he cannot bear his worker mother which shows in the community that he cannot look after his family, and his family has to work to earn money.

Women in the workshop are not insured so they do not have social security.

Women requested to be insured, but PEC did not accept this request. The reason why women did not get social security according to PEC is women do not work between certain hours; they go out and come throughout the day. As stated by some women, they asked to work in scheduled hours, but PEC did not accept it depicting women would not follow the hours, and it would not work like that.

Women asked at least some of them, who are working from the beginning, for five years, could be insured, for the result, PEC did not accept it either.

I think the PEC thinks that women give priority to the domestic responsibilities so that the PEC does not perceive women as workers who are weaving *kilim*, but more considers them as doing tasks which are their *natural* skill. This perception causes women weavers to be seen as cheap workforce.

On the other hand, according to the patriarchal family ideology, marriage takes an important place in the society, and women after marriage usually are headed by their husbands' father that they are not allowed to work. The PEC knows that and thinks that after their marriage they will leave the job, because usually husbands' families do not accept working brides. This is another example that the PEC perceives women as cheap labor.

There is another young single woman in the workshop, and she likes weaving *kilims* very much. She points that weaving *kilim* is producing an art, different kinds of designs with different kinds of colors and ropes make her feel excited

about her job. She wants to weave *kilims* with different designs, but the workshop does not let her to do. As far as the *kilim* orders come from some certain designs, the PEC cannot make any change in the designs. Therefore, women have to weave always the same designs.

She depicted another important point that they have problem of using time. Time management totally depends on the women, but when they have to bring up the *kilim*, they have to work harder without taking a break. As a result, they have to work in the same situation hours and hours, this causes them hand, arm, shoulder and back aches. Sometimes, she likes very much the *kilim* she weaves, and wants to buy it, but the PEC told them that they had to pay the same market price, for that reason they cannot buy the *kilims* they weave.

In my opinion, it is very significant that the workers cannot buy the *kilims* they want, and they are obliged to pay the market price to the PEC. It shows us that there are two kinds of constituted production relationships in the workshop. First, in the weaving process, or in the production process, it seems that there is a family or friendly relationship. Working hours are free, they can gather among each other in the workshop, have chat, prepare cakes and tea and behave as if they are at home, help each other financially. Women are seen as cheap labor, they do not see weaving as job, but more as a spare time activity. Nevertheless, when the *kilim* as a market commodity is in question, market conditions become valid and family relations end up.

The last interview I had with workers with long periods in the PEC was in December 2005. At that time, there were eight women working in the workshop, and still they were working for orders. They made a plan and realized that they are full until July 2005. The representative of the PEC was worried about catching up the orders.

In my opinion, the appointment of the governor and *kilim*-weaving teacher to another town influenced the number of women working there. The new governor does not pay much attention to the *kilim* weaving activity of the PEC so; there is an ambiguity in the workshop. Women workers started to quit the job and they are worried about the money they receive stating that it is not enough for subsistence. Since they earn more money through agricultural work, women who quit prefer to work in arable fields where 20 YTL (\$14,92; €10,92) is the daily wage. If they work everyday, they can easily receive 600 YTL (\$447,76; €327,86) for a month. However, they can only receive 270 YTL if they weave 3m² *kilim* in one and a half month. Women who were still working there told me that they want to leave the job, but they had already started to weave the *kilim*, and after finishing that *kilim*, they were going to leave the job.

At this point, I would like to emphasize the relationships created in the workshop, which is quite related with the workers. In my opinion, the teacher was an important factor in constructing what White (1994) calls “money makes us relatives” relations. She was a kind of key factor among governor, PEC and the

workshop. From this point on, I argue whether a person, by herself, can build relations appropriate to production mechanism, because, a significant event took place in the workshop after the appointment of the ex-governor and ex-teacher to another town. There emerged *local skepticism* among workers towards PEC.

