NEOLIBERAL PENSION REFORM AS A CLASS PROJECT: THE CASES OF CHILE AND TURKEY

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

BY

BURCU GÖKÇE YILMAZ AKIN

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY
IN
THE DEPARTMENT OF INTERNATIONAL RELATIONS

SEPTEMBER 2014

Approval of the Graduate School of Social Sciences

Prof. Dr. Meliha Altunışık
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Doctor of Philosophy.

Prof. Dr. Hüseyin Bağcı
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy.

Assoc. Prof. Dr. Pınar Bedirhanoğlu
Supervisor

Examining Committee Members

Assoc. Prof. Dr. Galip Yalman	(METU, ADM)	
Assoc. Prof. Dr. Pınar Bedirhanoğlu	(METU, IR)	
Assoc. Prof. Dr. Sevilay Kahraman	(METU, IR)	
Assoc. Prof. Dr. Özgehan Şenyuva	(METU, IR)	
Assoc. Prof. Dr. Gülbiye Y. Yaşar	(AU, HM)	

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name : Yılmaz Akın, Burcu Gökçe

Signature :

ABSTRACT

NEOLIBERAL PENSION REFORM AS A CLASS PROJECT: THE CASES OF CHILE AND TURKEY

Yılmaz Akın, Burcu Gökçe
Ph.D., Department of International Relations
Supervisor: Assoc. Prof. Dr. Pınar Bedirhanoğlu Toker
September 2014, 211 pages

The purpose of the thesis is to demonstrate the validity of David Harvey's argument that neoliberalism is a class project in relation to the transformation of pension systems in the countries of the South that have been forced by the International Financial Institutions since the 1980s. The proposed reform has tried to be justified by a discourse that has emphasized the need for sustainable pension systems in the face of population ageing while population ageing has indeed been one of the most important demographic problems of primarily the countries of the North. Even though the neoliberal pension reform has aimed to reduce the role of the state, the practice has affirmed Andrew Gamble's argument that a strong state is needed to sustain the free market economy in pensions which is capable of making necessary pro-capital redistributions as also Harvey underlines and managing the social and political implications of the relevant transformations. Two important achievements of the neoliberal pension reforms from the perspective of capital have been the redefinition of the pension issue from an important political question to an age-based technical on the one hand, and the opening up of the pension "sector" to capital accumulation through its commodification. The thesis will focus on the pension transformation in Chile and Turkey in order to understand the political and economic context and contradictions of the process in line with the main arguments of the thesis.

Keywords: Neoliberalism, pension reform, International Financial Institutions, countries of the South, Chile, Turkey.

ÖZ

BİR SINIF PROJESİ OLARAK NEOLİBERAL EMEKLİLİK REFORMU: ŞİLİ VE TÜRKİYE ÖRNEKLERİ

Yılmaz Akın, Burcu Gökçe
Doktora, Uluslararası İlişkiler Bölümü
Tez Danışmanı: Doç. Dr. Pınar Bedirhanoğlu Toker
Eylül 2014, 211 sayfa

Bu tez çalışmasının amacı David Harvey'in "neoliberalizm bir sınıf projesidir" savını 1980'den bu yana Uluslararası Finans Kuruluşları tarafından Güney ülkelerine uygulatılan emeklilik sistemi reformları bağlamında açıklamaktır. Söz konusu reform süreçleri yaşlanma sorunu çerçevesinde emeklilik sistemlerinin sürdürülebilirliği üzerinden meşrulaştırılmaya çalışılmaktadır. Hâlbuki yaşlanma sorunu Güney ülkelerinden çok Kuzey ülkelerinin önemli bir demografik sorunudur. Her ne kadar reform süreci devletin rolünü küçültmeyi amaçlasa da pratikte Andrew Gamble'in "güçlü devlet" savını doğrulamaktadır. Diğer bir ifadeyle, emeklilik alanının serbest piyasa koşullarında düzenlenmesinde sermaye yanlısı dağıtım politikalarını ancak güçlü bir devlet sürdürebilir ve emeklilik reformunun sosyal ve politik sonuçlarını yine ancak güçlü bir devlet yönetebilir. Neoliberal emeklilik reformu sermaye açısından iki önemli başarıya imza atmıştır: Emeklilik meselesi yeniden tanımlanmış, önemli bir politik konu olmaktan çıkmış ve teknik bir konuya indirgenmiştir. Buna ek olarak, emeklilik alanı sermaye birikimine açılmıştır. Bu tez çalışması siyasi ve ekonomik süreçler bağlamında Şili ve Türkiye'de emeklilik reformuna odaklanmakta ve sürecin çelişkilerini tezin temel savları çerçevesinde anlamaya çalışmaktadır.

Anahtar Kelimeler: Neoliberalizm, emeklilik reformu, Uluslararası Finans Kuruluşları, Güney ülkeleri, Şili, Türkiye

To the Memory of My Mother

ACKNOWLEDGEMENTS

First and foremost, I would like to express the deepest appreciation to my supervisor Assoc. Prof. Dr. Pınar Bedirhanoğlu Toker for encouragement, insight, criticism and advice she has provided throughout my time as her student.

I would like to thank my committee members, Assoc. Prof. Dr. Galip Yalman, Assoc. Prof. Dr. Sevilay Kahraman, Assoc. Prof. Dr. Özgehan Şenyuva and Assoc. Prof. Dr. Gülbiye Yenimahalleli Yaşar, for their valuable comments, suggestions and remarks on the thesis. I am also indebted to Yıldırım Koç who provided me with primary sources and insight.

My family deserves special thanks for their faith in me during the years of my study. In particular, I am indebted to my spouse İlker and my elder sister Özlem for providing me with endless support.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AFP	Administradoras de Fondos de Pensiones
APS	Pension Solidarity Complement
BAĞ-KUR	Social Security Organization of Craftsmen, Tradesmen and Other Self- Employed
BRSA	Banking Regulation and Supervisory Agency
BSP	Basic Solidarity Pension
CBRT	Central Bank of the Republic of Turkey
CISS	Inter-American Conference on Social Security
CMB	Capital Markets Board of Turkey
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
JDP	Justice and Development Party
HIC	Health Insurance Commission of Australia
IDB	Inter-American Development Bank
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
IPS	Individual Pension System
ISI	Import-Substituting Industrialization
ISSA	International Social Security Association
OECD	Organization for Economic Cooperation and Development
MLSS	Ministry of Labour and Social Security
MÜSİAD	Association of Independent Industrialist and Businessmen
MPG	Minimum Pension Guarantee
NDC	Notional Defined Contribution

NGO	Non-Governmental Agency
NSP	New Solidarity Pillar
OYAK	Armed Forces Pension Fund
PASIS	Means-Tested Assistance Pension
PEPF	Public Employees Pension Fund
PAYGO	Pay-As-You-Go
PMC	Pension Monitoring Centre
PPDPL	Programmatic Public Sector Development Policy Loan
PWC	Post-Washington Consensus
SAFP	Superintendency of AFPs
SIB	State Investment Bank
SII	Social Insurance Institution
SPO	State Planning Organization
SSI	Social Security Institution
TİSK	Turkish Confederation of Employer Associations
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
TURKSTAT	Turkish Statistical Institute
TÜSİAD	Turkish Industry and Business Association
USAID	United States Agency for International Development
WC	Washington Consensus
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

In the last thirty years, the welfare state has been shrinking in the world and private pension accounts have flourished especially in the countries of the South within the framework of a global campaign on pension reform that underlines the need to abandon state-funded pension systems. This thesis will problematize the simultaneous introduction of private pension accounts in the South as one of the most important examples of the implementation of neoliberal economic and social policies in the world.

Concerning the pension systems, the abandonment of full-employment policies and the enforcement of flexible labour market policies with the neoliberal transformation in the world created a crisis environment for traditional pension systems. Then, the International Financial Institutions (IFIs), national and international neoliberal actors started to promote pension reform to face with this crisis. The problem of population ageing and the sustainability of pension systems have become the basic arguments of neoliberals to force pension reform in the world. The reform package envisaged a reduced role of the state by downsizing the public pension pillar and an increased role to financial markets by introducing private pension accounts.

Even though the conventional literature defines the forced change in pension systems as reform, it is better named as a transformation or restructuring since "reform" has a positive appeal as improvement. As it will be elaborated in the following chapters, the neoliberal transformation of pension systems and the implementation of private pension accounts have not served to the benefit of labourers. Moreover, the 2008 global financial crisis has proved the fragility of private pension accounts as the latter have incurred substantial losses. The forced pension transformation in the world has indeed constituted one of the best examples of David Harvey's argument that neoliberalism is a class project.

1.1. Basic Definitions

Public and private pension systems differ in terms of three basic characteristics that can be identified as the finance model, pension plan, and benefit structure. In economic terms, public pension systems require full employment policies since they are financed by pay-as-you-go (PAYGO) method which means that the pension benefit of the current retirees is paid out of taxes that are paid by current labourers. In other words, the revenues and the expenses of the system are realized at the same time. In this context, the system is very sensitive to the premium collection and the efficient use of accumulated funds. The public pension system is mandatory for all employees. As the system is based on intergenerational solidarity, there is redistribution from younger to older and from high-paid to the less-paid.

In the public pension systems, the retirees are paid through defined-benefit schemes[1]. That is to say, a guaranteed benefit is calculated according to a prescribed formula. Public pension systems have flat-rate benefit structures. Therefore, the amount of pension is determined by the length of membership in the scheme. The total earning throughout the working life and the contributed amount are ignored during the calculation of the pension payment.

The private pension systems operate on a funded basis instead of PAYGO. Since the accumulated pension funds are invested in financial instruments, they are exposed to volatility in the financial markets.

The private pension systems can be mandatory or voluntary for members. Many countries in the South were forced to make pension reform in the 1990s following the Chilean case in which a full privatization of the public pension system was realized. Today, most of the reforming countries however have multipillar pension systems that generally involve mandatory private pension pillar in addition to the public pension pillar. The Turkish individual pension system is based on voluntary membership though. Put it differently, Turkish pension system still has a strong public component.

[1] World Bank, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* (New York: Oxford University Press, 1994), p. xxi.

In the private pension systems, the amount of contribution is predetermined and the pension benefit is calculated by a formula that involves both the contribution level and the investment return. Thus, in defined-contribution schemes[2] the pension benefits are calculated according to earnings-related benefit structures which mean that the pension payment is granted as a function of earnings gained during the active working career by the beneficiary. Therefore, the earnings-related system provides advantage to upper-income classes.

Apart from the pension payments, all social security systems, publicly or privately organized, provide means-tested benefits[3] to people who demonstrate that their income falls below a certain level.

Some countries like Sweden have found a middle way regarding the pension reform. Their pension systems rely on Notional Defined Contribution (NDC) schemes. Individual pension accounts, namely notional accounts, are established and indexed to the rate of growth of the GDP or of wages rather than market rate of interest. Defined-contribution amounts are accumulated throughout the working life. This system keeps public administration of the notional accounts and is unfunded in nature.

1.2 Conceptual Framework

This thesis aims to demonstrate the validity of David Harvey's and Andrew Gamble's arguments on neoliberalism by problematizing them in relation to the transformation of pension systems in the countries of the South in general and in Chile and Turkey in particular. Since neoliberal policies have been institutionalized through the so-called Washington and the post-Washington Consensus, the thesis will also identify the changing forms of interventions within neoliberalism.

Harvey explores how neoliberalism has become a hegemonic process in the world since the 1980s in his book named *A Brief History of Neoliberalism*. He

---

[2]World Bank, 1994, p. xxi.

[3] World Bank, 1994, p. xxii.

summarizes neoliberalism by using the study of Dumenil and Levy[4], as a project to achieve the restoration of class power.[5] The main arguments Harvey develops to criticize neoliberalism are as follows: It has produced a series of financial crises in the countries of the South; it has not generated new wealth but redistributed wealth from the poor to the rich; it has paved the way for the commodification of commons; and contrary to the neoliberal motto for a limited state, it has required enhanced state intervention to redistribute wealth in favour of capital. Harvey designates raising neo-conservatism, which has an authoritarian character, as a new stage of neoliberalism in order to cope with the failures of the latter and finds its implications in the United States and in several Asian countries quite threatening.[6]

Contrary to Harvey's emphasis on the rise of authoritarianism, the idea of individual freedom and freedom of choice constitutes the basis of neoliberal ideas, which advocate a limited state to arguably liberalize all aspects of life and to create more democratic societies. This neoliberal argument is based on the assumption that a real democracy can only be a market democracy in which the social welfare requirements of the people can be sustainably ensured by the enhancement of market freedoms, which would in turn bring in enhanced productivity and growth. In this context, Keynesian policies such as full employment and the state intervention should also be abandoned; trade unions as one of the main threats to market fundamentalism should be weakened, welfare state provisions should be dismantled, and the state control over public enterprises should be alleviated by privatization.[7] In short, market freedoms should be ensured by the elimination of all sorts of collectivist social and economic policies, which according to the neoliberals are nothing but products of populist government policies implemented to win the support

[4] Gérard Dumenil and Dominique Levy, "Neo-Liberal Dynamics: A New Phase", in Kees van der Pijl, Libby Assassi and Duncan Wigan (eds.), *Global Regulation: Managing Crises after the Imperial Turn* (New York: Palgrave Macmillan, 2004).

[5] David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005), p. 16.

[6] George Ritzer, "Book Review" (A Brief History of Neoliberalism, by D. Harvey), *American Journal of Sociology* (Vol. 113, Issue. 1, July 2007), pp. 287-288.

[7] Andrew Gamble, "The Free Economy and the Strong State: The Rise of the Social Market Economy", in Ralph Miliband and John Saville (eds.), *The Socialist Register* (Vol. 16, 1979), p. 14.

of electorates favouring parties that would deliver social welfare provisions.[8] This argumentation has inevitably forced the neoliberals to face a "democracy versus freedom" dilemma in which they have practically favoured the latter with significant authoritarian implications as also Harvey has underlined.

The question of how neoliberalism has been legitimized through the construction of consent is also answered in Harvey's work. The selected examples demonstrate that the popular consent has been provided by the state's authoritarian force and the International Monetary Fund (IMF) operations in the periphery. In the centre, neoliberal policies have enclosed the middle classes with private property individualism and entrepreneurial opportunities. On the other side, changes in industrial relations with new employment models have reduced the power of potential resistance.[9] Moreover, the concentration of power in the media sector has created an effective way to make the propaganda of neoliberalism to persuade people that they would be all better off under the neoliberal regime.[10] To be more precise, the ruling classes have transformed their interests into an illusory general interest.[11]

Having emphasized the continuing character of primitive accumulation, which was developed by Marx[12], Harvey has developed the concept of accumulation by dispossession. Hence for Harvey, the former is not simply a precapitalist phenomenon.[13] The primitive accumulation of Marx fundamentally problematizes the enclosing of commons such as appropriation of land, water and mines, commodification of labour power, conversion of some property rights into exclusive private property rights and monetization of exchange and taxation.[14] Building on the

[8] Andrew Gamble, "Neo-Liberalism", *Capital & Class* (Vol. 25, No. 75, 2001), p. 132.

[9] Harvey, 2005, pp. 40, 61.

[10] Harvey, 2005, p. 38.

[11] Harvey, *Spaces of Capital: Towards A Critical Geography* (New York: Routledge, 2001), p. 271.

[12] Karl Marx, *Capital: A Critique of Political Economy* (USA: Charles H. Kerr & Company, 1906), pp. 784-787.

[13] Nancy Hartsock, "Globalization and Primitive Accumulation: The Contributions of David Harvey's Dialectical Marxism", in Noel Castree and Derek Gregory (eds.), *David Harvey: A Critical Reader* (Malden, MA: Blackwell, 2006), p. 177.

[14] David Harvey, *The New Imperialism* (New York: Oxford University Press, 2003), p. 145.

concept of “primitive accumulation” that emphasizes proletarianization, commodification, predation, fraud and violence in the process of dispossession and private property formation, Harvey proposed the concept of “accumulation by dispossession” to explain the features of contemporary capitalism.[15] For him, these are: stock promotions and ponzi schemes, structured asset destruction through inflation and asset-stripping through mergers and acquisitions, high levels of national debt, corporate fraud, speculative raiding by hedge funds, the dispossession of assets by credit and stock manipulations and the raiding of pension funds by stock and corporate collapses.[16]

Besides this, both Harvey and Gamble put a specific emphasis on the role of the state in the implementation of neoliberal policies. For Gamble, who puts the notion of strong state at the centre of his analysis of neoliberalism, the state should be strong enough to break the resistance of any group against neoliberal economic, political and social arrangements.[17] Moreover, he emphasizes the capability of state in establishing the right kind of institutional setting that would be compatible with the functioning of the market. This brings him to identify neoliberalism with free economy and the strong state rather than a weak one.[18] According to Gamble, while Keynesian policies required an active state to regulate the economy close to full employment and to support social welfare provisions[19], neoliberalism has demanded a strong state to remove all obstacles to the capital movements, to open all protected areas to the capital and to settle potential resistance against capital accumulation. Thus, the rise of conservative statecraft side by side neoliberalism in the 1980s has

---

[15] Harvey, 2003, p. 144; Jim Glassman, “Primitive Accumulation, Accumulation by Dispossession, Accumulation by ‘Extra Economic’ Means”, *Progress in Human Geography* (Vol. 30, No. 5, 2006), pp. 611, 618.

[16] Harvey, 2003, p. 147.

[17] Gamble, 2001, p. 132.

[18] Andrew Gamble, “Two Faces of Neo-Liberalism”, in Richard Robison (ed.), *The Neo-Liberal Revolution: Forging the Market State* (London: Palgrave Macmillan, 2006), p. 22.

[19] Gamble, 2006, p. 24.

transformed the latter into a hegemonic project that has involved specific ideological, economic and political strategies.[20]

For Harvey, the state intervention has also been necessary to resolve conflicts within the capitalist class since neoliberalism requires the pursuing of self-interests in a competitive market. Put it differently, the state has been given a vital role in maintaining collective class interests.[21]

This emphasis on state in understanding the rise of neoliberalism requires one to problematize state-capital relations without falling into a reductionist trap. As Clarke puts it, the state should not be seen as an automatic facilitator of capital's functional needs for accumulation.[22] He argues that "the state is not simply a tool of capital; it is an arena of class struggle,"[23] so that the relationship between the state and capital cannot be comprehended as a direct relationship. Rather, it is the rule of money and the rule of law that ensures the subordination of the state by capital.[24] It is thus the changing forms of class struggle and the changing forms of state that ensure the contingent rather than pre-determined development of capitalism within which "the capitalist mode of production can only be grasped as a complex totality."[25]

Harvey also provides a spatio-temporal analysis of the spread of neoliberalism in the world on the basis of the rapid movement of capital and uneven geographical development between regions that ultimately lead to numerous financial crises.[26] He explains how neoliberalism has capitalized on repetitious crises of the financialization process and makes sense of the distribution of capital by

---

[20] Ross Coomber, "Book Review" (The Free Economy and the Strong State: The Politics of Thatcherism, by A. Gamble), *The Sociological Review* (Vol. 37, Issue 3, August 1999), p. 566.

[21] Harvey, 2001, p. 275.

[22] Simon Clarke, "The Global Accumulation of Capital and the Periodization of the Capitalist State Form", in Werner Bonefeld, Richard Gunn and Kosmas Psychopedis (eds.), *Open Marxism, Vol. 1: Dialectics and History* (London: Pluto Press, 1992), pp. 133-134.

[23] Simon Clarke, "State, Class Struggle, and the Reproduction of Capital", in Simon Clarke (ed.), *The State Debate* (London: Macmillan, 1991), p. 195.

[24] Clarke, 1992, pp. 135-136.

[25] Clarke, 1992, p. 149.

[26] Kim Moody, "Book Review" (A Brief History of Neoliberalism, by D. Harvey), *Dialectical Anthropology* (Vol. 32, Issue 1-2, June 2008), p. 54.

conceptualizing the notion of creative destruction.[27] Although neoliberalism has been proposed as a model for development, it is not very successful in increasing economic growth and revitalizing capital accumulation. However, it has succeeded in the redistribution from periphery to the centre and from the poor to the rich. The biggest achievement of the neoliberalism has been the restoration of the power of the ruling classes. For instance, neoliberal policies has not only increased the wealth of ruling classes in advanced capitalist countries but also created a new rich strata in the periphery such as Russia, China, Mexico, Eastern Europe and the former Soviet republics.[28]

Dumenil and Levy define three periods in the history of capitalism in relation to financialization: the first was the financial hegemony that had ended by the 1930s economic crisis; the next was the Keynesian compromise that ended by the 1970s economic crisis; and the last is the neoliberal financial hegemony, which has been still progressing since the 1980s. The last one has been a counterattack to the deterioration of the income of the richest strata after World War II owing to the welfare state compromise.[29] As the post-World War II welfare state consensus was based on a legal comprehensive role for the state and strong trade unions, they have become the main targets of the neoliberal policies. In other words, the ruling classes have started to restore their wealth by dominating labour and the periphery.

Following Harvey's arguments, this thesis will argue that the ultimate purpose of the neoliberal pension transformation and the introduction of private pension accounts have been the dispossession of people's pension rights. Harvey states that the ultimate point of all policies of possession was the reversion of common social rights of pension and health, which had been won by hard class struggles, to the private domain.[30] On this basis, this thesis will demonstrate how this argument has been realized in Chile and Turkey.

---

[27] David Harvey, "Neo-Liberalism as Creative Destruction", *Geografiska Annaler* (Vol. 88, Issue 2, 2006), p. 148.

[28] Harvey, 2005, p. 17.

[29] Dumenil and Levy, 2004, pp. 31-32.

[30] Harvey, 2003, p. 148.

1.3. Historical Framework

The welfare state was developed after the World War II as an outcome of the success of labour struggles that had been given against the capital since the 19th century. Thus, it was not a predetermined notion. Even though the neoliberal turn broke up the welfare state and placed the understanding of individualized welfare arrangements to a certain extent, all these processes have also been realized in the context of class struggles. As these processes have had a contingent character, current developments in the pension systems would also be shaped by the forms of class struggle and the attitude of governments.

Neoliberal approach to legitimize pension and social security transformation is considered to be superficial and reductionist. The sustainability of pension systems is linked to a very technical issue of population ageing. The public pension systems are criticized of being inefficient. Moreover, they are seen as an obstacle to the deepening of financial markets. However, the pension issue is an important social question. Historically, the capital accumulation and welfare state provisions had gone hand in hand until the 1970s when the former pressed the boundaries of the latter.

Even before the 1970s economic crisis, famous liberal scholars such as Friedrich A. Hayek and Milton Friedman had been arguing that traditional pension systems constituted a threat to individual liberty and therefore the pension systems should be privately organized.[31] The crisis only created suitable conditions for the implementation of neoliberal policies favouring flexible labour markets and private pension systems. In this point, the private pension funds had a great importance since they became the major operators in the financialization of the economic system.[32] In addition, the rapid movement of capital and financialization has been legitimized as an indispensible consequence of globalization. However, globalization is not a trend as liberals has argued but a class project to construct a stable hegemonic order.

---

[31] Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960); Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1962).

[32] Samir Amin, "The Implosion of Global Capitalism: The Challenge for the Radical Left", *Paper Presented at the Workshop Trade Unions, Free Trade and the Problem of Transnational Solidarity* (UK: Nottingham University, December 2-3, 2011), p. 27.

Therefore, it targets state-backed welfare provisions and developmentalism in order to build market fundamentalism that is governed by monetarist policies. However, it does not mean the elimination of the state. Instead, the state is forced to restructure institutionally to facilitate the construction of financial hegemony.[33] Since neoliberal economic policies have based on monetarism and ideal of sound money, the governments have been required to apply monetarist policies to maintain the confidence of the international financial markets that facilitate the high levels of borrowing.[34]

As mentioned above, the population ageing has been the most used reason to force pension transformation by the neoliberal international coalition. Interestingly, this reform agenda has been implemented more firmly to the countries of the South even though population ageing has been a primary issue for the North. The Organization for Economic Cooperation and Development (OECD) countries, for instance, have generally introduced parametric changes in their public pension systems and created mandatory private pension pillars as secondary. However, the public pension system was fully privatized in Chile and maintained up to date though it had a devastating social and economic impact on society. Moreover, many countries in Latin America, Eastern Europe and the former Soviet space were forced to change their public pension arrangements.

This outcome fits well to Gamble's argument that "leading capitalist powers have always found it easier imposing neoliberal prescriptions on the periphery".[35] On the contrary, established democratic systems, consensus culture among capital and labour, and powerful organized groups have made it difficult to force neoliberal reforms in core developed countries of the North. Conditionalities attached to the IMF or the World Bank credits have been effective tools to this end in the South while the opening of their markets for capital accumulation has primarily served to the interests of the capital groups in core Northern ones. This clarifies the fact that the pro-reform coalition in favour of neoliberalism has comprised not only of the

[33] Philip McMichael, "Globalization: Trend or Project?", in Ronen Palan (ed.), *Global Political Economy, Contemporary Theories* (London, New York: Routledge, 2000), p. 113.

[34] Gamble, 1979, p. 11.

[35] Gamble, 2006, p. 27.

IFIs, but also of the United States Agency for International Development (USAID), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), internationally active insurance companies, national liberal think-tanks and private sector companies.

Ten policy prescriptions for Southern countries which are listed by the economist John Williamson and labeled as Washington Consensus (WC) reflect the convergence of three institutions of the IMF, the World Bank and the United States treasury in the 1980s: fiscal policy discipline, reorientation of public expenditure, tax reform, interest rates, unified and competitive exchange rates, trade liberalization, openness to foreign direct investment (FDI), privatization, deregulation, secure property rights.[36] Put it differently, macroeconomic discipline, openness to trade and FDI, and market competition have been the neoliberal dominant approach to the economic growth in Southern countries and yielded to the first generation of reforms in these years. This thesis does not intend to discuss the logic behind all WC principles but will give some key information in order to understand the transformation of the pension systems and increased trend on poverty issues.

Hence, as Gore underlines, it has been argued that countries which follow the WC policies would capture foreign direct investment, access new markets and available financial flows. They would also get know-how and new technologies. In sum, these countries would benefit from new external environment of liberal international economic order. On the other side, countries which do not follow the WC policies are arguably penalized through decreasing access to conditional funds.[37] The emphasis has been placed on short-term economic growth, fiscal and financial balance.

Contrary to the development policies of the 1950s and the 1960s, which focused on progress, modernization and industrialization, the new policies of the 1980s gave importance to the key word of "performance" in a liberal economic order by ignoring the historical differences of the countries. Some comparative standards

[36] John Williamson, "What Washington Means by Policy Reform", *Speeches and Papers* (Peterson Institute for International Economics, 2002).

[37] Charles Gore, "The Rise and Fall of the Washington Consensus as A Paradigm for Developing Countries", *World Development* (Vol. 28, No. 3, 2000), p. 793.

were defined to measure the performance in all aspects of the economic and social life such as economic, fiscal, financial, poverty and human development performance and so on. By following these standards, some countries arguably achieved economic growth in the short-term and proved the validity of the WC. These standards have been in return incorporated to the structural adjustment policies.[38] Within this process, the World Bank's multipillar pension system has been promoted as a standard and benchmark for Southern countries in the area of pension reforms.

Rodrik argues that financial liberalization and opening up to international capital flows went much farther than what Williamson had envisaged.[39] As the WC policies favour large financial capital at the expense of smaller ones and the workers, they have led to the transfer of resources to the rich people and resulted in higher levels of unemployment and income concentration in the countries of the South.[40] During the period of 1980-1998, over forty crises took place only in Latin America and the Caribbean that resulted in GDP fell by more than 4 per cent.[41] There were also severe financial crises in the East Asia, Russia and Turkey.[42] Contrary to the North, the countries of the South had indeed never had Keynesian welfare state and

---

[38] Gore, 2000, pp. 794-795.

[39] Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform", *Journal of Economic Literature* (Vol. XLIV, 2006), p. 974.

[40] Alfredo Saad-Filho, "From Washington to Post-Washington Consensus: Neoliberal Agendas for Economic Development", in Alfredo Saad-Filho and Deborah Johnston (eds), *Neoliberalism: A Critical Reader*, (London: Pluto Press, 2005), p. 116.

[41] International Labour Organization (ILO), *Economic Security for A Better World* (Geneva: ILO, 2004), p. 39.

[42] Economic and Financial Crises of 1990-2003: Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bahamas, Barbados, Belarus, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Burkina Faso, Cameroon, Chad, Central African Republic, Congo, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Czech Republic, Democratic Republic of the Congo, Dominican Republic, Ecuador, Egypt, Estonia, El Salvador, Ethiopia, Finland, Georgia, Guatemala, Guyana, Haiti, Hong Kong (China), Honduras, Hungary, Indonesia, Japan, Islamic Republic of Iran, Jamaica, Kazakhstan, Republic of Korea, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lebanon, Lithuania, the former Yugoslav Republic of Macedonia, Madagascar, Mali, Malawi, Malaysia, Mauritania, Mexico, Republic of Moldova, Mozambique, Nicaragua, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Romania, Russian Federation, Rwanda, Senegal, Serbia and Montenegro, Singapore, Slovakia, Slovenia, Somalia, Sri Lanka, Sudan, Suriname, Sweden, Taiwan (China), Tajikistan, Thailand, Togo, Turkey, Turkmenistan, Ukraine, Uruguay, Uzbekistan, Venezuela, Zambia, Zimbabwe. (ILO, 2004, p. 40)

pension rights. This however did not prevent the WC policies to target the already limited welfare state applications in terms of poverty-reduction policies in the Southern world.[43]

According to Krugman, the Mexican crisis in 1994 was the beginning of the fall of the WC[44] but especially, the East Asian crisis in 1997 launched a new debate on the WC and the conditions for economic growth in Southern countries. Within this context, it was argued that uncontrolled growth of speculative financial flows, fast financial liberalization, lack of government supervision on foreign debt of national companies led to unsustainable foreign debt in the South and the IMF bailout packages intensified the problem rather than cooling it down.[45]

Joseph Stiglitz has argued since then the need for a new paradigm, namely post-Washington Consensus (PWC), to achieve liberal goals and higher life standards for people simultaneously by using new instruments to build liberal markets and to correct the market failures. In other words, for him, focusing on liberalization, stabilization and privatization is not enough to realize economic growth, better functioning markets and living standards. Moreover, a new development strategy is needed to provide more sustainable, equitable and democratic growth.[46] The PWC principles, or second generation reforms, have included: corporate governance, anti-corruption, flexible labour markets, WTO agreements, financial codes and standards, prudent capital account opening, non-intermediate exchange rate regimes, independent central banks and inflation targeting, social safety nets and targeted poverty reduction.[47] As markets are not self-legitimizing, social protection and redistributive policies are also proposed.[48]

---

[43] Saad-Filho, 2005, p. 115.

[44] Paul Krugman, "Dutch Tulips and Emerging Markets", *Foreign Affairs* (Vol. 74, No. 4, 1995), pp. 30-31.

[45] Gore, 2000, p. 799.

[46] Joseph E. Stiglitz, "More Instruments and Broader Goals: Moving toward the Post-Washington Consensus", *WIDER Annual Lecture* (Helsinki, Finland, January 1998); Joseph E. Stiglitz, "Towards a New Paradigm for Development: Strategies, Policies, and Processes", *Prebisch Lecture given at UNCTAD* (Geneva, 1998a).

[47] Dani Rodrik, "After Neoliberalism, What?", *Paper Presented at the Alternatives to Neoliberalism Conference*, (Washington D.C., 2002), p. 9.

In order to make markets work, Stiglitz has added some measures of qualified institutional infrastructure, financial regulation, competition policy and policies to facilitate the transfer of technology. He has also emphasized the importance of sustainable development that requires education and health policies to promote human capital and growth.[49] However, the emphasis on health and education should be considered as an attempt to provide necessary labour force to maintain capitalist economic relations. Targeted poverty reduction strategies and social safety nets are also promoted as essential to sustain poor and unemployed people respectively in the labour market. In fact, the new consensus has not brought a fundamental change to the old one but aimed to make it more humane[50] by guaranteeing the needs of capitalist accumulation.

It is important to note that although Williamson admitted the disappointing results of the WC and questioned whether there was still a consensus on three major issues of fiscal policy, capital account liberalization and income distribution,[51] he did not recede to pursue labour market flexibility. Hence, the poor have been simply left to their fate. The traditional mechanisms of income distribution, such as imposing tax on rich to increase social spending for poor, have been considered as irrelevant policy tools since the rich strata of the Latin American countries has invested in the developed countries instead of their home countries. Therefore, the only way to improve income distribution has been to facilitate poor people by educational opportunities, land reform and micro credit. By this way, they could learn how to live in a neoliberal market.[52]

In conclusion, while neoliberalism has not been successful in providing high level of economic growth and resolving the problems of capital accumulation, it has

---

[48] Rodrik, 2002, pp. 5-6.

[49] Stiglitz, 1998, pp. 14-24.

[50] Gore, 2000, p. 800.

[51] John Williamson, "The Strange History of the Washington Consensus", *Journal of Post Keynesian Economics* (Vol. 27, No. 2, Winter 2004), p. 200.

[52] Williamson, 2004, p. 204.

been a huge success in creating the conditions for capitalist class formation by four dimensions of accumulation by dispossession: privatization of all kinds of social utilities, financialization, the management and manipulation of crises and state redistributions from lower classes to upper classes.[53] In this context, the public pension systems have been transformed in the Southern countries since the 1980s, and in this process private pension accounts have been introduced to individualize risks and serve to financial markets. As the outcome of such policies has been social exclusion and high level of poverty, the pension debate has practically evolved into poverty reduction and social risk management questions.

1.4 Outline of the Thesis

On the basis of this overview of Harvey's and Gamble's arguments on neoliberalism with a particular emphasis on the role of state in neoliberal transformation and their linkage to pension transformation, the following *Chapter 2* will elaborate the historical evolution of pension systems by the neoliberal turn. The period before the neoliberal turn will focus on the development of the pension systems up to the World War I, the interwar period and after the World War II. While each had different characteristics, in all of these periods, what was common was the recognition of basic social security and pension rights. The effective involvement of the International Labour Organization (ILO), powerful and organized labour, and the established state role in pension provisions will be detailed as the basic features of the post-war welfare state consensus. The neoliberal turn by the 1970s economic crisis has created the opportunity for liberals to implement flexible labour market policies and the privatization of social security provisions. Therefore, Chapter 2 will explain the global campaign on pension reform which was started by the IFIs, and especially the World Bank, by using structural funds. The IMF has also supported pension transformation by conditional loans. Although there have been many criticisms directed against the World Bank approach on pension systems even within the IFIs, the pension systems of the countries of the South have been organized according to Bank's considerations. The global campaign on pension

[53] Harvey, 2006, pp. 151-156.

reform fundamentally used population ageing problem to force pension transformation in the countries of the South; in fact, it was the problem of the countries of the North. This situation fits well with the argument of Gamble that is mentioned above. The 2008 global financial crisis and its impact on private pension systems will also be assessed in this chapter. The following *Chapter 3* and *Chapter 4* will apply Harvey's arguments to Chilean and Turkish cases to show how people's pension rights was dispossessed in the way of capital accumulation.

Chapter 3 will analyze the dynamics of pension privatization in Chile. Chile, besides being the first laboratory for neoliberal state formation,[54] also implemented a very radical pension privatization, which constituted crucial turning point for the neoliberal social security projects. It is important to note that this has been told as a "success story" for thirty years. This chapter will question whether the radical pension transformation has ensured a move from an authoritarian regime to a democratic one in Chile. Hence, the implementation of neoliberal policies as a class project will be the main consideration of *chapter 3*. This chapter reflects the argument of Harvey that neoliberalism is a restoration of class power.

Chapter 4 will examine the pension transformation in Turkey since the 1990s by paying attention to the involvement of international and national actors. In addition to the IFIs and the ILO, the role of the European Union (EU) will be assessed due to the candidacy status of Turkey. This chapter aims to demonstrate that the pension transformation is an open-ended process. To put it differently, as the Turkish case illustrates, the neoliberal policies are not implemented automatically given the fact that the Turkish individual pension system has evolved as a voluntary pension pillar. *Chapter 4* will elaborate the historical specificities of the Turkish case by focusing on the use of Islamic values to cope with increased poverty and unemployment.

Thesis study is based on primary and secondary sources. While official documents, working papers and policy papers of the IFIs, the ILO and the EU are used as primary sources, academic studies are used as secondary sources. In addition, two semi-structured face-to-face interviews were made with a high-ranked official in

[54] Harvey, 2006, p. 147.

the Private Pension Department of the Undersecretariat of Treasury and a trade union official in Ankara in 2011 and 2012.

CHAPTER 2

NEOLIBERALISM, THE PENSION REFORM AND THE PRIVATE PENSION ACCOUNTS

2.1 Introduction

The private pension accounts constitute a crucial part of the pension system reform that has been developed since the 1980s within the framework of the neoliberal transformation in the world. This chapter tries to examine the pension system transformation in general and the evolution of private pension accounts in particular from three significant angles: the role of the state, class struggle and the involvement of the IFIs in the process. It will be demonstrated that the imposed pension transformation in the South has been one of the best examples of Harvey's famous argument that "neoliberalism is a class project" and "neoliberalism is a project to achieve the restoration of class power to the richest strata in the population". In addition to this, Gamble's argument that "a strong state is needed to sustain the free market economy" will also be central to the following discussion.

The first section of this chapter will problematize the historical evolution of the basic characteristics of the social security systems and pension arrangements in relation to the changes in the development of capitalism from the 19th century to the end of the 1970s. As will be discussed, the involvement of the ILO to the process and the devastating impact of the two world wars on the economic and social conditions in the Western countries constituted the basic historical determinants in the launching and the evolution of the pension rights. This section, which is divided into three subsections that focus on the pre-World War I, interwar and post-World War II periods, will also discuss the concomitant power shifts within the ILO in relation to social security.

The second section deals with the collapse of welfare-state consensus of the post-World War II order and the rise of neoliberal economic policies. This was a period in which the abandonment of full-employment policies and the introduction of flexible labour market policies appalled the roots of the traditional state-backed pay-as-you-go pension system and curtailed the power of working class in the struggle for pension rights. At the international terrain, it is seen that the World Bank has surpassed the role of the ILO in the transformation of the pension systems and become the basic promoter of the neoliberal pension reform among the other international organizations since the 1980s. Problematizing the changing attitudes of the IFIs in general and the World Bank in particular during the more than four decades-long neoliberal transformation process, this section will underline the negative impact of the Washington Consensus policies on the poor and the radical pension reform examples such as the one in Chile have led to significant controversies over the pension question even within the defender international organizations.

In addition to this, the second section also discusses the impact of the 2008 global financial crisis on the ongoing changes within private pension accounts in the reforming countries. As most of these countries have established new methods and policies to maintain private pension schemes even in the global crisis environment, it is concluded that the private pension pillar has been turning into a crucial part of the pension systems in the world.

2.2 The Historical Evolution of Social Security and Pension Systems

Social security systems have a direct impact on the social and economic development levels in all countries. Pension system is the cornerstone of social security and the welfare state since retirement and retirement guarantee have been among the most important goals of a labour’s life. The welfare state principally means social security that aims to prevent society from occupational, physical and socio-economic risks, but also supports people if these risks come true.

2.2.1 Pre-World War I

The origin of the first social security system could be found in Germany during the industrialization period in the 1870s, whereas the roots of welfare state could be seen in the sixteenth century of Britain. During the feudal era, the social security needs of the people had been satisfied by traditional structures such as the families and the churches. Especially, in the sixteenth century, starting from 1531, Britain had accepted many regulations concerning the social conditions of the poor people. It was recognized with the most famous British Poor Law of 1601 that poverty was not totally the result of individual error but also a result of social error.[55]

Although factory legislation was more advanced in Britain, Germany had become the first country to make social security legislation.[56] Late Industrialization of Germany in comparison to Britain had been completed in a limited time and had yielded to a faster increase in the number of urban workers who lived in poor conditions.[57] After Germany was united in 1871, the first chancellor of Germany, Otto von Bismarck, laid the foundation of social security in the country in order to improve the conditions of workers. Three laws established the German social welfare system: the Health Insurance of Workers Law of 1883, the Accident Insurance Law of 1884 and the Old Age and Invalidity Insurance Law of 1889. The last one introduced a public, compulsory pension system in Germany. The blue-collar insured workers, who had at least thirty years of contribution, were entitled to benefits at the age of 70. Although the life expectancy at this time had been less than 70, it made Germany the first nation to adopt an old-age insurance scheme.[58] It was determined

[55] Tom Y. Chin, "The Beveridge Report and the Development of British Social Security", *Journal of Social Science and Philosophy* (Vol. 81, No. 11, 1992), pp. 328-329.

[56] Asa Briggs, "The Welfare State in Historical Perspective", in Christopher Pierson and Francis G. Castles (eds.), *The Welfare State Reader* (Cambridge: Polity Press, 2006), p. 19.

[57] Gülbiye Yenimahalleli Yaşar, "Sosyal Güvenlik Sistemlerinin Tarihsel Gelişimi" in Gülbiye Yenimahalleli Yaşar (ed.), *Sosyal Güvenlik Sistemleri* (Erzurum: Atatürk Üniversitesi Açıköğretim Fakültesi Elektronik Ders Kitabı 2. Ünite, 2012).

[58] Sven Jochem, "Germany: The Public-Private Dichotomy in the Bismarckian Welfare Regime", in Daniel Beland and Brian Gran (eds.), *Public and Private Social Policy Health and Pension Politics In A New Era* (New York: Palgrave Macmillan, 2008), p. 198.

with those laws that the social security was the duty of the state and the state was obliged to make flat-rate contribution from imperial treasury for each person receiving a pension.[59] Such laws had been brought together in 1911 under the name of Insurance Law.[60] By this way, a comprehensive system of income security, based on social insurance principles, was established.