I think, they lost their confidence with the PEC and workshop. They started to interrogate among each other whether the PEC takes apart some amount of money from the *kilim* sales. Moreover, women accept that they are working per piece in the workshop. Consequently, whether the exploitation was hidden via teacher in the PEC should be questioned.

They not only demonstrate their dissatisfaction or discontentedness to me, but also to tourists who come to the town to visit the workshop and other production areas. Tourists stated surprisingly how they could work so cheap for a very complicated labor intensive work, women, who did not want to start to an interview with me at the beginning, confirmed their views quickly. They said that the prices of the *kilims* are very appropriate to buy, a *kilim* is very cheap; however, at the same time, they receive very little money from the PEC, and declared that they are being exploited. In some situations, in the payment time, they count how much they should receive for a *kilim*. Before the appointment of the teacher and governor to another district, women were not questioning the authority, but now they count how much they should be paid, and if the payment is not complete they question PEC whether they exploit them. They said that sometimes PEC does not

pay 10-20 YTL, and women find out, now both sides count the wage that should be paid to workers.

In one of the earliest interviews I had in the workshop, the representative of the PEC had told me that due to the high quality of *kilims*, people order many *kilims* from them. However, I observed that the idea of a *kilim* workshop moves to new places with the governor and the teacher. Thus, can we say that the governor and the teacher are carrying their ideas and connections to the places they go? Can we ask whether they have a profit in doing this? Maybe the answers to these questions are “no”, but it is obvious that consciously or unconsciously there is an intensive exploitation in the *kilim* workshop in the town, and the law has regulated these kinds of activities. Everything is according to the directives of the regulation. Hence, we can see that the official regulations permit and even encourage informal employment and these kinds of works are promoted in order to decrease “human deprivation.”

6.5. Conclusion

The *kilim* weaving workshop case challenges the definition of informal work. The definition of informal sector has been argued by several scholars in the theoretical framework chapter. De Soto defines informal work as the answer of people who are excluded from the formal sector which is regulated by the state, and he also states that people who are involved in informal work are potential entrepreneurs.

However, in the case study we come across with the state official as the organizer of the workshop, and a state institution as the administration of the workshop.

On the other hand, Portes and Castells (1989) define informal activities as survival activities performed by the poor people on the margins of the society.

Our case constitutes another contradictory existence to this definition that and again the organizer is the state official working hand in hand with the state institution.

In chapter three, it is explained that producers can only produce if the merchant has competitiveness in the market, so that the merchant can pay to the workers or small-scaled firms for the costs of the goods. In the *kilim* workshop case, it is open to speculation that workshop is the small-scaled firm manufactures *kilims*, PEC is the manager and the governor is the merchant who has a network or competitiveness in the market. In the *kilim* market, especially in İstanbul¹⁹, quality is very important, competition and prices are high and given in terms of US Dollar that most of the time, according to the *kilim* sellers, *kilim* buyers are foreigners, and they export to the United States of America and Europe.

The workshop case is not independent of the socio-economic circumstances of Turkey. It has many similarities in terms of workers' conditions with the definition of the informal work. In the case study, workers are not insured, they do not have social security, they work and weave a market commodity and sell in the

¹⁹ İstanbul *kilim* market can be observed in and around of Sultanahmet. Moreover, web pages on *kilim* can be checked in order to see prices.

market but they are there as students of the workshop who are learning how to weave *kilims*. They have to work more and spend more hours in the workshop when they need to earn more money, like in the case of shoemakers in Gedikpaşa. They earn encouragement premium (*tesvik primi*), under the rules of SCSEF which declares that these activities are carried out in order to decrease human deprivation. For all those reasons depicted above, I claim that women are being exploited by the state institution and the state creates its own informal work.

CHAPTER 7

CONCLUSION

Throughout the thesis I wanted to emphasize how neo-liberal policies affected the whole world *economy* since 1980s. I also emphasized that we cannot distinguish the economy into two such as formal and informal. Dualist thinking cannot be acceptable that in any case capitalist mode of production, the system or the economy itself benefit from these activities. Such understanding result not to see the linkages between formal and informal economic activities. Başak (2005) underlines these linkages as backward and forward. The backward linkage indicates the flow of raw materials, equipment and consumer goods from formal to the informal economic activities, whereas the forward linkage points towards the flow of goods and services informal sector enterprises and to the formal as inputs into the latter's production process (Başak 2005). Therefore, we cannot neglect the interaction between *formal* and *informal* economic activities in the whole economy.

On the other hand, state has strong connections with the labor market that we cannot claim informal work functions outside state regulation. In my study, I wanted to show the presence of state regulations, and state endeavor in carrying out informal work. I think, the state allows informal work due to several reasons and one of them is the state concern of competitiveness in the international market. In order to compete in the global market, the state accepts and adopts

flexibilization and informalization in the labor market that it decreases the state's responsibilities arises from being a *welfare state*.

The second reason is to provide "social peace" as stated by O'Connor (2000) –a welfare state theory maker- that welfare state has a responsibility of providing "social peace" in the society through financial aids to the unemployed people such as unemployment salaries etc. however, it is a contradiction that now, the state allows informal income generating activities in order to provide "social peace."

When the state does not fulfill its welfare responsibilities or allow informal employment, what are the rights that people are deprived of? A welfare state has to redistribute of income against poverty and inequality, however, Turkey as a result of being a developing country, cannot perform its functions. Therefore, the state will not be able to allow informal workers to benefit from social security such as pensions of retirement, security of job accidents. Informal employees will not be able to utilize social services, when these workers get ill, they will not receive health care. Nevertheless, people will accept working under these circumstances because, as McKeever (1998) points, people think that "underemployment is better than unemployment." Therefore the state will not have to afford welfare services to people due to their unrecorded information in the formal jobs.

As it is depicted in the theoretical framework, immigrants, ethnic minorities, women, illiterate and finally young people work in the informal jobs. People

migrated from rural to urban areas during the ISI period that caused rapid industrialization and pushed people to cities in order to find better jobs and better living conditions. Migration from rural to urban caused an expansion in the size of informal work in the cities, but it does not indicate that in rural areas there are no informal work examples. Agricultural work is an example of informal work which includes family farming in which women are employed as informal workers. However, as McKeever (1998) states, informal jobs mean a significant fall in the material quality of life that people would not be able to live in better conditions.

Another factor in involving in informal work is ethnicity. However, in the *kilim* weaving workshop case study these two factors are negligible that neither ethnicity nor migration has significance in involving informal jobs. Because women in the workshop are natives of the town and there was only one woman who was Kurd.

I think it is important to underline that economic conditions of the country extends the *defined* limits of informal workers which the presence of public institution as the employer makes the case more interesting. The common feature of my case with the definition of who works informally is the workers are women.

7.1. Policy Recommendations

First of all there is a huge contradiction that the state institution employs women informally. It signifies that capitalist intentions are embedded in the workshop as far as it is a workshop manufacturing *kilims* to sell to the market by the PEC.

According to the PEC Instructions, it is supposed that there is a training process wherein women learn how to weave *kilims* with the *intention* that later on they can have their loom, weave *kilims* and sell it in the market. However, for five years women have been working there and since they even cannot buy the *kilims* they weave, how they can buy the loom, rope and how will they reach to the market in order to sell the *kilims* they weave?

Workshop should adjust diversity in production that *kilims* can be woven not only for the floor covering but also for several other purposes such as bed covering, sofa and table coverings etc. as far as *kilim* as commodity gains popularity in these days.

In Turkey, there should be adopted a kind of education or study in order to remove the ideology of gender disparity, patriarchal-family ideology and the idea of the place of woman is her home. Women should be aware that they are workers and are producing a market commodity which is sold in the market. Weaving is not a task that they have been doing since they were born.