The institutionalization of the state-backed social security system in Germany reflected the fears of Bismarck in those years. Bismarck feared a class war and wanted to make German social democracy attractive in the eyes of the labouring classes. German government used social legislation as a means of social imperialism in order to ensure the integration of the working class to the German national state.[61] Chancellor Bismarck searched an alternative not only to socialism but also to liberalism at the same time. On the one hand, he structured a social security system in order to alleviate the risks of loss of income due to illness and work injury, and to provide old-age pension to blue-collar workers; on the other hand he prepared an insurance program against unemployment.[62] German pension system attracted interest in other European countries, and therefore, Denmark copied it in 1891 and Belgium in 1894.[63]

The efforts to create an old-age pension system in Britain that involved proposals to establish a contributory scheme for old-age/sickness and a universal scheme for old-age, which had been rejected in 1878 and 1891 respectively, were concluded successfully in 1908. This was followed by the introduction of the National Insurance Act in 1911, which consisted of health and unemployment schemes.[64]

---

[59] Briggs, 2006, p. 21.

[60] Yenimahalleli Yaşar, 2012.

[61] ILO, *The International Labour Organization and the Quest for Social Justice 1919-2009* (Geneva: ILO, 2009), p. 141.

[62] Briggs, 2006, pp. 21-22.

[63] Briggs, 2006, p. 19.

[64] Chin, 1992, p. 335.

2.2.2 The Interwar Period

After the World War I, which brought devastating economic, social and political impacts on the countries involves, the social insurance schemes were promoted rapidly in several regions and echoed at the international level. Put it differently, the interwar period created a suitable environment for the establishment of international organizations concerning social security matters and labour rights. The ILO, one of the important post-World War II organizations, was established to overcome the social and economic problems facing the world in 1919. One of the first countries to become a member of ILO was Chile 1919 while Turkey was involved in 1932. The ILO’s first constitution was prepared by the Commission on International Labour Legislation of the Peace Conference in 1919 and formed part XIII of the Treaty of Versailles.

According to the first constitution of the ILO, the universal and lasting peace can be established only if it was based upon social justice, which could be achieved by the improvement of labour conditions, the prevention of unemployment, the regulation of labour supply, the protection of labour against risks of injury, sickness and disease arising out of employment, the abolition of child labour, the recognition of the principle of equal for work of equal value, the recognition of the principle of freedom of association, the organization of vocational and technical education and other measures.[65]

The representatives of mutual benefit societies and sickness insurance funds were permitted to participate to the 10th International Labour Conference in Geneva in May 1927. Their agenda included the introduction of international regulations for the economic and health protection of workers. Then, in October 1927, the International Conference of National Unions of Mutual Benefit Societies and Sickness Insurance Funds was launched in Brussels. Its name was changed to International Social Insurance Conference with the widening of its objectives to include old-age, invalidity and survivors’ insurance. The state-administered schemes were allowed to be a member of the Conference in 1947 and the name of it was

---

[65] Available at:
http://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO.

changed to the International Social Security Association (ISSA).[66] The Social Security Institution from Turkey is an affiliate and Chilean Safety Association[67] and Superintendency of Social Security[68] from Chile are associate members of the ISSA today.

World War I accelerated the evolution of the social insurance mechanisms due to its destructive impact on the societies. It brought increasing demands from the people in terms of housing, health and pension. In other words, the World War I increased the level of public expenditure and necessitated a new form of government control and administration. In response to this, the plan of social security was systematized during the International Labour Conference in 1925.

The ILO's efforts to institutionalize the social insurance were divided into two phases during the interwar period. In the first phase of 1925-1927, sickness insurance, which formed the largest part of the production costs, was adopted as the first priority in order to serve international economic competition. In the second phase of 1932-1934, old-age, unemployment and survivors' insurance came into the agenda as a means of governments' response to social insurance demands which were triggered by the economic crisis of 1929.[69]

The ILO had not indeed invented its model during the interwar period but utilized the German social insurance model. In those years, although the ILO committees were full of technical experts such as William Beveridge, the architect of the British social security system in the post-World War II, the German technocrats were very active in the Organization. This led the ILO to focus on workers' solidarity.[70]

The ILO has been based on dialogue and cooperation between the government, employer and the worker in the formulation of standards concerning working condition and other labour matters. As the fascist regimes of the 1930s were

---

[66] Available at: http://www.issa.int/the-issa/history/1927-1990.

[67] Asociacion Chilena de Seguridad

[68] Superintendencia de Seguridad Social

[69] ILO, 2009, pp. 141-143.

[70] ILO, 2009, pp. 144-146.

clearly incompatible with the triparty model of the ILO due to the worker and employer delegates' control by the government, Germany had left the Organization in 1933.[71] This detachment altered the orientation of the ILO significantly. The United States, where there had been no state-backed social insurance tradition, became a member of ILO in 1935 with the legal withdrawal of Germany. The membership of the United States was a part of an international strategy to deal with the outcomes of the Great Depression followed by 1929 Economic Crisis.[72]

The Social Security Act of the United States, which combined economic security with social insurance, was also signed into law on 14 August 1935 within the framework of the New Deal program of President Franklin D. Roosevelt. The President founded a legislative committee, the Committee on Economic Security, in order to respond to the negative impacts of the Great Depression and labour unrest. However, the request for national pension program came from the organized aged people instead of organized labour.[73] The opinion leaders, who advocated a more radical, redistributory social welfare policy, were excluded during the member selection process of the Committee since the main goal was the stabilization of the economy by the national welfare program, not by the welfare of workers.[74] This was also compatible with the interests and demands of the American capital. The employers' representatives were also included in the work of the Committee and they tried to obtain a federal control over the legislation to regulate competition from rival companies.[75] It was not a coincidence that the legislation of the Act had not taken ILO standards into account.

The Social Security Act established a system of federal old-age benefits by enabling several states to make more adequate social security provisions such as unemployment insurance and means-tested welfare programs in the United States. It

---

[71] ILO, 2009, p. 28.

[72] ILO, 2009, pp. 147.

[73] Jill S. Quadagno, "Welfare Capitalism and the Social Security Act of 1935", *American Sociological Review* (Vol 49, October 1984), p. 638.

[74] Quadagno, 1984, p. 640.

[75] Quadagno, 1984, p. 641.

also formed the basis of the government's role in providing income security.[76] The Act determined the requirements of monthly retirement benefits. The people 65 and older, who were no longer working, were entitled to get benefits and the benefits were calculated by a formula based on cumulative wages during the covered employment.[77] As farm labour, self-employed and employees of religious, charitable and educational organizations were excluded from the old-age insurance provisions; nearly half of the working population was not covered by the program.[78] In other words, the old-age insurance program was highly dependent on the payroll contributions. The Industrial Revolution had not only resulted in migration from rural to urban areas but also changed the structure of society and family lifestyle so that the traditional role of family in providing social security had started to change. The Social Security Act also aimed to respond to those alterations in the US society and working life.

There occurred also a power shift within the ILO towards the Anglo-Saxon world during the interwar period with the withdrawal of Germany. This made explicit with ILO's moving its operations to Montreal in 1940. As the United States and the United Kingdom provided about one third of the total ILO budget during the war time, the ILO became dependent on those leading nations in the new post-World War II world order. The absence of a powerful international trade union movement due to the deteriorating impact of the war on the labourers pushed the Organization closer to the social security ideas and practices of the Anglo Saxon countries. Since the direct impact of the ILO standards on national social insurance policies was limited as in the case of United States, the Organization started to play a growing role through its regional approach. Its underlying aim was to counter its loss of influence, due to crisis, in Europe.[79] Therefore, by moving to Canada, the ILO became more active in giving technical assistance to the countries of the American

---

[76] Patricia P. Martin and David A. Weaver, "Social Security: A Program and Policy History", *Social Security Bulletin* (Vol. 66, No. 1, 2005), p. 2.

[77] Martin and Weaver, 2005, p. 3.

[78] Quadagno, 1984, p. 634.

[79] ILO, 2009, p. 149.

continent.[80] Its impact on the reorganization of social insurance schemes in Chile has been related to this.

In 1941, in the Atlantic Charter, United States President Roosevelt and the United Kingdom Prime Minister Winston Churchill announced that they desired “to bring about the fullest collaboration between all nations in the economic field with the object of securing for all, improved labour standards, economic advancement and social security”.[81]

Although the basis of social insurance model in Britain traced back to the early sixteenth century of English Poor Laws, Beveridge Plan, which was based on the report of Lord Beveridge, was published on 1 December 1942, when the country was deeply involved in the World War II. The report aimed to provide a universal social security scheme covering sickness, old-age, unemployment benefits and family allowances. In 1943, the ILO started to promote this Beveridge model that had defined social security as contributory benefit programs financed out of public funds that were raised by taxation.[82]

The vision of ILO’s original constitution was taken a step further towards the end of the World War II by the Declaration of Philadelphia during the 26th Session of the International Labour Conference in 1944. Bretton Woods institutions were also founded in this year. The declaration strongly expressed the fundamental idea of the ILO that the “labour is not a commodity”, and called for the extension of social security measures by cooperation at both national and international level, which envisaged the cooperation between Bretton Woods institutions and the ILO for the integration of social and economic policy. The Philadelphia Declaration was subsequently incorporated into the ILO’s constitution, the basic principles of which can be distinguished as follows:

- Labour is not a commodity.
- Poverty anywhere constitutes a danger to prosperity everywhere and must be addressed through both national and international action.

[80] ILO, 2009, p. 151.

[81] Available at: http://www.atlanticcharter.ca/.

[82] ILO, 2009, p. 154.

- There should be freedom of association for both workers and employers, along with freedom of expression, and the right to collective bargaining.

2.2.3 Post-World War II

The end of the World War II altered attitudes toward welfare provisions significantly. The devastating impact of the war led the governments to extend social security measures to provide sufficient income for citizens. But the most important reason of using welfare policies was to regulate labour relations and to keep national economies operating at maximum efficiency.

The World War II created a second wave of the establishment of international organizations like the United Nations and the EU. The ILO became the first specialized agency of the United Nations in 1946. Then, in 1948, the United Nations General Assembly adopted the Universal Declaration of Human Rights whose Article 22 recognized the right of social security for all members of the society:

> *Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.*[83]

The ILO Convention on Minimum Standards of Social Security (No.102), adopted in 1952, incorporated the idea that every human being had the right to social security. The convention also classified nine social and economic risks. Medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury, family benefit, maternity benefit, invalidity benefit and survivors' benefit were arranged as insurance branches against those nine risks. Moreover, Article 28 of the Convention explicitly stated that old-age pensions should be paid as a life annuity, namely periodical payment.[84] This statement definitely explains why Chile has not ratified this convention up to now. The private pension system in Chile, which is

[83] Available at: http://www.un.org/en/documents/udhr/.

[84] Available at: http://www.ilo.org/ilolex/english/convdisp1.htm.

discussed in the following *chapter*, allows people to get an annuity instead of regular pension payment.

The Article 12 of the European Social Charter, which was announced in 1961, also featured the right to social security.[85] All those national and international attempts and documentary work constituted the framework of social security and pension right, while the fulfillment of these rights was assigned as the responsibility of the states.

The peace formula of advanced capitalist countries in the Western world was based on a comprehensive legal role for the states in providing social security and the recognition of the formal role of labour unions in collective bargaining and formation of social policy.[86] Moreover, development policies of the post-war period focused on industrialization that was fed by economic and demographic boom. The devastating impact of war led governments to cooperate with social forces in building wealthy, healthy and secure societies. The key to this goal was to support economic development and industrialization by social welfare policies. It should be noted that, the role of strong trade unions and left parties were significant in this regard since they fought for labour rights, minimum wages and social security provisions. The employers agreed to provide social provisions to a certain extent in order to protect

---

[85] Article 12: The right to social security
With a view to ensuring the effective exercise of the right to social security, the Contracting Parties undertake:
i)To establish or maintain a system of social security;
ii) To maintain the social security system at a satisfactory level at least equal to that required for ratification of International Labour Convention (No. 102) Concerning Minimum Standards of Social Security;
iii) To endeavor to raise progressively the system of social security to a higher level;
iv) To take steps, by the conclusion of appropriate bilateral and multilateral agreements, or by other means, and subject to the conditions laid down in such agreements, in order to ensure:

a. equal treatment with their own nationals of the nationals of other Contracting Parties in respect of social security rights, including the retention of benefits arising out of social security legislation, whatever movements the persons protected may undertake between the territories of the Contracting Parties;

b. the granting, maintenance and resumption of social security rights by such means as the accumulation of insurance or employment periods completed under the legislation of each of the Contracting Parties. (Available at: http://conventions.coe.int/Treaty/EN/Treaties/html/035.htm.)

[86] Claus Offe, "Some Contradictions of the Modern Welfare State", in Christopher Pierson and Francis G. Castles (eds.), *The Welfare State Reader* (Cambridge: Polity Press, 2006), p. 66.

their labour force from getting attracted by the communist alternative in return for full support from the governments.

Thus, until the 1970s economic downturn, a comprehensive welfare state was designed on the basis of equality, prosperity and full-employment especially in the Western countries. One of the most important ingredients of the European integration process, the Social Europe also contributed to the post-war welfare state.

The welfare state was not seen as an economic burden during post-war period; instead, it was used as an economic and political stabilizer that generated economic growth and an acceptable social order.[87] Nevertheless, political shifts to the right and rising costs associated with maturing welfare state created new bases of organized support that had more liberal inclinations. This shifting base started to erode the power of organized labour which had ensured an expansionist welfare policy agenda after the World War II.[88]

Even before the 1970s economic crisis and the Chilean pension privatization, famous liberal scholars such as Friedrich A. Hayek and Milton Friedman complimented the necessity of private pension system to improve individual liberty and freedom of choice. Their selected books “The Constitution of Liberty” published in 1960, and “Capitalism and Freedom” published in 1962 reserved a significant part to the role of state in welfare policies. The latter depicted the details of how a pension system could be organized privately.

According to Hayek, state welfare activities are a threat to individual liberty since they require coercive power of governments. While limited security can be achieved for all people in a free society, the absolute security cannot be achieved.[89]

As absolute security means more just distributions of resources, it necessitates a kind of discrimination between people and unequal treatment of people. The welfare state uses paternalistic power controls on the income of community and then allocates income to individuals which it thinks they need. There is no place for competitive experimentation but solely for the decisions of authority. Therefore, the

---

[87] Offe, 2006, p. 67.

[88] Paul Pierson, “The New Politics of the Welfare State”, *World Politics* (Vol. 48, January 1996), p. 151.

[89] Hayek, 1960.

individuals can no longer exercise any choice in important matters of their life and future due to the top-down approach to welfare state activities.

Friedman states that traditional pension systems involve two kinds of redistribution: redistribution from some beneficiaries to others and from general taxpayers to beneficiaries. The first one occurs between young and old members of the system. The second one means that some members of the system are paid much more than their contribution. However, taxing the young to subsidize the old constitute a threat to freedom. As there is no close link between the contribution and benefits, the second redistribution takes place. Instead of the traditional pension model, the individual has to be permitted to buy an annuity from private companies. Governments should go into business in order to sell annuities. Individual freedom of choice and competition among private companies would increase the efficiency of the system. Moreover, the people should have the freedom to make their own mistakes which means that if a man prefers to live for only today, he cannot be forced to save for old-age.[90]

According to Freidman, who sees poverty as a relative matter, there should be programs to alleviate poverty. But the program should operate through the market and not distort the functioning of the latter. This problem can indeed be solved by private charity organizations; however, the extension of state activities in the welfare area contributes to the decline of these organizations. Hence, he confesses that "one cannot be both an egalitarian and a liberal".[91]

Friedman argues that individuals can best judge for themselves how to use their resources. However, this argument is based on the presumption that individuals are well informed about financial markets. Moreover, he recommends paying more attention to the fundamentals of private pensions instead of bolts of privatization such as transition costs.[92]

In addition to Hayek and Friedman, James M. Buchanan and Edgar K. Browning criticized PAYGO pension system and advocated private pension systems

[90] Friedman, 1962.

[91] Friedman, 1962, p. 195.

[92] Milton Friedman, "Speaking the Truth about Social Security Reform", *Cato Institute Briefing Papers* (No. 46, April 1999).

in return. The common point of their works is that the PAYGO is understood as a kind of shifting costs to future generations, and instead of this people should be allowed to purchase adequate pension protection from private pension companies.[93] It should be noted that all four scholars attain governments the role of providing minimum income to all members of the society. The economic slowdown, budgetary crises and reduced power of labour have created suitable backdrop for neoliberals to put their economic policies and social security reform proposals on the top of the world agenda.

2.3 The Neoliberal Transformation of Pension Systems

The economic crisis in the 1970s brought an end to the post-war economic growth and the golden age of the welfare state. Although the deepening crisis increased the demand upon social expenditures, the neoliberals started asking for a reduced role for the state. Neoliberal economic policies have advocated export-led growth model, flexible labour market regulations, privatization and the liberalization of all aspects of the economic life. At this point, welfare state arrangements and pension systems, which were products of class struggle and full-employment policies, attracted specific attention and public pension systems became one of the most important discussion subjects among neoliberals since if this strong connection between the state and the workers was to be broken, neoliberal agenda would achieve its underlying aims of class project, strong state in free market economy, and the restoration of ruling class power. The radical pension privatization model in Chile, which involved no social consensus at all, became the most significant example of the neoliberal class project that aimed to dissolve the power of organized labour. The private pension system, which was settled in Chile by the authoritarian rule of the state, had gathered the accumulated pension funds of the Chilean people in the hands of a limited number of pension managers and their affiliates in the world financial market.

---

[93] James M. Buchanan, "Social Insurance in a Growing Economy: A Proposal for Radical Reform", *National Tax Journal* (Vol. 21, No. 4, 1968); Edgar K. Browning, "Social Insurance and Intergenerational Transfers", *Journal of Law and Economics* (Vol. 16, October 1973).

Economic crisis undermined support for state-led development model, created domestic capital shortages that put pressure on the finances of public pension systems, and weakened organized labour that opposed pension privatization and strengthened international organizations that sought liberal economic and social policies such as the World Bank.[94] Moreover, capitalists and conservative politicians, by taking the opportunity, exaggerated the economic burden of the welfare state in order to alleviate the hardships imposed upon the capital and employers by reducing the constraints of the welfare state provisions.[95] According to defenders of the social security reform, the welfare state provisions had created a dependency culture and disincentives to work, the welfare-state related costs had led to the squeezing of profits and caused disincentives to make investment as well.[96] Social policy was viewed as a financial burden for employers in the early neoliberal accounts that its privatization was promoted as a business opportunity not only in health and pensions but also in education.[97]

In the middle of the 1970s, Peter F. Drucker also saw the capacity of pension funds to trigger economy but put forth another argument of pension fund collectivism as an alternative to state socialism and free market individualism. By this way, he announced the United States, where employee pension funds had potentially acquired a large stake in big corporations, as the first socialist country in the world. Namely, the means of production were being controlled by the workers, a practice that constituted the essence of socialism.[98] Although he emphasized that the pension funds should be managed by trustees without any connection with the banks,

---

[94] Raul L. Madrid, "Ideas, Economic Pressures, and Pension Privatization", *Latin American Politics & Society* (Vol. 47, No. 2, Summer 2005), p. 24.

[95] Offe, 2006, pp. 68-69.

[96] Giuliano Bonoli, Vic George and Peter Taylor-Gooby, *European Welfare Futures: Towards a Theory of Retrenchment* (Cambridge: Polity Press, 2000), p. 97; Offe, 2006, p. 69; Mark Hyde and John Dixon, "Welfare Ideology, the Market and Social Security: Toward a Typology of Market-Oriented Reform", in John Dixon and Mark Hyde (eds.), *Marketization of Social Security* (USA: Greenwood, 2001), p. 15.

[97] Susanne MacGregor, "The Welfare State and Neoliberalism" in Alfredo Saad-Filho and Deborah Johnston (eds.), *Neoliberalism: A Critical Reader* (London: Pluto Press, 2005), p. 147.

[98] Peter F. Drucker, *The Unseen Revolution: How Pension Fund Socialism Came to America* (New York: Harper & Row, 1976).

intermediaries and employers to pursue employee rights, the liberals realized the capacity of pension funds in providing additional funds to financial markets, then the relationship between pension funds and social goals were dissolved irrevocably.[99]

Significant social, economic and political alterations throughout the world in the late 20th century resulted in the spread of neoliberal policies and exposed fiscal and legitimation crisis of the welfare state at the same time, which led to calls for the retrenchment of the welfare state. These can be related to changes in the family structure, population ageing due to decreasing fertility and increasing life expectancy, shift from manufacturing to services, new patterns of migration, globalization, weakening of socialist ideas due to the collapse of the Soviet Union, deepening and widening of the European Union.[100] In fact, the economic crisis created an opportunity for the neoliberal thinking in order to realize their aims and therefore, the free market has become the dominant idea since the 1970s. As capitalism requires persistent commodification to accumulate, the introduction of private pension accounts instead of the public ones has meant a new area to be opened to capital accumulation.[101] In other words, pension funds became a commodity to be bought and sold in the market[102] by forced pension reforms in the countries of the South with the ostensible purpose of saving the future of pensioners.

Before going through the transformation of traditional pension systems, it is necessary to notice the differences between public and private pension systems. Traditional pension systems and private pension systems differ in four points: administration, financing model, benefit structure and risk allocation. In the former, the state and/or employers administer collections and benefits, the pensions are financed through pay-as-you-go system, benefits are defined in advance and the system is based on redistribution within and between generations, risks are pooled. In the latter, the private pension companies administer individual pension savings,

---

99 Robin Blackburn, *Banking on Death: Or, Investing in Life: The History and Future of Pensions* (London, New York: Verso, 2002), p. 12.

100 MacGregor, 2005, p. 143.

101 Harvey, 2003, p. 141.

102 Blackburn, 2002, p. 5.

financing model is pre-funded, benefits are not pre-determined but depend upon investment returns and there is little or no redistribution within and between generations, thus risk and reward are individualized.[103]

2.3.1 The International Coalition

Until very recently, the notion of social security used to be considered politically untouchable and morally sacrosanct.[104] However, in the last twenty years, privatization of social security and pension systems has become politically acceptable. Following the 1970s economic crisis, the IFIs have started to promote the private pension accounts to ensure the sustainability of the public finances, one of the components of which was cutting pension expenditures. Their reform proposal is compatible with the neoliberal turn in the world and has basically involved the changing of the financing system from pay-as-you-go to funded scheme, reduction of the scope and coverage of the public pension scheme and shifting of risks from public to individuals. The liberals believe in the benefit of crises to introduce drastic measures that are resisted due to redistributional concerns.[105]

Pay-as-you-go, in its strictest sense, is a method of financing whereby current outlays on pension benefits are paid out of current revenues from an earmarked tax, often a payroll tax. According to the mainstream approach, publicly administered pension systems which are based on PAYGO model are unsustainable in the era of population ageing and involve political risk. Therefore, there should be a necessary trend to scale down the role of the state in pension service. Although the privatization of the pension system has been recommended from both IFIs and many scholars, privatization ironically requires state intervention in order to provide necessary rules and regulations and monitoring of the system. The state has been forced to be an

[103] Mitchell A. Orenstein, "The New Pension Reform as Global Policy", *Global Social Policy* (Vol. 5, No. 2, 2005), pp. 181-182.

[104] Daniel Shapiro, "The Moral Case for Social Security Privatization", *Social Security Choice Paper* (No. 14, October 1998), p. 8.

[105] Allan Drazen and Vittorio Grilli, "The Benefit of Crises for Economic Reforms", *The American Economic Review* (Vol. 83, No. 3, June 1993).

agency of customer protection with pension privatization after having been the provider of social security for a very long time.[106] In sum, population ageing, the sustainability of pension systems and the inefficient involvement of the state in providing social security constitute the main arguments of the international organizations to impose pension reform and the introduction of private pension accounts.

Though the fundamental objective of a pension system is to provide old-age income security, the campaign on pension reform aimed to link the pension funds to economic growth. In reality, the underlying reason has been to create additional funds that would be exchanged in the financial markets.

In order to understand the political forces behind the pension transformation, in addition to the global actors, lobbying efforts of the domestic insurance companies, financial intermediaries and banks should also be noted. They are eager to lobby governments to conduct pension system reforms owing to their vested interests in more private savings. On the other side, governments distort public pension policies to get the support of the lobbyists. The latter should absolutely compensate governments for the loss of electoral support.[107] In this process, two coalition groups, one supporting and the other opposing the pension reform process, have emerged. While the World Bank, the IMF, the OECD, the USAID, the IDB and ADB belonged to the former, the ILO and the ISSA belonged to the latter group. The neoliberal economic integration in the European Union, which started in the 1990s, also affected the pension reform processes in the candidate countries or recent members, the Eastern European ones being the most notable ones.

At this point, it should be asked how global actors have become so effective in the pension reform process. Although transnational actors do not have formal veto power, their influence can be explained by the quasi-veto powers, which are gained

[106] Patricia Frericks, "Marketising Social Protection in Europe: Two Distinct Paths and Their Impact on Social Inequalities", *International Journal of Sociology and Social Policy* (Vol. 31, No. 5/6, 2001), p. 327.

[107] Achim Kemmerling and Michael Neugart, "Financial Market Lobbies and Pension Reform", *European Journal of Political Economy* (Vol. 25, No. 2, 2009), pp. 163-165, 168.

by loan or membership conditionalities.[108] According to Orenstein, other important reasons can be listed as the unification around a set of policy ideas, sufficient resources at their disposal, the ability to organize other actors to join a campaign coalition, the lack of opposing transnational advocacy coalitions and existing crisis conditions form the intensive intervention of international organization.[109] The World Bank and the IMF, for instance, unified around the Washington Consensus policies, problematized in the previous chapter, to force the countries of the South, to make necessary reforms that would yield economic growth in the 1980s. Among the relevant principles, the reorientation of public expenditure, fiscal policy discipline, the privatization of state facilities and deregulation of markets have been much related with the pension reform processes in the countries of the South where no direct but conditional loans of the IFIs determined the pace of reforms.

In line with Krueger's arguments, the World Bank chief economist from 1982 to 1986, a necessary reform could take place either a new government comes to power by election or coup d'état or in the case of economic crisis. She also emphasized the leading role of the technocratic input that would shape the nature of the reform.[110] As will be problematized later, both conditions and technocratic input were effective in the radical pension privatization in Chile.

2.3.1.1 World Bank

The interest of the IFIs in the pension reforms was first expressed in the 1994 report of the World Bank, titled *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. It was claimed that, the report was designed to find the optimum answer to the question of what was good for old and good for the economy as a whole at the same time. Therefore, the population ageing and its impact were discussed intensively in this study in order to justify the proposed radical reforms. In fact, the Bank had started to issue conditional loans at the very beginning of the

[108] Mitchell A. Orenstein, *Privatizing Pensions: The Transnational Campaign for Social Security Reform* (New Jersey: Princeton University Press, 2008), p. 55.

[109] Orenstein, 2008, pp. 69-70.

[110] Anne O. Krueger, *Political Economy of Policy Reform in Developing Countries* (USA: MIT, 1993), pp. 124-132.

1980s during the Chilean pension privatization process; this comprehensive report was a convincing attempt in justifying pension reform by using a discourse of population ageing and the sustainability of the pension systems throughout the world. The timing of the report was also compatible to political, economic and social conjuncture in the world. On the one hand, it was a time that the Washington Consensus principles informed new economic reforms especially in the Latin American countries, while the collapse of the Soviet Union created new and adolescent clients for the Bank on the other.

According to the report, demographic problems, which were caused by declining fertility and increasing life expectancy, had increased all over the world. Moreover, the extended families that constituted the basis of traditional social security were weakening. Therefore, the World Bank argued that formal pension systems proved to be unsustainable and difficult to reform.[111] The report evaluated the impact of redistribution, saving and insurance functions of social security systems on the aged and on the economy as a whole. It was argued that while "redistribution" would help shift lifetime income from one person to another, "saving" would postpone some consumption in young age in order to consume more in the old. "Insurance" would provide protection against the probability of economic recession or bad investments will wipe out savings. Hence, "[a] country's old age security program should provide for all three functions, but with very different government roles for each".[112]

The report appraised policy options for mature social security systems and suggested three-pillar structure that consisted of a publicly managed pillar with mandatory participation, a privately managed pillar with mandatory participation and a voluntary pillar. The first pillar would fulfill redistribution function with a limited goal of reducing poverty among the old and the second pillar would cover savings. Besides, first and third pillars would fulfill insurance function. By separating the redistribution function from the savings function, the public pillar would become smaller and it would be possible to avoid growth-inhibiting problems. Three-pillar

[111] World Bank, 1994, p. xiii.

[112] World Bank, 1994, p. 10.

structure was arguably organized to share responsibility among multiple pillars of old age support.

In order to encourage multipillar systems, the World Bank claimed that:[113]

- One dominant public pillar was not enough for redistribution, saving and insurance since it operated problematic for both efficiency and distributional reasons. As the system relied on current workers, the population ageing would make it unsustainable. When the scheme matured high contribution rates would be applied to maintain the system, but at that time, the workers would perceive this as a new tax and prefer informal working.
- Public pillar missed an opportunity for capital market development. On the contrary, mandatory funded plans would increase long-term saving and stimulate economic growth.
- Publicly managed funded plans were open to misuse. To invest in only public securities as a requirement would cause negative or low returns for the pension funds.
- Privately managed plans were beneficial for capital market development. Among the other options, private accounts had the least labour and capital market distortion effects. But, they did not address the poverty problem and insure against investment risks and capital market fluctuations.

The minimum pension guarantee was seen as the best option for the public pillar. The private management was recommended for the second, mandatory funded pillar, instead of public management since the former would have an incentive to invest in the stock market that would offer the best risk-return combinations.[114]

In the World Bank study, the OECD, Eastern European countries and several Latin American economies were rated as older economies with large public pillars. Concerning to the example cases of this study, Chile and Turkey were strangely admitted as ageing countries. While the old-dependency ratio[115] had been 20.4 per

[113] World Bank, 1994, pp. 12-15.

[114] World Bank, 1994, p. 17.

[115] Old-Dependency Ratio: ((65+) age/(15-64) age)*100

cent at average in the OECD in 1990, it had been 9.3 per cent and 7 per cent in Chile and Turkey respectively.[116] In fact, this situation is very compatible with Gamble's argument that it is easy for capitalist countries to force neoliberal prescriptions to the countries of the South instead of themselves. Therefore, the ageing problem was put forward as an agreeable reason to apply neoliberal welfare policies in the periphery.

Two reform steps were recommended for these ageing economies in order to achieve a safe transition to mandatory multipillar system. The parametric changes to transform public pillar, which involve rising retirement age, eliminating early retirement, downsizing benefit levels and broadening tax base, constitute the first step. The second step envisaged a structural change in the pension system that could be accomplished by three options below:[117]

- Downsizing the public pillar while reallocating contributions to a second mandatory pillar.
- Holding the public benefit constant but rising contribution rates and assigning them to the second pillar,
- Starting a completely new system while recognizing accrued entitlements under the old system.

Although both steps were discussed intensively in the book, the World Bank approach highlighted the third option that was already realized in several Latin American countries, among which Chile was the pioneer case. It is explicit that, the pension privatization model of Chile, which is analyzed in the next chapter, was embraced by the World Bank. Although the Bank's model proposed a three-pillar pension system, the focus was on the second pillar, namely privately managed and defined-contribution mandatory pillar. The underlying idea was to make public pension system less attractive. Still however, Bank's model differed from the Chilean path to pension transformation by its relatively softer transition to the private pension system. While Chilean model had been realized by replacing the traditional public pension system with private pension system, the World Bank assumed their concomitant co-existence during the transition stage.

[116] World Bank, 1994, pp. 343-348.

[117] World Bank, 1994, p. 22.

The Bank attempted to justify the pension reform by two basic propositions: the three-pillar structure would protect pension system against the outcomes of demographic ageing and the fully-funded individual pension accounts would have the capacity to increase national savings and economic growth at the end.

The World Bank's publication has become the credo of pension reform throughout the world since then especially in the countries of the South that have been confronted by the conditional funds of the IFIs. The World Bank has promoted the pension reform with several other publications, and technical and financial support in client countries. As a result, structural shifts in the welfare state provisions have caused reliance on means-tested benefits, transfer of responsibility to private sector, and dramatic changes in benefit and eligibility rules.[118]

Indeed, the Bank's support for implementing mandatory funded pillar had started even before the 1994 report. In line with the Washington Consensus principles, the Bank had assisted Latin American countries in pension reforms in line with neoliberal economic policies. In this period, most of the Bank's funds had been lent to Mexico, Argentina, Peru, Uruguay, Columbia, Bolivia and Ecuador in respective order.[119] But while the Bank's financial supports to pension reform was about 416 million dollar during the period of 1984-1994, the next decade it jumped to the level of approximately 5 billion dollar. Twenty per cent of these loans were issued for the reforms that involved a dominant second pillar.[120] It was not a coincidence that a large part of the lending took place after the enactment of the reform. Put it differently, the Bank has guaranteed the implementation of the reform by its generous loans.

The pension reform has been marketed by the World Bank and financed by the IFIs and regional banks and organizations such as the IDB, the ADB and the USAID throughout the world. Chilean example was made a partially model of intervention firstly in Latin America but then in Peru (1993), Argentina (1994), Columbia (1994), Uruguay (1996), Bolivia (1997), Mexico (1997) and El Salvador

[118] Pierson, 1996, p. 157.

[119] Independent Evaluation Group, *Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance* (Washington, D.C.: World Bank, 2006), p. 66.

[120] Robert Holzmann and Richard Hinz, *Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform* (Washington, D.C.: World Bank, 2005), pp. 65, 69.

(1998), spreading later to the Eastern European countries and former Soviet Republics such as Kazakhstan (1998), Hungary (1998) and Poland (1998).

2.3.1.2 Criticisms Towards the World Bank Report

The pension reform and mandatory private pension pillar, which was systematized with the 1994 report of the World Bank, has led to many criticisms from the academics, ILO and ISSA as well as within the Bank and the IMF. The role of the post-Washington Consensus debates has been also very significant in the production of those criticisms. For the repetitious economic and financial crisis particularly in the countries of the South since the 1990s stimulated neoliberal coalition to revise the Washington Consensus principles. Regarding the pension domain, the introduction of safety nets and poverty reduction strategies has been recommended to the suffering countries.

It has been argued that the 1994 report of the World Bank was the extension of the IFIs' top down policies in Latin America, and now the national governments were forced to implement Bank's policy on pension systems through authoritarian measures.[121] According to Beattie, "it would seem inconceivable that the Bank's pension strategy could be justified on social policy grounds".[122] According to another point of view, the Bank's strategy was flawed not only in creating solutions for sustainable social policy but also in promoting economic growth.[123]

Blackburn invalidates the population ageing argument with the following conclusions: As the medical advance has increased life expectancy, the working years of any individual have also increased; immigration is a likely solution to labour shortage; the decline in fertility rates has also meant less number of dependents; and technological advance has been increasing labour productivity continually. Thus, in the developed Western countries, the basic solution to the sustainability of pension

[121] Roger A. Beattie, "Review of World Bank (1994)", *International Labour Review* (Vol. 133, No. 5-6, 1994), p. 715.

[122] Beattie, 1994, p. 719.

[123] Ajit Singh, "Pension Reform, the Stock Market, Capital Formation and Economic Growth: A Critical Commentary on the World Bank's Proposals", *CEPA Working Paper Series I* (No. 2, April 1996).

systems is preventing early retirement and decreasing unemployment rates, meaning that the real challenge is not population ageing but to find compatible economic and social policies to make necessary adjustments to face with population ageing.[124]

The radical pension privatization process in Chile and its negative economic and social impacts on the society have also brought ILO into the pension reform debate. After analysing the Chilean private pension system in 1992, the ILO recommended a three-tier pension model to the countries that were similar to the Chile's characteristics in terms of the level of economic and demographic development which should be closely supervised by the state. The model involved a) a basic minimum guaranteed pension, b) a defined-benefit, earning-related pension scheme supported by both employee's and employer's contribution and working on the basis of global and partial funded system and c) an optional complementary scheme. Moreover, it was argued that an additional tier should be supplemented to provide minimum income to non-contributors.[125]

This model, which was systematized and announced during the Fifth Regional Conference of ILO in Warsaw in 1995, advocated a more active role to the state by proposing a model that assumed a basic pension tier of anti-poverty measure, a compulsory, defined-benefit, PAYGO social security tier and a voluntary tier comprising funded personal or occupational schemes. Thus, the ILO model comprised two state-backed tiers which formed the essence of the system, and one private but supplementary tier.[126]

In order to provide a platform to exchange views and share ideas concerning the polarized debate on the problems of social security and the future of the social security, the ISSA launched Stockholm Initiative under the title 'The Social Security Reform Debate: In Search of A New Consensus' in 1996. At the request of ISSA, L. H. Thompson from Urban Institute (United States) developed a series of analysis

[124] Blackburn, 2002, pp. 18-19.

[125] This analysis is given in the next chapter on the basis of Colin Gillion and Alejandro Bonilla, "Analysis of A National Private Pension System: The Case of Chile", *International Labour Review* (Vol. 131, No. 2, 1992).

[126] Cited in Roger Charlton and Roddy McKinnon, "Beyond Mandatory Privatization: Pensions Policy Options for Developing Countries", *Journal of International Development* (Vol. 12, Issue 4, 2000), p. 485.

regarding the pension debates[127] and 170 participants came together in June 1998 in Stockholm to discuss new social security challenges. The appealing participants were Council of Europe, the European Commission, the ILO, the IMF, the OECD, the UN, the World Bank and European confederations of trade unions and employers. The conference was organized by the ISSA and the CISS (Inter-American Conference on Social Security) and hosted by the Swedish Government. The Conference reached to the following conclusions:[128]

- Social protection is a responsibility of the state.
- The aims of social security are to alleviate poverty and to spread risks among citizens.
- There is a need to balance different interests.
- Each country needs to design its own solution.

The IMF contributed to the pension reform debate with the work of Peter S. Heller, Deputy Director of Fiscal Affairs Department of the IMF in 1998. Interestingly he questioned the superiority of defined-contribution private pension system over defined-benefit public pension system. Like the World Bank papers, the pension reform was discussed around the population ageing problem but the primary concern of the study was to explain the inadequacy of the private system in terms of providing intragenerational redistribution and safety-net, and to correct the failures of the system that was open to many vague risks of the market in future. Moreover, the study dealt with the management of fiscal policy, since relying on a mandatory private pension system would make it more difficult. Therefore, it recommended that the main source of old-age benefit should arise from the public pillar but in a well-formulated occasion; thus the private pension pillar should complement rather than replace the public pillar.[129]

The internal debates in the World Bank, which were affected by the observation of country experiences over time, led to another important publication

[127] Karl G. Sherman, "A New Social Security Reform Consensus? The ISSA's Stockholm Initiative", *International Social Security Review* (Vol. 53, 1, 2000), p. 67.

[128] Sherman, 2000, pp. 67-70.

[129] Peter S. Heller, "Rethinking Public Pension Reform Initiatives", *IMF Working Paper* (Working Paper No. 61, April 1998).

named “Rethinking Pension Reform: Ten Myths about Social Security System” in 1999. Peter R. Orszag and Joseph Stiglitz, Senior Vice President and Chief Economist of the World Bank, presented their paper during the fifth anniversary of *Averting the Old Age Crisis*.

This paper examines ten myths about the World Bank publication in a provocative manner. The myths, which are grouped as macroeconomic (the first four), microeconomic (the following three) and political economy (the last three), are summarized below:[130]

- *Private pension accounts rise national saving.* If people only save in individual private pension accounts and reduce saving in other forms, total private saving will be unaffected by these accounts. The privatization of the pension system by switching to individual private pension accounts would only alter the form of debt. The implicit debt in PAYGO system would become explicit. Put it differently, the introduction of private pension accounts would be a kind of debt-financed privatization which would not yield macroeconomic consequences. Moreover, the costs of this privatization are put on the shoulders of the savers. On the other hand, prefunding can be accomplished without privatization in a way that the government can accumulate assets on the basis of defined-benefit plans to be used for future payments.
- *Rates of return are higher under individual accounts.* Only in dynamically efficient economies this hypothesis would be true. Otherwise, higher returns in the long run can be obtained at the expense of reduced consumption. Administrative and transition costs would also decrease the rates of return. If those costs are financed through tax revenue, the rate of return would increase. Therefore, the higher rate of return is linked closely to additional funding not to individual private accounts.
- *Declining rates of return on PAYGO systems reflect fundamental problems with those systems.* While early pensioners receive high rates of return in comparison to their contribution, the subsequent pensioners receive low rates

[130] Peter R. Orszag and Joseph E. Stiglitz, “Rethinking Pension Reform: Ten Myths about Social Security Systems”, *Paper presented at the World Bank Conference on New Ideas About Old Age Security* (September, 1999), pp. 7-37.

of return due to the low level contributions of the earlier ones. That decline in return may be prevented by increasing productivity and growth rates. It has to be recognized that this myth and the authors' recommendation form a very good example of the contradiction inherent neoliberal economic policies, namely labour market reforms have been forced to make the labour market more flexible in order to increase productivity. However, labour market flexibility and informal employment, an inevitable outcome, appalled the foundation of traditional PAYGO system and made it practically impossible.

- *Investment of public trust funds in equities has no macroeconomic effects or welfare implications.* If a pension system relies on partial funding that combines unfunded and funded component at the same time, risks diversification can produce macroeconomic effects.
- *Labour market incentives are better under private defined contribution plans.* Some measures can also create labour market incentives but reduce welfare levels. It is hard to calculate the impact of a pension system on the labour market.
- *Defined benefit plans necessarily provide more of an incentive to retire early*. Early retirement is not always related with the pension system. For instance, technological changes may also diminish the value of human capital and may encourage early retirement. On the other hand, incentives to retire early could also be prevented by parametric changes.
- *Competition ensures low administrative costs under privately defined contribution plans.* In a decentralized private pension system with many financial companies, which provide private accounts, the administrative costs would be higher due to the loss of economies-of-scale and advertising expenses. The Chilean example has explicitly proved the contrary of this myth.
- *Corrupt and inefficient governments provide a rationale for privately defined contribution plans.* The privatization of pension systems requires a strong state to monitor and regulate the new system. It is ironic to assume that an inefficient and corrupt government in administering the pension system would be efficient in regulating the system. In fact, the financing structure of

a pension system does not matter. All pension systems, public or private, need an effective state. Moreover, as it is detailed in the next chapter, even in Chile, pension privatization resulted in minimum pension guarantee of the state.