7.2. Recommendations for the future researches

In general, this study contains state-labor market; state and BWI interaction and their impact on the state role on the economy and labor market. On the other hand, it includes gender-labor market; and informal work-labor market interaction.

However, for the future studies I would like to recommend that all these titles can

be studied in different works. The welfare state structure in Turkey and the change after the neo-liberal policy implications in the economy can be studied all alone.

On the other hand, this study lacks an in-depth analysis of feminist theory and gender relations in the labor market. More attention would be given to this inquiry. Another PEC with a similar occupation can be researched and the results of that research could be compared with this one in order to see the state involvement by PECs in informal income generating activities. There are 81 cities and 850 districts²⁰ in Turkey. There would be 931 PECs in every district and city that I do not consider the big cities where there is more than one PEC. If every PEC has 30 workers working informally we would encounter 27930 informal workers, working at a state institution. These findings would allow us to compare the rate of informal employed women over formal employed women by the state.

²⁰ http://www.tuik.gov.tr/yillik/yillik_2004.pdf (visited: 28 December 2006)

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APPENDICES

APPENDIX A

The nine particular deficiencies of informal-formal classification for Bromley

First is dividing all economies into two categories. He says, “A division into larger number of categories would give each category, considerably more internal coherence” (Bromley: 1974: 1033).

Second, the informal-formal division is logically contradictory. Numerous different categories can be applied to classify a given economic activity into the formal or informal sectors, and “yet no multivariate analysis procedure is used in classifications” (Bromley: 1974: 1033).

The third deficiency for Bromley is using dualistic classification and terminology by analysts. For him “it presents two sectors essentially separate and independent. However, sectors are continuously under the effect of state intervention, and that one part of the sector may be created by the other sector” (Bromley, 1974: 1033).

Fourth, it is often mistakenly supposed that a single policy prescription can be applied to the entire informal sector (Bromley, 1974).

Fifth, as stated by Bromley, “there is a curious tendency to view the informal sector as exclusively urban and to use alternative terms such as “the rural

traditional sector” to describe analogous activities outside the towns and cities” (Bromley, 1974: 1034).

Sixth, “there is a great lack of clarity concerning what else exists as well as the formal and informal economies” (Bromley, 1974:1034). He continues saying that “this two-sector division is often complemented by other categories such as “the State Sector,” “the executive professional sector,” and “the rural sector” or its subdivisions into “rural modern” and “rural traditional” (Bromley, 1974:1034).

The seventh deficiency for Bromley is people who advocate help to the informal sector often depict the informal sector as “having a present but no future” (Bromley, 1974:1034). Bromley points that informal sector is defined as having lack of government support, ““under-recording” or “not recorded in official statistics”, and it operates outside formal sector” (1974: 1034). When the government support and recognition take place, it will automatically switch to formal enterprises. Bromley argues this below:

This approach may also combine with a simplistic “target group” view of the informal sector which assumes that the only obstacle to growth and prosperity for informal sector enterprises is the negative attitude of government towards the sector. In this view, government support is a virtual guarantee of success. This neglects the complex competitive and subordinate relationships of small enterprises with larger enterprises, and the wide range of strategies available to monopoly capitalism to suppress the competition of small enterprises. (Bromley, 1974:1034)

Eighth, Bromley emphasizes a confusion of “neighborhoods, households, people and activities, with enterprises” (1974: 1034). He argues that “the informal/formal division is inapplicable to many people as they work in both sectors at different stages in their life cycle, times of the year, or even times of the day” (Bromley, 1974:1034).

Ninth, and last, according to Bromley, there is tendency to consider ““the urban informal sector” and “the urban poor” to be synonymous” (Bromley, 1974:1034). He depicts that “by any reasonable definition, not all persons who work in the informal sector are poor, and not all poor people work in the informal sector” (Bromley 1974: 1034).

APPENDIX B

International Sub-Contracting

International sub-contracting is another form of sub-contracting. As it is depicted before, sub-contracting avoids the problems of marketing, outlets, brand names, publicity, market research and design. At present, most sub-contracting systems are set up in developing countries, and there is probably little use of third-country products (Sharpston 1975).

According to Sharpston “demand for international sub-contracting is a ‘derived demand:’ it depends on the pattern of demand for final products in the developed world” (1975: 98). Their method of manufacture, and cost differentials are important. Sharpstone (1975) depicts that demand for international sub-contracting has been in reply to the differentials between labor-costs in the developed and the developing countries:

Thus, for labor-intensive operations, international sub-contracting has been an increasingly attractive option for firms in the developed world. To some extent, demand for international sub-contracting has also been encouraged by governmental regulations in developed countries. Several developed countries have tariff regulations, which permit low effective tariffs to be levied in the further processing abroad of semi-manufactures produced in the developed country. (Sharpston 1975: 98)

According to Sharpston (1975), there are other reasons of international sub-contracting than comparative costs, and one is the changed attitudes of firms. For him, there is a rising motivation among firms to think in terms of “worldwide production and marketing possibilities, rather than treating overseas operations as separate from and subsidiary to operations in the country” (Sharpston 1975: 99). Finally, the other reason for Sharpston (1975) is innovation in the production system.

On the supply side, Sharpston (1975) states that developing countries have shown an increasing willingness to make themselves available for international sub-contracting jobs. By the late 1950s and 1960s, Import Substitution Industrialization strategy was found as an inadequate model for industrialization (Onaran 2000, 2002; Boratav 2003; Sharpston 1975). Sharpston (1975) depicts that in the 1970s, there was a growing emphasis among development economists on export, rather than import substitution.

Gradually, developing countries began to open their economies, making importation and exportation easier, and providing certain direct or indirect subsidies to export industries. Within this situation, international sub-contracting permitted access to developed country markets without the risks and problems (Sharpston 1975;).

As stated by Sharpstone (1975), international sub-contracting creates an opportunity to compete in international trade. He says that “high freight costs can

make it easier for certain developing countries to engage in international sub-contracting” (Sharpston 1975: 112). The industrialized developing countries may be able to manufacture certain products or perform certain services which neighboring less advanced countries need, and their low wage-rates relative to the developed world may make them competitive.

However, I do not agree with Sharpston at this point. International sub-contracting may create an opportunity to take a part in international trade but it would not give an opportunity to compete in it for the country. International sub-contracting does not mean for the country that the company is exporting; moreover, developing country’s company is producing goods for the developed country’s firm. This, in other words, can be called as international contracting production. The merchant company chooses the other producing company but this time from a larger, international scale.

For example, a Merchant A company chooses a Turkish B company, as a contracting producer. Why does A choose B? We should consider that in capitalist economies, firms operate with the incentive of profit maximization. In order to gain more profit, A will choose B, because it will be the most appropriate one, in terms of costs and production system. Therefore, B will cover its costs, and expenditures for the production, but will not gain more, and in order to produce for the next time, B will always have flexibility towards A. However, this does not mean that B has competitive power in international trade. To compete it is

necessary to innovate new technologies, to produce know-how technology rather than importing it. Therefore, international sub-contracting creates dependency of B to A.

According to Sharpston, possible effects of international sub-contracting to society are first, “it supplies direct source of foreign exchange” (1975: 128). He also depicts that international sub-contracting provides “industrial employment at low capital cost per worker” (Sharpston 1975: 128). On the other hand, international sub-contracting may also “heighten the problems of regional imbalance in development. Sub-contracting will tend to concentrate in existing major industrial centers, or possible in a special Free Trade Zone” (Sharpston 1975: 128). As stated by Sharpston “creation of a Free Trade Zone in a backward region in order to achieve a regional balance in the country may fail the investors” (1975: 128).

Lastly, Sharpston says that international sub-contracting can be seen as an alternative way to the legal or illegal immigrant workers from poor countries (Sharpston 1975: 132).