- *Bailout politics are worse under publicly defined benefit plans than under privately defined contribution plans.* The governments are under pressure to provide social protection in defined benefit plans. However, if the governments fail to regulate and monitor private pension system effectively, the individuals who make risky investments would also turn to government for its assistance. Here the authors frame a very basic internal contradiction of neoliberalism on the pension reform. Even though one of the most important aims of the reform is announced as reducing the role of the state, the reform process actually brings the state at the centre of the new system, reminding Gamble's emphasis on the need for a strong state in neoliberalism.
- *Investment of public trust funds is always squandered and mismanaged.* The public pension funds with sound corporate governance protections may avoid some of the pitfalls. The authors also compare the real return on public fund for selected countries, which was given in the Bank's 1994 publication, with the average real ex post discount rate and found that public fund returns have been at least as good as the market return.

The studies of Heller and Orszag and Stiglitz have emphasized the economic and social differences between countries and recommended tailor made solutions for pension sustainability problems. This call has been echoed in the World Bank. The Head of Social Protection Division of the World Bank, Robert Holzmann, prepared a report to demonstrate that the Bank took countries' conditions into account and assessed all reform options. On this point, the Bank has identified four key concerns such as short-term financing and long-term financial viability, effects on economic growth, adequacy and other distributive issues, political risk and sustainability.[131] The Bank has also evaluated three main reform options namely PAYGO-only

[131] Robert Holzmann, "The World Bank Approach to Pension Reform", *Social Protection Discussion Paper Series* (No. 9807, December 1999), pp. 4-6.

reform, shift to a fully-funded system, and multipillar pension system within the framework of these four key issues. The PAYGO-only reform that involves parametric changes is assessed as politically unattractive. A complete shift towards a funded pension system may be feasible under certain limited conditions such as low implicit debt in PAYGO system and low credibility in reform of the unfunded scheme. The discussion on multipillar pension system is proposed as an inevitable outcome of observed difficulties of both two previous options. Its superiority results from risk diversification. Moreover, long-run risks would be balanced under the multipillar system.[132] Therefore, the Bank has continued to favour multipillar approach, which was already initiated in 1994, but in a country-specific manner. However, this did not retain the Bank from focusing on second pillar, privately managed individual pension accounts. The study of Robert Holzmann and Robert Palacios has made this explicit.[133]

Nicholas Barr, visiting scholar at the Fiscal Affairs Department of the IMF, has also followed Orszag and Stiglitz, in order to examine the myths of the proposed pension reform.[134] Their arguments have converged such that private pension system is a way of prefunding but not the only one because the governments can set aside resources to meet future pension benefits. The design of the pension scheme is much more important than the financing of the scheme. Mandatory private pension accounts do not necessarily increase national saving due to likely decrease in voluntary saving. The key variable of any kind of pension reform is effective government. If PAYGO scheme has implicit debt, the mandatory funded scheme has implicit state guarantee as in the case of Chile. This working paper is very important since it challenges population ageing argument of foremost studies and emphasizes the risks facing individual pensioners.

Barr also underlines that while the pension debate concentrates on finance in terms of ageing problem, the focus should be built on output. Put it differently, the

---

[132] Holzmann, 1999, pp. 7-11.

[133] Robert Holzmann and Robert Palacios, "Individual Accounts as Social Insurance: A World Bank Perspective", *Social Protection Discussion Paper* (No. 0114, June 2001).

[134] Nicholas Barr, "Reforming Pensions: Myths, Truths, and Policy Choices", *IMF Working Paper* (Working Paper No. 139, August 2000).

policy makers should think how to increase the growth of output instead of a shift towards funding to solve the ageing problem and its consequences. Therefore, he concludes that "from an economic perspective, the difference between PAYGO and funding is second order".[135]

It is true that macroeconomic shocks, demographic shocks and political risks affect all pension systems; however, switch to fully-funded pension schemes would bring further uncertainties and risks in management, investment, and annuities market. The first can arise through incompetence and fraud. The second can be resulted from market fluctuations. And, the variables, life expectancy and the rate of return, which determine the value of an annuity, involve uncertainty and result in annuities market risk.[136]

After 2000, ILO has started recommending two options while agreeing that there is no single pension design for all countries.[137] The first one is a mixture of defined benefit and defined contribution schemes, and the second one is the introduction of a notional defined contribution scheme. Four tiers below would take place in the first one:

- A bottom, anti-poverty tier, means-tested and financed from general revenues.
- A pay-as-you-go defined benefit tier, mandatory and publicly managed.
- A defined contribution based tier that is mandatory up to a determined ceiling which would be managed by private pension companies.
- A defined contribution based and voluntary tier which would be managed by private pension companies.

The second option, the NDC, consists of notional accounts that are accumulated during the working life. The NDC has a defined contribution character and the notional accounts are indexed to the rate of growth of GDP or of wages rather than market rate of interest. The system needs to be managed by the state.

[135] Barr, 2000, pp. 8-11.

[136] Barr, 2000, pp. 21-24.

[137] Colin Gillion, "The Development and Reform of Social Security Pensions: The Approach of the International Labour Office", *International Social Security Review* (Vol. 53, No. 1, 2000), p. 62.

In its analyses in the 2000s, the ILO has given importance to coverage and participatory governance regarding pension reform. The objective is to propose reforms which would simultaneously provide full coverage to all members of the population with good governance and prevent poverty in old age, while the adjustment of pension income to inflation is also significant. The ILO has aimed reform processes with minimum distortion and adverse economic effects. A mixture of defined contribution and defined benefit schemes would be the optimum structure for pension systems.[138] Management of the systems needs to be structured on the basis of tripartite coalition; worker, employer and government in order to improve management, governance and compliance.[139] Queisser summarizes the bottom line of the ILO as follows: "the ILO is fundamentally unwilling to accept systems which cannot guarantee insured persons with a full contributions record any more than benefits at the subsistence level".[140]

In the 2000s, the ILO has also questioned the real reasons of pension system crises instead of mainstream argument of population ageing. Similar to Barr's critics, the ILO has formulated an important question in its call for a new consensus in social security: "Does social security face an ageing crisis or does social security face a globalization crisis?"[141] While the employment is the key feature of any kind of pension system, the globalization exposes whole industries to new competitive pressures, imposing thus restrictive regulations on the labour market and wages. Moreover, economic liberalization diminishes fiscal sovereignty of the state, which means that states cannot intervene in the financing of pension systems adequately.[142]

In reality, the ILO does not reject globalization. But, the fundamental argument is that the globalization should create opportunities for all people in the world. In order to achieve this, the ILO calls for mobilizing global tripartism to build

[138] Gillion, 2000, pp. 35-37.

[139] Gillion, 2000, p. 45.

[140] Monika Queisser, "Pension Reform and International Organizations: From Conflict to Convergence", *International Social Security Review* (Vol. 53, No. 2, 2000), p. 37.

[141] ILO, *Social Security: A New Consensus* (Geneva: ILO, 2001).

[142] ILO, 2001, pp. 83-84.

social dimension of globalization and to develop the concept of a socio-economic floor. In other words, a fair globalization should be maintained by achieving universal basic pensions and by extending social security locally, nationally, regionally and globally.[143]

Having been influenced by such criticism maybe, Gill, Packard and Yermo produced a World Bank-published critique of Bank's advice in Latin America by posing a very simple question: "has the change left Chileans better or worse off". Their finding was also very simple and disappointing that pension privatization yielded enormous costs to not only Chile but also its successors in Latin America in the manner of limited coverage and high level of poverty.[144]

Ultimately, radical pension privatization like the one in Chile was implemented in practice only in few countries in the 1990s. The general trend has later been set as combining the first pillar of the traditional PAYGO system and second pillar of funded individual accounts. The NDC system has emerged as an alternative for countries willing to keep a large PAYGO pillar. It has been also understood that switching to fully-funded private pension accounts is not necessary to deliver the sustainability of public pensions.[145]

2.3.1.3 World Bank's New Perspective

The World Bank modified its position concerning pensions one decade after *Averting the Old Age Crisis* and created a new perspective in 2005.[146] In this publication titled *Old Age Income Support*, the Bank did not forgo private pension pillar, but added a new non-contributory pillar for the lifetime poor. The perspective

---

[143] ILO, *A Fair Globalization: The Role of ILO*, International Labour Conference, 92nd Session (Geneva: ILO, 2004a), pp. 8, 36-37.

[144] Indermit S. Gill, Truman Packard and Juan Yermo, *Keeping the Promise of Social Security in Latin America* (Washington, D.C.: World Bank, 2005).

[145] Louise Fox and Edward Palmer, "New Approaches to Multipillar Pension Systems: What in the World Is Going On?" in Robert Holzmann and Joseph Stiglitz (eds.), *New Ideas about Old-Age Security: Towards Sustainable Pension System in the 21st Century* (Washington, D.C.: World Bank, 2001), pp. 90-132.

[146] Holzmann and Hinz, 2005.

identified the primary and secondary goals of a pension system, criteria for lending and acceptable reform options.

Primary goals of a pension system were set as adequacy, affordability, and sustainability and robustness. Therefore, the pension system should prevent old-age poverty and provide sufficient lifetime earnings. By affordability, the study means acceptable levels of contribution. The pension system should be sustainable in terms of promised benefits. Regarding robustness, it was argued that the pension system must be designed to withstand major economic, demographic and political shocks. In order to have a robust pension system, the countries should develop and adapt projections by taking their conditions into account for the long term.[147]

The secondary goal of the pension system was set as contribution to economic development. The pension system must be designed to create developmental effects by minimizing negative impacts or by leveraging positive impacts. In other words, the system should lessen labour market distortions and macroeconomic uncertainty or should increase national saving and promote financial market development.[148]

The study identified the following seven criteria demanded from the clients in return for the World Bank's support to pension reform:[149]

- Sufficient progress toward the goals of pension system.
- The macro and fiscal environment are capable of supporting the pension reform.
- An efficient administrative structure to operate the new multipillar pension system.
- Effective regulatory and supervisory arrangements and institutions to operate the new pension system with acceptable risks.
- Long-term credible commitment by the government.
- Consensus building through local buy-in and leadership.
- Sufficient capacity building and implementation.

[147] Holzmann and Hinz, 2005, pp. 55-57.

[148] Holzmann and Hinz, 2005, p. 57.

[149] Holzmann and Hinz, 2005, pp. 58-60.

After setting goals of the pension system reform and criteria for lending, the Bank classified acceptable reform options as follows;[150]

- Parametric reforms that leave the existing structure unchanged,
- Reforms that introduce NDC schemes,
- Market-based reforms,
- Reforms that introduce or strengthen the public defined-benefit or defined-contribution benefits,
- Multi-pillar reforms.

Parametric reforms included substantial changes in the parameters of the pension system and eligibility requirements of being retired. Although the Bank admitted the positive impact of parametric reforms, it also claimed that countries generally could not fully implement those changes since they were politically unattractive. Instead, parametric reform could be seen as a crucial precursor to structural reforms.

It is explicit that, the Bank embraced the Swedish model of pension system for in a Nonfinancial or Notional Defined Contribution system an individual pension account is established and indexed to the rate of growth of GDP or of wages rather than market rate of interest. This reform changes benefit structure from defined-benefit to defined-contribution but keeps public administration and unfunded nature.

On the one hand the NDC model is consistent with neoliberalism in many ways as it links contributions with benefits and introduces individual accounts.[151] On the other hand, its potential effects could also be achieved by a classical defined-benefit formula; therefore, it is "old wine in a rather elegant new bottle".[152]

A full market-based reform makes a radical change in the pension system. The manner of funding is changed from unfunded to pre-funded and there is a move

[150] Holzmann and Hinz, 2005, pp. 73-83.

[151] John Williamson and Matthew Williams, "Notional Defined Contribution Accounts Neoliberal Ideology and the Political Economy of Pension Reform", *The American Journal of Economics and Sociology* (Vol. 64, No. 2, April, 2005), p. 489.

[152] Michael Cichon, "Notional Defined-Contribution Schemes: Old Wine in New Bottles?", *International Social Security Review* (Vol. 52, No. 4, 1999).

from public administration to private administration. Moreover, publicly administered and unfunded schemes are restricted to the zero or basic pillar with the aim of poverty alleviation. Chile was the first country that performed a full market-based reform which also involved means-tested benefits to poor non-contributors and minimum pension guarantee to low-income people.

Reforms that introduce or strengthen the public defined-benefit or defined-contribution schemes could be organized by centralized prefunding. While prefunding is centralized in one government-administered fund, investment management may be outsourced. The fundamental aim of this reform is to keep administrative costs low and to keep politics out of investment decision.

Multipillar pension reform, which was introduced by the 1994 report of the World Bank, as discussed before, had diversified the structure, funding and administration of benefits. As the original definition of multipillar pension system had focused on formal sector wages and excluded the situation of poor and low-income formal sector workers, after one decade, the Bank proposed a new categorization of pillar in order to include three targeted groups under a zero or basic pillar. This new pillar is financed through general revenues or budget.

Although the World Bank determined acceptable reform options for lending opportunity, it also endorsed that the actual reform choice would depend on country-specific considerations, the situation of existing pension scheme, the reform needs of schemes and the reform environment.[153]

The report intended to reassure client countries that the Bank considered the distinctive characteristics of each country while proposing pension reform and providing loans. However, it has continued to promote multipillar approach with a substantial privately-managed individually funded pillar. The financial data justifies the actual attitude of the Bank towards pension reform such that more than half of the total loans were issued to the countries that pursued multipillar approach as of 2005.[154] In other words, the reformers in Latin America, Eastern Europe and Central Asia were rewarded much more than the reformers who did not forgo public pension pillars.

---

[153] Holzmann and Hinz, 2005, p. 84.

[154] Independent Evaluation Group, 2006, pp. 65-68.

Saad-Filho explains the policy shift in the World Bank from neoliberal orthodoxy to neoliberalism with human face by the appointment of Joseph Stiglitz as chief economist of the Bank in 1997 since he is one of the proponents of the new institutional economics. In fact, he was ejected from the World Bank in 1999, but his ideas remained influential throughout the world.[155]

On the other hand, the increasing rate of poverty in the reforming countries as well as in the world led the ILO to emphasize the responsibility of the state more in providing social security because private pension arrangements failed to deal adequately with social risks. Moreover, contrary to mainstream arguments, the ILO argued that the social security expenditure was necessary to respond the basic needs of the societies and to overcome poverty and social insecurity.[156] The ILO also defined social security perspective for different stages of economic development. Thus, it departed from its traditional position of applying same standards to all member countries.[157] Furthermore, the ILO called for global responsibility for social security in terms of allowing governments to use their fiscal policies in order to alleviate poverty.[158] Therefore, tax competition led by globalization should be limited to create effective fiscal policies and facilitate the hand of the state in collecting taxes to finance social security expenditure.

If a general assessment is made, it can be underlined that much of the Bank's work concerning pension reform in client countries during the 1990s was influenced by the key findings of the 1994 report *Averting the Old Age Crisis*. Then, the publication of *Old-Age Income Security* in 2005 redefined the mainstream ideology of pension reform in a new package for the only difference in this latter study was the inclusion of a poverty pillar to make the social risk more manageable.

---

[155] Saad-Filho, 2005, p. 117.

[156] ILO, "Social Security for All: Investing in Global Social and Economic Development", *Issues in Social Protection Discussion Papers* (Discussion Paper No. 16, 2006), pp. 28-29.

[157] Remi Maier-Rigaud, "In Search of a New Approach to Pension Policy: The International Labour Office between Internal Tension and External Pressure" in Rune Ervik, Nanna Kildal and Even Nilssen (eds.), *The Role of International Organizations in Social Policy: Ideas, Actors and Impact* (Northampton, MA: Edward Elgar, 2009), p. 175.

[158] ILO, 2006, pp. 30-31.

Furthermore, the ILO positioned itself towards a multipillar pension system, so that there has occurred a convergence between the ILO and the World Bank.[159]

Three-tier model on pension reform which was advanced by the ILO is less market-didactic and more-tentative.[160] At this point, it is necessary to differentiate the using of pillar and tier. While pillar model deals with the question of "who provides the pension", tier model deals with the question of "what function a pension serves in old age income security".[161] Put it differently, while the ILO gives importance to the function of pension tiers in order to fulfil the goal of pension system, the Bank is interested in the division of responsibility between the state and the individual.

According to Orenstein, "a policy is global to the extent that policy actors operating in a global or transnational space are involved in policy development, transfer and implementation". Therefore, the pension reform has become a global policy that has changed the post-war social contract; it has had a significant impact on a large part of total economy and spread in many countries by the involvement of the global actors.[162]

In conclusion, this thesis agrees with Wolfson that the neoliberal approach to "saving" social security has indeed achieved its ultimate objective of the elimination of social security. This is so even though neoliberal international institutions such as the World Bank has moderated their strict neoliberal positions on pension reforms in the 2000s for the Bank's change of attitude has been mainly a defensive response to the aggravating poverty problem in the countries implementing neoliberalism, and the whole process has ultimately managed to define the pension reform as a "technical" rather than a political question. This is clear to many critical voices who

---

[159] Queisser, 2000; Maier-Rigaud, 2009.

[160] Charlton and Mckinnon, 2000, p. 485.

[161] Bernhard Ebbinghaus, "Introduction: Studying Pension Privatization in Europe", in Bernhard Ebbinghaus (ed.), *The Varieties of Pension Governance: Pension Privatization in Europe* (Oxford: Oxford University Press, 2011), p. 9.

[162] Orenstein, 2005, pp. 180-181.

have argued that indeed the solution to the future sustainability of social security systems is to end neoliberalism and pursue full-employment policies.[163]

2.3.2 2008 Global Financial Crisis and Private Pension Accounts

The pension reform, which was justified, forced and marketed globally by the 1994 *Averting the Old Age Crisis* report of the World Bank, has moved to another stage by the impact of the 2008 global financial crisis.

The crisis environment and its devastating impact on private pension systems have exacerbated the debate on pension reform. Until 2008 more than thirty countries implemented pension reform policies in the form of either fully or partially pension funded systems.[164] The financial crisis affected pension systems due not only to volatility in financial markets but also to the rise in unemployment. The crisis has also brought a decline in voluntary private pension savings. As the impact of the crisis on the pension system has depended on the type of pension scheme[165]; unsurprisingly, the fully-funded defined contribution private pension schemes have been affected more than the others. Moreover, members of the defined-contribution plans close to retirement and the pensioners who have not annuitized their balances on retirement have been hit the most.[166]

In the OECD countries, the private pension accounts have registered losses of nearly 20-25 per cent with a value of approximately USD 4.5 trillion in 2008. The funds' recovery, which is impressive, has started in the second quarter of 2009 but many pension funds have experienced one of the worst ten-year-return periods on record. The countries where private pension accounts were invested mostly in

[163] Martin H. Wolfson, "Neoliberalism and Social Security", *Review of Radical Political Economics* (Vol. 38, No. 3, Summer 2006), p. 325.

[164] Mitchell A. Orenstein, "Pension Privatization in Crisis: Death or Rebirth of a Global Policy Trend?", *International Social Security Review* (Vol. 64, No. 3, 2011), p. 65.

[165] Florence Bonnet, Ellen Ehmke and Krzysztof Hagemejer, "Social Security in Times of Crisis", *International Social Security Review* (Vol. 63, No. 2, 2010), p. 60.

[166] Bonnet, Ehmke and Hagemejer, 2010, p. 61.

equities have experienced the sharpest drops.[167] In the pioneer of pension privatization, Chile, the value of individual pension accounts declined in 2009 from 64 per cent of GDP to 52.8 per cent. Moreover, the average rate of return in the same year dropped from 20.6 percent to 8.8 per cent.[168]

2.3.2.1 The Responses of the Reforming Countries

Although there was a contested debate about reverting back towards traditional pension system and PAYGO financing especially in the Latin American and Central and Eastern European countries[169] during the period of 2008-2010 financial crisis, only two countries, Argentina and Hungary stepped back by *de facto* nationalizing private pension accounts and closing down the system respectively. But it should be noted that no country has adopted mandatory individual private pension system since 2008.[170]

In order to recover the crisis effect, countries have followed either expansionary or contradictory social security expenditure policies. While Eastern European countries cut or freeze the social security expenditures, additional resources have been made available for the pension system in Chile.[171] Chile had adopted a solidarity pillar, which is detailed in the next chapter, to provide safety nets to poor and low income people before the crisis. In fact, this regulation was the outcome of the radical pension privatization -so not a preparation to a possible crisis- due to a series of problems such as low coverage, market violations and high administrative charges. On the other hand, countries like Spain, Australia and Ireland

[167] Ariel Pino and Juan Yermo, "The Impact of the 2007-2009 Crisis on Social Security and Private Pension Funds: A Threat to Their Financial Soundness?", *International Social Security Review* (Vol. 63, No. 2, 2010), pp. 7, 17-18.

[168] Carmelo Mesa-Lago, "Reversing Pension Privatization: The Experience of Argentina, Bolivia, Chile and Hungary", *Extension of Social Security Working Papers* (Working Paper No. 44, 2014).

[169] Pablo Antolin and Fiona Stewart, "Private Pensions and Policy Responses to the Financial and Economic Crisis", *OECD Working Papers on Insurance and Private Pensions* (Working Paper No. 36, April 2009), p. 5.

[170] Orenstein, 2011, p. 67.

[171] Bonnet, Ehmke and Hagemejer, 2010, p. 58.

have pursued policies to allow temporary access to private pension accounts to alleviate the burden on the members and by this way they have indeed destroyed the basic logic of a pension system which is long-term retirement saving.[172] The crisis has also encouraged initiatives to promote donor coordination to intervene social security provisions especially in low-income countries.[173]

The general trend among the reforming countries was to reduce the contribution levels for all pillars but especially for the private pillar; to cut-off public pensions, to increase retirement age and to change indexation rules.[174] All provisions have ultimately led to the deterioration of the pension rights of people.

In order to sustain the private pension systems in the crisis environment, the reforming countries have especially produced regulatory and supervisory provisions as well as promotion campaigns to build confidence in private pension accounts. Selected policy actions in response to the global financial crisis are summarized below:[175]

- Monitoring activity has been powered in Chile, Spain and Turkey.
- In Turkey, private pension companies were asked in early 2008 to send their plans on how to inform participants about market volatility. This warning has led companies to advice participants about their right to change asset allocation and advice less volatile funds to new entrants. The tax benefit of private pension accounts has been increased to convince participants to continue to save.
- The pension law was amended in Mexico in late 2008 to impose penalties owing to investment regime violations and to establish a ceiling to fees that pension fund managers can charge.

[172] Antolin and Stewart, 2009, p. 6.

[173] Anna McCord, "The Impact of the Global Financial Crisis on Social Protection in Developing Countries", *International Social Security Review* (Vol. 63, No. 2, 2010), pp. 38-39.

[174] Miroslav Bevlavy, "Why Has the Crisis Been Bad for Private Pensions, But Good for the Flat Tax? The Sustainability of 'Neoliberal' Reforms in the New EU Members", *CEPS Working Document* (No. 356, 2001), p. 7; World Bank, *Pensions in Crisis: Europe and Central Asia Regional Policy Note* (November, 2009), Available at: http://siteresources.worldbank.org/ECAEXT/Resources/258598-1256842123621/6525333-1260213816371/PensionCrisisPolicyNotefinal.pdf, pp. 9-11.

[175] Antolin and Stewart, 2009, pp. 22-37.

- Costa Rica liberalized investment limits and initiated the measure of capital adequacy and operational risk to reveal the necessity of additional capital requirements at the same time.
- Thailand made an amendment in investment rules to protect the members and decided to reduce panic by educating private pension members about investment concepts such as risk-return, diversification and long-term investment.
- Chilean social security authority tried to convince people that retirement savings are for the long term and short term volatility is possible.
- An information campaign that focused on long term benefits of pension savings was launched in Turkey in 2009.
- Mexico launched a campaign to explain differences between permanent loss and a mark-to-market drop.

The critical point has been the use of accumulated pension funds for other purposes such as recapitalization of the banks.[176] Liberals, who used the sustainability of pension systems to justify the pension reform, now appropriated the future of workers in order to save their banks and capital, and left the solution of social security problems to a later stage. This outcome fits well to Harvey's argument that neoliberalism has been a project to restore the power of ruling classes.

In reality, the financial crisis has been an opportunity to correct the past mistakes. Although the biggest mistake made has been to link the pension accounts to the performance of capital markets, some additional arrangements have been thought of to alleviate the impact of financial crisis such as the introduction of guarantees for defined-contribution schemes, the enactment of the minimum pension guarantees for pension systems as an automatic stabilizer, the improvement of governance and risk management of pension funds. Critical voices have underlined that an overall reassessment of pension policies is needed to improve the social security system that should respect equal treatment for all members of the society, maintain universal coverage, protect against poverty, provide lost income

[176] Antolin and Stewart, 2009, p. 7; Pino and Yermo, 2010, p. 27.

replacement and guarantee of a minimum rate of return on savings, the last but the most important, social security system should determine benefits as a right not as an allowance and the state should remain ultimate guarantor of adequate pensions.[177] However, the reforming countries have been also encouraged by the neoliberals to not to over-regulate in response to the crisis in line with the OECD Recommendation on Core Principles of Occupational Pension Regulation.[178] This regulation suggests an adequate regulatory framework for private pensions that should be enforced in a comprehensive, dynamic and flexible way, whereas it is also induced that this framework should not provide excessive burden on pension markets, institutions or employers.

Institutionally, while the World Bank has tried to convince international community by the argument of no pension system is immune from crisis[179] and the traditional pension systems have been affected due to the decrease in contributions; the ILO has emphasized the extension of social security provision to all to recover the impact of the crisis as the dissolution of the private pension accounts has been due to market fluctuations.

2.3.2.2 The ILO's New Initiative: Social Protection Floor

It can be argued that the 2008 financial crisis has helped ILO to get involved in the social security and hence private pension debates more intensively and the organization has enjoyed this opportunity to make calls for social security for all. During the 98th Session of the International Labour Conference in 2009, the crucial role of social protection policies was recognized as important in responding the crisis and the Global Jobs Pact was called to devote attention for protecting and increasing employment. The Pact also emphasized the importance of building adequate social protection for all, drawing on a basic social protection floor.[180] Additionally, the

[177] Antolin and Stewart, 2009, pp. 12-16; Bonnet, Ehmke and Hagemejer, 2010, pp. 63-65.

[178] Available at: www.oecd.org/dataoecd/14/46/33619987.pdf.

[179] World Bank, 2009.

[180] ILO, *Recovering from the Crisis: A Global Jobs Pact* (Geneva: ILO, 2009a), p. 3.

Social Protection Floor Initiative was adopted to address the global crisis in April 2009.[181] Then, in 2010, ILO published member countries' experiences in extending social security coverage.[182] ILO's effort to form social protection floors arrived at a conclusion in 2012 with the introduction of the Recommendation No. 202 that took "social security an investment in people that empowers them to adjust to changes in the economy and in the labour market, and social security systems act as automatic social and economic stabilizers, help stimulate aggregate demand in times of crisis and beyond, and help support a transition to a more sustainable economy".[183] The ILO decided to provide guidance to members to establish and maintain social protection floors as a fundamental element of their national social security systems and to ensure higher levels of social security to as many people as possible. The organization also warned that the necessity of basic social security was significant but the countries should seek for comprehensive social security.[184]

The crisis has increased the suspects about the efficiency of financial markets in providing pensions. Moreover, the reform of pension reform in Chile has proved that pension privatization would have major drawbacks that should be corrected.[185] The financial crisis and its negative impact on poverty levels, unemployment, and the rate of return on pension savings have exacerbated debate on inclusive neoliberalism and given way to many studies concerning inclusive and sustainable globalization, and social risk management. However, the private pension system has been kept largely intact in Chile; only Hungary and Argentina quitted fully-funded private pension schemes, and some countries in Eastern Europe cut off public pensions. Therefore, it cannot be argued that the pension privatization is now death. Instead,

---

[181] ILO, *Social Security for All: Building Social Protection Floors and Comprehensive Social Security Systems* (Geneva: ILO, 2012), p. 76.

[182] ILO, *Extending Social Security to All: A Guide through Challenges and Options* (Geneva: ILO, 2010).

[183]Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:3065524:NO.

[184] ILO, 2012, p. 67.

[185] Orenstein, 2011, p. 71.

according to Orenstein, there would be a trend of rebirth of pension privatization to create alternative sources of pension saving.[186]

For the post-crisis fiscal stress means little room for fiscal manoeuvre for states, forcing them to face less social protection, and more poverty and inequality.[187]

2.4 Conclusion

The private pension accounts have proliferated especially in the last twenty years in relation to the pension reform campaign in the world. While the basic objective of a pension system was to provide comprehensive income security in case of old-age, sickness, work injury and unemployment, the reform process has appropriated accumulated pension capital of workers by arguments of population ageing problem and the sustainability of pensions.

Historically, the industrialization process, two world wars and their economic and social destructive impact on the societies contributed to the evolution of social security and pension rights in the first half of the 20th century. This process reached its highest level thanks to the organized labour after the World War II for the pension issue was institutionalized as a fundamental political right to be protected and supplied by the states.

The 1970s economic crisis changed the post-war welfare state consensus, and pension systems, like other social policy areas, have become subject to privatization demand. The Chilean radical pension privatization was eagerly embraced in this period by the World Bank. Although the ILO was sceptical of pension privatization, its influence was limited to its resources and weak conditionalities. Hence, the IFIs have started executing a neoliberal project by using their structural adjustment programs and conditional loans in the countries of the South. It is interesting to underline that the pension privatization model was more powerfully induced to the South without significant ageing problem rather than to the ageing Northern ones. As a result, the private pension accounts of the former have become a financial tool in the hands of big players.

[186] Orenstein, 2011, p. 75.

[187] Pino and Yermo, 2010, pp. 25-27.

The pension transformation in more than thirty countries has produced high level of unemployment, substantial poverty and a huge population with no pension guarantee. States have been forced by the international lobby, which was formed by the IFIs and the regional banks, to establish private pension pillars in exchange of necessary loans. The role of the state has been defined as to prevent oppositions of workers and poor people and to alleviate conditions of the capital accumulation through private pension arrangements.

Increasing criticisms towards the World Bank project have led the Bank to make some revisions in its position. However, the outcome was not to step-back, but only to supplement poverty pillar in order to make the poverty problem manageable. Besides, in the course of time, the arguments of the actors of counter coalition have converged with the proponents of pension reform in terms of likely effect of private pension pillars on the national economy. It can be argued that the biggest achievement of the neoliberals in this process has been to turn the pension issue into an aging- and efficiency-focused technical problem rather than a political one determined by conflicting class interests.

Even the devastating impact of the 2008 global financial crisis on the private pension accounts, unemployment and poverty levels have not changed the priorities of the neoliberal agenda that the accumulated pension funds have been used to save the banks while the situation of people has deteriorated by the cut-off public pensions and by complicating retirement eligibility rules. Thus, the future of pension systems have simply been tied to the fate of financial markets, while the future of the poor and the middle and low income people have been left to the mercy of their governments and the IFIs, proving Harvey's argument that the neoliberal pension reform has been an effective tool of neoliberalism as a class project favouring the capital at the expense of labour.

CHAPTER 3

PENSION PRIVATIZATION IN CHILE:
How and Why It Became a Model?

3.1 Introduction

The close relationship between neoliberalism and the evolution of private pension accounts has been discussed in the previous chapter. While the processes of Washington and post-Washington Consensus were the main determinants in this process, the fundamental tools of the pension privatization have been the requirements of structural adjustment programs which are enforced by the IFIs. This chapter will problematize these arguments by focusing on the Chilean case.

Concerning the subject matter of this thesis, it is vital to understand the pension privatization in Chile since it has been told as a "success story" for 30 years while the model adopted was unique not only regionally but also worldwide.[188] Still, the Chilean model has inspired reforms in other Latin American countries as well as the former communist regimes in the Eastern Europe and the former Soviet Republics.

The Chilean example is important for not only was it the first example of pension privatization but also it was realized before the worldwide pension reform campaign of the World Bank. This chapter aims to look at the phases of pension system transformation in Chile in the last thirty years, as this might help us understand the changing approaches to the pension system reform both within the country and international organizations. At the national level, the move from an authoritarian regime to a democratic one slightly altered the implementation of the pension system in Chile. At the international level, the settled position of the ILO in promoting social security standards throughout the world as well as in Chile was

[188] Monika Queisser, "The Second Generation Pension Reforms in Latin America", *OECD Ageing Working Papers* (Working Paper No. 5.4, 1998), p. 16.

eclipsed by structural adjustment programs of the IFIs, most prominently the World Bank. After evaluating the assumptions and real outcomes of the reform, this chapter will argue that the Chilean model of pension privatization can be interpreted as one of the best examples of neoliberalism as a class project. In other words, the main goal of neoliberalism that Harvey summarized as the restoration of class power might easily be observed in Chile in relation to the pension system.

Chile became the laboratory of neoliberal policies since the introduction of market-oriented structural reform after the 1973 military coup. The opening of the economy was supported by massive privatizations and deregulation. The main items of the structural reform agenda were a) trade liberalization by abolishing import licenses and by eliminating of quantitative restrictions, b) privatization of state-owned enterprises and banks, c) fiscal reform by introducing value-added tax, d) financial reform especially by eliminating interest rate controls and e) social security reform by replacing PAYGO system with individually capitalized system run by private administrators.[189]

The last item constitutes the subject of this chapter since the new Chilean way of social model and pension system has been later promoted by the IFIs as the ideal neoliberal solution to the problems of pension sustainability in the world. So, in an attempt to understand how the pension privatization was defined and promoted politically in Chile, this chapter will summarize, first of all, the characteristics of the pension system of Chile before the reform process. The main questions problematised will be whether it was really necessary to make some changes in the pension system and whether there was any attempt to make reform in social security policies before 1973. Then, the dynamics of the privatization process will be questioned with reference to its aims, expected results, main actors and advocates, and the actual winners.

Lastly, the chapter will focus on reform of the reform in 2008, which was realized after the election of President Bachelet. In this section, the main questions asked will be whether it was necessary to make a reform of reform, whether there was any difference between the approaches of the Pinochet period and centre-left

[189] Sebastian Edwards, "The Chilean Pension Reform: A Pioneering Program", in Martin Feldstein (ed.), *Privatizing Social Security*, (Chicago: University of Chicago Press, 1998), p. 34.

coalition era in terms of the reform logic and whether the changing attitude of the World Bank and the ILO was effective on the reform of the reform or not.

3.2 Pension Privatization in Chile

In this section, the main characteristics of the pension system of Chile during the democratic regime of 1932-1973 will be identified. Then, the privatization of the system under Pinochet's authoritarian regime will be analyzed in relation to its liberal underpinnings. The assumptions of the pension reform and its real outcomes will be also discussed.

3.2.1 The Pension System Before 1973

Chile was the first country in Latin America which had an organized social security system even in the 1920s. The pension system was adopted in 1924 and developed with the help of the ILO.[190] The requests from Latin American countries to assist their social insurance schemes created a great opportunity for ILO's experts to diffuse their knowledge and expertise.

Chile had promptly ratified the ILO Convention No.35 Old-Age Insurance (Industry, etc./1933), Convention No.37 Old-Age Insurance (Agriculture/1933) and Convention No.38 Invalidity Insurance (Agriculture/1933) on 18 October 1935.[191] These conventions determined that "the insurance scheme shall be administered by institutions founded by the public authorities and not conducted with a view to profit, or by State insurance funds"[192], "the public authorities shall contribute to the financial resources or to the benefits of insurance schemes covering employed

---

[190] Robert J. Myers, "Privatization of Chile's Social Security Program", *Benefits Quarterly (*Vol. I, No. 3, 1985), p. 27.

[191] Available at: http://www.ilo.org/dyn/normalex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

[192]Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312180:NO.

persons in general or manual workers"[193], "the insured persons and their employers shall contribute to the financial resources of the insurance scheme" and "representatives of the insured persons shall participate in the management of insurance institutions".[194]

In 1942, the first Inter-American Conference on Social Security was held in Santiago at the invitation of Chilean minister of Public Health, Social Insurance and Assistance, Salvador Allende (1938-1941). He was the chairman of the Workers' Insurance Fund in Chile at the time of the conference. The declaration of the conference specified the connection between social and economic security, and confirmed the role of social security as an instrument of solidarity to all peoples in their pursuit of well-being. After the conference, a Permanent Inter-American Committee on Social Security was established and became permanent counterpart of the ILO in Latin America.[195]

The Chilean pension system had evolved on the basis of universalism and redistribution during the period of democratic regime in 1932-1973 under the light of these mentioned ILO conventions. Arguing that there is a strong relationship between development model and welfare regimes, Kurtz maintains that in the case of Chile, the import-substitution industrialization model was based on production for a protected national market and the welfare regime linked to formal employment. The outcome was universalistic consumption support coupled with asset redistribution.[196] Put it differently, the Chilean social policy had evolved according to the requirements of the industrialization process. For this reason, the social policy

[193] Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312182:NO.

[194] Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312183:NO.

[195] ILO, 2009, p. 153.

[196] Marcus J. Kurtz, "Understanding the Third World Welfare State after Neoliberalism The Politics of Social Provision in Chile and Mexico", *Comparative Politics* (Vol.34, No. 3, April 2002), pp. 294-296.

created necessary human resource by public education, public health programs, state-financed housing, and pay-as-you-go social security.[197]

There was a diversified pension system in Chile before 1973 for more than thirty occupational groups tough majority belonged to three programs for government employees, salaried employees and manual workers. Each program had different characteristics in terms of benefit levels, indexation rules, and requirements of retirement, contribution rates and management type.[198] 70 per cent of the people were under the social security coverage through more than 160 different funds, which were regulated by more than 2,000 laws and regulations in the 1970s.[199] While the pension system offered wide coverage for all social risks, at the same time, it was the most fragmented system of Latin America due to clientelistic links between the employees and political parties.[200] Trade unions had also strong power to bid for social policy provisions.

In 50 years, the traditional PAYGO pension system entered into a crisis due to discriminatory applications and faced with financial obligations owing to design of pension schemes.[201] Myers summarized that the main problems of the former Chilean pension system were due to a) many different systems for occupational groups (lack of equality and justice), b) duplication of benefits, c) low retirement ages, and d) finance techniques.[202] Changing demographic conditions also necessitated a reform in the pension system. However, it was not easy to make reform in this system as the pension regulations were considered to be one of the

[197] Andrés Solimano, *Chile and the Neoliberal Trap: The Post-Pinochet Era* (New York: Cambridge University Press, 2012), pp. 93-94.

[198] Barbara E. Kritzer, "Privatizing Social Security: The Chilean Experience", *Social Security Bulletin* (Vol. 95, No. 3, Fall 1996), p. 45.

[199] Silvia Borzutzky, "From Chicago to Santiago: Neoliberalism and Social Security Privatization in Chile", *Governance: An International Journal of Policy, Administration, and Institutions* (Vol. 18, No. 4, October 2005), p. 657.

[200] Evelyne Huber, "Options for Social Policy in Latin America: Neoliberal versus Social Democratic Models", in Gosta Esping-Andersen (ed.), *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage Publications, 1996), p. 148.

[201] Edwards, 1998, p. 37.

[202] Myers, pp. 27-28.

most important achievements of the Chilean people ensured by the country's very unique democratic culture and system. Moreover, the labour had substantial power over the members of Congress[203] that they were capable of opposing any losses in the pension system.

Several reform attempts which attempted to make the pension system more egalitarian and more sustainable during the Eduardo Frei Montalva administration (1964-1970) and Salvador Allende administration (1970-1973) did not come to an effective conclusion owing to the opposition of privileged groups. In other words, "past attempts to reform pension by democratically elected regimes had failed".[204]

The neoliberal revolution, initiated by the military coup of General Augusto Pinochet, changed all aspects of the state-society relations in Chile. Pinochet regime started to follow market-oriented structural reforms where the shift away from import substitution industrialization to export-led growth model necessitated a radical change in labour market relations as well. The role of social policy reform was significant in making labour market more flexible and in creating additional funds in the economy. Therefore, Pinochet regime applied shock therapy to social provisions in order to cut social expenditures in a very limited time which meant that the pension rights, which were organized under state guarantee, were attacked inevitably without any social consensus. The reform process in the social security structure resulted in the privatization of pension and health systems in 1981 dramatically. The outcome was the deterioration of core social security principals of universality, equity, social solidarity, efficiency and sufficiency.

3.2.2 The Privatization of the Pension System (1981)/Pinochet's Authoritarian Era

According to Huber, economic policies formed an integral part of the political project that was pursued by the military government under General Pinochet, who took the power in Chile with the military coup of 1973, because the main goal was to

---

[203] Borzutzky, 2005, p. 657.

[204] Silvia Borzutzky, "Pension Market Failure in Chile: Foundations, Analysis and Policy Reforms", *Journal of Comparative Social Welfare* (Vol. 28, No. 2, 2012a), p. 105.

weaken the labour and the left. Therefore, "austerity and adjustment measures went even further than the IMF demanded". By this way, the regime started to take steps in transforming the society where there would be no basis for collective action.[205] Huber's argument throws a light to the question of why pension system was privatized radically in Chile. For the privatization brought the individualization of the pension system and eliminated the collectivist feature of the state-backed social security.

Although a comprehensive neoliberal economic program was started after 1973 military coup, the liberal seeds had been planted in Chile by the Cold War-related assistance programs. In the 1950s, the best economics students of Universidad Catolica in Santiago were sent to complete graduate study in University of Chicago where Anglo-Saxon economics was thought. The education of Chilean students at the University of Chicago was financed by the USAID. The education agreement between the two universities, which was signed in 1956, noticed the need for the expansion of market ideas in Latin America.[206] The Chilean economists, named Chicago Boys in general, returned their country with a full belief in market fundamentalism and a set agenda on how to apply free-market approach to Chilean economic policy.[207]

General Pinochet was provided consultancy by a group of businessmen, lawyers and economist while restructuring the national economy.[208] It was not a coincidence that the opinions of social forces were not obtained. Pinochet's government pursued export-led development model instead of import substitution industrialization, imposed anti-inflationary policies and started privatizing state-owned companies after taking the power. However, the stabilization program was not proved to be successful in reducing inflation. Chicago Boys held only advisory positions up to 1975. In this year, the government searched for another program and

---

[205] Huber, 1996, p. 164.

[206] Borzutzky, October 2005, p. 658.

[207] José Pinera, "Chile", in John Williamson (ed.), *The Political Economy of Policy Reform*, (Washington, D.C.: Institute for International Economics, 1994).

[208] Pinera, 1994, p. 225.

reorganized its economic cabinet to increase the efficiency of decisions. Chicago Boys were appointed to important roles in the economic management. The father of the Chicago School, Milton Friedman, came to visit Chile to give a series of lectures on inflation and economic problems in the same year.[209] This gives very preliminary initials on how Chile and Chilean economy were blockaded by famous liberals and their students.

Regarding the pension privatization, while neoliberal economists, the IFIs, the financial sector, private companies and employers' associations formed driving forces of process, trade unions, left-wing political parties, the social security bureaucracy and pensioners' associations opposed it.

Before the privatization, during the period of 1974-1979, some parameters of the pension system were changed in order to eliminate the differences between public pension programs. For instance, a) contribution rates were reduced, b) the retirement age was standardized, c) a minimum period of 10 years' contributions was established for entitlement to an old-age pension, d) an automatic readjustment mechanism was created to keep pace with inflation, e) benefits for dismissal and compensation for years of service were also eliminated.[210] Although some groups, and even some statist generals, opposed the paradigm shift, all of these reactions were ignored by the Pinochet regime.[211] Pinochet's authoritarian regime dissolved groups of opponents by crushing trade unions and by suspending political and civil rights.[212] On the other hand, Iglesias-Palau argued that those parametric reforms may have helped to decrease political resistance to the total privatization of the pension system.[213]

---

[209] Josephine B. Reinhardt, "Los "Chicago Boys": A Powerful Exchange of People and Ideas between Chile and Chicago", *Bates College Honors Theses* (Paper 41, 2012), pp. 82-84.

[210] Augusto Iglesias-Palau, "Pension Reform in Chile Revisited What Has Been Learned?", *OECD Social, Employment and Migration Working Papers* (Working Paper No.86, 2009), p. 23.

[211] Stephen J. Kay, "Unexpected Privatizations: Politics and Social Security Reform in the Southern Cone", *Comparative Politics* (Vol. 31, No. 4, July 1999), p. 409.

[212] Carmelo Mesa-Lago and Katharina Muller, "The Politics of Pension Reform in Latin America", *Journal of Latin American Studies* (Vol. 34, No. 3, August 2002), p. 690.

[213] Iglesias-Palau, 2009, p. 23.

José Pinera, a professor at Catholic University of Chile, was appointed as the Minister of Labour and Social Security in 1978. A team of Chicago Boys, led by Minister Pinera, worked on a structural reform of the pension system which meant the replacement of traditional PAYGO system with fully funded privately managed individual pension accounts based on defined contributions. As a result, the privatized social security plan was launched on a very meaningful day, 1 May 1981.

Pinera defined pension sustainability problem as an opportunity to empower and to liberate workers by privatizing their pension rights. By this way, workers were arguably authorized to make decision on their pension capital, and given a chance to play in the free market to benefit from economic gains. At the same time, pension privatization was to serve to the redistribution of power from state to civil society.[214] Therefore, the new system was declared on the Labour Day as a benefit to the workers.[215]

Like Pinera, the proponents of the reform claimed that pension privatization was based on principles of freedom, free market and small state. In other words, people would enjoy freedom to choose and to decide on their future. The reform would increase the role of private sector, foster the development of financial market, provide sustainability of pension systems, increase domestic saving rate and trigger economic growth. Moreover, the state would have a subsidiary role in order to maintain means-tested benefits to disadvantaged people. Among these liberal principles there was no place to collectivist values, social solidarity and the economies-of-scale. Borzutzky argues that the regime used the language of freedom, modernity and neutrality of the market to convince people during the privatization of the pension system, but, at the same time, it eliminated all political freedoms and violated human rights.[216]

Mesa-Lago and Muller made a comparative analysis to measure the relationship between the degree of democratization and privatization at the time of reform in selected Latin American countries. In fact, the result was very simple. The

[214] José Pinera, "Liberating Workers: The World Pension Revolution", *Cato's Letter* (No. 15, 2001).

[215] José Pinera, "Empowering Workers: The Privatization of Social Security in Chile", *Cato's Letter* (No. 10, 1996), p. 11.

[216] Borzutzky, October 2005, p. 656.

less democratic a regime at the time of reform, the more it privatize the public pension system like in Chile.[217]

The roots of Pinera's arguments, in particular, and Chicago Boys', in general, could be easily found in the works of famous liberals, Friedrich A. Hayek and Milton Friedman, which was detailed in the *Chapter 2*. Hayek and Friedman's emphasis on freedom of choice and a smaller role for state in welfare redistribution determined the way of Chicago Boys in privatizing the pension system and transforming state and society relations in terms of welfare redistribution.

Specifically on Chile, Friedman argues that the growing welfare state in Chile during the Allende administration formed the totalitarian rule of the left and necessitated a military takeover in order to solve economic and social chaos in the country. The Allende regime tried to make a good thing but in a wrong way since the welfare state eliminated freedom and used force to take people's money away from them. A growing welfare state created a clear division in society between contributors and recipients. Increased tax burden on people and increased amount of government spending regarding public pension system dragged the country to the high levels of inflation. All these problems were solved by the change of regime.[218]

3.2.2.1 New Private Pension System

The pension reform basically replaced the former system with individualized mandatory private pension system. While the former founded upon the tripartite contribution (state, employer and employee), the latter created a new relationship between the individual and the private pension company.[219] The public pension system was closed and new entrants were forced to enter the new system.

---

[217] Mesa-Lago and Muller, August 2002, pp. 706-707.

[218] Milton Friedman, "The Fragility of Freedom", in Meyer Feldberg, Kate Jowell and Stephen Mulholland (eds.), *Milton Friedman in South Africa; His Visit to the Graduate School of Business University of Cape Town* (Cape Town: University of Cape Town, 1976), pp. 3-10.

[219] Marcus Taylor, "The Reformulation of Social Policy in Chile, 1973-2001: Questioning a Neoliberal Model", *Global Social Policy* (Vol.3 No. 1, 2003).

As attracting foreign capital to the country is the crucial point of neoliberal economic policy, redistributive policies were ignored not to raise risk perceptions of investors.[220] Moreover, the state was considered to be utterly inefficient by the neoliberals that the market oriented reform pursued by Pinochet regime neglected state-led redistributive social policies.

The new system, based on individual private accounts, was managed by private pension companies known as *administradoras de fondos de pensiones* (AFPs). Those already insured in the public system were given six months to choose between public and private one. The government launched a huge publicity campaign in order to provide massive switch by proposing lower contribution in the private system.[221] Basically two instruments were used to convince people to switch their system. Firstly, the contribution rate was reduced by lowering the total rate of pay-roll tax on the income of workers, which meant a substantial increase in the take-home pay. Secondly, the recognition bonds were given to workers who changed to the AFP program. These bonds represented the periods of contribution in the public pension system and were guaranteed by the Treasury and paid when the member retires.[222] Interestingly, the armed forces/police had a special pension program and they were not convinced to change this. Self-employed also stayed in the public system.

The workers were switched to the new program very fast. By the end of 1982, about five hundred thousand people were still paying to the public pension system while it was about two million in 1980.[223] In other words, 97 per cent of contributors of pension system were forced to connect to the AFPs.

Workers were required to contribute at least 10 per cent of their wages to an individual account and employers' contribution was eliminated. The ultimate balance consisted of accumulated contributions plus respective investment return. The members of the AFP program could make a choice between different AFPs. Besides, they could choose regular withdrawals, an annuity or combination of both at

[220] Kurtz, April 2002, p. 296.

[221] Huber 1996, p. 166; Mesa-Lago and Muller, August 2002, p. 691.

[222] Iglesias-Palau, 2009, p. 22.

[223] Iglesias-Palau, 2009, p. 65.

retirement. At least 20 years of contribution to an individual retirement account was necessary to guarantee a minimum annuity benefit from the government. The minimum retirement age was determined as 60 for women and 65 for men. Until 2000, each AFP was required to offer only one investment portfolio to its members. The private system established a close link between contributions and retirement benefits.

The pension transformation aimed to reduce state's social duties and social functions. Therefore, this process attained subsidiary role to the state. The state was obliged to supervise the new system composed of AFPs. The Superintendency of AFPs (SAFP) was a governmental agency and financed out of the public budget. SAFP had given the authority to issue secondary regulations in order to provide a healthy-working system. The state continued to manage the public pension program for not only armed forces/police but also for insured people who did not want to switch their pension system.[224] Moreover, the recognition bond gave explicit treasury guarantee.

The basic contradiction of the neoliberal pension program was that the reform process also gave the state a life-saving role. In other words, the state was obliged to correct the failures of the system. Hence, one of the most important mottos of neoliberalism "small but strong state" was established as such during the pension privatization in Chile. For instance, in case of insolvency of an AFP, the state had guarantee for the payment of disability and survivorship insurance, and the payment of funeral expenses grant. The approach of the reform was to turn the management of the program over to private entities while keeping the responsibility over its most critical results in the hands of the state.[225] Moreover, the opposition of social forces to pension privatization was prevented by the authoritarian measures of the state such that trade unions were banned and political rights were suspended.

---

[224] Iglesias-Palau, 2009, pp. 20-21.

[225] Iglesias-Palau, 2009, p. 20.

3.2.2.2 Expected Results? Real Outcomes

The reform process promised a) to increase the coverage of the pension system, b) to increase the pension value of people due to the competition in the private market, c) to provide freedom of choice d) to reduce state's role and fiscal costs, e) to contribute financial market development and to boost domestic saving rate, and f) to isolate pension decisions from politics.

In the first place, as the numbers demonstrate that only 62 per cent of labour force in Chile would ultimately be covered by the private pension system by 1997, a proportion which was approximately the same in the former system[226], the creation of private pension accounts did not succeeded in providing incentive to workers to participate. Proponents of the reform admitted some of the weaknesses of the new system such as coverage rate. However, they explained the coverage problem with the involvement of state. In other words, minimum pension guarantee that was provided by the state created a moral hazard among low-paid workers since they only paid for getting minimum pension.[227] According to Packard's analysis, this argument was valid to a certain extent that, most of the Chilean workers, who met the basic requirements of minimum pension guarantee, ceased to contribute the private pension system. Instead, they preferred less risky ways of investment such as housing.[228] To put it differently, people did not believe in the profitability of private pension accounts which were invested in financial markets.

The coverage problem was directly related to the employment structure in the labour market. It was argued before the reform process that high contribution rates

---

[226] Sebastian Edwards and Alejandra Cox Edwards, "Economic Reforms and Labour Markets: Policy Issues and Lessons from Chile", *National Bureau of Economic Research Working Papers* (Working Paper No. 7646, 2000), p. 21; Silvia Borzutzky, "Reforming the Reform: Attempting Social Solidarity and Equity in Chile's Privatized Social Security System", *Journal of Policy Practice* (Vol. 11, 2012), p. 80.

[227] Sebastian Edwards and Alejandra Cox Edwards, "Social Security Privatization Reform and Labour Market: The Case of Chile", *National Bureau of Economic Research Working Papers* (Working Paper No. 8924, 2002), p. 469.

[228] Truman G. Packard, "Pooling, Savings and Prevention: Mitigating the Risk of Old Age Poverty in Chile", *World Bank Policy Research Working Papers* (Working Paper No. 2849, May 2002). As of 2007, 37 per cent of members, who qualified retirement, stopped contributing to the private pension accounts. (Iglesias-Palau, 2009, p. 39.)

discouraged employers from hiring additional workers and directed them to informal employment. For this reason, the employers' contribution was eliminated to reduce informal employment. However, labour market transformation was inevitable part of market oriented structural adjustment programs. Therefore, Chile's labour legislation was changed in 1979 in order to reduce the payroll tax, to reduce unions' power and to limit the extent of severance payment.[229] As a consequence, the changes in the employment structure yielded to labour market flexibility which also reduced the coverage of pension system and the average wage of workers. Under these conditions, it was almost impossible for a low-paid part-time worker to contribute to the individual pension account.

In the second place, the value of pension for men increased just for high-paid full-time workers. But, the private pension system deteriorated the value of women's pensions. The contribution of women has always been limited in comparison to men's due to the traditional roles of women such as child bearing-rearing and other family responsibilities and the condition in Chile was not an exception. There, it was not easy for women to contribute to private pension accounts adequately.

In 1999, annual return on pension funds was 11.3 per cent; however, administrative costs (2.61 per cent) should be deducted to reach net return. The average yield prior to 1995 was higher such that during the period of 1981-1994, Chilean pension funds realized 13.8 per cent return. The average annual return on pension funds was 2.6 per cent between the years of 1995 and 1999 inheriting negative results in 1995 (-2.5 per cent) due to the crisis in Mexico and in 1998 (-1.1 per cent) due to the crisis in East Asia. Therefore, the value of pension is strictly dependent on fluctuations in the capital market. The periods of boom and bust generated quite different pensions. The people who joined the system in the 1980s ensured higher pensions than ones who joined later in Chile.[230]

It was argued that the private accounts would create a competitive AFP market which would increase the value of pensions, reduce administrative costs and

---

[229] Edwards and Edwards, 2002, p. 470.

[230] Carmelo Mesa-Lago, "Models of Development, Social Policy and Reform in Latin America", in Thandika Mkandawire (ed.), *Social Policy in a Development Context* (New York: Palgrave Macmillan, 2004), pp. 196-200.

improve the allocation of capital. In reality, the number of AFPs continued to increase until 1994 reaching to 21; then started to decrease even less than 10 in the 2000s due to market concentration. Instead of being competitive, the AFP market became an oligopoly market owing to the mergers and acquisitions. For instance, 78 per cent of affiliates in the private system belonged to only three biggest AFPs in 1999.[231] Furthermore, the volume of private pension funds increased from 10 per cent of GDP in 1985 to 45 per cent of GDP in 1997[232], so, half of the present GDP was transferred from workers pocket to large conglomerates.[233] According to the calculations of Solimano, the AFPs sector ranked first with the pharmacies sector due to its concentration level. They were followed by health insurance sector.[234]

The competition in the market did not ensure lower administrative costs, which were paid by the members of AFPs. It was estimated that, administration fees retained one-quarter of the net mandatory contributions of the average Chilean contributor who retired in 2000.[235] In fact, stiff competition contributed to the increase of costs due to the advertising. However, people were required to pay high level of management fees as they did not have any other option to get pension right.

In the third place, the ideological support for the reform was set by its claimed capacity to provide freedom of choice. New entrants did not however have a choice between public and private pension system. Only registered workers at the time of reform enjoyed this right. The members of the private pension system were given the right to choose between pension administrators and the pension mode at retirement. But the profile of the member portfolio was decided by the AFPs. The insured could not withdraw the sum in his/her individual account at the time of

---

[231] Carmelo Mesa-Lago, “Myth and Reality of Pension Reform: The Latin American Evidence”, *World Development* (Vol. 30, No. 8, 2002), p. 1311.

[232] Edwards and Edwards, 2002, p. 468.

[233] Manuel Riesco, “Is Pinochet Dead?”, *New Left Review* (Issue 47, September-October 2007), p. 10; Borzutzky, 2012, p. 82.

[234] Solimano, 2012, pp. 125-127.

[235] Gill, Packard and Yermo, 2005, p. 148.

retirement, but was obliged to choose between the options of getting an annuity, a programmed pension or a combination of both.[236]

In the fourth place, the state was promoted as inefficient to manage the accumulated pension funds so that the system was privatized and pension funds were committed to private pension companies which would operate arguably more efficiently and profitable. In return, the state was authorized to supervise and to regulate the AFPs, and to correct the failures of the AFPs. So, how could an inefficient state be expected to achieve these duties? Or if the state could supervise the private pension system, why could it not act as a pension provider? Hence, instead of downsizing the role of state, the state's role was indeed increased in both expenditure and management sides.

In addition, the fiscal costs of the state did not diminish but increased because of transition costs. The size of transition costs were determined mainly by the generosity of the retirement conditions of public system, the responsibilities of the state during the transition, the percentage of covered population and demographic characteristics of the population.[237] The state lost pension revenue, with no corresponding drop in pension expenditures especially in the medium term since it continued to pay pensions of existing retirees and to compensate the recognition bonds of people who switched to the AFP program.[238] The state was also made responsible for the payments of minimum guaranteed benefits and social assistance pensions, and likely deficits of armed forces/police public pensions. During the legislation work of pension reform in 1980, José Pinera claimed that "the cost of the reform to the public treasury is zero".[239] Nonetheless, fiscal costs, which were resulted from financing of public pension deficit and recognition bonds, increased from 3.8 per cent to 6.1 per cent of GDP during the period of 1981-2000.[240] The

[236] Mesa-Lago, 2004, p. 185.

[237] Mesa-Lago and Muller, August 2002, p. 711.

[238] Madrid, Summer 2005, p. 28.

[239] John Lear and Joseph Collins, "Retiring on the Free Market: Chile's Privatized Social Security", *NACLA Report on the Americas* (Vol XXXV, No 4 January/February, 2002), p. 40.

[240] Mesa-Lago, 2002, p. 1318.

liberals proposed that the public finance deficit could be easily solved with transfer of funds from the privatization revenues of state-owned enterprises.[241]

In the fifth place, an econometric study, prepared by Robert Holzmann, commissioned and published by the IMF, demonstrated that the pension privatization contributed to financial market development in Chile in terms of market deepening, liquidity and competitiveness.[242] Nevertheless, he also warned that development of financial market could not be explained by only private pension system. "It may simply reflect changes in legislation and the lessons learned from the experiences and mistakes of the late 1970s and early 1980s".[243] The contribution of the pension reform to national saving was negative since, in line with his calculations, direct effect of financial market development on the private saving rate was negative until 1989; it was estimated to be positive in later years but only in small amounts.[244] According to Valdes-Prieto, "moving the pension plan from PAYGO to prefunding offered a unique opportunity to raise national saving[245]" since hidden fiscal costs of the private pension system had a negative effect on return on pension funds.

In the last place, private pension accounts were assumed to protect the system from political interference, but the privatization of pension system could not automatically eliminate the political risk. The case of Argentina proved this explicitly since the government seized the accumulated funds in the private pension system twice during the 2001 and 2008 crises.[246] Moreover, the private pension system itself required state intervention and effective government in terms of legislation-making and supervision of the proper function of the private system.

---

[241] Kritzer, 1996, p. 46; Iglesias-Palau, 2009, p. 27.

[242] Robert Holzmann, "Pension Reform, Finanical Market Development, and Economic Growth: Preliminary Evidence from Chile", *IMF Staff Papers* (Vol. 44, No. 2, June 1997).

[243] Holzmann, June 1997, p. 163.

[244] Holzmann, June 1997, p. 175.

[245] Salvador Valdés-Prieto, "Comments" in Holzmann et. al., "Comments on Rethinking Pension Reform Ten Myths about Social Security Systems by Peter Orszag and Joseph Stiglitz", in Robert Holzmann and Joseph E. Stiglitz (eds.), *New Ideas About Social Security: Toward Sustainable Pension Systems in the 21st Century* (Washington D.C.: World Bank, 2001), pp. 80-81.

[246] Stephen J. Kay, "Political Risk and Pension Privatization: The Case of Argentina (1994-2008)", *International Social Security Review* (Vol. 62, No. 3, 2009).

Ultimately, the pension transformation served to the interests of the private sector companies connected to the regime and facilitated the accumulation of capital in their hands.[247] Between the years of 1978-1983, a group of politicians in the government including José Pinera was claimed to have close ties to the largest economic groups in Chile. Not surprisingly, one of these groups this group became the owner of one of the largest private pension company, Provida. As the reform process was initiated by a discourse of economic and political freedoms, it confirmed again that these freedoms belonged to a small elite. Capital market players, pension fund administrators, high-paid workers, full-time workers and generally men had benefited from pension privatization.[248]

It is important to note that most of the private pension accounts of the Chilean people were controlled by the United States investment funds or banks. For instance, 42 per cent of the largest AFP, Provida, was owned by Bankers Trust, and 51 per cent of the second largest one, Santa Maria, was owned by Aetna Life and Casualty.[249] Furthermore, by 1996, nine of thirteen AFPs in Chile were tied to US and Spanish based insurance companies that had banking interests.[250] In this respect, the establishment of private pension system served to the accumulation and centralization of funds in big companies by the help of the contributions of workers and middle-class. The pension privatization in Chile increased the power of ruling classes as well as benefited their counterparts in the world.

---

[247] Borzutzky, 2005, pp. 656, 661, 671.

[248] Borzutzky, 2012, p. 78.

[249] Richard Minns, "The Social Ownership of Capital", *New Left Review* (Vol. 219, Sept-Oct 1996), p. 52.

[250] Hugo Fazio and Manuel Riesco, "The Chilean Pension Fund Associations", *New Left Review* (Issue 223, May-June 1997), p. 96.

3.3. Reform of Pension Reform during Centre-Left Coalition Era

After sixteen years of authoritarian regime, centre-left coalition, named *Concertacion*[251], took the power in national elections of 1989 (President Patricio Aylwin) and continued with the elections of 1994 (President Eduardo Frei), 1999 (President Ricardo Lagos) and 2005 (President Michelle Bachelet) until the election of conservative candidate Sebastian Pinera, the son of José Pinera, in 2009. Twenty years of centre-left coalition witnessed new economic and social reforms. Those reforms should be assessed in the framework of Washington Consensus principles and the institutionalization of social security reform/pension reform by international organizations, especially by the World Bank. In fact, according to Riesco, "Pinochet pioneered the Washington Consensus decades before it became consensual".[252]

The new round of social security privatization in Chile attracted widespread political support from the World Bank and the IMF, the dedicated followers of neoliberalism. Originally, the radical pension privatization experience of Chile affected the World Bank most, reflected in the publishing of the report of *Averting the Old Age Crisis*, which became the main roadmap of pension reform in the world. The IFIs supported the privatization of social models through financial and technical assistance while Chilean technocrats had traveled the globe to tell about the benefits of privatization.[253] When the World Bank published a very comprehensive report on population ageing and the sustainability of pension systems, it in return had a substantial impact on the pension system arrangements in Chile. Put it differently, Chilean model had been a starting point of the World Bank report, but the Bank later institutionalized the pension system reform, which would improve the reform agenda in Chile.

In the meantime, the changing attitudes inside the World Bank and the involvement of the ILO in the pension reform discussions have made an effect on the economic and social reforms of the centre-left coalition governments in Chile.

[251] Concert of Parties for Democracy, founded in 1988, was a coalition of centre and left-wing political parties in Chile.

[252] Riesco, September-October 2007, p. 20.

[253] Kay, July 1999, p. 405.

Transition to democracy and the explicitly negative economic and social outcomes of the pension privatization have led centre-left coalition governments to attempt to improve social security rights of the Chilean people. However, those attempts were limited due to the impact of repetitious financial crises in different regions of the world and neoliberal policies themselves. In other words, turning back to traditional universal pension schemes has been a dream and all governments have just tried to lessen the negative consequences of private pension system. Democratic Chile has to hence reaffirm the role of the market in the pension structure.

3.3.1 Alywin/Frei/Lagos Governments

Successive governments after the authoritarian rule in Chile attempted to ensure political and social reforms, while all took pension reform into their agenda. In the first place, Aylwin (1989-1994) strived with necessary conditions in order to enable a successful return to democracy. In the second place, Frei (1994-1999) gave importance to education and infrastructure reforms, and then Lagos (1999-2005) reformed the private health insurance system. Bachelet (2005-2009) especially insisted on pension reform during the election campaigns of 2005, and has started overhauling the pension system after being elected.[254]

Both parties of centre-left coalition, Christian democrats and socialists avoided expansionary economic policies in terms of increasing social benefits since they have broad control over their followers. The attempts to form a coalition against Pinochet regime for a long time narrowed partisan interests and directed people to focus on systemic goals.[255] However, the basic difference of Pinochet era and centre-left coalition era was the use of fiscal policies. For instance, the former had lowered tax burden to weaken the state, the latter used taxation policy a lot. In order to alleviate the social problems to a certain extent, tax burden of business sectors and

[254] Rafael Rofman, Eduardo Fajnzylber and German Herrera, "Reforming the Pension Reforms: The Recent Initiatives and Actions on Pensions in Argentina and Chile", *World Bank Social Protection Discussion Paper* (No. 0831, 2008), p. 32.

[255] Kurt Weyland, "Economic Policy in Chile's New Democracy", *Journal of InterAmerican Studies and World Affairs* (Vol. 41, No. 3, 1999), pp. 70-71.

upper-middle class was increased by 2 per cent of GDP in 1990 by Alywin administration. By this way, a slight redistribution effect was created.[256]

President Alywin encouraged the formation of workers' AFPs. Teachers' union, banking workers and copper workers took part in the AFPs market.[257] It was an effort to led workers to embrace neoliberalism. On the other hand, the crisis environment in Latin America during the 1990s (Mexico and Brazil) led democratic regime to maintain export development model which was initiated by authoritarian regime in the 1970s. As a matter of fact, Aylwin government continued trade liberalization by lowering import tariffs in 1991.

On the other hand, Alywin government ratified the ILO Convention No.144 Tripartite Consultation (International Labour Standards/1976) on 29 July 1992[258] which necessitated the establishment of tripartite machinery, formed by representatives of government, employers and employees, to promote the implementation of international labour standards.

In 1992, the Head of the ILO Social Security Department, Colin Gillion and his colleague made an assessment of the Chilean pension system with the claim that the reform brought no inter-generational transfer within the society, no mutual insurance between the members and no solidarity between social groups. Moreover, all benefits could be obtained by individual efforts in a fragile financial market. The benefit of private pension accounts appeared to be marginal in terms of their ability to provide adequate level income maintenance during the retirement period. The risks in the financial market were borne only by the individuals and there was no safety net. Lastly, the cost of transition and public pension system requirements of the state amounted to approximately half of the social security budget in 1988.[259] As the private pension system breached the most important common articles of ILO

[256] Weyland, 1999, p. 73.

[257] Fazio and Riesco, May-June 1997, pp. 97-98.

[258] Available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588,.

[259] Gillion and Bonilla, 1992, pp. 185, 190, 192.

conventions that had been ratified in 1935 and still in force, the new system was not compatible with the ILO's approach to the social security.

The Thirteenth Conference of American States Members, held in Caracas in 1992, emphasized that the ensuring the social security of all people was still the obligation of the state. However, the conference did not reach a firm agreement on the position of private sector in the organization of social security.[260]

Gillion and Bonilla recommended an alternative model of three-tier pension system that should be supervised by the state. The model comprises a) a basic minimum guaranteed pension (safety net), b) a defined-benefit, earnings-related pension scheme with the contributions of both employer and employee and working on global and partial funded system, and c) an optional complementary scheme. They also mentioned that an additional tier should be supplemented in terms of providing minimum income to non-contributors especially in informal sector.[261]

Two years later, in 1994, the World Bank announced a three-pillar pension model with its famous report of *Averting the Old Age Crisis*. The Bank exalted the Chilean way of pension reform but suggested a pension system which also envisaged a small public pillar. Its model was based on three-pillars of a publicly managed pillar with mandatory participation, privately managed pillar with mandatory participation, and a privately managed voluntary saving pillar.[262] The Lead Economist of the World Bank claimed that the public pillar missed an opportunity for capital market; a defined-contribution, funded and privately-managed saving pillar was the best way to allocate capital, to create highest return on savings and to spur financial market development.[263]

The recommendations of the ILO's executives were not much effective on the governments in Chile than the World Bank. Instead of pension system corrections,

---

[260] ILO, "Records of the Thirteenth Conference of American States Members of the ILO", Caracas, 30 September- 7 October 1992, Available at: http://white.oit.org.pe/oitamericas99/english/anteced/confre92/reconf.shtml.

[261] Gillion and Bonilla, 1992, p. 194.

[262] World Bank, 1994.

[263] Estelle James, "Protecting the Old and Promoting Growth: A Defense of Averting the Old Age Crisis", *World Bank Policy Research Working Papers* (Working Paper No. 1570, January 1996), p. 4.

Frei's government also continued with the neoliberal agenda of trade liberalization. The import tariffs were further decreased in 1998 in order to cope with international competition that intensified owing to East Asian crisis. This also forced an increase in consumption taxes to cover the fiscal costs.[264]

Due to persistent social inequality, taxation policy received attention in 1997 and 1998 again. However, at this time, fiscal policy efforts of centre-left coalition were bounded by the likely effects of the East Asian crisis. In other words, the Frei's government could not risk the investor confidence by making tax raise[265] since financial crisis led the governments to pursue liberalization programs by creating fears of investment withdrawal. This notion strengthened one of the best known mottos of neoliberalism in Chile that "there is no alternative to neoliberal policies".[266]

President Frei did not make an important change within the pension system but he took some significant steps in ratifying four fundamental ILO conventions. Convention No.87 Freedom of Association and Protection of the Right to Organize (1948), Convention No.98 Right to Organize and Collective Bargaining (1948), Covention No.105 Abolition of Forced Labour (1957) and Convention No.138 Minimum Age (1973) were ratified on 1 February 1999.[267] By this way, workers would have the right to establish and join organizations, and enjoy adequate protection against acts of anti-union discrimination in respect of their employment. The government undertook the responsibility to not to make use of any form of forced and compulsory labour. Moreover, minimum age for employment was determined in order to ensure the effective abolition of child labour.

The government also ratified some technical conventions of the ILO to establish a system of minimum wages and to improve the working conditions. The

[264] Weyland, 1999, p. 77.

[265] Weyland, 1999, p. 74.

[266] Jean Grugel, Pia Riggirozzi and Ben Thirkell-White,"Beyond the Washington Consensus? Asia and Latin America in Search of More Autonomous Development", *International Affairs* (Vol. 84, No. 3, 2008), p. 502.

[267] Available at:
http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

Convention No.131 Minimum Wage Fixing (1970) and Convention No.135 Workers' Representatives (1971) were ratified on 13 September 1999. Convention No.161 Occupational Health Services (1985) was ratified on 30 September 1999.[268]

During the Lagos administration, private sector's role in the pension system was enhanced by the introduction of supplementary plans and an unemployment insurance program, and by the establishment of multi-funds. Law No 19768 gave way to increased scope of voluntary contributions in order to develop capital markets by stimulating private savings. The contributions were non-taxable and people were allowed to deposit to the other private organizations such banks, mutual funds and life insurance companies.

In terms of working conditions, President Lagos empowered public workers' rights by ratifying the ILO Convention No.151 Labour Relations (Public Service/1978) on 17 July 2000.[269]

Unemployment Insurance Program began to operate in 2002 under the management of a private company, Unemployment Insurance Administrator Corporation and it was expected to accumulate USD 3 billion dollars in ten years. Moreover, additional types of funds are created which were "more risky but more promising". The only good news was that, the people aged 55 and over were excluded from this provision.[270] Originally each AFP offered only one portfolio. The number of portfolio was increased to two in 2000 and then, increased to five in 2002[271], which meant an increase in the volume of transactions in the financial market. The 2002 legislation allowed free switch between different funds but limited this to twice in a year.

An anti-poverty program, named Chile Solidario, was also launched during the Lagos administration and strongly aimed at very poor households amounted USD

[268] Available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

[269] Available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

[270] Borzutzky, 2012, pp. 108 -109.

[271] Iglesias-Palau, 2009, p. 18.

100 per month per participating family. The program improved the conditions of existing social benefits for low-income families.[272]

The introduction of anti-poverty program was also emanated from rising international discussions on poverty. For instance, the internal debates in the World Bank, which were also affected by the observation of country experiences over time, have led to change in its policy preferences. The Bank's market oriented approach bounded by the Washington Consensus principles have radically shifted by the World Bank report titled *Attacking Poverty*.[273] In this report, the Bank questioned the growth versus equity approach of market-oriented policies though the Bank's recognition of the negative impact of market policies on societies in general and on poverty in particular have not led to an advocacy of greater state involvement. Instead it has prioritized the involvement of national and international NGOs in creating equitable growth.[274]

In Chile, the focus on poverty was to be institutionalized under the New Solidarity Pillar (NSP) of the Bachelet's government.

3.3.2 Bachelet Government

2005 presidential election was done in the shadow of social questions raised by the pension privatization since its impact appeared explicitly by that year. Therefore, the socialist candidate Bachelet concentrated on those questions during the election campaign. In order to assess the differences between expected results and real outcomes of pension reform and to find solutions to current problems resulted from pension privatization, she established Presidential Advisory

---

[272] Solimano, 2012, pp. 99-100.

[273] World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2001).

[274] Chris Pierson, "'Late Industrializers' and the Development of the Welfare State", in Thandika Mkandawire (ed.) *Social Policy in a Development Context* (New York: Palgrave Macmillan, 2004), p. 236.

Commission on Pension Reform, which was named by its team leader, Mario Marcel, Marcel Commission.[275]

First of all, the Commission listened to the key actors, organized international conferences, made surveys and prepared an assessment report of the current situation of the private pension system. The report, which was issued in July 2006, summarized the following findings:[276]

- The projections for the distribution of pensioners of cohort 2020-2025 demonstrated that 32 per cent of men and 61 per cent of women would have pension lower than minimum pension.
- The system served mainly to full-time male workers.
- The competition in the AFP business increased by 1994 but then after it has had a continuous declining trend. While the number of pension administrators was more than twenty in 1994, it was only six in 2005.
- The actual coverage did not surpass the value of 55 per cent.
- The gross return on pension funds realized the highest return with approximately 30 per cent in the early 1990s; however, it concentrated around 5 per cent in the 2000s.
- The families were unable to fill the gap left by pensions and the social crisis was at the door.

Then, the Commission made around seventy proposals to overcome the weaknesses of the current system. The main proposals aimed to introduce a new solidarity pillar by including the non-wage earners to ensure sustainability and transparency of pension fund management, to provide the inclusion of self-employed and to provide gender equity by eliminating discriminatory treatment of women in the pension system. Furthermore, they aimed to intensify the competition in the AFP business and introduce a more flexible investment regime for private pension accounts. The report also gave importance to the creation of committee of

[275] Borzutzky, 2012, p. 109.

[276] Mario Marcel, "Chile's 2008 "Reform of the Reform": A Model for Other Countries?" (2009), Available at: http://csis.org/files/media/csis/events/090324_gai_marcel.pdf.

stakeholders of the pension system such that representatives of pensioners, workers, employers and fund administrators.

Having been approved by the Congress in January 2007, the reform package was put in effort in July 2007. The majority of the proposals were turned into law (Law No 20255) in 2008 but the Commission estimated 10 years period for the full implementation of the reform.[277]

In response to poverty considerations, a NSP was created to replace the programs of Minimum Pension Guarantee (MPG) and Means-Tested Assistance Pension (PASIS). These two programs had been the major poverty prevention programs of the state after the privatization of the pension system and they were financed by the general revenue.[278] But this time, the coverage of poverty prevention pillar was extended that New Solidarity Pillar guaranteed a Basic Solidarity Pension (BSP) to individuals in the lower 60 per cent of the population and with no pension earnings. It also provided a Pension Solidarity Complement (APS) to the individuals who had a small pension in order to alleviate poverty in old age.[279] As a result, the first pillar of the World Bank model was institutionalized with the integration of social assistance programs by the NSP under the management of a public agency, the Social Security Institute.

The estimations that demonstrated a declining trend of transition costs by the year 2005[280] enabled Bachelet to ensure more place to social safety net for old and disadvantaged people. Transition costs reflected minimum pension and social assistance expenditures, payment of recognition bonds and operating deficits.

While the AFP system fully represented the second pillar of the World Bank model, the third pillar of privately managed voluntary saving pillar was realized by the introduction of supplementary pensions in 2001 and the establishment of multi-funds in 2002.

---

[277] Marcel, 2009.

[278] Rofman, Fajnzylber and Herrera, 2008, p. 28.

[279] Rofman, Fajnzylber and Herrera, 2008, p. 37.

[280] Economic Commission for Latin America and the Caribbean, *Shaping the Future of Social Protection: Access, Financing and Solidarity*, Thirty First Session of ECLAC, Montevideo, Uruguay (Santiago: United Nations, 2006), p. 126.

In addition to three pillars of the World Bank, two more programs were still in the effect in the Chilean pension system; the public pension program, which covered the people who did not switch to the AFP system at the time of reform, and the pension program of armed forces/police.

It was significant that 2008 reform strengthened the government support to private pension accounts such as social security contributions for the first 24 months of low-income workers were subsidized by 50 per cent and the state either deposited a bonus in the woman's account or increased the amount of BSP in the annuity-equivalent for every live birth or adopted child.[281]

2008 reform made investment regime much more flexible than before by determining the higher limit for foreign investment as 80 per cent of the value of pension fund. The investment regulations, which were previously defined in the text of law, were transferred to a sort of secondary regulation, named Pension Fund Investment Regime.[282] This application aimed to exclude political accountability.

Although the AFP business was opened to banks in order to increase the competition in the market and to reduce administrative costs[283], the expected results did not come true. The members of the private pension system still continued to pay a significant part of their contribution to administrative costs. But, financial transactions increased due to the opening of the AFP market. The players in the financial market also reached new funds.

3.3.3 An Assessment of Centre-Left Coalition Era

At this point, it is necessary to ask that whether there was any philosophical change concerning the pension policy between the authoritarian regime of Pinochet era and democratic regime of centre-left coalition era. The current situation of the pension system indicated that although Pinochet's dictatorship ended in 1989, his legacy lingers on in the form of neoliberalism with human face.

---

[281] Rofman, Fajnzylber and Herrera, 2008, p. 34.

[282] Iglesias-Palau, 2009, p. 50.

[283] Borzutzky, 2012, p. 110.

It is hard to expect a radical change in the social, economic and political order of Chile after Pinochet despite the change in the political rule. Pinochet had changed all aspects of society in his sixteen years of administration. Most of the state-owned enterprises had been privatized. This process had created young and aggressive new Chilean bourgeoisie who assumed leading roles in economic life in the 1990s and exercised complete control over the banks and private corporations. They also started controlling a significant part of the parliament through right-wing parties. By this way, neoliberal ideology had maintained its hegemony over the public policies.[284]

But Washington Consensus policies embraced the Latin American and Chilean ruling classes, during the democratic rule as well. As the left-wing parties were isolated during the long period of authoritarian regime, they continued to pursue neoliberal policies in exchange for international political inclusion. State would no longer be engaged in redistribution activities. But they also searched for alternative ways of development models which would involve a mixture of open markets and left-wing political and social agenda at the same time.[285] In this way, a solidarity pillar was established and strengthened to provide relief in poverty.

Centre-left coalition presidents followed a more democratic way of reform in general. For instance, both Alywin's and Frei's governments pursued more inclusionary tripartite policies between government, trade unions and business while determining social provisions.[286] 2008 reform law was approved after two years of debates and comprehensive analyses.[287] Even the workers were encouraged to establish their own pension administrator and enter into the AFPs business. This could be seen as an attempt to appease their opposition toward the harmful impact of private pension system. As centre-left coalition governments tried to subordinate workers to the neoliberal order by offering them AFP business, this validates that neoliberal pension transformation in Chile has been an explicit ruling class strategy.

---

[284] Riesco, September-October 2007.

[285] Grugel, Riggirozzi and Thirkell-White, 2008, pp. 505-509.

[286] Weyland, 1999, p. 82.

[287] Rofman, Fajnzylber and Herrera, 2008, p. 58.

3.4 Conclusion

Neoliberal pension transformation in Chile by the authoritarian hand of Pinochet's regime created a private pension system. It was the first example of pension privatization in the world. Chile used to have a public pension system that was based on universalism and redistribution before the military coup of 1973. Neoliberals represented by the Chicago Boys, educated in the United States, implemented their program and altered all social and economic relations of the society by using the coercive power of the authoritarian regime.

The privatization of the public pension system was justified by the arguments such as the existence of discriminatory applications, the low level of coverage and fiscal sustainability. As the pension system had been the most strictly regulated area of state-worker-society relations, the underlying target was to weaken the power of the labour and the left and to enhance authoritarian rule.

In order to provide "freedom of choice" to people by individual private pension accounts, the current workers were forced to enter the new system introduced by the pension reform. Moreover, the public pension system was closed to new entrants. Instead of increasing the fiscal sustainability of the system, or the value of the pensions, or boosting competition in the private market and national savings, the new system led to increased number of poor people and better pension value for only high-paid and full-time workers. The level of coverage was settled approximately the same. The expected competition was not realized due to the concentration in the private pension market, an inherent feature of neoliberal market policies. Furthermore, the state continued to pursue a significant role in order to subsidize the fiscal deficit of the system and correct market failures.

The pension privatization process in Chile achieved the fundamental neoliberal aim of opening one of the protected areas, the pension funds of labour, to the accumulation of capital. As a result, the pension fund administrators, capital market players and their affiliates at the international level have been the ones to benefit from the new private system in the final analysis.

The potential of pension funds to ensure further capital accumulation attracted the political support of the IFIs, so that the transformation of pension systems became one of the most credible tools of imposed structural adjustment programs thereafter. However, as discussed in the previous chapter, raising poverty and inequality have forced a reconsideration of the content of the neoliberal pension reform internationally so that all relevant international organizations have started recommending multipillar pension systems that involve public and private components at the same time. In Chile however, there has been no way to turn back to public pension system since all aspects of life were radically made upside down by the neoliberal policies imposed under the military regime. Thus after Pinochet, even centre-left coalition governments have ended up maintaining the private pension system by supplementing it with the solidarity pillar in order to alleviate poverty.

CHAPTER 4

TURKISH PENSION TRANSFORMATION AND THE EVOLUTION OF THE INDIVIDUAL PENSION SYSTEM

4.1 Introduction

The neoliberal transformation of the Turkish social security system including pensions, which started in the late 1970s, is an integral part of Turkey's integration to the neoliberal world. As Turkish politics is not independent from developments in the world, the reform process in the social security system should be analyzed in the light of the decline of welfare state in the world. The international organizations have been very effective in Turkish social security reform as they have been in other countries of the South.

The main neoliberal argument of the early 1980s was that structural adjustment programs would increase employment levels and reduce poverty in the South. However, the main requirement was defined as no labour market distortions such as minimum wage legislations and unionization. It was claimed that these arrangements would result in high unemployment rates and unequal income distribution. The neoliberals prepared the necessary ground to emphasize the labour market flexibility by using these arguments.

For Topak, there was no Keynesian welfare state in Turkey even before the 1980s since the basic requirements of it had not been achieved such as the industrialization of society and division of labour. Moreover, the family had continued to have the biggest role in providing welfare.[288] The shift from import-substituting industrialization model (ISI) to export-led strategies in relation to neoliberal economic policies remained mostly as a discursive justification. In reality,

[288] Oğuz Topak, "Neo-Liberalizm ve Refah Devleti Miti", in Mustafa Kemal Coşkun (ed.), *Yapı, Pratik, Özne- Kapitalizmin Dönüşüm Süreçlerinin Ekonomi Politik Eleştirisi* (Ankara: Dipnot Yayınları, 2009), pp. 121-122.

the policy makers followed economic and social policies to attack labour. By this way, social policies have been reorganized through privatization, localization, commodification strategies and flexible employment legislation.[289] The economic transformation in the 1980s and 1990s was parallel to the "big project of neoliberalism that was to liquidate social essence of the regimes and establish a welfarism based on individualism".[290]

The liberalization of capital movements, privatization and openness to trade and FDI in the 1980s were the results of the first generation reforms related to Washington Consensus policies. The flexible labour market provisions, social security transformation and targeted poverty policies to manage social risks could be considered, on the other hand, as the outcomes of the post-Washington Consensus policies in Turkey since the 1990s.

Even though the Turkish pension system underwent an inclusive reform process in 1999 and 2006, the IFIs (World Bank and IMF), the ILO and the EU had been pressing the reform for a long time. Unsurprisingly, the common argument of these organizations was the diminishing of public pension schemes and supporting of private second and third pension pillars. The representatives of capital groups such as TÜSİAD (Turkish Industry and Business Association) also advised pension reform and the introduction of private pension pillar due to its likely impact on financial deepening. It is significant that, the reform process has accelerated with the rise of the Justice and Development Party (JDP) to power in 2002.

In order to justify the pension reform in Turkey, a long propaganda was conducted with the arguments that there was corruption in the pension system, the new system would serve more efficient and better quality, and all people would be brought under the umbrella of social security. However, this propaganda, which has aimed to create a positive understanding of the market as an alternative to public social security, has essentially attempted to open this sector to private companies.[291]

[289] Topak, 2009, p. 124.

[290] Sinan Sönmez, "From Semi-Peripheral Welfarism to Neo-Liberal Solutions: What About New Perspectives? Developing World and Turkey", *Presentation for RC 19 Conference on Social Policy in a Globalizing World*, Firenze (September 2007), p. 25.

[291] Murat Özveri, "Yoksulluğun Yönetilmesi ve Sosyal Güvenlik Hakkı", *Praksis*, (No. 9, Kış-Bahar 2003).

This chapter aims to understand the Turkish pension transformation by concentrating on the neoliberal turn in the 1980s and the politics of reform. As examined in the previous chapters, neoliberal economic policies and financial crises as their natural outcome have created unemployment and poverty in the countries of the South. This has resulted in revisions in neoliberal pension discourses with poverty reduction and social risk management becoming the main reference points. The Turkish example has had a different character even though this rhetoric has also been utilized. For the charity-based redistribution replaced formal social policies due to the Islamized neoliberal order, which had gained popularity in the beginning of the 1990s but reached its peak with the appointment of the JDP in 2002. This strategy has also prevented the reactions towards neoliberal policies to acquire a destructive character.

The first section of the chapter will identify the basic characteristics of the Turkish pension system before the neoliberal turn. The main questions problematised will be how pension rights of different employment groups were organized and how pension funds were used before resulting in the claimed deficits. Then, the dynamics of neoliberal turn in Turkish economy including labour market arrangements and raising arguments concerning pension system will be discussed. Furthermore, the involvement of international actors will be assessed by looking into their conditionality provisions. Among Turkish capital groups, especially TÜSİAD's opinions will be detailed as it systematically involved pension transformation. The goals, the expected results, and the actual results of 1999 and 2006-2008 legislative changes will also be analyzed in this section. Lastly, Islamic solutions for the losers of neoliberal pension policies will be assessed.

The second section will concentrate on the evolution of the Individual Pension System (IPS) in Turkey. Firstly, its historical background, main determinants and operational structure will be given. The main questions asked will be whether there was any attempt to change the structure of the System during 2008 global financial crisis and how the incentive mechanism has developed through changing circumstances. Secondly, the System will be evaluated according to the figures of ten years of its operation.

4.2 Pension Transformation in Turkey

This section first summarizes the pension system of Turkey before 1980. Then, the impact of neoliberal turn, which was realized by the military coup of 12 September 1980, on social security provisions in general and on pensions and labour market in particular will be assessed. Two rounds of pension reform in 1999 and 2006-2008 are also problematized in detail.

4.2.1 The Pension System before 1980

The social insurance during the Ottoman period was sheltered by family and solidarity among the craftsmen. Moreover, there were some chests for old-age and sickness insurance for soldiers and civil servants. As the mining sector had the most dangerous working conditions and unfortunate accidents, their employees were covered against sickness and work injury by Law No. 151 in 1921 during the Independence War. Furthermore, dependents of employees were supported by survivors' benefit.[292] This Law also resulted in the establishment of *Amele Birliği* in 1923.

The first Labour Law[293] of Turkey was legislated in 1936 and made primitive arrangements for minimum payments, working hours, social insurance and severance payments.[294] The Article 100 of such law envisaged social aid in the cases of employment injury and occupational diseases, maternity, old-age, invalidity, sickness and death. The institutionalization of social security in Turkey started after the World War II under the impact of Keynesian welfare state applications in the Western World. The financial aids, which were provided by the Marshall Plan and the IMF, created economic development that also affected social security area.[295] Insurance for employment injury, occupational diseases and maternity were initiated in 1945. Old-

[292] Cahit Talas, *Türkiye'nin Açıklamalı Sosyal Politika Tarihi*, (Ankara: Bilgi Yayınevi, 1992), pp. 183-185.

[293] Labour Law No. 3008, *Official Gazette* (No. 3330, 15.06.1936).

[294] Talas, 1992, p. 105.

[295] Songül Sallan Gül, *Sosyal Devlet Bitti, Yaşasın Piyasa!* (Ankara: Ebabil Yayıncılık, 2006), p. 260.

age insurance was organized in 1949 and extended to disability and survivors' benefit in 1957.[296] Public Employees Pension Fund (PEPF) (*Emekli Sandığı*) was established in 1949 by the Law No. 5434[297] and brought many chests of different public works together. Article 13 of this law indicated the benefits covered as retirement benefit, retirement bonus, lump-sum payment, invalidity benefit, survivors' benefit, war-disability benefit and repayment of contributions. The contributions of public enterprises and insured people have comprised the revenues of the Fund.[298]

Social Insurance Institution (SII) (*Sosyal Sigortalar Kurumu*) was established in 1945[299] in order to regulate insurance provisions for employees that do not work in the public sector. In fact, it has provided coverage for workers in both public and private sectors. It rested on the Labour Law of 1936. The SII provided retirement, maternity and survivors' benefit and covered against employment injury, occupational diseases, sickness and invalidity. The SII started to provide insurance facilities to agricultural workers by the enactment of the Law No. 2925.[300] The Institution has been financed by the contributions of employees and employers.[301] The state contribution was introduced in 1999 for only unemployment insurance premiums, then in 2006 for old-age and general health insurance premiums.

Social Security Organization of Craftsmen, Tradesmen and Other Self-Employed (*Bağ-Kur*) was established in 1971[302] in order to provide social insurance coverage for self-employed. The only source of finance of the organization has been

[296] Talas, 1992, p. 126.

[297] Law on Turkish Republic Retired Fund No. 5434, *Official Gazette* (No. 7235, 17.06.1949).

[298] Talas, 1992, p. 187-189.

[299] Law on Employee Insurance Institution No. 4792, *Official Gazette* (No. 6058, 16.07.1945).

[300] Law on Social Security for Agricultural Workers No. 2925, *Official Gazette* (No. 18197, 20.10.1983).

[301] Talas, 1992, pp. 191-192, 197.

[302] Law on Social Insurance Institution for Craftsmen, Tradesmen and Other Self-Employed No. 1479, *Official Gazette* (No. 13956, 14.09.1971).

the contributions of insured people.[303] The insurance coverage in *Bağ-Kur* is very limited as it includes only old-age, invalidity and survivors' benefits. The sickness benefit was started to be covered in 1985.[304] The social security rights of the self-employed in agriculture were incorporated to the *Bağ-Kur* by the Law No. 2926.[305]

Two mandatory occupational pension funds such as the *Amele Birliği*, which was established in 1923, and the Armed Forces Pension Fund (OYAK), which was established by Law No.205[306] in 1961, has been operated as a complementary pension pillar.

1961 Constitution introduced the principle of social state that everyone has the right to social security. The transfer of resources was regulated through Law No.441[307] between State Investment Bank (SIB) and social security institutions in 1964 within the framework of the planned economic understanding, dominant in the 1960s and 1970s. After 1964, social security funds were invested in bonds, particularly the SIB bonds, rather than bank deposits. During the period of 1963-1977, roughly 60 per cent of the resources of the SII and PEPF were invested to bonds.[308] By this way, the resources of social security institutions were used by SIB to support state-owned enterprises. In other words, employees supported the development of capital market and financed industry while saving for their future.

Turkey ratified the ILO Convention No.102 Social Security (Minimum Standards/1952) in 1975.[309] The ILO Convention No.122 Employment Policy

[303] Talas, 1992, pp. 200-202.

[304] Yenimahalleli Yaşar, 2012.

[305] Law on Social Security for Self-Employed in Agriculture No. 2926, *Official Gazette* (No. 18197, 20.10.1983).

[306] Law on Turkish Armed Forces Assistance Fund No. 205, *Official Gazette* (No. 10702, 09.01.1961).

[307] Law on State Investment Bank No. 441, *Official Gazette* (No. 11662, 21.03.1964).

[308] State Planning Organization (SPO), *Third Development Report (1973-1977)* (Ankara: SPO), pp. 802-803; SPO, *Fourth Development Report (1979-1983)* (Ankara: SPO), pp. 141-142.

[309] Available at:
http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:10289.

(1964)[310], which envisaged that the member country should take necessary measures to achieve full employment, to raise standards of living including adequate wages and to prevent unemployment, was ratified in 1977.[311]

The unemployment insurance was planned to be introduced in the First Development Plan (1963-1967)[312], and this intention was preserved in the following plans. Moreover, the Second (1968-1972)[313] and Third (1973-1977)[314] Development Plans intended to converge social security institutions and introduce state contribution. All these goals were realized ultimately in the 1999 and 2006-2008 reforms. Before 1980, men and women were able to get retired at the age of 55 and 50 respectively. While the minimum contribution period was 5,000 days, “25 years” was set as the contribution period.[315]

4.2.2 Pension Transformation, International and National Actors

The neoliberal transformation of Turkey effectively started with the military coup in 12 September 1980 like in Chile. Export-led strategies were initiated by the abandonment of the ISI, which yielded to flexible labour market arrangements and high levels of unemployment. Military regime (1980-1983) aimed to discipline industrial relations and labour market; therefore, it was supported by the capitalist class. In the time of the coup, even though political parties, trade unions, and civil society organizations were banned, only TÜSİAD was exempted from these

---

[310] Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312267:NO.

[311] Available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102893.

[312] SPO, *First Development Report (1963-1967)* (Ankara: SPO), p. 108.

[313] SPO, *Second Development Report (1968-1972)* (Ankara: SPO), p. 213.

[314] SPO, *Third Development Report*, p. 804.

[315] Tülay Arın, “The Poverty of Social Security: The Welfare Regime in Turkey”, in Neşecan Balkan and Sungur Savran (eds.), *The Ravages of Neoliberalism: Economy, Society and Gender in Turkey* (New York: Nova Science Publishers, 2002), p. 80.

measures.[316] In fact, the increased disputes between the government and the United States and the IMF drew reaction of the capital groups on the road to the coup in 1979.[317]

Turgut Özal, the architect of January 1980 stabilization package and later the leader of Motherland Party, was elected as Prime Minister by 45 per cent of the total votes in 1983. One of the significant provisions of the stabilization package was to facilitate the market economy and Özal eagerly committed to this provision.[318] The impact of capital groups on the cabinet was explicit that sixteen of twenty ministers had worked in the private sector before and had organic links with TÜSİAD.[319] The Motherland Party, following the authoritarian tendencies of the military regime, applied necessary regulations to remove obstacles upon capital groups such as unionism and high level of employee wages.[320] Therefore, labour rights were repressed severely and real wages were reduced significantly during the period of 1980-1988.[321] For instance, real wages in the public sector and private sector declined by almost half and about 20 per cent respectively.[322]

In the case of pension reforms, rather than a radical transformation a moderate one was preferred as social security contributions and tax burden of employers were reduced to protect their position. However, the rate of employee's

[316] Roy Karadag, "Neoliberal Restructuring in Turkey: From State to Oligarchic Capitalism, *Max Planck Institute for the Study of Societies Discussion Papers* (Discussion Paper No. 10/7, 2010), p. 13.

[317] Korkut Boratav, *1980'li Yıllarda Türkiye'de Sosyal Sınıflar ve Bölüşüm* (Ankara: İmge Kitabevi, 2005), p. 90.

[318] Erdinç Tokgöz, *Türkiye'nin İktisadi Gelişme Tarihi (1914-2004)* (Ankara: İmaj Yayınevi, 2004), p. 204.

[319] Cited in Karadag, 2010, p. 16.

[320] Boratav, 2005, p. 91.

[321] Özlem Onaran, "Adjusting the Economy through the Labour Market: The Myth of Rigidity", in Neşecan Balkan and Sungur Savran (eds.), *The Ravages of Neoliberalism: Economy, Society and Gender in Turkey* (New York: Nova Science Publishers, 2002), pp. 182-183.

[322] Şerife Özşuca, "Küreselleşme ve Sosyal Güvenlik Krizi", *Ankara Üniversitesi SBF Dergisi* (Cilt: 58, No: 2, 2003), p. 137.

contribution was increased inevitably in 1981. The social security contributions were also indexed to the inflation.[323]

The neoliberal orientation of labour and pension policies could be observed in Development Plans for five years following the Constitution of 1982. According to the Article 60 of the 1982 Constitution, Turkey is a welfare state; "everyone has the right to social security and the state shall take the necessary measures and establish the organization for the provision of social security".[324] However, at the same time, the provisions of the 1982 Constitution emphasized for the first time the role of private sector in the field of health. It was followed by the subsequent Five Year Development Plans. For instance, the inducement of private health institutions, the pricing of health services, the reorganization of social security institutions instead of state subsidies were appealing provisions of the Fifth Development Plan (1985-1989). The plan highlighted that the level of social security contributions should be reorganized to lower the production costs. Moreover, it was planned to increase the retirement age for men and women to 60 and 55 respectively. The plan envisaged legislative initiatives to remove differences between workers and civil servants.[325]

The emphasis on private health services was also explicit in the Sixth Development Plan (1990-1994). Yalman argued that this Plan, which was prepared in 1989, brought the end of state's tradition of development targeting. In other words, "the state would no more pursue the goals as development and social welfare".[326] Besides, the plan aimed to prepare necessary legislations to develop part-time working facilities.[327]

The Seventh Development Plan (1996-2000) called for a comprehensive social security reform that reserved a significant part to pension reform. In this context, one of the fundamental aims was to bring all three social security organizations under one institution and to provide standardization among the relevant

---

[323] Sallan Gül, 2006, pp. 285-286.

[324] *Türkiye Cumhuriyeti Anayasası* (1982), Available at: http://www.anayasa.gen.tr/1982ay.htm.

[325] SPO, *Fifth Development Report (1985-1989)* (Ankara: SPO), pp.134, 152-154.

[326] Galip L. Yalman, *Transition to Neoliberalism: The Case of Turkey in the 1980s* (İstanbul: İstanbul Bilgi University Press, 2009), p. 325.

[327] SPO, *Sixth Development Report (1990-1994)* (Ankara: SPO), p. 303.

norms and rules. Then, the parameters of the pension system as retirement age, contribution period, replacement rate were planned to change. The plan also gave importance to the inducement of private pension insurance facilities.[328] Regarding health policies, opening of public hospitals and health services, which were reserved to some middle classes such as public servants, to all levels of society was proposed. The plan complained about the underdevelopment of private health services and incomplete legislation regarding labour market flexibility.[329]

The Eighth Development Plan exalted the realized changes in the pension reform, whereas, it admitted that the struggle against poverty was limited due to the macroeconomic conditionalities of the governments such as interest payments. Moreover, although unemployment level surmounted to 11 per cent in average, about 30 per cent of the educated youth in urban cities, the plan pursued to emphasize the necessity of labour market flexibility.[330]

All development plans after 1980 involved a basic contradiction. They targeted to increase the social security coverage and the number of actively insured people as well as to create more flexible labour market. In fact, the level of social security coverage has an increasing trend but this is not related to the share of actively insured but indicates that the number of dependents has been increasing. The underlying reason of the escalation of the rate of the dependents in the pension system has been the privatization of state enterprises and the temporary employment practices.

The Legislative Decree No. 233[331] of 8 June 1984 created a third category of "contract workers" in public work in addition to civil servants and employees. The fundamental underlying reason was to make state enterprises much more attractive in the privatization process since these workers were excluded from union membership

---

[328] SPO, *Seventh Development Report (1996-2000)*, (Ankara: SPO), pp. 111-117.

[329] SPO, *Seventh Development Report*, pp. 44-45, 51.

[330] SPO, *Eighth DevelopmentReport (2000-2001)* (Ankara: SPO), pp. 75, 103-104.

[331] Legislative Decree 233 on State Economic Enterprises, *Official Gazette* (No. 18435, 18.06.1984).

and collective bargaining rights.[332] Contract work and outsourcing have been the basic reasons of temporary employment since then. As employees have been hired via mediating subcontractors in temporary employment, they are not recognized officially which means that they are also out of social security rights. Thus, the proportion of workers in these subcontracted enterprises reached to 15 per cent in just one decade, while it was only 4 per cent in 1986.[333] The absence job security, the widespread practice of subcontracting and its impact on collective bargaining have constituted the main reasons of the declining trade union power.[334] Subcontracting system has created a huge group of people without established social rights of civil servants and established strike and collective bargaining rights of ordinary workers.[335] In other words, being employed is no more sufficient to get social security rights. The type of employment is the main determinant of becoming insured.[336] In sum, while temporary employment was 5 per cent in 1985, it reached to the level of 14 per cent in 1997.[337]

The retirement age was increased to 60 for men and 55 for women in 1990. But this situation was maintained in a very limited time. Instead of a pension reform, early retirement provisions were applied to reduce the number of employees in the public sector due to the scaling down of the state in line with the neoliberal discourse.[338] It should also be considered as an attempt to get the consent of the workers and to facilitate privatization of state enterprises. Furthermore, the Motherland Party gave way to the "super pensions" by introducing additional ceiling and flat rates for the calculation of benefits in the SII system in 1986 to enable high-

---

[332] Toker Dereli, "The Impact of Privatization on Industrial Relations in Turkey", in *Prof. Dr. Nusret Ekin'e Armağan* (Ankara: TÜHİS, Yayın No: 38, 2000), pp. 440-441.

[333] Sürhan Cam, "Neo-Liberalism and Labour within the Context of an 'Emerging Market' Economy-Turkey", *Capital & Class* (Vol. 26, Issue. 77, 2002), pp. 95-96.

[334] Dereli, 2000, p. 447.

[335] Sallan Gül, 2006, p. 289.

[336] Arın, 2002, p. 77.

[337] Cam, 2002, p. 94.

[338] Arın, 2002, p. 80.

income groups that could pay more premiums to receive higher pension benefits in the old-age.[339]

The real wages increased after 1989 elections owing to the labour unions' effective struggles. However, the1994 financial crisis was the end of this period and the post-89 gains eroded after the implementation of the 1994 stabilization program.[340] In line with Onaran's calculations for the years of 1982-1995, although the real unit labour cost had decreased since 1983 with the exception of 1990-1994 period, the unemployment rate did not decrease accordingly.[341]

In the 1990s, liberal scholars developed arguments related with the increasing dependency ratio in the pension system and the increasing level of budget transfers to close social security deficits in convergence with the positions of capital groups and the IFIs. The limited coverage of social security system and the impact of its fiscal deficit on external borrowing were enumerated as the reasons in the agenda of pension reform. Moreover, the generosity of benefits and unreasonably early retirement ages due to the populist policies were the argued problems of pension systems by liberal scholars.[342] By generosity, in fact, they questioned the status of pension system for civil servants. According to Sayan, this group had been a privileged status due to its historical ties in the long bureaucratic tradition of Turkey. Therefore, governments abstained from any changes in this system in order to avoid political risks and to make public services attractive for employment.[343] Social security system, due to its deficit, was seen as one of the most significant obstacles in the economic growth process of Turkey. The privatization option was presented for

---

[339] Burcu Yakut-Çakar, "Turkey" in Bob Deacon and Paul Stubbs (eds.), *Social Policy and International Interventions in South East Europe* (UK: Edward Elgar Publishing, 2007), p. 119.

[340] Onaran, 2002, pp. 182-183.

[341] Onaran, 2002, pp. 187-188.

[342] Tuncay Teksöz and Serdar Sayan, "Simulation of Benefits and Risks after the Planned Privatization of the Pension System in Turkey", *Emerging Markets Finance and Trade* (Vol. 38, No. 5, September-October 2002), p. 24.

[343] Serdar Sayan, "Political Economy of Pension Reform in Turkey", in Sumru Altuğ and Alpay Filiztekin (eds.), *The Turkish Economy: The Real Economy, Corporate Governance and Reform* (London: Routledge, 2006), pp. 254, 258.

the indebted SII and *Bağ-Kur* to reduce their deficit.[344] Moreover, it was claimed that funded pension systems would be much more effective in providing social security and deepening financial markets rather than traditional PAYGO system.

The detection of the problem could be considered as true but the underlying reason was different. Contrary to the arguments of liberal scholars, capital representatives, the IFIs and government institutions, the primary cause of deprivation in the pension system was the transformation in industrial relations and labour market owing to the neoliberal economic policies, which were legitimated by the argument that Turkey's comparative advantage in labour-intensive sectors could be best realized by them.[345] Put it differently, flexible labour market applications was the real reason behind the problems of the pension system. Moreover, neoliberal economic policies aimed to reduce production costs, namely real wages, in order to become more competitive in the international market and to appeal foreign capital injections.[346] The reduction in wages also meant the reduction in social security contributions. Furthermore, the state only contributed to PEPF as an employer. Instead of making contributions to the SII and the *Bağ-Kur*, the state transferred resources to these institutions in order to finance deficits.

The finance structure of the pension system was eroded due not only to labour market flexibilization, but also to the premium collection problems and the misuse of social security funds. Neoliberal turn in the 1980s was followed by the increase in inflation and interest rates. Instead of paying social security premiums and making

[344] Erdal Gümüş, "Sosyal Güvenlik Sisteminin Geleceği Umut Veriyor Mu?", *Gazi Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi* (Cilt: 6, No: 3, 2004), pp. 3, 10-14.

[345] Erinç Yeldan and Ahmet H. Köse, "Türk Sosyal Güvenlik Sisteminin Yapısal Sorunları Üzerine Gözlemler", *Mülkiye Dergisi* (Cilt: XXIII, Sayı: 217, Temmuz-Ağustos 1999); Emin Alper, "Emeklilik Reformları: Dünya Bankası, Avrupa Birliği ve Türkiye", Boğaziçi Üniversitesi Sosyal Politika Forumu, *Araştırma Raporu* (İstanbul, 2004); Arın, 2002; Ayşe Buğra and Çağlar Keyder, "The Turkish Welfare Regime in Transformation", *Journal of European Social Policy* (Vol. 16, No. 3, 2006); Korkut Boratav and Metin Özuğurlu, "Social Policies and Distributional Dynamics in Turkey: 1923-2002", in Massoud Karshenas and Valentine Moghadam (eds.), *Social Policy in the Middle East: Economic, Political and Gender Dynamics* (New York: Palgrave Macmillan, 2006); Yavuz Yaşar, "The Crisis in the Turkish Pension System: A Post Keynesian Perspective", *Journal of Post Keynesian Economics* (Vol. 36, No. 1, 2013); Özşuca, 2003, p. 141.

[346] Özşuca, 2003, pp. 135-137; Sallan Gül, 2006, pp. 282-283.

productive investments, the employers preferred to enjoy financial profits.[347] Even though there were many legal arrangements concerning penalties for unpaid premiums, most of them were abolished by Law No. 3786[348] in 1992.

The State Investment Bank was transformed into the Export Credit Bank of Turkey in 1987 parallel to the move towards export-led model. Therefore, social security funds started investing in the bonds of Turk Eximbank. In other words, these funds were started to be used for financing exports after financing of industry and contributing to the capital market development. However, state-owned enterprises, funded by social security institutions, became favourites of privatization agenda in the 1990s. As they were privatized, social security funds evaporated.[349]

Trade liberalization and financialization had also negative impact on the sustainability of the pension system. The deregulation of the foreign capital transactions was completed and Turkish Lira became fully convertible in foreign exchange markets with the Legislative Decree 32 of 1989.[350] "The classical accumulation episode based on wage suppression had come to a halt by 1989"[351] and Turkey became exposed to short-term hot money flows and financial crisis. Repetitious crises from 1994 to 2001 and then in 2008, which were the outcome of financialization and neoliberal policies, also severely affected the level of unemployment and the fiscal balance of the pension system and deteriorated the situation of the poor.

Turkish economy was hit seriously in the economic crisis of 1994. In order to regulate the economy, the coalition government prepared a very "painful recipe" that was announced on 5 April with the famous motto of "everyone should sacrifice". Put

[347] Erol Akı and Sevda Demirbilek, "An Analysis of Finance Problems of Social Insurance Institution in Turkey", *D.E.Ü.İ.İ.B.F. Dergisi* (Cilt: 17, Sayı: 1, 2002), p. 3; Yalman, 2009, p. 295.

[348] Law on Attachment of Provisional Article to Social Insurance Act Number 506, *Official Gazette* (No. 21171, 14.03.1992).

[349] Petrol-İş, "Petrol-İş'in Araştırması: SSK'nın Fonları Nasıl Buharlaştırıldı?" (12.12.2005), Available at: http://petrol-is.org.tr/haber/petrol-isin-arastirmasi-ssknin-fonlari-nasil-buharlastirdildi-648.

[350] Legislative Decree 32 on Protection of the Value of Turkish Currency, *Official Gazette* (No. 20249, 11.08.1989).

[351] Korkut Boratav, Erinç Yeldan and Ahmet H. Köse, "Globalization, Distribution and Social Policy: Turkey, 1980-1998", *CEPA Working Paper Series I* (No. 20, 2000), pp. 5-6.

it differently, everyone but particularly the workers should sacrifice to reach a social compromise in the crisis environment. One of the appealing measures of the reform package was pension reform that included the rise of contribution period to 9,000 days for men and 7,200 days for women. Besides, it was decided to induce private health and pension insurance. But the most disappointing goal was to decrease the retirement wages to provide current balance in the economy.[352] As the crisis environment increased the rate of unemployment and poverty and there was limited social security coverage, the recipe intensified social problems in the country.

In short, Turkish pension system became the target of neoliberal policies and structural adjustment program, while the reform agenda was prepared by the ILO at the request of the government. The World Bank and the IMF have become the main players of the reform process during the 1990s owing to their structural aids. Moreover, the EU confirmed the eligibility of Turkey for accession in 1997 and by this way, has become one of the inspectors of the social security reform process in Turkey. This institutional framework will be problematized in the following section.

4.2.2.1 The Role of International Actors

In the Turkish case, the World Bank, the ILO and the IMF played an important role to realize the social security reform project. While the World Bank made the first warning and proposed the reform options for the countries of the South and provided necessary funds, the ILO prepared a special reform project for the Turkish reform with the help of Health Insurance Commission of Australia. It can be argued that the role of the IMF in this process has been more crucial than the others since the Fund has enforced the reform requirements throughout the stand-by agreements. Put it another way, the IMF has become the inspector of social security reform in Turkey on the eve of 17th Stand-By Agreement. The European Union candidacy statute of Turkey made the Union also effective in this process. The social security reform became one of the important issues of the EU Progress Reports for

[352] "5 Nisan 1994 Kararları", *Sınıf Mücadelesi* (Sayı: 118, 2008), Available at: http://www.sinifmucadelesi.net/spip.php?article63.

Turkey and has been watched closely. In sum, Turkey was enclosed by four international actors to apply neoliberal pension agenda.

4.2.2.1.1 World Bank

In the World Bank's report of 1994, titled *Averting the Old Age Crisis*, Turkey was also admitted as an ageing country. While 7 per cent of population of Turkey was over 60 years old in 1990, the OECD average was 18.6 per cent.[353] Gamble explained this strange phenomenon with the argument that leading capitalists impose neoliberal policies to the countries of periphery relatively more easily.[354] The report stated that Turkey had a nearly insolvent pension system and therefore was faced with the crisis of confidence. The main reason was considerable public pension debt due to generous benefit promises. According to the report, the huge pension debt resulted from:[355]

- Population ageing,
- Maturation of system,
- Early retirement facilities,
- High wage replacement,
- Low ratio of contributors to pensioners due to the informal employment resulted from high tax requirements,
- High administrative costs,
- Low return on pension reserves owing to the inflation,
- Low ceilings on taxable earnings and
- Modest increasing rate of productivity.

This report set the ground for the reform pressure of international organizations towards Turkey. During the long reform process, since there were many stops, the World Bank supported reform projects in both the pensions and

[353] World Bank, 1994, pp. 349-351.

[354] Gamble, 2006, 27.

[355] World Bank, 1994, pp. 140, 149, 155, 316.

health care. As we will see in the coming sections, while the World Bank was sponsoring the reform project, the IMF has played the role of a supervisor.

The World Bank closely monitored the parametric reform of 1999 and appraised the effort of the government to promote a private pension system. It also warned the government that the tax incentive of the new individual private pension system should be consistent with international practices and early withdrawals should be penalized.[356]

In order to create more jobs and to decrease the level of unemployment and informal employment, the Bank recommended the following labour market reforms to Turkey:[357]

- High severance requirements should be reduced in order to increase FDI.
- Fixed-term contracts should be allowed not only for seasonal reasons but also for economic reasons.
- A better access to collective bargaining, job security and dispute resolution mechanism for workers should be created.
- The eligibility requirements to get unemployment insurance should be eased to protect workers.
- Administrative capacity in Turkey's labour market should be strengthened.

Although the Bank numbered many issues concerning the labour market, it emphasized the first two as priority actions. In other words, the reduced level of severance payments and the flexible labour market provisions would be the guiding mechanisms to create additional employment. However, a more balanced pension system could not be possible under flexible market applications and, as mentioned in previous chapters, these applications did not decrease unemployment.

[356] World Bank, *Turkey: Country Economic Memorandum Structural Reforms for Sustainable Growth* (Washington D.C.: World Bank, No: 20657, TU, 2000), pp. 38-39.

[357] World Bank, "Turkey Labour Market Study", Report Number 33254-TR (2006), Available at: http://siteresources.worldbank.org/INTTURKEY/Resources/361616-1144320150009/Labor_Study.pdf.

4.2.2.1.2 International Labour Organization

In September 1994, the ILO was asked by the Turkish Government to carry out a project on possible reforms related to the existing pension systems and the social assistance programs for the poor and elderly as well as the low-income disabled class. The project, which was launched in June 1995, was monitored by a Steering Committee led by the Undersecretariat of Treasury consisting of the representatives of the three mentioned social security institutions, the Ministry of Labour and Social Security (MLSS) and the State Planning Organization (SPO). In less than a year, March 1996, the final report of the project was presented to the Treasury. The World Bank not only financed the project but also helped the Turkish Government in the development of the Terms of Reference (ToR) of the project.

In parallel to this project, Health Insurance Commission of Australia (HIC) carried out a study examining the possible reforms and financing of health services in Turkey, and presented its report in mid-1995. In addition to this, the ILO and the HIC collaborated in a study titled "Turkish Government Social Security and Health Insurance Project" to explore the synchronous application of social security and health care reforms, and the possible challenges that may arise from such application. A joint report was presented to the Undersecretariat of Treasury in February 1996. In this section, this joint report is summarized.[358]

According to the ToR, the base case scenario was to determine how the pension system would be affected in the absence of reforms. The ILO was asked to review and analyze various reform options, the reform of institutions, the effects of these reforms on capital markets, and the possible legislative changes. The options identified by the ILO were as follows:

- Restructured PAYGO system that is similar to the existing system and to be carried out by public institutions.
- A mandatory, fully-funded retirement savings system that would be managed by private pension agencies.

[358] ILO, *Turkish Government Social Security and Health Insurance Project* (Ankara: Undersecretariat of Treasury, 1996).

- Two-tier hybrid system that combines first-tier PAYGO social security system to the mandatory second-tier system.
- Two-tier hybrid system that combines first-tier PAYGO social security system to the voluntary second-tier system.

The effects of each option on the economy and state budget, the premiums and social security contribution rates, the premium payers and beneficiaries of different income levels and social security institutions were asked to be done by long and short-term projections. Finally, in collaboration with the health care financing consultants, the ILO was asked to examine the compliance of these options on social security and social assistance with the recommendations of the health care system reform in Turkey.

The outcome of the Social Security Project can be identified as follows:

- The base-case scenario analysis showed that the current system was clearly no longer sustainable.
- There was no unemployment insurance in Turkey yet. Such an application would temper the effects of structural adjustment.
- The premium rates were relatively high; however, the rates were applied to a very small percentage of the earnings.
- Persons were eligible for retirement at a young age and able to take a pension. However, the pension was at an inadequate level for a large segment, which provide their living so.
- The supports distorted the wage structure and the employment model. The need to finance major capital sector shortfalls pushed the private sector out of the capital markets.

In sum, each reform would increase savings in the long-term and would lead to the development of capital markets. The most difficult period of transition would happen in the case of mandatory, fully-funded retirement savings system (option 2). In any case, the reform would allow people with an adequate level of social security assistance and reach out to both the retired and the disabled. It would help to reduce the public sector deficit significantly even though the deficit would not be removed entirely. It would let Turkey to have closer application practices as in the EU.

There were also some required measures to realize the reforms. The definition of insurable earnings must be expanded significantly. Many of the options assume that this insurable earnings, which was by that time 1.5 times of the minimum wage, should raise to a level of 5 times of the minimum wage. In the future, it would increase in line with the national economic growth. A strong correlation between social security assistance and premiums should be ensured. A more realistic relationship between the pension income and the level of insurable earnings should also be established. The provisions applied for the pensions of state officials should be reformed. A common system for the workers in both the public and private sector should be established. The effectiveness of the social security institutions should be provided.

According to the project, the reform process would have many difficulties:

- It required drafting of a new legislation.
- The future pensions would constitute a lower percentage of insurable earnings. If equal sharing was to be ensured in addition to Turkey's strong economic growth, the winners would be more than losers.
- The management problem must be solved; in particular the social security institutions should be more flexible and autonomous. The central government should not be responsible for the management; it should make the regulations and should supervise the execution.
- It was possible to resolve all of these problems in a reasonable time frame. How much time needed for the acceptance of change by key stakeholders was much more difficult to estimate. Having dialogue with key stakeholders and letting them to take part in the management of this re-configured system would facilitate this process significantly.

The ILO report explicitly embraced neoliberal initials that the role of the government was limited to organization and supervision. However, reflecting one of the basic essentials of policy making in the ILO, the report suggested dialogue with stakeholders to get their consent.

Elveren stressed that the ILO report was the main guideline for the two main reforms in 1999 and 2006 in Turkey. The ruling government selected the two-pillar system in which PEPF, SSI and *Bağ-Kur* were kept with some rehabilitation in their structure and the private pension schemes would provide the support.[359] This reform option was also embraced by the leading capital groups and liberal academics.

4.2.2.1.3 International Monetary Fund

Turkey has been a member of the IMF since March 1947 and signed nineteen stand-by agreements with the IMF from 1961 to 2005. The last one was completed in 2008. In this 50 years long relation, the only distinction was the ten-year period of 1984-1994 in which Turkey did not sign any stand-by with the IMF. It could be considered that the lack of IFIs' conditionalities postponed forced pension reform for ten years in Turkey. However, severe economic crisis in 1994 brought the IMF again in Turkey.

While the IMF provides economic assistance to its member countries, it applies many constraints to release funds such as the privatization of public goods and services, market liberalization and deregulation, being the typical conditionalities of the neoliberal period. Reform and privatization attempts in both pension and health care services have constituted one of the major tips of the stand-by agreements after the 1990s. This section focuses on the related provisions of intention letters and stand-by agreements.

In the Article IV Consultations of 1997, the IMF defined Turkish social security system as overly generous and poorly managed and proposed a rapid action towards increasing of the minimum retirement age and a tightening of the link between the contributions and the benefits to control the burgeoning deficit of the social security system.[360]

Turkish government declared her ambitious efforts to make parametric reforms in the pension system and health care system in the Letter of Intent of 1998.

---

[359] Adem Y. Elveren, "Social Security Reform in Turkey: A Critical Perspective", *Review of Radical Political Economics* (Vol. XX, No. X, 2008), p. 219.

[360] IMF, "IMF Concludes Article IV Consultation with Turkey" (99/17, 5 August 1997), Available at: https://www.imf.org/external/np/sec/pn/1997/pn9717.htm.

The government promised to increase retirement age for the existing workers to 55 for men and 50 for women and for new entrants to 60 for men and 57 for women. It also assured to introduce user fees in the health care facilities.[361] However, there was little progress in these until the late 1999.

The Article IV Consultations of July 1999 stressed the priority of the parametric pension reform to ensure the financial viability of pension system.[362] Unfortunately, Turkey was hit by a devastating earthquake on 17 August 1999. The disaster area was the industrial heartland and the most densely populated section of Turkey. The IMF offered help to the Turkish government to deal with this disaster but even in such a sad time made reference to the ongoing economic program that involved privatization and social security reform.[363] Thus, the IMF approved emergency assistance fund for Turkey on 13 October 1999, but this was done by encouraging the Turkish government to continue structural reforms including pension reform.[364]

Up-front fiscal adjustment, structural reform, and a firm exchange rate commitment supported by consistent incomes policies were stated as the three pillars of disinflation program in the Letter of Intent of 1999. The pension reform took an important place among the four key areas of structural reform. Other areas were agricultural reform, fiscal management and transparency, tax policy, and administration. The government was happy to declare that the first part of a comprehensive agenda for pension reform was completed since parametric changes in the pension system had been approved by the Parliament in September 1999. In fact, the government achieved higher retirement ages than it promised in the 1998 Letter of Intent. Moreover, the Turkish government announced its plan to deepen pension reform in terms of making administrative changes and creating a legal

[361] Undersecretariat of Treasury, "Letter of Intent" (26 June 1996), Available at: https://www.imf.org/external/np/loi/062698.htm.

[362] IMF, "Turkey-IMF Mission for the 1999 Article IV Consultation Discussions and Third Review of the Staff Monitored Program" (2 July 1999), Available at: http://www.imf.org/external/np/ms/1999/070299.htm.

[363] IMF, "Camdessus Expresses Deepest Sympathy with Turkey Following Earthquake" (99/48, 17 August 1999), Available at: https://www.imf.org/external/np/sec/nb/1999/nb9948.htm.

[364] IMF, "IMF Approves USD 501 Million in Emergency Assistance for Turkey" (99/49, 13 October 1999), Available at: http://www.imf.org/external/np/sec/pr/1999/pr9949.htm.

framework for private pension funds to diversify the sources of long-term savings.[365] Then, 17th Stand-By Agreement was made by appraising the realized pension reform as a major turning point.[366]

Twin sister of the IMF, the World Bank also supported the four-tier structural adjustment program. By this way, the pension reform was launched in the late 1999 and was reinforced by the following commitments under the Economic Reform Loan:[367]

- Implementation of the PAYGO reform,
- Implementation of the administrative and institutional program,
- Implementation of the plan to reduce all contribution arrears,
- Implementation of the unemployment insurance,
- Implementation of the legal and regulatory framework to support supplementary individual pension scheme.

At the end of 2000, the Turkish government announced that it designed a second package of pension reform concerning the administration of the system and the introduction of individual pension system detailed in the Letter of Intent.[368] In both 2001 and 2002, it stated its desire to continue the pension reform in respective Letter of Intents.

After elected in November 2002, the JDP prepared a detailed Letter of Intent that involved all aspects of fiscal-structural reforms in April 2003. Turkey declared her ambition to pursue the pension reform in order to support medium-term fiscal target of a continued 6.5 per cent of GNP public sector primary surplus.[369] Moreover, in the 2004 Letter of Intent, the JDP government promised not to increase pensions

---

[365] Undersecretariat of Treasury, "Letter of Intent" (9 December 1999), Available at: http://www.imf.org/external/np/loi/1999/120999.HTM.

[366] IMF, "IMF Approves USD 4 Billion Stand-By Credit for Turkey" (99/66, 22 December 1999), Available at: https://www.imf.org/external/np/sec/pr/1999/pr9966.htm.

[367] World Bank, "Economic Reform Loan", Loan Number 4549 TU (2000a), Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2004/12/15/FB1944A5BDD9DEA285256F03001638BC/1_0/Rendered/PDF/FB1944A5BDD9DEA285256F03001638BC.pdf.

[368] Undersecretariat of Treasury, "Letter of Intent" (18 December 2000), Available at: https://www.imf.org/external/np/loi/2000/tur/03/index.htm.

[369] Undersecretariat of Treasury, "Letter of Intent" (5 April 2003), Available at: https://www.imf.org/external/np/loi/2003/tur/01/index.htm.

since in that year the pensions were increased slightly to recover the vulnerable segments of the society.[370] However, discussions on a new IMF stand-by arrangement for Turkey were adjourned on 26 October 2004. One of the reasons was to allow time for the government to finalize structural reform proposals involving comprehensive social security reform.[371]

The emphasis on 6.5 per cent of GNP public sector primary surplus was repeated during the review discussions on the 19th Stand-By Agreement. It was stated by the IMF that the Turkish authorities would adopt measures to control the social security system deficit within the program and these measures should yield a primary surplus in 2006 that exceeds the government's target of 6.5 per cent of GNP.[372] Within this framework, the World Bank supported Turkey with a Programmatic Public Sector Development Policy Loan (PPDPL) in 2006, which had a condition of parametric pension reform.[373]

The main idea behind the IMF stand-by agreements, the World Bank directions and structural adjustment loans was to transform the basic necessities of the society such as social security and education into tradable commodities and to open these areas to national and international capital groups' profit concerns.[374]

4.2.2.1.4 European Union

In this section, an assessment of regular reports on progress and accession partnership documents is given in order to understand how the EU penetrated into the

---

[370] Undersecretariat of Treasury, "Letter of Intent" (2 April 2004), Available at: https://www.imf.org/external/np/loi/2004/tur/01/index.htm.

[371] IMF, "Discussion on New IMF Stand-By Arrangement for Turkey to Resume" (04/250, 30 November 2004), Available at: http://www.imf.org/external/np/sec/pr/2004/pr04250.htm.

[372] IMF, "Review Discussions on Turkey's IMF Stand-By Arrangement Conclude Successfully" (06/107, 22 May 2006), Available at: http://www.imf.org/external/np/sec/pr/2006/pr06107.htm.

[373] World Bank, "Implementation, Completion and Results Report" (2006a), Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/07/20/000356161_20120720012943/Rendered/PDF/ICR23440P071050C0disclosed070180120.pdf.

[374] Bağımsız Sosyal Bilimciler, *2005 Başında Türkiye'nin Ekonomik ve Siyasal Yaşamı Üzerine Değerlendirmeler* (Ankara, Mart 2005), Available at: www.bagimsizsosyalbilimciler.org.

field of social policy, and particularly the pension issue since 1998. The EU basically evaluated pension reform via the parameter of financial sustainability and institutional restructuring rather than its social consequences.

As it is well-known, the EU determined the Copenhagen Criteria to check whether a country is eligible to join the Union during the Copenhagen European Council in 1993. According to the Presidency Conclusions:

> *Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.*[375]

Put it differently, a country should fulfill political and economic criteria and possess the administrative capacity to implement the *acquis communautaire*. Turkey's eligibility for accession to the EU was confirmed in the Luxembourg European Council[376] in 1997 after 34 years of its first application for EU membership. Following the meeting, the European Commission started to produce reports to the European Council and the European Parliament on the progress made by Turkey in preparing her for membership. In the first progress report, which was prepared in 1998, the European Commission began to emphasize the need for the modernization of the labour market in order to meet the needs of a competitive economy and the structural reform in the social security institutions that had a growing deficit.[377]

1999 Regular Report reflected the satisfaction of the EU regarding structural reforms in Turkey, particularly the pension reform of 1999, since the EU defined

---

[375] Copenhagen European Council, "Presidency Conclusions" (21-22 June 1993), Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/72921.pdf.

[376] Luxemburg European Council, "Presidency Conclusions" (12-13 December 1997), Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/032a0008.htm.

[377] European Commission, "1998 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/1998/turkey_en.pdf, pp. 24, 49.

pension system as a heavy burden on public finances.[378] The European Council welcomed these positive developments in Turkey and its intention to continue reforms towards complying with the Copenhagen Criteria established in Helsinki meeting in December 1999.[379] Therefore, Turkey was officially recognized as a candidate state on the basis of the same criteria, applied to other candidate sates.

2001 Regular Report appraised the Law on Individual Pension Savings and Investment System as an improvement in the social security reform process.[380] In the Brussels European Council meeting, December 2004, the Council stated that Turkey implemented Copenhagen political criteria and the accession negotiations could be opened on 3 October 2005.[381] In fact, the Copenhagen Criteria do not make an explicit reference about reform of social security systems in candidate countries. However, accession partnership documents of 8 March 2001[382], 19 May 2003[383] and 23 January 2006[384] required to "ensure the sustainability of the pension and social security system" as a part of the economic criteria. Moreover, one of the medium term priorities for Turkey was determined as to "develop social protection, notably by consolidating the reform of the social security and pension system with a view to making it financially sustainable, while strengthening the social safety net". It was also emphasized that availability of the pre-accession financial assistance, which was

---

[378] European Commission, "1999 Regular Report on Turkey's Progress Towards Accession, Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/1999/turkey_en.pdf.

[379] Helsinki European Council, Presidency Conclusions, 10-11 December 1999, Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/ACFA4C.htm.

[380] European Commission, 2001 Regular Report on Turkey's Progress Towards Accession, Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/2001/tu_en.pdf, p. 68.

[381] Brussels European Council, "Presidency Conclusions" (16-17 December 2004), Available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf.

[382] Council Decision of March 8, 2001, 2001/235/EC, *Official Journal of the European Union* (2001/L 85/13).

[383] Council Decision of May 19, 2003, 2003/398/EC, *Official Journal of the European Union* (2003/L 145/40).

[384] Council Decision of January 23, 2006, 2006/35/EC, *Official Journal of the European Union* (2006/L 22/34).

organized in line with Council Regulation No 2500/2001[385], was directly related with the fulfillment of the said conditions.

When the Constitutional Court abolished some articles of Law No. 5510, the European Commission expressed her disappointment without delay: little progress could be achieved in the field of social protection because the enforcement of social security reform was postponed to 2008.[386] Therefore, the accession partnership document of 18 February 2008 put the economic criteria for Turkey as follows:

> *Continue to implement appropriate fiscal and monetary policies with a view to taking adequate measures to preserve macroeconomic stability and predictability. Implement a sustainable and effective social security system. Establish an independent regulatory and supervisory authority in the insurance and pension sector. Continue to strengthen administrative structures, in particular for the coordination of social security schemes.*[387]

Besides, the conditionality paragraph was very explicit once again that "failure to respect these general conditions could lead to a decision by the Council to suspend financial assistance".[388]

In sum, the EU has closely monitored the developments in the on-going pension reform since 1998. Moreover, its commitment has increased with the implementation of the IPS. The EU has especially given importance to the liberalization and deregulation of the IPS market. For instance, 2008 Regular Report welcomed the elimination of the maximum limit on investments by pension funds in foreign securities and minimum requirement to invest in government debt instruments. Furthermore, it was stated that "establishing an independent regulatory

---

[385] Council Regulation No 2500/2001 of 17 December 2001 Concerning Pre-Accession Financial Assistance and Amending Regulations No 3906/89, No 1267/1999, No 1268/1999, No 555/2000.

[386] European Commission, "2007 Regular Report on Turkey's Progress Towards Accession", Available at:
http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/turkey_progress_reports_en.pdf, p. 54.

[387] Council Decision of February 18, 2008, 2008/157/EC, *Official Journal of the European Union* (2008/L 051/4).

[388] Council Decision, 2008.

and supervisory authority is a priority" for the IPS.[389] The complaints of the EU concerning the establishment of an independent authority in supplementary pensions sector continued in the Regular Reports of 2011[390], 2012[391] and 2013.[392]

It is explicit that there has been a convergence in the EU and the IFIs policy recommendations in terms of imposing pension transformation on a conditional basis.

4.2.2.2 The Role of Turkish Capital

The problems of the pension system and reform discussions received attention from the leading employers' organizations and representatives of private sector, namely, the TÜSİAD, the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Turkish Confederation of Employer Associations (TİSK).

TOBB, established in 1950, the highest legal entity representing the private sector with 365 members[393], argued in 1993 that the norms and regulations of different pension institutions should be standardized; they should be brought under one roof and become autonomous; and mandatory and supplementary private pension schemes should be supported. For the TİSK, which was established in 1961 and comprises 22 employers' trade unions which have 9,600 affiliate business

---

389 European Commission, "2008 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/turkey_progress_report_en.pdf, pp. 41, 49.

390 European Commission, "2011 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/tr_rapport_2011_en.pdf, p. 64.

391 European Commission, "2012 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/tr_rapport_2012_en.pdf, p. 53.

392 European Commission, "2013 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/brochures/turkey_2013.pdf, p. 30.

393 Available at: www.tobb.org.tr.

premises[394], the best solution to the problems of the pension system was not privatization but to supplement the system with private pension scheme.[395]

TÜSİAD, established in 1971, is a voluntary civil society organization that comprises leading entrepreneurs from the Turkish business. TÜSİAD have some 600 members that represent approximately 3,500 industrial and service sector companies that generate about half of all value-added created in Turkey.[396] As TÜSİAD carried out a continuous propaganda on the pension reform and deliberated pension privatization, this section examines the systematic involvement of the TÜSİAD in the pension reform process with its working groups and publications.

TÜSİAD, the biggest organization of capital representatives, gave the clear signals for its demands for the diminishing of the welfare state in Turkey with its report *Optimal State* in 1995. The report argued that the welfare state resulted in low level of savings and unwillingness to work due to state guarantee, abuse of economic and social rights and raised financing problems.[397] Therefore, the boundaries of the welfare state should be reorganized. The reasons enumerated by TÜSİAD were the same with the arguments of the well-known liberal scholars, mentioned in the first chapter. TÜSİAD's definition of the optimal state might be explained by Gamble's argument that neoliberalism requires the strong state to free the economy which can be ensured by limiting state functions in economic and social areas while strengthening them in defense and juridical matters. In order to forge the optimal state, the state should be restructured through the restructuring of the public administration and public economy.[398]

The following year TÜSİAD published another report, titled *Retired and Happy*. It offered some solutions to the problems of the Turkish social security

---

[394] Available at: www.tisk.org.tr.

[395] Ufuk Aydın, "Sosyal Güvenlikte Özelleştirme Sebepler ve Uygulamalar", *Çimento İşveren Dergisi* (Cilt: 5, Sayı: 12, 1998), pp. 13-14.

[396] Available at: www.tusiad.org.

[397] TÜSİAD, *Optimal Devlet: Kamu Ekonomisinin ve Yönetiminin Yeniden Yapılanması ve Küçültülmesine Yönelik Öneriler* (İstanbul: TÜSİAD, Şubat 1995), pp. 75-76.

[398] TÜSİAD, 1995, pp. 147-150.

system and mentioned about private insurance initiative. Unsurprisingly, the reform in Chile was praised in the report that;[399]

- pensions system in Chile had shifted from PAYGO to capitalization method successfully,
- the budget deficit that was resulted from transition costs was closed by exporting treasury bonds,
- there was a reduction in the interest rates following 10 years of the reform due to increase in saving trend.

The proposed solution was to establish a private pension system in a competitive environment rather than state-dominating system.[400] José Pinera, the architect of Chilean pension privatization, was hosted in Turkey by TÜSİAD in order to explain them the Chilean experience.[401] A draft social security reform was prepared in 1995 but could not be put into effect owing to the efforts of organized labour.[402]

Pension reform continued to be on the agenda of TÜSİAD in 1997. In the report of *Restructuring of the Turkish Social Security System*, the high premium ratio for employers, deterioration of active/passive balance and early retirement practices due to the populist policies, finance deficit and insufficient amount of pension payments were determined as the reasons of pension system crisis.[403] Consequently, a multipillar pension system should be organized around some basic principles that propose that:[404]

- Political interference should be lowered.

---

[399] TÜSİAD, *Emekli ve Mutlu: Türk Sosyal Güvenlik Sisteminin Sorunları, Çözüm Önerileri ve Özel Sigortacılık Girişimi* (İstanbul: TÜSİAD, Ocak 1996), pp. 31-32.

[400] TÜSİAD, 1996, p. 41.

[401] Yıldırım Koç, "Kamunun Sağlık ve Sosyal Güvenlik Sistemleri Stratejik Önemdedir", *Yol-İş Sendikası Dergisi* (Nisan 2008).

[402] Yıldırım Koç, "Sosyal Güvenlik Reformu", *Mülkiye Dergisi* (Cilt: XXIII, Sayı: 217, Temmuz-Ağustos 1999), p. 101.

[403] TÜSİAD, *Türk Sosyal Güvenlik Sisteminde Yeniden Yapılanma: Sorunlar, Reform İhtiyacı, Arayışlar, Çözüm Önerileri* (İstanbul: TÜSİAD, Ekim 1997), pp. 13-14.

[404] TÜSİAD, 1997, pp. 14-16.

- The state should contribute the pension system in order to alleviate the burden on the employer and employee.
- The individual's responsibility should be prioritized.
- As the social security was under the guarantee of the state defined by the Constitution, the role of the state should be defined according to current socio-economic conditions and political environment in Turkey.
- Individual private pension accounts would yield to the development of capital and stock market. By this way, long-term public debt facilities would enlarge and financial markets would be deepened.

After the parametric pension reform of 1999 and the introduction of Individual Pension System in 2003, TÜSİAD continued to stress developments in the pension system with its report of *Reforming the Turkish Pension System*, which was published in 2004. The report evaluated the 1999 reform and stated that the expected results such as the prevention of informal employment, lowering of the social security finance deficit, and the reorganization of social security institutions were not realized. Therefore, TÜSİAD pursued its prior orientation towards a much more comprehensive pension reform that consisted of a multipillar pension system. The contributors of the report came to share the view that reducing the degree of state involvement in the pension system was necessary. The report also involved the basic neoliberal discourse such that the new system must give individuals more responsibility and power in deciding what type of a retirement income they desired. Increase in private savings was expected to deepen financial markets in the country and would accelerate economic growth through faster capital accumulation.[405]

The report also suggested three options to finance the reform:[406]

- Revenue from long-delayed privatization of major assets such as Turkish Airlines and Turk Telecom,
- Adjustment loans from the IMF and the World Bank,
- Revenue from temporary taxes.

[405] TÜSİAD, *Türk Emeklilik Sisteminde Reform: Mevcut Durum ve Alternatif Stratejiler* (İstanbul: TÜSİAD, Kasım 2004), pp. 17-23.

[406] TÜSİAD, 2004, p. 174.

This thesis argues that all three options were in favour of TÜSİAD's members. It would not be a surprise that the winners of the privatization efforts would be the members of TÜSİAD or their affiliates. Adjustment loans of the IFIs would intensify neoliberal order within the country and additional taxes would enhance capital's domination over workers by increasing tax burden on them. It is unambiguous that TÜSİAD fully endorsed the World Bank's approach towards the pension reform.

4.2.2.3 The Reform Process

The reform of the Turkish pension system has been on the agenda since the 1990s owing to the problems in the system: limited coverage, limited state contribution, premium collection problems, informal employment, active/passive imbalance, ineffective use of social security funds, populist policies and lack of coordination among social security institutions due to different norms and standards.

As mentioned before, firstly the World Bank warned that population ageing (which would not be a problem in near future) and sustainability of public finance necessitated a pension reform. After this, the study of the ILO drew a roadmap for Turkish government. The Bank did not only give advice but also finance support. Turkey received the largest loan[407] (USD 197.7 mm) among the European and Central Asian countries without a mandatory funded pillar. Moreover, social security reform constituted an important part of the IMF conditionalities to release the necessary funds during the period of 1998-2008. The reform process accelerated with the election of the JDP in 2002 and the developments in the pension system since 2002 have reflected that the JDP embrace the recommendations of capital representatives and collaborate fine with the IFIs.

[407] Independent Evaluation Group, 2006, p. 66.

4.2.2.3.1 1999 Reform

The first step in the reorganization of pension system was the enactment of the Unemployment Insurance Law No. 4447[408] in 1999, which also changed the parameters of the pension system.

The government tried to bring together the representatives of both the employees and employers in the legislation process of the draft social security reform in the first half of 1999. The limited job security in the draft unified the leading workers' trade unions around the famous slogan of "retirement in grave". As the biggest confederation of employers, TİSK, refused to discuss the issue of job security, the negotiation process yielded to nothing. However, consultations continued and a joint proposal was sent to the MLSS. Nevertheless, the result was not satisfactory for workers. The Labour Platform[409], which involved the leading public and private workers' trade unions as well as some vocational associations, organized the biggest joint action of country's history on 24 July 1999 in Ankara against the draft social security reform law. This was followed by another action on 4 August, the day for the negotiation of draft in the Parliament. Although the government withdrew the draft, it decided to bring it to the Parliament without any change next week. The organized labour carried out a common action throughout the country on 13 August. In conclusion, the draft was admitted at the shadow of earthquake on 25 August and labour platform could not continue its resistance due to the earthquake and its devastating impact on the country.[410]

The basic parameters of the pension system were changed. The minimum retirement age was increased to 58/60 for women and men in the case of new entrance and 56/58 for current women and men contributors with a transition period. The minimum period of contribution was increased from 5,000 days to 7,000 days for SII pensioners. Besides, the Law No. 4447 developed unemployment insurance and fund in order to minimize the harmful effects of unemployment. Put differently,

---

[408] *Official Gazette* (No. 23810, 08.09.1999).

[409] TÜRK-İŞ, HAK-İŞ, DİSK, KESK, KAMU-SEN, MEMUR-SEN, TMMOB, TÜRMOB, TTB, Türk Diş Hekimleri Birliği, Türk Eczacılar Birliği, Türk Veteriner Hekimleri Birliği, Türkiye İşçi Emeklileri Cemiyeti, Tüm İşçi Emeklileri Derneği, Tüm Bağ-Kur Emeklileri Derneği.

[410] Koç, Temmuz-Ağustos, 1999, pp. 103-108.

Turkey realized unemployment insurance after 49 years after she ratified[411] the ILO Convention No. 2 Unemployment (1919)[412], which required preventing unemployment and providing insurance against it. The unemployment insurance premium was decided to be financed by the contributions of the employee, employer and the state. The World Bank welcomed the change in pension indexation of the SII and the *Bağ-Kur* pensioners that the system was replaced by a transparent and financially conservative rule, namely consumer price index.[413]

The law was the prerequisite of the disinflation program that Turkish government started to implement in the early 2000. It should be noted that the program was prepared in collaboration with the IMF. Even though the program consisted of structural reforms including health and pension reform, privatization of state enterprises, banking regulations and agricultural reform, the coming crisis was only postponed to the end of the year, November 2000. The crisis intensified in February 2001 owing to political disputes.

The IFIs enumerated undisciplined financial sector, banking sector failure, populist policies, economic and political corruption as the main cause of 2001 crisis in Turkey, similar to their attitude in the East Asian Crisis. They mentioned nothing about the impact of international financial movements.[414] Therefore, Turkey was forced to apply another structural program.

Kemal Derviş, who was imported from the World Bank as the Minister of Treasury immediately after the February 2001 crisis, announced the Transition Program to a Strong Economy on April 14, 2001. The program could be summarized as "everyone should sacrifice under the tight fiscal policy to realize economic growth and employment". As the fundamental focus of the program was huge public deficits, one of the enumerated reasons of it was social security deficit that arguably

---

[411] Available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102893.

[412] Available at: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312147:NO.

[413] World Bank, 2000, p. 33.

[414] Yılmaz Akyüz, *The Political Economy of Turkey* (London: Pluto Press, 2005), p. 109.

resulted from actuarial imbalances.[415] Moreover, although everyone was called for solidarity to recover crisis, all taken measures imposed additional burden on the workers. Even unemployment soared due to privatization of large state enterprises. According to Independent Social Scientists Alliance, this program in fact reflected the interests of national and international capital groups, their common demands were labour market flexibility and privatization. Moreover, the most problematic part of this program was its likely negative impact on redistribution among social classes.[416] For instance, the real income of pensioners depreciated by 0.2-3.5 per cent during the 2001 crisis.[417]

On 23 February 2001, the Constitutional Court abolished the articles concerning the transition period for current public servants.[418] The Draft Law on Individual Pension Savings and Investment System became a law (No. 4632)[419] on 28 March 2001 and the Individual Pension System (IPS), which is discussed later, commenced on 27 October 2003.

Although the JDP vehemently defended the right of social security during the first pension reform (1999-2002)[420], after elected in 2002, it started to argue that the current social security system was inefficient due to its costs, its fragmented structure and its negative impact on labour market flexibility. Therefore, some parametric changes should be done to reduce the costs. The fragmented structure should be abandoned in order to standardize the norms. At last, the labour market should be

[415] *Türkiye'nin Güçlü Ekonomiye Geçiş Programı* (14 April 2001), Available at: http://www.tcmb.gov.tr/yeni/duyuru/eko_program/program.pdf.

[416] Bağımsız Sosyal Bilimciler, "Güçlü Ekonomiye Geçiş Programı Üzerine Değerlendirmeler", *Mülkiye Dergisi* (Cilt: XXV, Sayı. 229, Ağustos 2001), pp. 41, 69.

[417] Akyüz, 2005, p. 125.

[418] Constitutional Court Decision, 2001/41, 23 February 2001, *Official Gazette* (No. 24592, 23.11.2001).

[419] Law on Individual Pension Savings and Investment System No. 4632, *Official Gazette* (No. 24366, 07.04.2001).

[420] Aziz Çelik, "Sosyal Güvenlik Taarruzunda Mola", *Birikim Dergisi* (Sayı: 213, Ocak 2007).

organized on flexible working principles.[421] Although the fundamental burden on the budget variance was interest payments, the liberal community insisted on budget transfers to social security institutions while it was only one-fifth of interest payments.[422]

One of the most appealing issues of the Urgent Action Plan of the JDP government, announced on 3 January 2003, was social security reform under the ostensible target of "social security for everyone".[423] In fact, the reform of social security institutions and the inducement of private health and life insurance companies were planned in the Development and Democratization Program of the JDP[424] even before the election. As a result, the government prepared a Draft Law on Social Security Institution and the Law on Social Insurance and General Health Insurance. Unsurprisingly, the health provisions of the draft reflected the main liberal discourse of the "right to choose" the doctor and health institution.

The JDP government replaced the Labour Law of 1971 with a new comprehensive Law No. 4857 in May 2003, which institutionalized part-time work. The only exception was the article concerning severance payment. Government did not want to draw the reaction of working class in its first year of administration. In addition to part-time work, the concepts of make-up work and on-call work became a legal regulation by the adoption of such law. The fundamental aim of all these arrangements was to draw the legal boundaries of flexible labour market and mechanisms of control over labour.

The Draft Law on Social Security Institution Organization No. 4947[425] was approved in June 2003 and brought the SII and *Bağ-Kur* under the umbrella of the roof institution. According to the Law, the newly established institution was

---

[421] Simten Coşar and Metin Yeğenoğlu, "The Neoliberal Restructuring of Turkey's Social Security System", *Monthly Review* (April 2009), pp. 39-41.

[422] Bağımsız Sosyal Bilimciler, "2003 Başında Türkiye Ekonomisi ve AKP'nin Hükümet Programı Üzerine Değerlendirmeler", Available at: www.bagimsizsosyalbilimciler.org.

[423] 58. Hükümet, *Acil Eylem Planı* (2003), Available at: http://www.linux.org.tr/wp-content/uploads/2010/04/AcilEylemPlani.pdf, pp. 102-104.

[424] Adalet ve Kalkınma Partisi, *Kalkınma ve Demokratikleşme Programı* (Ankara: AKP, 2002), pp. 84-85.

[425] *Official Gazette* (No. 25178, 24.07.2003).

organized as an affiliate of the MLSS. In 2005, the government made a radical legislation in order to transfer healthcare units of some public institutions and organizations to the Ministry of Health.[426] By this way, the SII was turned into an organization that buys health services rather than produces health services.[427]

4.2.2.3.2 2006-2008 Reforms

A revised version of Law No. 4947 was discussed in the Parliament in the early 2006 to establish one roof for all social security organizations. The Law No. 5502[428], which was approved on 16 May 2006, established Social Security Institution (SSI) (*Sosyal Güvenlik Kurumu*) that also involved the PEPF. The Law removed tripartite structure of the Turkish social security and achieved an "important step" in the management and auditing of social security programs. Before 2006, the PEPF used to work under the Ministry of Finance while SII and *Bağ-Kur* used to be responsible towards the MLSS. Today the umbrella institution, SSI works under the MLSS though it has administrative and financial autonomy protected by the Law. By this way, different social security regimes have been brought together and the social security approach was reduced to basically one of fund management by ignoring sectoral differences and employment status. The convergence between three institutions was realized on the basis of least common denominator. The result was the deterioration of social rights of civil servants.[429] As this group commonly formed the middle classes of Turkey and was claimed to be historically privileged group, this result was very compatible with the goal of the JDP government. In other words, this law was a useful attempt to diminish the power of middle classes opponent to the JDP in Turkey.

---

[426] Law on Transfer of Healthcare Units of Some Public Institutions and Organizations to the Ministry of Health No. 5283, *Official Gazette* (No. 25705, 19.01.2005).

[427] Yenimahalleli Yaşar, 2012.

[428] *Official Gazette* (No. 26173, 20.05.2006).

[429] Bağımsız Sosyal Bilimciler, *IMF Gözetiminde On Uzun Yıl 1998-2008: Farklı Hükümetler, Tek Siyaset* (Ankara, Haziran 2006), Available at: www.bagimsizsosyalbilimciler.org, pp. 56-57.

The government continued to its efforts to transform the pension and health structure. Within this context, the Social Insurance and General Health Insurance Law No. 5510[430] was approved in 31 May 2006. The Law introduced gradual increases in the retirement age between 2035 and 2048 (65 years) and a single pension formula for the tripartite system. Moreover, the indexation of civil servants' pensions was changed from wages to inflation and the period of premium payment was determined as 9,000 days. The income replacement rate would be implemented as 2.5 per cent until 2015 and 2 per cent by 2016. The means-tested pension was organized to be payable only to those with no other social security rights, who are disabled or those aged 65 or over. The only positive provision of the law was the establishment of state responsibility in social security premiums. The state contribution to old-age insurance and general health insurance was determined as 5 per cent and 3 per cent respectively (one-fourth of the collected premiums). The state was also entitled to contribute to the unemployment insurance premium by 1 per cent.

The focus of the parametric reform in 1999 had been to provide actuarial balance by increasing retirement ages and contribution periods and decreasing replacement rates. As the reform in 2006 was also done with the same orientation, it was explicit that the road to reform was not compatible with the underlying reasons of the pension deficits. However, the real problems laid at the absence of effective state contribution, informal employment, the abuse of social security funds, and administrative incompetency.[431]

Even though the government decided to complete the reform in twelve months in its Urgent Action Plan of 2003, the draft law was passed in 3 years. Moreover, the realization of the law took much more time owing to the objections and the involvement of Constitutional Court in the legislation process.

The effective date of the Law No. 5510 was planned as 1 January 2007. However, it was postponed to 1 January 2008 due to the fact that the Constitutional Court examined the annulment request of the 10th President Ahmet Necdet Sezer and

[430] *Official Gazette* (No. 26200, 16.06.2006).

[431] Seyhan Erdoğdu, "Sosyal Politikada Değişim ve Sosyal Güvenlik Reformu" in İlhan Uzgel and Bülent Duru (eds.), *AKP Kitabı: Bir Dönüşümün Bilançosu*, (Ankara: Phonenix Kitabevi, 2009), pp. 668-669; Koç, Temmuz-Ağustos 1999, pp. 99-100.

deputies of the opposition party. Consequently, the Court abolished some articles of the law, particularly those pension reform provisions pertaining to civil servants.[432]

The new Draft Law on Amendments to Social Security and General Health Insurance Law and to Certain Laws and Decree (No. 5754) was submitted to the Presidency of Turkish General National Assembly on 27 November 2007. In March 2008, the JDP government accepted to discuss the draft law with the Labour Platform to seek its consent. However, most of the proposals of the Labour Platform were rejected and opponent voices were largely ignored by the media which was shaped by the JDP cadres and neoliberal economists. The draft law was ultimately legislated side by side with the heated discussions around the headscarf issue.[433]

In fact, the requests and the decisions of the Constitutional Court involved some contradictions about the right to social security. The Court basically protected the rights of public servants. However, pension rights of people other than public servants were not assessed in line with the principle of social state. As the Court annulled many provisions concerning public servants, the core of one roof could not be realized. The attitude of the Court could be explained by the historical understanding of the state that protects its own workers.[434] On the other hand, the Court decision yielded to some positive conclusions for the members of the SII as well. The premium contribution period for the SII pensioners was reduced from 9,000 days to 7,200 days with the implementation of Law No. 5754. The replacement rate is preserved as 2 per cent but it would be 3 per cent for a person who has worked fewer than 10 years.

4.2.2.3.3 The Assessment of 1999 and 2006-2008 Arrangements

The coalition government attempted to make a comprehensive reform in 1999. The organized labour, however, responded this with many protests throughout the country since they knew that they could be successful to a certain extent in the

[432] Constitutional Court Decision, 2006/36, 15 December 2006, *Official Gazette* (No. 26388, 26.12.2006).

[433] Coşar and Yeğenoğlu, April 2009, pp. 41-42.

[434] Çelik, Ocak 2007.

time of coalitions.[435] In contrast, there was no organized action towards 2006-2008 reforms since the JDP government managed to dissolve the workers resistance power through various political and economic strategies that have become successful due also to the now flexible labour markets. Moreover, the JDP managed to put into practice other informal means to manage poverty and concerns for insecurity as will be discussed in the next section. Hence, rather than the opposition of the workers, the Constitutional Court objections helped redefine the arrangements of the 2006-2008 reforms. It should be noted that the JDP government also produced a public image as if there was a consensus between the government and the Labour Platform on the 2006-2008 reforms. Hence, while the pension transformation was associated with various political and social risks in the crisis atmosphere of the years 2000 and 2001, it became an applicable policy by the JDP's coming to power in 2002 as a single party government with an increasing political capability to manage the contradictions of neoliberal transformation in Turkey.[436] Still though, the JDP has to wait until 2006 until the Party managed to consolidate its political power *de facto* within Turkish politics. Effective collaboration of the JDP with the IFIs, which has ensured persistent inflow of hot money into the country, was also crucial in this outcome.

It is clear that the reform process did not bring a standardization in different pension applications as expected. For instance, there is significant difference among the affiliates of the SII and the other two institutions in terms of contribution periods. The politicians consciously have focused on the retirement age and the sustainability of the pension system, so appealed to the strategy of turning the pension issue into a technical rather than a political one, ignoring the real reasons of pension insecurity and the necessity of comprehensive and inclusive pension policy for whole population.

During the legislation process of unemployment insurance in 1999 and state contribution to old-age and general health insurance premiums in 2006, two basic proposals were put forwarded: the state should allocate a portion of tax revenues for the finance of the social security system, and the accumulated funds of the unemployment insurance should be used for job creation. Nevertheless, the current

[435] Interview, 24 January 2012.

[436] Filiz Zabcı, *Dünya Bankası Yanılsamalar ve Gerçekler* (İstanbul: Yordam Kitap, 2009), p. 139.

practice demonstrated that the funds have been used to provide resources for Turkish Treasury[437] and financial markets.

The expected benefits of both reform processes were not realized as the pursued aim of the 1999 and 2006-2008 reforms was to increase revenues and decrease expenditures of the pension system by changing its fundamental parameters. For Alper, one of the pro-reform scholars, the main reasons were the negative impact of economic crises in 2001 and 2008 on the number of actively insured people, the administrative incompetency and the annulment decrees of the Constitutional Court. He also emphasized the role of "learnt poverty" among discouraged unemployed people, which meant that these people were content with social aids instead of looking for job.[438]

The actual result of this law was the deepening of insecurity and poverty,[439] since contrary to liberal arguments, the pension transformation in Turkey decreased the scope of benefits and complicated eligibility rules. Thus, the workers were forced to borne the burden of the reform. The marketization of social security intensified the deterioration of income distribution by supporting high-income groups with public securities and incentives.[440] The transformed public pension system and the introduction of individual pension system mean that the present security ensures security to those who are able to afford it since the current system deteriorated the situation of workers and excluded the poor.[441]

A radical pension privatization was not realized in Turkey since governments could not legitimize it. They could not risk the huge costs of transition from public pension to private pension system to achieve the arguable indefinite conclusions after

---

[437] Haluk Egeli and Ahmet Özen, "Türkiye'de Sosyal Güvenlik Sisteminin Yeniden Yapılandırılmasına Yönelik Reform Sürecinin Değerlendirilmesi", *Mevzuat Dergisi* (Sayı: 142, Ekim 2009).

[438] Yusuf Alper, "Sosyal Güvenlik Reformu ve Finansmanla ilgili Beklentiler", *Sosyal Güvenlik Dergisi* (Cilt: 1, Sayı: 1, Haziran 2011), pp. 43-44.

[439] Coşar and Yeğenoğlu, April 2009, pp. 43-44.

[440] Erdoğdu, 2009, p. 684.

[441] Coşar and Yeğenoğlu, April 2009, p. 48.

30 years when the ageing problem would emerge[442] A high-ranked bureaucrat from the Undersecretariat of Treasury confessed that although the JDP had a considerable power that was repeated in three consecutive general elections, it would not be easy to initiate a mandatory private pension system. It can be argued that rather than making a radical pension reform, the JDP governments have preferred to erode the pension rights of the middle and lower income sections of the society indirectly through the effects of the neoliberal policies in general. Moreover, while the privileged rights of middle classes were taken away by the social security reform, whereas, as will be discussed below, the IPS has helped serve to the interests of not only upper classes but also of the middle classes.

Resembling to the pension politics in the other countries of the South, the pension rights of the working population were contracted practically due to the implications of neoliberal economic policies. The suppression of organized labour and flexibilization of the labour market have created suitable conditions for the implementation of these policies with the inevitable outcome being increased poverty owing to informal employment, low wages and limited pension provisions. The devastating impact of economic and financial crises on the poor has been also significant. Consequently, Turkish pension system has lost its significance for the poor whose daily survival has been shaped primarily by the social risk and poverty management policies of the government, dressed in Islamic cloths as will be discussed in the next section.

Turkey was covered by the World Bank's Social Risk Mitigation Project after the 2001 crisis for the period of five following years. The Bank justified the project with three basic problems in Turkey, namely high rate of poverty, limited social security coverage and the danger of the extinction of human capital. The Project consisted of rapid assistance, conditional cash transfer, institutional development and local initiatives.[443] The conditional cash transfers have aimed to provide children with education, proper vaccination, and nutrition benefits.

[442] Alper, 2004, pp. 19-20; Mehmet A. Elveren and Adem Y. Elveren, "Türkiye'de Refah Rejiminin Dönüşümü ve Bireysel Emeklilik Sistemi", *Mülkiye Dergisi* (Cilt: XXXIV, Sayı. 266, Bahar 2010), p. 252.

[443] Zabcı, 2009, pp. 112-116, 119-124.

Table 1. Labour Force Status (thousand)

YEAR	Total Population	Population 15≥ age	Labour Force[1]	Labour Force Participation Rate (%)[2]	Employed	Unemployed	Unemployed Rate (%)	Not In Labour Force[3]
1980	44.737	25.612	15.609	60.9	14.267	1.342	8.6	10.003
1990	56.473	33.821	18.417	54.5	16.845	1.573	8.5	15.404
2000	67.804	43.900	21.093	48.0	19.608	1.485	7.0	22.807
2005	67.227	48.359	22.455	46.4	20.067	2.388	10.6	25.905
2006	68.066	49.174	22.751	46.3	20.423	2.328	10.2	26.423
2007	68.901	49.994	23.114	46.2	20.738	2.377	10.3	26.879
2008	69.724	50.772	23.805	46.9	21.194	2.611	11.0	26.967
2009	70.542	51.686	24.748	47.9	21.277	3.471	14.0	26.938
2010	71.343	52.541	25.641	48.8	22.594	3.046	11.9	26.901
2011	72.376	53.593	26.725	49.9	24.111	2.615	9.8	26.867
2012	73.604	54.724	27.339	50.0	24.821	2.518	9.2	27.385

Source: Available at: http://www.tuik.gov.tr; http://www.kalkinma.gov.tr.
[1]*Comprises all employed and unemployed persons.*
[2]*Indicates the ratio of the labour force to the population 15 years old and over.*
[3]*Discouraged workers, seasonal workers, housewives, student, retired, disabled/old/ill, having property income, family or personal reasons and others.*

The actual results of statistics verified that the neoliberal labour market policies have aggravated the unemployment problem. The pension reform used to be defended by a simple argument of increasing social security coverage. Although the statistics demonstrated a slight increase in social security coverage, it has based on an increase in the number of dependents. Moreover, the poverty rates are still high.

The average unemployment rate was realized as 8.2 per cent during the period of 1980-2000. The result is significant for the period of pension transformation that the unemployment rate raised from 7 per cent in 2000 to 14 per cent in 2009 (Table 1). It should be noted that labour market flexibilization did not yield low rate of unemployment contrary to liberal arguments. Since social insurance programs are very dependent on employment status in Turkey, the increase in the unemployment rate has meant that a large part of labour force has been deprived of the opportunity to get social protection. Thus, Table 1 indicates that labour force participation has not exceeded the level of 50 per cent of the population since 2000 while it was around 60 per cent in the early 1980s. Limited labour force participation rate also gives clues about the size of the informal employment. As mentioned before, being employed does not mean being protected by the pension system due to the fact that about 40 per cent of employed people have not been regular and casual workers since 2007 (Table 2). The self-employed group is bigger than the employer and unpaid family worker group, but self-employment jobs generally earn low levels of income. In sum, a small portion of the employed population gets access to adequate social protection levels.

Table 2. Employment by Status (thousand)

	2007	2008	2009	2010	2011	2012
Employed	20.738	21.194	21.277	22.594	24.110	24.821
Regular/Casual Employee	12.534	12.938	12.768	13.762	14.876	15.619
Employer	1.190	1.249	1.210	1.203	1.244	1.239
Self-Employed	4.386	4.324	4.429	4.548	4.687	4.694
Unpaid Family Worker	2.628	2.683	2.870	3.081	3.304	3.269

Source: TURKSTAT, *Statistical Yearbook* (Ankara: TURKSTAT, 2009), p. 181; TURKSTAT, *Statistical Yearbook* (Ankara: TURKSTAT, 2012), p. 183.

According to Table 3, the average social security coverage for the last eight years has been about 83 per cent. However, the growth rate of dependents has been bigger than the growth rate of actively insured. Furthermore, the simple average of complete poverty rates for the period of 2002-2009 was 21.5 per cent. Regarding employment status, the simple average of the rate of poor individuals among casual employees and unpaid family workers was 33.6 and 33.7 per cent respectively.[444] Table 2 demonstrates that while the rate of employed people increased by 19.6 per cent during 2007-2012, the rate of unpaid family workers increased by 24.3 per cent. As the Turkish Statistical Institute (TURKSTAT) stopped to calculate complete poverty rates in 2010, poverty rates based on poverty line defined as dollar per capita are available. Those below USD 4.3 per capita per day belonged to 3.66, 2.79 and 2.27 per cent of total population in 2010, 2011 and 2012 correspondingly.[445] In reality, we do not have exact poverty rates.

[444] TURKSTAT, "Results of 2009 Poverty Study", Available at: http://www.tuik.gov.tr.

[445] Available at: http://www.tuik.gov.tr.

Table 3. Social Security Coverage (thousand)

YEAR	Social Security Coverage	Total Population	Social Security Coverage (%)
2005	52.391	67.227	77.9
2006	54.667	68.066	80.3
2007	56.423	68.901	81.9
2008	57.338	69.724	82.2
2009	58.591	70.542	83.1
2010	61.506	71.343	86.2
2011	64.088	72.376	88.5
2012	62.899	73.604	85.3

Source: Available at: http://www.tuik.gov.tr; http://www.sgk.gov.tr.

Therefore, the neoliberal social security reforms in Turkey are expected to decrease the welfare of the poorer strata of society. As one of the fundamental objectives of the social security is to fight against poverty and inequality, traditional PAYGO system rather than funded schemes are better in this battle since the former requires intergenerational solidarity.[446] The levels of unemployment and poverty have demonstrated that Turkey needs a more comprehensive pension system rather than neoliberal pension transformation.

4.2.3. The Islamic Management of the Losers of Neoliberal Pension Policies

The social security reform has been on the agenda of the governments since the 1990s, but could be effectively implemented only under the rule of the JDP. This section will propose that Islamic style informal anti-poverty measures, which have indeed fit to the neoliberal agenda, have been one of the important factors to understand why the JDP is so far successful in systematically eroding the labourers' rights in general.

In fact, the neoliberal attack on pension and health care rights started in Turkey after the military coup of 1980. As the employment policies are directly

[446] Elveren, 2008, p. 222.

linked with the social security rights, the neoliberal labour market policies have resulted not only in huge number of unemployed and informally employed but also in huge number of poor people without pension rights. The reform agenda gained a momentum with the introduction of the 1999 reform, while the JDP governments have systematized social security transformation since 2002 and institutionalized social risk management. As the JDP won three successive elections, it is important to answer the question of why the losers of the neoliberal order supported the JDP despite their losses due to the social security reform. In this point, it is necessary to look how the Islamic values have been incorporated to the neoliberal management.

According to Hendrick, the 1980s could not be explained by the economic liberalization of Turkish economy only, so the relaxation of the rules and regulations concerning religious activities should be also taken into account. The result has been the "mobilization of religious communities that led to a shift in the country's state-society relationship". Moreover, the religious groups were given an opportunity to penetrate the hierarchy of Turkish institutions.[447] In this context, the MÜSİAD (Association of Independent Industrialists and Businessmen) was founded in 1990 as the representative of small and medium size enterprises. It can be regarded as the representative of a post-fordist integration to global capitalist market with Islamic values.[448] It is not as big as TÜSİAD but its export competitiveness is significant. The flexible production relations have been in the interest of MÜSİAD members, and their claimed success in global competitiveness has led their being defined as Anatolian tigers. Their political support was central to the success of the Islamic parties in the 1990s and the 2000s.

The traditional sectors of concentration in MÜSİAD members have been labour-intensive industries such as textile, construction, food processing and transportation.[449] These have been industries that industrial relations have been

[447] Joshua D. Hendrick, "Globalization, Islamic Activism, and Passive Revolution in Turkey: The Case of Fethullah Gülen", *Journal of Power* (Vol. 2, No. 3, 2009), p. 344.

[448] Haldun Gülalp, "Globalization and Political Islam: The Social Bases of Turkey's Welfare Party", *International Journal of Middle East Studies* (Vol. 33, No. 3, 2001), p. 440.

[449] Yıldız Atasoy, *Islam's Marriage with Neo-Liberalism: State Transformation in Turkey* (New York: Palgrave Macmillan, 2009), p. 117.

managed through informal and personal links more; therefore, mutual trust, which is backed by Islamic values, has been promoted as valid in these enterprises instead of the formal labour code and industrial relations through labour unions.[450] The basic strategy of small and medium enterprises in the Anatolian cities is deunionization and informal employment to cope with the competition in the world market.[451] Many MÜSİAD members, who were hostile to trade unions, pressed government in the legislation process of Labour Law in 2003.[452] The absence of a social policy combating the poverty and exclusion has then given way to local governments and religious communities to play an active role in promoting the welfare of individuals[453] that is very similar to the religious charity practices to cope with the social question in Europe in the 18th and 19th centuries.[454]

The changing opportunities within neoliberal transformation in Turkey have provided new openings for resource poor Islamic economic groups. The privatization and liberalization in several sectors such as trade, education and media brought the Anatolian social, economic and Islamic networks to the heart of Turkish economy.[455]

When the JDP came to power in the wake of 2001 economic crisis, corruption that had aggravated in the previous liberalization period under centrist governments was one of the main reasons for declining trust in the centrist parties in the 2002 elections.[456] Moreover, "the JDP had a discourse against the IMF and the neoliberal policies during the electoral campaign and presented somewhat a program involving

---

[450] Ayşe Buğra, "Labour, Capital, and Religion: Harmony and Conflict among the Constituency of Political Islam in Turkey", *Middle Eastern Studies* (Vol. 38, No. 2, April 2002), p. 195.

[451] Pınar Bedirhanoğlu and Galip L. Yalman, "Neoliberal Küreselleşme Sürecinde Türkiye'de Yerel Sermaye: Gaziantep, Denizli ve Eskişehir'den İzlenimler", *Praksis* (No. 19, 2009), p. 262.

[452] Atasoy, 2009, p. 133.

[453] Ayşe Buğra and Çağlar Keyder, *New Poverty and the Changing Welfare Regime of Turkey* (Ankara: UNDP, 2003), p. 14.

[454] Topak, 2009, p. 127.

[455] Hendrick, 2009, p. 362.

[456] Ali Çarkoğlu, "Turkey's November 2002 Elections: A New Beginning?", *Middle East Review of International Affairs* (Vol. 6,No. 4, December 2002), p. 31.

some Islamic motifs particularly in the field of social policy".[457] For Atasoy, the JDP's ability to vitalize material and cultural tensions on an identity basis has made Islam an appealing political project in the absence of powerful leftist movements.[458]

As it is mentioned in the previous sections that the JDP government pursued neoliberal policies after it was elected. However, it still managed to increase its votes in the 2007 elections and in average ensured a continued support since then. According to Öniş, although the JDP has followed tight budgetary discipline under the IMF conditionality during the neoliberal restructuring period, it has enlarged the content of the coalition of winners. It has demonstrated a strong commitment to neoliberalism but with a human face in which a charity-based locally organized redistribution was implemented rather than a rights -and central state- based one.[459] The losers of neoliberalism such as the poor, unemployed and informal labour have managed to be incorporated into the neoliberal system through the use of Islam as an instrument for legitimating the conservative move in social policy.

The government has also pursued an efficient class project in the transformation of health policy. For instance, some privileges such as hospitals, which were reserved for civil servants before, were opened to all segments of the society even though this does not necessarily mean improvements in health provision. Even this example was sufficient for the latter to feel themselves good. Certainly, these provisions are done with the famous motto of "giving to labour/the poor but without taking from capital/rich".[460] Green Card application has also made the JDP popular among the poor.[461]

The JDP emphasized the importance of struggle against poverty in the Election Declaration of 2011. Parallel to the neoliberal struggle against poverty, which was marketed especially by the World Bank, the JDP government has focused

---

[457] Sönmez, 2007, p. 22.

[458] Atasoy, 2009, p. 108.

[459] Ziya ÖNİŞ, "Conservative Globalism at the Crossroads: The Justice and Development Party and the Thorny Path to Democratic Consolidation in Turkey", *Mediterranean Politics* (Vol. 14, No. 1, 2009), pp. 23-25.

[460] Boratav, Yeldan and Köse, 2000, p. 28.

[461] Coşar and Yeğenoğlu, April 2009, p. 38.

on micro credit facility for women and vocational training for poor people in order to direct them to the employment.[462]

Another important characteristic of the JDP in social policy is that it has used social assistance programs, which are provided by voluntary organizations and the NGOs, as a substitutive of social welfare state applications.[463] The proliferation of social responsibility projects of private companies was also appealing. The JDP government has created an understanding of the state that apparently likes benevolent people and companies, and would support them with administrative easiness, tax reductions and incentives in exchange of social responsibility projects for unemployed and poor people. In fact, these incentives could be considered as an indirect transfer of public resources to the green capital.[464]

4.3 Individual Pension System

The Individual Pension Savings and Investment System Law was adopted in the Turkish National Assembly on 28 March 2001 and published in the Official Gazette on 7 April 2001. The System officially commenced on 27 October 2003 after the granting of eleven pension companies with the pension operation licensed by the Treasury. The introduction of the IPS constituted an essential part of the pension transformation in Turkey, which has been planned since the ILO's report of 1995. In this section, the historical background of the IPS will be discussed followed by analyses on the structure and the working of the IPS. It is though that the understanding the reasons of implementation as well as hitherto limited success of the IPS, as a case for private pension system, in Turkey would attract our attention better to the class bases of the pension transformation.

---

[462] Adalet ve Kalkınma Partisi, Türkiye Hazır Hedef 2023, 12 Haziran 2011 Genel Seçimleri Beyannamesi, Available at: http://www.akpartiorg.tr/upload/documents/beyanname.2011.pdf.

[463] Ahmet H. Köse and S. Bahçe, ""Hayırsever" Devletin Yükselişi: AKP Yönetiminde Gelir Dağılımı ve Yoksulluk", in İlhan Uzgel and Bülent Duru (eds.), *AKP Kitabı: Bir Dönüşümün Bilançosu* (Ankara: Phonenix Kitabevi, 2009), p. 496.

[464] Köse and Bahçe, 2009, p. 501.

4.3.1 Historical Background

Actually, the ILO and the World Bank eagerly recommended the establishment of an individual-based and privatized pension system in the 1990s. As it was mentioned before, Turkish government declared its plan about the introduction of the IPS in its Letter of Intent to the IMF at the end of 2000. The planning of this system was eagerly welcomed by some liberal scholars due to its likely impact on financial markets.[465] Moreover, the implementation of the legal and regulatory framework to support supplementary individual pension scheme was connected to the release of a World Bank loan within the framework of 17th Stand-By Agreement with the IMF. TÜSİAD also started to market a private individual pension system in 1996.

Indeed, the introduction of the IPS was planned before 2001. In this context, three experts where two from the Treasury, A. H. Elveren and T. Teksöz, and one from the SII, T. Güney, were sent to the United Kingdom (City University) to study on private pension systems during 1996-1999. It was similar to the Chilean case. When they returned to Turkey, A. H. Elveren was appointed as the Head of Private Pensions Department and T. Teksöz as the Head of Social Security and Employment Department of the Treasury. T. Güney was appointed as the Head of Department of Finance and Actuary of the SII.

As the architects of the private pension system worked in many areas of the pension transformation, T. Teksöz was charged as the president of SSI by the approval of the SSI Law in May 2006. However, he resigned only after four months. It was argued that although the Law defined the SSI as an autonomous institution, there was a disagreement between the bureaucrats of the MLSS and the management of SSI on this issue of autonomy. [466] Until 2011, the presidency of the SSI was changed six times. As the budget of the SSI was the second largest one after the general budget, so many changes in the presidency under successive JDP governments reflected the conflict of interests between different governmental

[465] Teksöz and Sayan, September-October 2002.

[466] Erdal Sağlam, "SGK Başkanı Teksöz'ün İstifa Nedeni Özerklik", *Hürriyet* (5 Eylül 2006).

bodies.[467] In this period, T. Güney served as a president of the Institution in 2008 but only for about three months. Moreover, the president was changed in 2013 again.

The fact that the two former presidents of the SSI were transferred to two well-known international medicine and national health companies later indicate that there was a close relation between the reformer bureaucrats and private sector.[468] Moreover, the Head of Private Pension Department of the Treasury established a consultancy company to advise private pension companies after leaving the Treasury in 2007. Before this move, he had also participated in the Board of Directors of Pension Monitoring Centre (PMC) for three years as a representative of the Treasury.

According to the Law No. 2531 of Works Banned from Being Performed by Civil Servants Who Quit Public Duty[469] requires that unless otherwise provided by law, former civil servants are prohibited three years from the date of their retirement or resignation from acting as broker, representative or consultant, directly or indirectly, towards government agencies with regards to the activities falling within the scope of their past duty. It is not known whether any legal action was launched towards these people.[470]

Coming to the specific characteristics of the IPS, it was not constituted as a mandatory pillar during the legislation period of 1999-2001 owing to the political, economic and social conditions in Turkey under the coalition governments. It was designed to supplement public pension pillar on a voluntary basis and to create a saving model because the parametric reform would decrease the benefits of public pensions.[471]

The introduction of the IPS in Turkey might be recognized as a crucial step in the social security transformation. The rationale behind the system involves many macroeconomic and microeconomic explanations as follows;

---

[467] İsa Yazar, "80 Milyar Yeni Lirayı Yöneten SGK'ya Başkan Dayanmıyor", *Zaman* (7 Ocak 2008); Osman Öztürk, "SGK Başkanı Yine Değişmiş", *Birgün* (17 Ağustos 2011).

[468] Ali Tezel, "Özel Sağlık Kuruluşlarının Danışmanı SGK Başkanları!", *HaberTürk* (8 Eylül 2009).

[469] *Official Gazette* (No. 17480, 06.10.1981).

[470] Tezel, 2009.

[471] Interview, 29 December 2011.

- to reduce burden of state-backed social security,
- to deepen capital markets by increasing number of institutional investors,
- to create long-term resources,
- to enable government to borrow long-term,
- to increase funds available to create new jobs,
- to regulate financial sector by declining fluctuations and speculations,
- to increase scope of the social security,
- to improve welfare level,
- to encourage savings through many incentives,
- to provide lump sum payment to those who do not wish to have an annuity.

Among these reasons, the most crucial one was the development and deepening of capital markets and the creation of long-term funds.[472] It was argued that the IPS would create necessary funds for long-term infrastructure investment and by this way it would increase employment level.[473]

Harvey claimed that capitalism requires something outside of itself in order to accumulate[474] and if markets do not exist particularly in the areas of education, social security and health care, then they must be created by state intervention.[475] In the light of these arguments, the introduction of the IPS is a very good example of market building by the hand of the state since the IPS provided a significant tax advantage for its members. In other words, the state waived its tax revenue in order to make the IPS attractive. It should be noted that the IPS was introduced in the wake of the 2001 economic crisis as an exit way for financial markets. Moreover, the opening of private pension market to the foreign companies was compatible with one of the most important principles of the post-Washington Consensus, namely capital account liberalization.

---

[472] Doğan Cansızlar, "Bireysel Emeklilik Sistemi ve Sermaye Piyasaları", *TİSK İşveren Dergisi* (Aralık 2001), Available at: www.tisk.org.tr; Ali H. Elveren, "Bireysel Emeklilik Sisteminin Makro Ekonomik Etkileri", *TİSK İşveren Dergisi* (Mayıs 2003), Available at: www.tisk.org.tr.

[473] Namık Dağalp, "Tasarrufların Bireysel Emeklilik Sistemine Yönelmesi, Kalkınma Açısından Çok Önemlidir", *TİSK İşveren Dergisi* (Aralık 2001), Available at: www.tisk.org.tr.

[474] Harvey, 2003, p. 141.

[475] Harvey, 2006, p. 145.

4.3.2 How the IPS Works?

The IPS works on voluntary basis and aims to create additional income over the pension provided by the public pension system. The pension rights are specified on the basis of defined contribution system and the savings are tracked in individual accounts which are safekept by a custodian (Takasbank) that was approved by the Capital Markets Board of Turkey (CMB). Pension mutual funds are managed by specialists of the portfolio management companies. The Treasury, the CMB, Takasbank, the PMC, independent audit companies and internal audit departments constitute the monitoring and supervision infrastructure of the system.

The PMC was established in July 2003. The Centre is responsible for ensuring that the IPS operates in a safe, transparent and efficient manner by providing data that will help the supervisory public authorities to take necessary decisions and the people to take proper information. The shareholders of the Centre are the Treasury and pension companies. It is assigned to perform daily electronic monitoring and surveillance of the pension companies' activities and reporting to the public authorities. It consolidates data based on the daily transactions of such companies, and stores the standardized data for all individual accounts while generating statistical and actuarial information.[476]

The regulatory arrangements of the IPS are conducted by the Directorate General of Insurance of the Treasury. The responsibilities of Directorate is to grant licenses for pension operations, to conduct approval and amendment operations about the technical bases of pension plans, to audit companies' pension and insurance operations ordinarily once a year, to lay down the bases and procedures of regarding the qualifications of individual pension intermediaries and to determine the bases and procedures about the issues that are laid down in the law related to the share structure of pension companies.[477]

The system starts to work with the signing of the pension contract between the participant and one of the pension companies. The collected contributions are

---

[476] Emeklilik Gözetim Merkezi (EGM), *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2004), pp. 21, 25.
[477] EGM, 2004, pp. 24-25.

invested in the pension mutual funds in accordance with the pension contract. The participant decides the pension mutual fund type and amount in line with his/her risk projections. Although the pension funds are managed by specialists, the system does not provide any guarantee return to the participant. The participant has the right to change the amount of contribution but it should not be less than the minimum contribution level. If the participant stay in the pension plan at least one year, then s/he may transfer the accumulation in the system to another pension company. In order to get the pension right, a participant should pay 10 years of contribution and to be aged 56 or more. A participant, who is granted with the pension, can also request the accumulated fund as a lump payment or partial payment instead of a life pension. The participants and employers who pay contribution for their employees to the IPS were provided with tax incentive until 2012. The contributions of the participants were tax deductible up to 10 per cent of income with a cap of annual minimum wage. The contributions paid by the employer on behalf of employee were also tax deductible subject to the same limits. The participant may leave the system before becoming eligible for retirement. The only condition for early leave is to pay tax that depends on participants' contribution period and age.[478]

4.3.2.1 Fees and Charges

The members of the IPS are required to pay entrance and management fee and fund management charge. These expenses should be explicitly indicated in the pension contract and may be collected from the contributions or deducted over pension fund assets:[479]

- *Entrance Fee:* It is paid for the opening of a new individual pension contract and should be paid in one year time with a lump sum payment or payment by installments. The pension company may not request an entrance fee. The amount of entrance fee cannot exceed the half of monthly gross minimum wage in force at the date of the contract.

[478] Available at: http://www.egm.org.tr.

[479] Available at: http://www.egm.org.tr.

- *Management Fee:* It may be deducted from participants' contributions for the operational costs. The management fee cannot exceed 8% of the contributions.
- *Fund Management Charge:* It may be deducted over the net assets of the fund on a daily basis with a cap of 0.01 per cent of the total net assets of the fund.

4.3.2.2 Tax Incentive (valid until 2013)

The participants of the IPS were provided with tax incentives at every stages of the system such as contribution, investment and retirement until 2013. The importance of tax advantage was very significant during the initiation and promotion phase of the IPS. Therefore, in this section, firstly, tax incentive organization before 2013 is detailed and secondly, the current situation is given.

The Law of Amendments to Certain Tax Laws No. 4697[480] laid down the taxation regulations related to the IPS:[481]

- *Contribution Phase:* The participants' contributions are tax deductible up to 10 per cent of their income with a cap of annual minimum wage. If the employer pays the contribution for his/her salaried employee, then the employer may directly write off the amount so paid as expenses up to 10 per cent of the employee's gross salary and provided that the amount paid in one year does not exceed the total amount of the minimum wage in that year.
- *Investment Phase:* According to Article 8 of Corporate Tax Law No. 5520[482] the income gained from pension mutual funds is exempt from corporate tax.
- *Retirement Phase:* Since the income gained from IPS is admitted as return on stocks and bonds, it is subjected to stoppage in line with the Article 94 of Income Tax Law No. 193.[483] However, 25 per cent of accumulated funds are

[480] *Official Gazette* (No. 24458, 10.07.2001).

[481] PMC, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2005), pp. 22-24.

[482] *Official Gazette* (No. 26205, 21.06.2006).

[483] *Official Gazette* (No. 10700, 06.01.1961).

exempt from taxable income when a participant that is eligible to retire leaves the system.[484] Therefore, 75 per cent of accumulated fund in the individual accounts is subjected to 5 per cent withholding tax rate. If a participant that is not eligible to retire leaves the system, his/her all accumulated funds are liable for 10 to 15 per cent tax depending on contribution period.

The legal proceedings also provide supremacy to pension mutual funds over securities mutual funds. As explained above, no tax is withheld from the gains secured by pension funds in the IPS. Only when a participant leaves the system, a certain amount of income tax is applied but at different rates depending on how s/he leaves the system. However, in accordance with the provisional Article 67 of the Income Tax Law No. 193, the corporation tax exempt portfolio gains secured by mutual fund or investment funds are subjected to 15 per cent withholding tax.[485]

4.3.2.3 2008 Global Financial Crisis and Changes in the IPS

Turkish government announced a comprehensive change in the IPS in January 2008 under the impact of 2008 global financial crisis. The Regulation on Amendments to the Regulation on Principles Governing Establishment and Activities of Pension Mutual Funds"[486] amended minimal requirements of portfolio management contracts and portfolio limitations in funds management. Thus, it eliminated the maximum limit on investments in foreign securities as well as the minimum requirement to invest in government debt instruments. Put it differently, the government's first thing to do was to open the IPS more to the foreign markets in the event of crisis.

The 2002 Regulation on IPS was replaced by the new Regulation[487], which provided amendments to the provisions of disclosure, entrance fee, minimum

[484] Article 22 of Law No.193 was changed by the Law on Amendments to Certain Laws No. 4842 *Official Gazette* (No. 25088, 24.04.2003).

[485] EGM, 2005, p. 23.

[486] *Official Gazette* (No. 26754, 12.01.2008).

[487] Regulation on Individual Pension System, *Official Gazette* (No. 26842, 09.04.2008).

contribution, fund distribution and pension scheme changes. The most significant arrangement of the amendment was the establishment of withdrawal right in the grace period. By this way, the participants were allowed the right to withdraw from the contract within a 30-day grace period, even if a proposal form has already been signed. It was also decided to re-pay entrance fees and contributions in case of withdrawal to avoid any financial loss on the participant's side. The new regulation entered into force in the beginning of August 2008. The average enjoyment of the right to withdraw in the grace period was 2.6 per cent for the last four months.[488]

The new regulation emphasized that participants should be informed of every transaction being made from the entrance, since the crisis environment resulted in market volatility. Moreover, it extended the information disclosure obligations to allow participants to make conscious decisions. The regulation made a reduction in the entrance fee in order to make the IPS attractive even during the crisis. In the older arrangement, the maximum amount of entrance fee was equal to the gross minimum monthly wage in force. However, new arrangement determined the maximum amount as the half of the gross minimum monthly wage.

The level of monthly minimum contribution was determined as 5 per cent of gross minimum monthly wage. It could be considered as an attempt to recover the impact of withdrawals. According to the new regulation, distribution proportions between funds or amounts of the accumulations and paid contributions could be changed six times a year at most, and the pension scheme of a contract four times a year at most.

In sum, the government took necessary actions to convince participants of the IPS to stay in the system, even tried to created appealing provisions to attract new entrants.

4.3.2.4 Change in Tax Incentive

The most appealing result of the IPS, in the first three years of operation, was the percentage of opt-outs in terminated contracts. More than 90 per cent of

---

[488] EGM, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2008), p. 80.

terminated contracts were resulted from opt-outs in 2005 and 2006.[489] Therefore, Millward Brown Research Company was contracted by the PMC to conduct a survey about the reasons of withdrawals from the IPS. Within the scope of this survey, 1,506 people living in İstanbul, İzmit, Ankara, Bursa, İzmir, Antalya and Adana, who had signed a pension contract and prematurely withdrew from the system during the first quarter of 2007, were interviewed face to face. The survey reached to the following conclusions:[490]

- The leading reasons for entering the IPS were: saving money (58 per cent), extra income at retirement (49 per cent), investment instrument (33 per cent), and providing security (25 per cent). As the participants were allowed to give more than one answer, the totals exceeded 100 per cent.
- Even though 93 per cent of the sample was tax payers, only 20 per cent of them benefited from the tax advantage, which was not sufficiently informed. The tax advantage was a motive for joining the system for only 8 per cent of the participants.
- Most important reasons for leaving the system were: personal reasons (58 per cent), losing faith in the system (30 per cent), disfavour as an investment instrument (21 per cent), displeasure about the pension company (16 per cent) and finding retirement distant (15 per cent). Concerning personal reasons, 61 per cent of the participants chose to use the accumulated fund for another expenditure; whereas, 53 per cent of participants withdrew their money owing to decline in total income (severance, business setback and etc.).

According to a high-ranked bureaucrat from the Treasury[491], people quitted the IPS since the public pension system was still generous. In addition to this, he linked the increase rate of opt-outs, by ignoring personal reasons that explained above, to the problems concerning tax advantage because only one third of consumers had benefited from tax incentive in 2011. Although the Cabinet had

---

[489] EGM, 2005, p. 73; EGM, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2006), p. 70.

[490] EGM, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2007), pp. 20-21.

[491] Interview, 29 December 2011.

discretion to increase tax incentive up to 20 per cent, he argued that it was necessary to enhance the efficiency of tax incentive mechanism since housewives and pensioners were devoid of tax advantage, and many companies especially small and medium sized enterprises did not reflect tax incentive to payrolls of employees. In line with the results of the survey and the yearly experiences, the Treasury considered the tax advantage as a missed opportunity.

The outcome of discussions concerning the IPS and tax incentive was announced by Deputy Prime Minister Ali BABACAN on 17 April 2012.[492] The government principally aimed to make comprehensive changes in the IPS and to initiate state contribution to the system instead of tax advantage. While the government targeted to attract more people to the IPS, the existing participants would also enjoy new arrangements.

Draft Law on Amendments to Individual Pension Savings and Investment System, and to Certain Laws and Decrees No. 6327 was submitted to the National Assembly on 24 May 2012 and approved on 13 June 2012. The significant changes which were brought by the Law are summarized below:[493]

- The individual pension accounts will consist of two subsidiary accounts for personal contributions and the state contribution. When a participant pays contribution to his/her personal account, the PMC will be informed at the same time. Then, the state contribution will be deposited to the other subsidiary account. The state contribution will be 25 per cent. Therefore, the contributions of participants will no longer be tax deductible.
- The tax policy for investment phase will not change. Thus, the income gained from pension mutual funds and state contribution will not be subjected to taxation.
- Regarding retirement phase, only earnings yield will be taxed apart from principal amount.
- According to the new arrangement, the accumulated state contribution may be withdrawn gradually. The accumulated amount cannot be retracted in the

[492] Press Conference of Deputy Prime Minister Ali BABACAN and Minister of Finance Mehmet ŞİMŞEK on some legal arrangements concerning İstanbul Finance Centre, Supporting Entrepreneurship, Insurance Sector and Individual Pension System, 17 April 2012, Available at: www.hazine.gov.tr.

[493] *Official Gazette* (No.28338, 29.06.2012).

first three years. 15 per cent of the state contribution will be withdrawn at the end of the third year. While the part of 35 per cent will be withdrawn at the sixth year, 60 per cent will be at the tenth year. However, the whole amount will be withdrawn only at the retirement.

Even though the declared goal of the new arrangement was to provide incentive for all participants that have not benefited from the tax advantage, the main goal was to increase domestic savings by supporting the whole system with state contribution. As the rate of state contribution was set big enough, it was explicit that, the government even relied on the IPS to increase domestic savings.[494] Moreover, the government brought gradual withdrawal to keep savings in the system for a longer time.

4.3.3 Ten Years Experience

Today, eighteen pension companies are making transactions in the IPS (Table 4). Eleven pension companies were granted with the license in 2003. The number of pension companies did not change until 2008 but the structure of the IPS market changed due to the mergers and acquisitions. Two pension companies in 2008, one more in 2009, two more in 2011 and two more in 2012 and at last one more in 2013 were allowed to participate in the IPS. Furthermore, Asya Emeklilik ve Hayat A.Ş., which works on the basis of Islamic banking rules, was granted with license to make transaction in the IPS market in 2012 in order to attract a different customer portfolio.[495] It is significant that while more than half of the companies belonged to the national capital groups at the time of granting operating license in 2003, now most of them are managed by international capital groups. Whereas the share of the foreign capital in the production of premiums in the IPS market was 25 per cent in 2003, it reached to the level of 51 per cent in 2009. Its share in paid capital also

[494] Noyan Doğan, "Hükümet Bireysel Emeklilikte Üzerine Düşeni Fazlasıyla Yaptı", *Hürriyet* (19 Nisan 2012).

[495] Interview, 29 December 2011.

Table 4. Individual Pension Companies

DATE of PENSION OPERATION LICENSE	NAME	ACQUISITION (DATE)	MERGER (DATE)
7 July 2003	Ak Emeklilik A.Ş.		Merger with Aviva Hayat ve Emeklilik A.Ş. under the name ***AvivaSa Emeklilik ve Hayat A.Ş.*** (31 October 2007)
7 July 2003	***Anadolu Hayat Emeklilik A.Ş.***		
7 July 2003	***Garanti Emeklilik ve Hayat A.Ş.***		
7 July2003	Oyak Emeklilik A.Ş.	***ING Emeklilik A.Ş.*** (27 January 2009)	
7 July 2003	***Yapı Kredi Emeklilik A.Ş.***	***Allianz Yaşam ve Emeklilik A.Ş.*** (3 October 2013)	
1 August 2003	Ankara Emeklilik A.Ş.	***Aegon Emeklilik ve Hayat A.Ş.*** (26 September 2008)	
1 August 2003	Başak Emeklilik A.Ş.	Başak Groupama Emeklilik A.Ş. (16 April 2007), ***Groupama Emeklilik A.Ş.*** (30 September 2009)	
1 August 2003	Koç Allianz Hayat ve Emeklilik A.Ş.	***Allianz Hayat ve Emeklilik A.Ş.*** (7 October 2008)	
1 August 2003	***Vakıf Emeklilik A.Ş.***		
26August 2003	Commercial Union Hayat ve Emeklilik A.Ş.	Aviva Hayat ve Emeklilik A.Ş. (14 September 2004)	Merger with Ak Emeklilik A.Ş. under the name ***AvivaSa Emeklilik ve Hayat A.Ş.*** (31 October2007)
26 August 2003	Doğan Emeklilik A.Ş.	Fortis Emeklilik ve Hayat A.Ş.(21 November 2005), ***BNP Paribas Cardif Emeklilik A.Ş.*** (18 July 2011)	
11 April 2008	***Finans Emeklilik ve Hayat A.Ş.***	***Cigna Finans Emeklilik Hayat A.Ş.*** (10 June 2013)	
20 August 2008	Ergo İsviçre Emeklilik ve Hayat A.Ş.	***Ergo Emeklilik ve Hayat A.Ş.*** (26 April 2010)	
11 May 2009	Deniz Emeklilik ve Hayat A.Ş.	***Metlife Emeklilik ve Hayat A.Ş.*** (26 March 2012)	
5 May 2011	***Axa Hayat ve Emeklilik A.Ş.***		
24 January 2011	***Ziraat Hayat ve Emeklilik A.Ş.***		
20 January 2012	***Asya Emeklilik ve Hayat A.Ş.***		
20 January 2012	***Halk Hayat ve Emeklilik A.Ş.***		
29 July 2013	***Fiba Emeklilik ve Hayat A.Ş.***		

Source: Author's table. (Derived from EGM, 2005, pp. 114-121; EGM, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2012), pp. 94-99) reached to 55 per cent in 2009.[496] All these figures reflected the increasing interest of foreign companies in the Turkish IPS market. The sectoral changes are summarized in Table 4.

4.3.3.1 The IPS by Numbers

The information in this section is gathered through 2003 Annual Report of Insurance and Private Pension Activities in Turkey of the Treasury and the IPS Progress Reports of the PMC for 2004-2013. Table 5 summarizes the figures of the numbers of participants and contracts, the total net asset value of pension funds and the total amount of expenses and entrance fees for the mentioned period.

The number of participants grew more than 100 per cent in the first three years of the operation. The growth rate of participants started to decline in 2006 and its average was 25 per cent during the period of 2006-2013. As some participants have more than one contract, this results in a difference between the number of participants and contracts. The gender breakdown of participants has been roughly the same since the introduction of the system that it has more male participants than female ones. The age group of 24-45 prefers the IPS most. The total net asset value of the funds systematically increased only in the first three years of operation in relation to the growth of number of participants. Although it reflected fluctuating growth rate since 2007, the average was realized as 37 per cent. The total net asset value of the funds reached to the level of TL 25 billion in 2013.

The most significant part of the Table 5 is considered to be the increasing trend in the number of terminated contracts. The ratio of terminated contracts to the written contracts peaked to 40 per cent in 2012. The most important reason for the termination of contracts has been personal opt-outs. It is followed by transfer of pension account to another pension company, cancellation by company, merging of contracts, and termination due to death, disability and retirement. The ratio of opt-outs to the terminated contracts was about 85 per cent for the last 5 years. During the

---

[496] Şenay Gökbayrak, *Refah Devletinin Dönüşümü ve Özel Emeklilik Programları* (Ankara: Siyasal Kitabevi, 2010), p. 219.

Table 5. Individual Pension System (2003-2013)

Individual Pension System (2003-2013)

	2003*	2005	2007	2009	2010	2011	2012	2013
Pension Companies (#)	11	11	11	13	13	15**	17	18
Participants (#)	20.351	672.696	1.457.704	1.987.940	2.281.478	2.641.843	3.128.130	4.153.055
Contracts(#) (In Force+ Terminated)	20.534	811.678	2.029.627	3.328.414	4.003.843	4.813.619	5.835.018	7.498.821
In Force		714.146	1.576.273	2.203.886	2.534.840	2.939.878	3.496.377	4.687.675
Terminated		97.532	453.354	1.124.528	1.469.003	1.873.741	2.338.641	2.811.146
Opt Outs		93.153	406.384	948.640	1.267.141	1.602.762	1.982.324	2.415.588
Total Amount Collected (TL)	5.866.764	1.117.233.826	3.917.061.211	7.102.007.561	9.515.230.234	12.393.688.644	16.177.757.755	21.921.860.114
Expenses (TL)		38.603.403	130.544.123	232.014.870	294.098.787	365.202.922	436.720.742	465.959.876
Total Amount Directed to Investment (TL)	5.692.556	1.078.630.423	3.786.517.089	6.869.992.691	9.221.131.447	12.028.485.722	15.741.037.013	21.455.900.238
Amount of Accumulation (TL)		1.216.954.536	4.566.383.316	9.097.436.467	12.011.986.651	14.329.771.986	20.346.290.278	25.145.718.418
Growth of Accumulation (%)		306	62	43	32	19	42	24
Entrance Fee(TL)* **		21.768.963,0	50.730.379	76.526.863	91.865.836	107.840.013	126.170.518	188.221.931

Source: Author's table.

* The figures of amounts are converted to TL by the author. (As of 1 January 2005 six zeroes were deleted from the currency of LIRA)

** The statistics belonged to 14 pension companies since Axa Hayat ve Emeklilik A.Ş. did not written any contract as of 2011 year-end.

*** Entrance fee is collected apart from contributions.

2008 global financial crisis, 87 per cent of contracts were terminated due to the voluntary opt-outs. As mentioned before, the fundamental purpose of personal opt-outs was to spend accumulated fund for another necessity. Moreover, the pension companies appropriated an average of 4.3 per cent of accumulated funds annually as administrative expenses and entrance fees since the introduction of the IPS.

The data about regions for the contracts are gathered according to the provinces where the participants reside. From the beginning of the system, the distribution of contracts according to geographical regions demonstrated a similar trend as follows: Marmara (45 per cent), Central Anatolia (15-16 per cent), Aegean (15-16 per cent), Mediterranean (13 per cent), Black Sea (7 per cent), Southeast Anatolia (3 per cent) and East Anatolia (2 per cent). Moreover, contracts with participants living abroad belong to less than 5 per cent.

The data on the number of pensioners has been collected since September 2007. For the regulation set the age of retirement as 56 and the contribution period as 10 years, the first retirees comprised individuals who transferred their funds from other insurance funds such as life and foundations. The data showed that some people, who gained retirement right, preferred to stay in the system.

The state contribution was put into practice as of 1 January 2013. According to the relevant Law, the percentage of entitlement to state contribution, based on the period of time spent within the system, would be 15 per cent from 3-6 years, 35 per cent from 6-10 years, 60 per cent for 10 years and over, and 100 per cent for retirement, death and disability. As of 2013 year-end, the amount of state contribution paid to pension contracts is TL 1,369,932,116. The state paid contribution average TL 410 per contract and TL 489 per participant.

The participants' fund preferences and their average returns are given in the Table 6. Almost half of the funds were invested in government bonds and bills in local currency. It is followed by flexible fund group, liquid fund group and stocks. The return on government bonds and bills started to decline in 2010, even it was negative in 2013. Although the government anticipated more investment in stocks fund to create financial deepening[497], its share has been limited to at most 7 per cent since the introduction of the system. This outcome could be explained by the figures

[497] Interview, 29 December 2011.

of annual return that they have been very fluctuating. It is significant that the share of government bonds and bills decreased sharply in 2013 by 23 per cent. It reflected the participants’ preferences towards flexible funds.

Table 6. Total Average Returns* of Individual Pension Funds (%)

2004	23.94
2005	19.56
2006	11.07
2007	18.40
2008	9.51
2009	21.57
2010	9.20
2011	-0.99
2012	17.03
2013	-0.76

Source: Author’s table.
** Returns Weighted through Daily Net Asset Values*

The IPS had more similar annual return results until the 2008 crisis. The value of the pension funds decreased about 94 per cent during the crisis. The system started to give unpredictable annual results after 2008. The negative outcomes in 2011 and 2013 were basically produced by the losses in stocks fund.

4.3.3.2 The Role of the IPS in Turkish Financial Sector

Turkish financial sector is characterized with a strong share of the banking sector. According to Table 7, the banking sector including Central Bank of the Republic of Turkey (CBRT) constituted around 71 per cent of the financial sector assets as of 2011. Pension mutual funds were 0.74 per cent of the total asset size while it was 0.4 per cent in 2007.

Table 7. Total Asset Size of Turkish Financial Sector

(TL billion)	2007	2008	2009	2010	2011	2012/09
CBRT	106,6	113,5	110,0	128,5	146,2	188,6
Banks	581,6	732,5	834,0	1006,0	1217,6	1308,5
İstanbul Stock Exchange	335,9	182,0	350,8	472,6	381,2	507,6
Insurance, Reins., Pension Co.	22,1	27,9	33,4	36,7	41,5	47,4
Pension Mutual Funds	*4,6*	*6,0*	*9,1*	*12,0*	*14,1*	*18,4*
Securities Mutual Funds	26,4	24,0	29,6	33,2	32,2	29,7
Leasing Companies	13,7	17,1	14,6	15,7	18,6	19,8
Factoring Companies	7,4	7,8	10,4	14,5	15,7	16,3
Consumer Finance Co.	3,9	4,7	4,5	6,0	8,9	10,6
Securities Intermediary Ins.	3,8	4,2	5,2	7,5	9,6	n.a
Real Estate Invest. Ass.	4,1	4,3	4,7	17,2	18,7	n.a
Securities Investment Ass.	0,7	0,6	0,7	0,8	0,7	0,7
Real Estate Management Co.	0,2	0,4	0,4	0,7	0,9	1,0
Portfolio Management Co.	0,2	0,3	0,3	0,3	0,3	n.a.
Financial Holdings Co.	3,8	5,0	4,9	5,1	5,5	n.a.
Credit Guarantee Fund		0,1	0,1	0,1	0,2	n.a.
Enterprise Capital Man. Co.	0,2	0,1	0,2	0,2	0,6	n.a.
TOTAL	1115,2	1130,5	1412,9	1757,1	1912,5	2148,6

Source: Banking Regulation and Supervisory Agency (BRSA), *Financial Markets Report* (Ankara: BRSA, December 2011), p.52; BRSA, June 2012, p. 18.

Although the IPS was formed to complement the public pension scheme, it serves particularly to middle-income and higher-income people who can make additional saving. The ratio of personal opt-outs helps further qualify this argument by demonstrating that the IPS primarily basically assists middle-income earners' savings. In sum, the current form of the IPS is an instrument for middle-income classes to save money which are systematically used by financial markets. Without a radical transformation it seems hard for the low-earning labouring classes to take part in the IPS.

4.4 Conclusion

Neoliberal transformation of Turkey by the authoritarian hand of military regime following the coup in 1980 had a devastating impact on organized labour and social security rights. The flexible labour market provisions and limited social security rights imposed in the name of individual freedoms, efficiency and sustainability have had a vital role in suppressing the organized labour and achieving neoliberal economic order.

The pension transformation was justified by the arguments such as generous retirement payments, the low level of coverage and financial sustainability. However, the finance structure of pension system indeed deteriorated owing to the nonpayment of social security premiums by the employers and the misuse of social security funds. In other words, the employers in private sectors preferred to make benefit in the financial markets due to high interest rates rather than paying social security premiums for their employees. Unsurprisingly, the penalties for nonpayment of premiums were abolished by many legal arrangements in favour of capital. Moreover, the accumulated funds were firstly used for the financing of state-enterprises, secondly of exports. The privatization of state-enterprises led to the evaporation of funds in the hands of the private sector. The informal employment had also a negative effect on the PAYGO system as it is directly related with the level of employment. The sub-contracting working system increased the number of people without any secure pension rights. In sum, the fundamental goal was not to create a comprehensive pension policy, as it was impossible under flexible labour market conditions and with limited state contribution, but to open pension savings to the use of financial markets.

The IFIs have had a direct involvement in the transformation of the Turkish pension transformation by their conditional loans as they did in other countries of the South. The repetitious economic and financial crises, as a result of neoliberal policies and financialization, have created a suitable environment for the IFIs to force pension transformation. Likewise, the EU forced pension reform as a condition of accession negotiations. The leading Turkish capital groups, who internalized the position of the

IFIs, eagerly recommended pension transformation as a solution to financial sustainability of the pension system.

Although the Chilean experience was praised by the neoliberal coalition also in the case of Turkey, a radical pension privatization could not be realized as it was difficult to legitimize it. The IPS was implemented as a complementary pillar to public pensions and was based on voluntary contributions. The JDP government has preferred to redefine health and pension policies in a way to decrease the power of civil and military bureaucracy and subordinate all middle- and lower-income groups to the neoliberal order. This has been accompanied by the transformation of formal social policies into charity-based redistributions by using Islamic values as a compelling instrument.

The IPS was introduced in the wake of the 2001 economic crisis. It has constituted a very suitable example of market building in the pension area by the hand of state. The foreign pension companies were granted with a license to operate in Turkish private pension market within the framework of capital account liberalization, one of the most important principles of the post-Washington Consensus. Today, more than half of the paid capital in the IPS belonged to foreign companies. In addition, the government took necessary steps to keep the system alive during the 2008 global financial crisis. Furthermore, a considerable amount of state contribution was initiated in 2013 to make the system more attractive. Even though the government has tried to justify the implementation of the IPS by the decline in the amount of public pensions, its sphere of influence was limited to a group of middle-income class who can make additional saving. However, it has helped the provision of supplementary funds to financial markets. The potential of the Turkish private pension market and average returns on individual pension funds attracted international capital that was expected by pro-reformers to deepen the financial markets.

CHAPTER 5

CONCLUSION

Pension systems in the countries of the South have undergone a significant transformation since the 1980s in parallel to the neoliberal turn in the world. Even though the conventional literature has defined the forced change in the pension systems as reform, its content indicates a more fundamental transformation in the very organization of the pension understanding. The logic behind the pension reform has arguably been to reduce the role of state, to individualize risk and to eliminate the intergenerational solidarity in accordance with the neoliberal understanding, while the role of the state has continued to be crucial for the sustainability of the system though now through redistributions in favour of capital. Two important achievements of the neoliberal pension reforms from the perspective of capital have been the redefinition of the pension issue from a political question to age-based technical on the one hand, and the opening up of the pension "sector" to capital accumulation through its commodification.

This thesis has first questioned the validity of David Harvey's and Andrew Gamble's arguments on neoliberalism in relation to the pension transformation in the countries of the South in general. Then, the cases of Chile and Turkey have been examined. As Chile was the first neoliberal state experiment, its pension privatization experience had been very important for the other countries in the South both as a model and an anti-model. In other words, while the Chilean pension privatization was marketed by the IFIs as a successful model for the other countries of the South during the 1990s, in time the Chilean pension system has become an undesirable model owing to its negative social and economic impacts on the society. The Turkish case was detailed in the thesis in order to highlight that even though a similar pension system reform was imposed by the IFIs on Turkey, the international conjuncture as well as domestic class configurations in Turkey in the 1990s have been different from those that had shaped the Chilean reform process that the consequences of the reforms have ultimately been different in the two countries; thus, the process is a historically contingent process shaped by class struggles and political dynamics at both domestic and global levels.

While underlining the constitutive role of class struggles in neoliberal transformations, David Harvey has underlined the persistent character of primitive accumulation by redefining it as “accumulation by dispossession” in the neoliberal era. While Marx associated primitive accumulation by the enclosure of commons such as land, water, mines and commodification of labour power, Harvey has used accumulation by dispossession to explain the features of contemporary capitalism such as stock promotions, speculative raiding by hedge funds and dispossession of assets by manipulations. In line with Harvey’s analyses, one of the most important features of contemporary capitalism has been the privatization of pension systems and the raiding of pension funds by stock collapses.

Harvey has also argued that neoliberalism is a class project to achieve the restoration of class power. Both Harvey and Gamble have emphasized the role of state in the implementation of this neoliberal project, which is based on the contradictory assumptions that the state should retreat from the economic sphere while at the same time be strong enough to remove the obstacles in front of capital accumulation. In this way, the state is expected to prevent the opposition of social forces to pension privatization by authoritarian measures. Even though neoliberal policies have been marketed by ideas of individual freedoms and freedom of choice, in reality, they have been implemented through authoritarian measures of the states since any threat to market fundamentalism should be either weakened or abolished. Through such a restructuring of the states, neoliberalism has attacked full employment policies, state-backed welfare provisions and trade unionism.

The IFIs, especially the World Bank, have become the supervisors of the pension reform in the countries of the South in exchange of conditional loans. In addition to the IFIs, regional development banks have financed pension transformation in these countries. The neoliberal approach has tried to justify the forced reform process with the sustainability of pension systems in relation to the population ageing while population ageing is indeed one of the most important demographic problems of the countries of the North, but not the ones in the South.

This thesis used Gamble’s argument to clarify this phenomenon by arguing that it has been easy to force neoliberal policies in the South where there are no established bourgeois democratic institutionalization guaranteed by political and civil rights to help oppose these policies.

Although the reform process has promised reducing state’s role and fiscal costs, increasing the coverage of pension systems, boosting competition in the pension market, these goals could not be achieved. Instead, the pension transformation in the countries of the South has created a new market for financial speculation which has resulted in the vaporization of people’s future in the hands of financial market players. Pension transformation and labour market flexibilization have gone hand in hand in the countries of the South due to the fact that traditional pension systems are based on full employment policies. Ultimately, neoliberal welfare policies have left people to their own fate. Contrary to the neoliberal arguments, pension transformation has given the state a crucial role: to save the private pension systems and private pension companies in case of bankruptcy and to provide minimum pension guarantee to people just to manage but not to combat poverty.

The chapter on neoliberalism, pension reform and private pension accounts has provided an overview of the evolution of the pension systems and the neoliberal arrangement of pension systems in the countries of the South within the framework of the principles of Washington and post-Washington Consensus. The historical development of social security and pension rights has showed that all these rights had been acquired through class struggles. The organized labour and the established state role constituted the basic features of the post-war welfare settlement. The ILO of whose principles have been based on tripartite consensus used to be the main policymaker in pension issues before the neoliberal turn. The World Bank, the promoter of neoliberal ideas, has acquired a dominant position in the pension issue after the 1980s in line with the Washington Consensus principles. Although the ILO has had a different view from the World Bank at the beginning of pension reform debate, the thesis has demonstrated that their arguments have converged in the recent years. Now, both organizations are in favour of multipillar pension systems that are composed of public and private pillars.

The implementation of Washington Consensus principles and their inevitable outcomes such as fast financial liberalization and speculative financial movements yielded to unsustainable foreign debt, economic and social collapse in the countries of the South. While the main reforming principles were revised and named as post-Washington Consensus in the 1990s, capital account liberalization, labour market flexibilization, social safety nets and targeted poverty reduction have become the most appealing items of new agenda. As neoliberal policies have resulted in the increase of the level of unemployment and poverty all over the world, the post-Washington Consensus has faced the necessity to tackle with this issue and hence shifted the pension debate into targeted poverty reduction strategies and social safety nets. This has been an attempt to manage political consequences of poverty as well as an attempt to provide healthy labour force and population for both capitalist production and consumption.

The 2008 global financial crisis has exacerbated the debate on the pension reform. The crisis environment and volatility in the financial markets have caused substantial losses in the private pension funds. The countries of the South were provided by financial assistance by the IFIs and brought into conditional loan cycle again to recover the crisis effect. Unsurprisingly, the accumulated pension funds were used to save the investments of capitalists that would go bankrupt. The crisis has confirmed that there would be no step back in the pension transformation in the South since these countries have been forced to maintain their private pension systems even in the crisis environment. Only Hungary and Argentina have *de facto* nationalized private pension accounts because the latter were not sustainable in any case.

The chapter on Chile manifested that the pension privatization in Chile was one of the best examples of the neoliberal class project. The military coup, which was directed by General Pinochet, substantially changed state-society relations drastically. The Chicago Boys, who were educated in the United States and inspired by the views of Friedrich A. Hayek and Milton Friedman, institutionalized neoliberal principles in all aspects of life in Chile. The radical pension privatization process was one of the important cornerstones of neoliberal state formation that had primarily dissolved the power of organized labour in Chile. The pension system was radically privatized with the argument of providing individuals freedom of choice ironically by the authoritarian rule of the state. The pension privatization was used to restore the power of ruling classes in Chile. The international coalition, which was composed of the IFIs, regional banks and liberal scholars, have enthusiastically promoted Chilean model during the 1990s as a solution to the countries of the South whose pension systems were deemed to be unsustainable in the near future.

Instead of increasing the financial sustainability of the system and the value of pensions, or boosting competition in the private pension market, the new pension system led to increased numbers of poor people, and benefited ultimately to pension fund administrators, capital market players and their international affiliates as well as high-paid and full time workers. The concentration in the private pension market and the linkages between private pension companies and ruling elites made the class project explicit. Moreover, the preservation of neoliberal policies even by the centre-left coalitions confirmed that a radical reform of that scale is hard to be repealed due to the instabilities they would lead to in the Chilean society and power balances. The best the centre-left coalition governments have achieved was to add a solidarity pillar in order to sustain the poor in the labour market within the framework of post-Washington Consensus and in the name of inclusive neoliberalism.

The chapter on Turkey has showed that neoliberal policies are not recognized automatically and similarly in all countries of the South. For the state is not an automatic facilitator of capital's functional needs as Clarke argued. The Turkish neoliberal transformation was launched by a military coup like the one in Chile and likewise the military regime and its descendants in civil form have adhered to the neoliberal economic and social policies. The labour market has been flexibilized in order to make the economy competitive in the international arena in relation to the export-led strategies. Actually, export-led strategies and their requirements such as flexible labour market were put forwarded as a discursive justification. The underlying reason behind the transformation of labour market policies was to revoke civil and political rights of labour which were entitled before. Thus, the unionization has been seen as a big problem that should be tackled with in order to reduce labour market distortions. In this context, labour market flexibilization and pension transformation have been realized simultaneously like in the other countries of the

South through a common discourse based on aging, sustainability and efficiency. This does not mean that the forced pension reform in Turkey was a project to restore the power of ruling classes. Unlike in Chile, Turkish ruling elites restored their power before the 1970s economic crisis. Moreover, Turkish pension transformation was postponed to the 1990s due to the lack of conditionalities of the IFIs in the 1980s. Hence, it could be considered that the pension transformation and the hostile policies that targeted the labour rights served to the consolidation of class power in Turkey.

Turkey had never had a Keynesian welfare state and a pension system on the basis of universalism, adequacy and equality even before the neoliberal turn. Rather the employment status has basically determined the pension rights of people. The dependents, which formed the biggest part of the population that was covered by social security, have been entitled pension and health rights via their family members. The PAYGO pension system started to have deficit at the beginning of the 1990s. While liberal scholars and national capital groups criticized the system as being generous in providing retirement benefits and called for pension reform, the most important actual reason was the nonpayment of social security premiums by employers in private sectors in order to invest such resources in financial markets in relation to high interest rates. The existence of higher levels of financial profits led Turkish capital groups to not to make new productive investments. The decreasing rate of investments and the flexibilization of labour market increased the number of people without a job and formal social security rights. As PAYGO system was strictly dependent on employment level and proper collection of premiums, the nonpayment of premiums and increasing rate of unemployment dragged the pension system into the crisis. The lack of state contribution to the pension system intensified the problem. As a result, the pension reform became one of the most appealing items of economic agenda of the governments in Turkey. This phenomenon could not be thought apart from international neoliberal agenda.

The IFIs have been highly involved in the pension transformation process by their conditional loans. The European Union has also become an important anchor in this process since Turkey was defined as an accession country. The leading Turkish capital groups have eagerly encouraged pension transformation by appreciating the

Chilean example. Technocrats from Undersecretariat of Treasury and Social Insurance Institution were sent to the United Kingdom to be educated in the area of private pension systems. Similar to the Chilean case, Turkish technocrats were educated in abroad and turned their country to serve for pension transformation and to establish a private pension system. However, a radical pension privatization could not be realized in Turkey as it has been difficult to legitimize due to the specific political at the time of the reform. The Individual Pension System has hence implemented in Turkey as a complimentary pillar to public pensions and constituted a very suitable example of market building in a protected area of pensions by the hand of state. The private pension market has been pervaded by international companies in compatibility with the capital account liberalization principle of the post-Washington Consensus.

1999 and 2006-2008 reform processes brought parametric changes in the Turkish pension system. The common points of the two reform processes were to increase retirement ages, to decrease the amount of pensions and to remove different pension applications among three social insurance institutions. In other words, while the forced reform claimed to increase the coverage of the pension system and to solve the problems of pension insecurity, the politicians consciously focused on technical matters such as retirement age and replacement rate in order to redefine the pension issue as a technical question rather than a political one. Unsurprisingly, the reform process did not make a significant increase in the level of coverage due to flexible labour market rules. In fact, it decreased the scope of benefits and the welfare of the poorer strata.

The pension system in Chile now operates on the basis of fully-funded private pension accounts. However, Turkish pension system still has a strong public component since the private pension accounts were established as a complementary instrument to public pensions. The opt-out rates demonstrated that the private pension system in Turkey has been mostly used as an instrument of saving not a supplementary pension pillar.

Pension and health policies have become a useful class project tool especially in the hands of Justice and Development Party governments in reducing the power of the civil and military bureaucracy which the JDP considers as opponents to its rule.

Besides, the formal social policies including the pensions have been transformed into charity-based redistribution by using Islamic values.

The Chilean and Turkish pension reform processes covered in this thesis have thus constituted good but different examples to analyse the pension systems in the countries of the South, which have been under the attack of neoliberalism since the 1980s. While the pension issue has been considered as an important political question before the 1980s, it has become a technical question in the context of population ageing by the implementation of neoliberal policies. Traditional pension systems have been criticized of being ineffective and financially unsustainable. However, the proposed neoliberal solutions have become ultimately the real causes of the pension crisis while the global campaign on the pension reform has aimed to dispossess people’s pension rights and to open this protected area to capital accumulation. The global pension reform agenda has excluded the fundamental objectives of pension systems such as universalism, equality, intergenerational solidarity and fight against poverty; instead, it has individualized risks and increased the income inequality.

REFERENCES

Adalet ve Kalkınma Partisi, *Kalkınma ve Demokratikleşme Programı* (Ankara: AKP, 2002).

Adalet ve Kalkınma Partisi, Türkiye Hazır Hedef 2023, 12 Haziran 2011 Genel Seçimleri Beyannamesi, Available at: http://www.akpartiorg.tr/upload/documents/beyanname.2011.pdf.

Akı, Erol and Demirbilek, Sevda, "An Analysis of Finance Problems of Social Insurance Institution in Turkey", *D.E.Ü.İ.İ.B.F. Dergisi* (Cilt: 17, Sayı: 1, 2002), pp. 1-10.

Akyüz, Yılmaz, *The Political Economy of Turkey* (London: Pluto Press, 2005).

Alper, Emin, "Emeklilik Reformları: Dünya Bankası, Avrupa Birliği ve Türkiye", Boğaziçi Üniversitesi Sosyal Politika Forumu, *Araştırma Raporu* (İstanbul, 2004), Available at:
http:// www.spf.boun.edu.tr/docs/discussionpaper3.pdf.

Alper, Yusuf, "Sosyal Güvenlik Reformu ve Finansmanla ilgili Beklentiler", *Sosyal Güvenlik Dergisi* (Cilt: 1, Sayı: 1, Haziran 2011), pp. 7-47.

Amin, Samir, "The Implosion of Global Capitalism: The Challenge for the Radical Left", *Paper Presented at the Workshop Trade Unions, Free Trade and the Problem of Transnational Solidarity* (UK: Nottingham University, 2-3, December 2011), pp. 1-31.

Antolin, Pablo and Stewart, Fiona, "Private Pensions and Policy Responses to the Financial and Economic Crisis", *OECD Working Papers on Insurance and Private Pensions* (Working Paper No. 36, April 2009), pp. 1-35.

Arın, Tülay, "The Poverty of Social Security: The Welfare Regime in Turkey", in Neşecan Balkan and Sungur Savran (eds.), *The Ravages of Neoliberalism: Economy, Society and Gender in Turkey* (New York: Nova Science Publishers, 2002), pp. 73-91

Atasoy, Yıldız, *Islam's Marriage with Neo-Liberalism: State Transformation in Turkey* (New York: Palgrave Macmillan, 2009).

Aydın, Ufuk, "Sosyal Güvenlikte Özelleştirme Sebepler ve Uygulamalar", *Çimento İşveren Dergisi* (Cilt: 5, Sayı: 12, 1998), pp. 4-17.

Bağımsız Sosyal Bilimciler, "Güçlü Ekonomiye Geçiş Programı Üzerine Değerlendirmeler", *Mülkiye Dergisi* (Cilt: XXV, Sayı. 229, Ağustos 2001), pp. 11-70.

__________, "2003 Başında Türkiye Ekonomisi ve AKP'nin Hükümet Programı Üzerine Değerlendirmeler", Available at: www.bagimsizsosyalbilimciler.org.

__________, *2005 Başında Türkiye'nin Ekonomik ve Siyasal Yaşamı Üzerine Değerlendirmeler* (Ankara, Mart 2005), Available at: www.bagimsizsosyalbilimciler.org.

__________, *IMF Gözetiminde On Uzun Yıl 1998-2008: Farklı Hükümetler, Tek Siyaset* (Ankara, Haziran 2006), Available at: www.bagimsizsosyalbilimciler.org.

Barr, Nicholas, "Reforming Pensions: Myths, Truths, and Policy Choices", *IMF Working Paper* (Working Paper No. 139, August 2000), pp. 1-56.

Beattie, Roger A., "Review of World Bank (1994)", *International Labour Review* (Vol. 133, No. 5-6, 1994), pp. 714-719.

Bedirhanoğlu, Pınar and Yalman, Galip L., "Neoliberal Küreselleşme Sürecinde Türkiye'de Yerel Sermaye: Gaziantep, Denizli ve Eskişehir'den İzlenimler", *Praksis* (No. 19, 2009), pp. 241-266.

Bevlavy, Miroslav, "Why Has the Crisis Been Bad for Private Pensions, But Good for the Flat Tax? The Sustainability of 'Neoliberal' Reforms in the New EU Members", *CEPS Working Document* (No. 356, 2001), pp. 1-20.

Blackburn, Robin, *Banking on Death: Or, Investing in Life: The History and Future of Pensions* (London, New York: Verso, 2002).

Bonnet, Florence, Ehmke, Ellen and Hagemejer, Krzysztof, "Social Security in Times of Crisis", *International Social Security Review* (Vol. 63, No. 2, 2010), pp. 47-70.

Bonoli, Giuliano, George, Vic and Taylor-Gooby, Peter, *European Welfare Futures: Towards a Theory of Retrenchment* (Cambridge: Polity Press, 2000).

Boratav, Korkut, *1980'li Yıllarda Türkiye'de Sosyal Sınıflar ve Bölüşüm* (Ankara: İmge Kitabevi, 2005).

Boratav, Korkut, Yeldan, Erinç and Köse, Ahmet H., "Globalization, Distribution and Social Policy: Turkey, 1980-1998", *CEPA Working Paper Series I* (No. 20, 2000), pp. 1-35.

Boratav, Korkut and Özuğurlu, Metin, "Social Policies and Distributional Dynamics in Turkey: 1923-2002", in Massoud Karshenas and Valentine Moghadam (eds.), *Social Policy in the Middle East: Economic, Political and Gender Dynamics* (New York: Palgrave Macmillan, 2006), pp. 156-189.

Borzutzky, Silvia, "From Chicago to Santiago: Neoliberalism and Social Security Privatization in Chile", *Governance: An International Journal of Policy, Administration, and Institutions* (Vol. 18, No. 4, October 2005), pp. 655-674.

__________, "Reforming the Reform: Attempting Social Solidarity and Equity in Chile's Privatized Social Security System", *Journal of Policy Practice* (Vol. 11, 2012), pp. 77-91

__________, "Pension Market Failure in Chile: Foundations, Analysis and Policy Reforms", *Journal of Comparative Social Welfare* (Vol. 28, No. 2, 2012a), pp. 103-112.

Briggs, Asa, "The Welfare State in Historical Perspective", in Christopher Pierson and Francis G. Castles (eds.), *The Welfare State Reader* (Cambridge: Polity Press, 2006), pp. 16-29.

Browning, Edgar K. "Social Insurance and Intergenerational Transfers", *Journal of Law and Economics* (Vol. 16, No. 2, October 1973), pp. 215-237.

Brussels European Council, “Presidency Conclusions” (16-17 December 2004), Available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf.

Buchanan, James M., “Social Insurance in a Growing Economy: A Proposal for Radical Reform”, *National Tax Journal* (Vol. 21, No. 4, 1968), pp. 386-395.

Buğra, Ayşe, “Labour, Capital, and Religion: Harmony and Conflict among the Constituency of Political Islam in Turkey”, *Middle Eastern Studies* (Vol. 38, No. 2, April 2002), pp. 187-204.

Buğra, Ayşe and Keyder, Çağlar, *New Poverty and the Changing Welfare Regime of Turkey* (Ankara: UNDP, 2003).

__________, “The Turkish Welfare Regime in Transformation”, *Journal of European Social Policy* (Vol. 16, No. 3, 2006), pp. 211-228.

Cam, Sürhan, “Neo-Liberalism and Labour within the Context of an ‘Emerging Market’ Economy-Turkey”, *Capital & Class* (Vol. 26, Issue. 77, 2002), pp. 89-114.

Cansızlar, Doğan, “Bireysel Emeklilik Sistemi ve Sermaye Piyasaları”, *TİSK İşveren Dergisi* (Aralık 2001), Available at: www.tisk.org.tr.

Charlton, Roger and McKinnon, Roddy, “Beyond Mandatory Privatization: Pensions Policy Options for Developing Countries”, *Journal of International Development* (Vol. 12, Issue 4, 2000), pp. 483-494.

Chin, Tom Y., “The Beveridge Report and the Development of British Social Security”, *Journal of Social Science and Philosophy* (Vol. 81, No. 11, 1992), pp. 321-382.

Cichon, Michael, “Notional Defined-Contribution Schemes: Old Wine in New Bottles?”, *International Social Security Review* (Vol. 52, No. 4, 1999), pp. 87-105.

Clarke, Simon, “State, Class Struggle, and the Reproduction of Capital”, in Simon Clarke (ed.), *The State Debate* (London: Macmillan, 1991), pp. 183-203.

___________, "The Global Accumulation of Capital and the Periodization of the Capitalist State Form", in Werner Bonefeld, Richard Gunn and Kosmas Psychopedis (eds.), *Open Marxism, Vol. 1: Dialectics and History* (London: Pluto Press, 1992), pp. 133-150.

Constitutional Court Decision, 2001/41, 23 February 2001, *Official Gazette* (No. 24592, 23.11.2001).

Constitutional Court Decision, 2006/36, 15 December 2006, *Official Gazette* (No. 26388, 26.12.2006).

Coomber, Ross, "Book Review" (The Free Economy and the Strong State: The Politics of Thatcherism, by A. Gamble), *The Sociological Review* (Vol. 37, Issue 3, August 1999), pp. 566-568.

Copenhagen European Council, "Presidency Conclusions" (21-22 June 1993), Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/72921.pdf.

Coşar, Simten and Yeğenoğlu, Metin, "The Neoliberal Restructuring of Turkey's Social Security System", *Monthly Review* (April 2009), pp. 36-49.

Council Decision of March 8, 2001, 2001/235/EC, *Official Journal of the European Union* (2001/L 85/13).

Council Decision of May 19, 2003, 2003/398/EC, *Official Journal of the European Union* (2003/L 145/40).

Council Decision of January 23, 2006, 2006/35/EC, *Official Journal of the European Union* (2006/L 22/34).

Council Decision of February 18, 2008, 2008/157/EC, *Official Journal of the European Union* (2008/L 051/4).

Council Regulation No 2500/2001 of 17 December 2001 Concerning Pre-Accession Financial Assistance and Amending Regulations No 3906/89, No 1267/1999, No 1268/1999, No 555/2000.

Çarkoğlu, Ali, "Turkey's November 2002 Elections: A New Beginning?", *Middle East Review of International Affairs* (Vol. 6,No. 4, December 2002), pp. 30-41.
Çelik, Aziz, "Sosyal Güvenlik Taarruzunda Mola", *Birikim Dergisi* (Sayı: 213, Ocak 2007).

Dağalp, Namık, "Tasarrufların Bireysel Emeklilik Sistemine Yönelmesi, Kalkınma Açısından Çok Önemlidir", *TİSK İşveren Dergisi* (Aralık 2001), Available at: www.tisk.org.tr.

Dereli, Toker, "The Impact of Privatization on Industrial Relations in Turkey", in *Prof. Dr. Nusret Ekin'e Armağan* (Ankara: TÜHİS, Yayın No: 38, 2000), pp. 439-450.

Doğan, Noyan, "Hükümet Bireysel Emeklilikte Üzerine Düşeni Fazlasıyla Yaptı", *Hürriyet* (19 Nisan 2012).

Drazen, Allan and Grilli, Vittorio, "The Benefit of Crises for Economic Reforms", *The American Economic Review* (Vol. 83, No. 3, June 1993), pp. 598-607.

Drucker, Peter F., *The Unseen Revolution: How Pension Fund Socialism Came to America* (New York: Harper & Row, 1976).

Dumenil, Gérard and Levy, Dominique, "Neo-Liberal Dynamics: A New Phase", in Kees van der Pijl, Libby Assassi and Duncan Wigan (eds.), *Global Regulation: Managing Crises after the Imperial Turn* (New York: Palgrave Macmillan, 2004), pp. 28-42.

Ebbinghaus, Bernhard, "Introduction: Studying Pension Privatization in Europe", in Bernhard Ebbinghaus (ed.), *The Varieties of Pension Governance: Pension Privatization in Europe* (Oxford: Oxford University Press, 2011), pp. 3-21.

Economic Commission for Latin America and the Caribbean, *Shaping the Future of Social Protection: Access, Financing and Solidarity*, Thirty First Session of ECLAC, Montevideo, Uruguay (Santiago: United Nations, 2006).

Edwards, Sebastian, "The Chilean Pension Reform: A Pioneering Program", in Martin Feldstein (ed.), *Privatizing Social Security*, (Chicago: University of Chicago Press, 1998), pp. 33-62.

Edwards, Sebastian and Edwars, Alejandra Cox, “Economic Reforms and Labour Markets: Policy Issues and Lessons from Chile”, *National Bureau of Economic Research Working Papers* (Working Paper No. 7646, 2000) pp. 1-66.

__________, “Social Security Privatization Reform and Labour Market: The Case of Chile”, *National Bureau of Economic Research Working Papers* (Working Paper No. 8924, 2002), pp. 465-489.

Egeli Haluk and Özen, Ahmet, “Türkiye’de Sosyal Güvenlik Sisteminin Yeniden Yapılandırılmasına Yönelik Reform Sürecinin Değerlendirilmesi”, *Mevzuat Dergisi* (Sayı: 142, Ekim 2009), Available at: http://www.mevzuatdergisi.com/2009/10a/01.htm.

Elveren, Ali H., “Bireysel Emeklilik Sisteminin Makro Ekonomik Etkileri”, *TİSK İşveren Dergisi* (Mayıs 2003), Available at: www.tisk.org.tr.

Elveren, Adem Y., “Social Security Reform in Turkey: A Critical Perspective”, *Review of Radical Political Economics* (Vol. XX, No. X, 2008), pp. 212-232.

Elveren, Mehmet A. and Elveren, Adem Y., “Türkiye’de Refah Rejiminin Dönüşümü ve Bireysel Emeklilik Sistemi”, *Mülkiye Dergisi* (Cilt: XXXIV, Sayı. 266, Bahar 2010), pp. 243-258.

Emeklilik Gözetim Merkezi (EGM), *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2004).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2005).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2006).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2007).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2008).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2009).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2010).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2011).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2012).

__________, *Bireysel Emeklilik Sistemi Gelişim Raporu* (İstanbul: EGM, 2013).

Erdoğdu, Seyhan, "Sosyal Politikada Değişim ve Sosyal Güvenlik Reformu" in İlhan Uzgel and Bülent Duru (eds.), *AKP Kitabı: Bir Dönüşümün Bilançosu*, (Ankara: Phonenix Kitabevi, 2009), pp. 660-686.

European Commission, "1998 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/1998/turkey_en.pdf.

__________, "1999 Regular Report on Turkey's Progress Towards Accession, Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/1999/turkey_en.pdf.

__________, 2001 Regular Report on Turkey's Progress Towards Accession, Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/2001/tu_en.pdf.

__________, "2007 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/turkey_progress_reports_en.pdf.

__________, "2008 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/turkey_progress_report_en.pdf.

__________European Commission, "2011 Regular Report on Turkey's Progress Towards Accession", Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/tr_rapport_2011_en.pdf

__________, “2012 Regular Report on Turkey’s Progress Towards Accession”, Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/tr_rapport_2012_en.pdf

__________, “2013 Regular Report on Turkey’s Progress Towards Accession”, Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/brochures/turkey_2013.pdf.

Fazio, Hugo and Riesco, Manuel, “The Chilean Pension Fund Associations”, *New Left Review* (Issue 223, May-June 1997), pp. 90-101.

Fox, Louise and Palmer, Edward, “New Approaches to Multipillar Pension Systems: What in the World Is Going On?” in Robert Holzmann and Joseph Stiglitz (eds.), *New Ideas about Old-Age Security: Towards Sustainable Pension System in the 21st Century* (Washington, D.C.: World Bank, 2001), pp. 90-132.

Frericks, Patricia, “Marketising Social Protection in Europe: Two Distinct Paths and Their Impact on Social Inequalities”, *International Journal of Sociology and Social Policy* (Vol. 31, No. 5/6, 2001), pp. 319-334.

Friedman, Milton, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1962).

__________, “The Fragility of Freedom”, in Meyer Feldberg, Kate Jowell and Stephen Mulholland (eds.), *Milton Friedman in South Africa; His Visit to the Graduate School of Business University of Cape Town* (Cape Town: University of Cape Town, 1976), pp. 3-10.

__________, “Speaking the Truth about Social Security Reform”, *Cato Institute Briefing Papers* (No. 46, April 1999).

Gamble, Andrew, “The Free Economy and the Strong State: The Rise of the Social Market Economy”, in Ralph Miliband and John Saville (eds.), *The Socialist Register* (Vol. 16, 1979), pp. 1-25.

__________, “Neo-Liberalism”, *Capital & Class* (Vol. 25, No. 75, 2001), pp. 127-134.

__________, “Two Faces of Neo-Liberalism”, in Richard Robison (ed.), *The Neo-Liberal Revolution: Forging the Market State* (London: Palgrave Macmillan, 2006), pp. 20-35.

Gill, Indermit S., Packard, Truman and Yermo, Juan, *Keeping the Promise of Social Security in Latin America* (Washington, D.C.: World Bank, 2005).

Gillion, Colin and Bonilla, Alejandro, “Analysis of A National Private Pension System: The Case of Chile”, *International Labour Review* (Vol. 131, No. 2, 1992), pp. 171-195.

Gillion, Colin, “The Development and Reform of Social Security Pensions: The Approach of the International Labour Office”, *International Social Security Review* (Vol. 53, No. 1, 2000), pp. 35-63.

Glassman, Jim, “Primitive Accumulation, Accumulation by Dispossession, Accumulation by ‘Extra Economic’ Means”, *Progress in Human Geography* (Vol. 30, No. 5, 2006), pp. 608-625.

Gore, Charles, “The Rise and Fall of the Washington Consensus as A Paradigm for Developing Countries”, *World Development* (Vol. 28, No. 3, 2000), pp. 789-804.

Gökbayrak, Şenay, *Refah Devletinin Dönüşümü ve Özel Emeklilik Programları* (Ankara: Siyasal Kitabevi, 2010).

Grugel, Jean, Riggirozzi, Pia and Thirkell-White, Ben, ”Beyond the Washington Consensus? Asia and Latin America in Search of More Autonomous Development”, *International Affairs* (Vol. 84, No. 3, 2008), pp. 499-517.

Gülalp, Haldun, “Globalization and Political Islam: The Social Bases of Turkey’s Welfare Party”, *International Journal of Middle East Studies* (Vol. 33, No. 3, 2001), pp. 433-448.

Gümüş, Erdal, “Sosyal Güvenlik Sisteminin Geleceği Umut Veriyor Mu?”, *Gazi Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi* (Cilt: 6, No: 3, 2004), pp. 1-16.

Hartsock, Nancy, “Globalization and Primitive Accumulation: The Contributions of David Harvey’s Dialectical Marxism”, in Noel Castree and Derek Gregory (eds.), *David Harvey: A Critical Reader* (Malden, MA: Blackwell, 2006), pp. 167-190.

Harvey, David, *Spaces of Capital: Towards A Critical Geography* (New York: Routledge, 2001).

__________, *The New Imperialism* (New York: Oxford University Press, 2003).

__________, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005).

__________, “Neo-Liberalism as Creative Destruction”, *Geografiska Annaler* (Vol. 88, Issue 2, 2006), pp. 145-158.

Hayek, Friedrich A., *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960).

Heller, Peter S., “Rethinking Public Pension Reform Initiatives”, *IMF Working Paper* (Working Paper No. 61, April 1998), pp. 1-30.

Helsinki European Council, Presidency Conclusions, 10-11 December 1999, Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/ACFA4C.htm.

Hendrick, Joshua D., “Globalization, Islamic Activism, and Passive Revolution in Turkey: The Case of Fethullah Gülen”, *Journal of Power* (Vol. 2, No. 3, 2009), pp. 343-368.

Holzmann, Robert, “Pension Reform, Finanical Market Development, and Economic Growth: Preliminary Evidence from Chile”, *IMF Staff Papers* (Vol. 44, No. 2, June 1997), pp. 149-178.

__________, “The World Bank Approach to Pension Reform”, *Social Protection Discussion Paper Series* (Discussion Paper No. 9807, December 1999), pp. 1-22.

Holzmann, Robert and Palacios, Robert, "Individual Accounts as Social Insurance: A World Bank Perspective", *Social Protection Discussion Paper* (Discussion Paper No. 0114, June 2001), pp. 1-13.

Holzmann, Robert, and Hinz, Richard, *Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform* (Washington, D.C.: World Bank, 2005).

Huber, Evelyne, "Options for Social Policy in Latin America: Neoliberal versus Social Democratic Models", in Gosta Esping-Andersen (ed.), *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage Publications, 1996), pp. 141-191.

Hyde, Mark and Dixon, John, "Welfare Ideology, the Market and Social Security: Toward a Typology of Market-Oriented Reform", in John Dixon and Mark Hyde (eds.), *Marketization of Social Security* (USA: Greenwood, 2001), pp. 1-26.

Iglesias-Palau, Augusto, "Pension Reform in Chile Revisited What Has Been Learned?", *OECD Social, Employment and Migration Working Papers* (Working Paper No.86, 2009), pp. 1-87.

International Labour Organization, "Records of the Thirteenth Conference of American States Members of the ILO", Caracas, 30 September- 7 October 1992, Available at: http://white.oit.org.pe/oitamericas99/english/anteced/confre92/reconf.shtml.

__________, *Turkish Government Social Security and Health Insurance Project* (Ankara: Undersecretariat of Treasury, 1996).

__________, *Social Security: A New Consensus* (Geneva: ILO, 2001).

__________, *Economic Security for A Better World* (Geneva: ILO, 2004).

__________, *A Fair Globalization: The Role of ILO,* International Labour Conference, 92nd Session (Geneva: ILO, 2004a).

__________, "Social Security for All: Investing in Global Social and Economic Development", *Issues in Social Protection Discussion Papers* (Discussion Paper No. 16, 2006).

__________, *The International Labour Organization and the Quest for Social Justice 1919-2009* (Geneva: ILO, 2009).

__________, *Recovering from the Crisis: A Global Jobs Pact* (Geneva: ILO, 2009a).

__________, *Extending Social Security to All: A Guide through Challenges and Options* (Geneva: ILO, 2010).

__________, *Social Security for All: Building Social Protection Floors and Comprehensive Social Security Systems* (Geneva: ILO, 2012).

International Monetary Fund, "IMF Concludes Article IV Consultation with Turkey" (99/17, 5 August 1997), Available at: https://www.imf.org/external/np/sec/pn/1997/pn9717.htm.

__________, "Turkey-IMF Mission for the 1999 Article IV Consultation Discussions and Third Review of the Staff Monitored Program" (2 July 1999), Available at: http://www.imf.org/external/np/ms/1999/070299.htm.

__________, "Camdessus Expresses Deepest Sympathy with Turkey Following Earthquake" (17 August 1999, 99/48), Available at: https://www.imf.org/external/np/sec/nb/1999/nb9948.htm.

__________, "IMF Approves USD 501 Million in Emergency Assistance for Turkey" (99/49, 13 October 1999), Available at: http://www.imf.org/external/np/sec/pr/1999/pr9949.htm.

__________, "IMF Approves USD 4 Billion Stand-By Credit for Turkey" (99/66, 22 December 1999), Available at: https://www.imf.org/external/np/sec/pr/1999/pr9966.htm.

__________, "Discussion on New IMF Stand-By Arrangement for Turkey to Resume" (04/250, 30 November 2004), Available at: http://www.imf.org/external/np/sec/pr/2004/pr04250.htm.

__________, "Review Discussions on Turkey's IMF Stand-By Arrangement Conclude Successfully" (06/107, 22 May 2006), Available at: http://www.imf.org/external/np/sec/pr/2006/pr06107.htm.

Independent Evaluation Group, *Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance* (Washington, D.C.: World Bank, 2006).

James, Estelle, "Protecting the Old and Promoting Growth: A Defense of Averting the Old Age Crisis", *World Bank Policy Research Working Papers* (Working Paper No. 1570, January 1996), pp. 1-24.

Jochem, Sven, "Germany: The Public-Private Dichotomy in the Bismarckian Welfare Regime", in Daniel Beland and Brian Gran (eds.), *Public and Private Social Policy Health and Pension Politics In A New Era* (New York: Palgrave Macmillan, 2008), pp. 190-206.

Karadag, Roy, "Neoliberal Restructuring in Turkey: From State to Oligarchic Capitalism, *Max Planck Institute for the Study of Societies Discussion Papers* (Discussion Paper No. 10/7, 2010), 1-32.

Kay, Stephen J., "Unexpected Privatizations: Politics and Social Security Reform in the Southern Cone", *Comparative Politics* (Vol. 31, No. 4, July 1999), pp. 403-422.

__________, "Political Risk and Pension Privatization: The Case of Argentina (1994-2008)", *International Social Security Review* (Vol. 62, No. 3, 2009), pp. 1-21.

Kemmerling, Achim and Neugart, Michael, "Financial Market Lobbies and Pension Reform", *European Journal of Political Economy* (Vol. 25, No. 2, 2009), pp. 163-173.

Koç, Yıldırım, "Sosyal Güvenlik Reformu", *Mülkiye Dergisi* (Cilt: XXIII, Sayı: 217, Temmuz-Ağustos 1999), pp. 97-118.

__________, "Kamunun Sağlık ve Sosyal Güvenlik Sistemleri Stratejik Önemdedir", *Yol-İş Sendikası Dergisi* (Nisan 2008).

Köse, Ahmet H. and Bahçe, Serdal "“Hayırsever” Devletin Yükselişi: AKP Yönetiminde Gelir Dağılımı ve Yoksulluk", in İlhan Uzgel and Bülent Duru (eds.), *AKP Kitabı: Bir Dönüşümün Bilançosu* (Ankara: Phonenix Kitabevi, 2009), pp. 492-509.

Kritzer, Barbara E., "Privatizing Social Security: The Chilean Experience", *Social Security Bulletin* (Vol. 95, No. 3, Fall 1996), pp. 45-55.

Krueger, Anne O., *Political Economy of Policy Reform in Developing Countries* (USA: MIT, 1993).

Krugman, Paul, "Dutch Tulips and Emerging Markets", *Foreign Affairs* (Vol. 74, No. 4, 1995), pp. 28-44.

Kurtz, Marcus J., "Understanding the Third World Welfare State after Neoliberalism The Politics of Social Provision in Chile and Mexico", *Comparative Politics* (Vol.34, No. 3, April 2002), pp. 293-313.

Labour Law No. 3008, *Official Gazette* (No. 3330, 15.06.1936)

Law on Employee Insurance Institution No. 4792, *Official Gazette* (No. 6058, 16.07.1945).

Law on Turkish Republic Retired Fund No. 5434, *Official Gazette* (No. 7235, 17.06.1949).

Law on Income Tax No. 193, *Official Gazette (*No. 10700, 06.01.1961).

Law on Turkish Armed Forces Assistance Fund No. 205, *Official Gazette* (No. 10702, 09.01.1961).

Law on State Investment Bank No. 44, *Official Gazette* (No. 11662, 21.03.1964).

Law on Social Insurance Institution for Craftsmen, Tradesmen and Other Self-Employed No. 1479, *Official Gazette* (No. 13956, 14.09.1971).

Law on Works Banned from Being Performed by Civil Servants Who Quit Public Duty No. 2531, *Official Gazette* (No. 17480, 06.10.1981).

Law on Social Security for Agricultural Workers No. 2925, *Official Gazette* (No. 18197, 20.10.1983).

Law on Social Security for Self-Employed in Agriculture No. 2926, *Official Gazette* (No. 18197, 20.10.1983).

Law on Attachment of Provisional Article to Social Insurance Act Number 506, *Official Gazette* (No. 21171, 14.03.1992).

Law on Unemployment Insurance No. 4447, *Official Gazette* (No. 23810, 08.09.1999).

Law on Individual Pension Savings and Investment System No. 4632, *Official Gazette* (No. 24366, 07.04.2001)

Law on Amendments to Certain Tax Laws No. 4697, *Official Gazette* (No.24458, 10.07.2001).

Law on Amendments to Certain Laws No.4842, *Official Gazette* (No. 25088, 24.04.2003).

Law on Social Security Institution Organization No. 4947, *Official Gazette* (No. 25178, 24.07.2003).

Law on Transfer of Healthcare Units of Some Public Institutions and Organizations to the Ministry of Health No. 5283, *Official Gazette* (No. 25705, 19.01.2005).

Law on Social Security Institution No. 5502, *Official Gazette* (No. 26173, 20.05.2006)

Law on Social Insurance and General Health Insurance No. 5510, *Official Gazette* (No. 26200, 16.06.2006).

Law on Corporate Tax No. 5520, *Official Gazette* (No.26205, 21.06.2006).

Law on Amendments to Individual Pension Savings and Investment System, and to Certain Laws and Decrees No. 6327, *Official Gazette* (No. 28338, 29.06.2012).

Lear, John and Collins, Joseph, "Retiring on the Free Market: Chile's Privatized Social Security", *NACLA Report on the Americas* (Vol XXXV, No 4 January/February, 2002), pp. 36-44.

Legislative Decree 233 on State Economic Enterprises, *Official Gazette* (No. 18435, 18.06.1984).

Legislative Decree 32 on Protection of the Value of Turkish Currency, *Official Gazette* (No. 20249, 11.08.1989).

Luxemburg European Council, "Presidency Conclusions" (12-13 December 1997), Available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/032a0008.htm.

MacGregor, Susanne, "The Welfare State and Neoliberalism" in Alfredo Saad-Filho and Deborah Johnston (eds.), *Neoliberalism: A Critical Reader* (London: Pluto Press, 2005), pp. 142-148.

Madrid, Raul L., "Ideas, Economic Pressures, and Pension Privatization", *Latin American Politics & Society* (Vol. 47, No. 2, Summer 2005), pp. 23-50.

Maier-Rigaud, Remi, "In Search of a New Approach to Pension Policy: The International Labour Office between Internal Tension and External Pressure" in Rune Ervik, Nanna Kildal and Even Nilssen (eds.), *The Role of International Organizations in Social Policy: Ideas, Actors and Impact* (Northampton, MA: Edward Elgar, 2009), pp. 165-189.

Marcel, Mario, "Chile's 2008 "Reform of the Reform": A Model for Other Countries?" (2009), Available at: http://csis.org/files/media/csis/events/090324_gai_marcel.pdf.

Martin, Patricia P. and Weaver, David A., "Social Security: A Program and Policy History", *Social Security Bulletin* (Vol. 66, No. 1, 2005), pp. 1-15.

Marx, Karl, *Capital: A Critique of Political Economy* (USA: Charles H. Kerr & Company, 1906).

McCord, Anna, "The Impact of the Global Financial Crisis on Social Protection in Developing Countries", *International Social Security Review* (Vol. 63, No. 2, 2010), pp. 31-45.

McMichael, Philip, "Globalization: Trend or Project?", in Ronen Palan (ed.), *Global Political Economy, Contemporary Theories* (London, New York: Routledge, 2000), pp. 100-113.

Mesa-Lago, Carmelo, "Myth and Reality of Pension Reform: The Latin American Evidence", *World Development* (Vol. 30, No. 8, 2002), pp. 1309-1321.

__________, "Models of Development, Social Policy and Reform in Latin America", in Thandika Mkandawire (ed.), *Social Policy in a Development Context* (New York: Palgrave Macmillan, 2004), pp. 175-202.

__________, "Reversing Pension Privatization: The Experience of Argentina, Bolivia, Chile and Hungary", *Extension of Social Security Working Papers* (Working Paper No. 44, 2014), pp. 1-31.

Mesa-Lago, Carmelo and Muller, Katharina, "The Politics of Pension Reform in Latin America", *Journal of Latin American Studies* (Vol. 34, No. 3, August 2002), pp. 687-715.

Minns, Richard, "The Social Ownership of Capital", *New Left Review* (Vol. 219, Sept-Oct 1996), pp. 42-61.

Moody, Kim, "Book Review" (A Brief History of Neoliberalism, by D. Harvey), *Dialectical Anthropology* (Vol. 32, Issue 1-2, June 2008), pp. 53-58.

Myers, Robert J., "Privatization of Chile's Social Security Program", *Benefits Quarterly (*Vol. I, No. 3, 1985), pp. 26-35.

Offe, Claus, "Some Contradictions of the Modern Welfare State", in Christopher Pierson and Francis G. Castles (eds.), *The Welfare State Reader* (Cambridge: Polity Press, 2006), pp. 66-75.

Onaran, Özlem, "Adjusting the Economy through the Labour Market: The Myth of Rigidity", in Neşecan Balkan and Sungur Savran (eds.), *The Ravages of Neoliberalism: Economy, Society and Gender in Turkey* (New York: Nova Science Publishers, 2002), pp. 181-194.

Orenstein, Mitchell A., "The New Pension Reform as Global Policy", *Global Social Policy* (Vol. 5, No. 2, 2005), pp. 175-202.

__________, *Privatizing Pensions: The Transnational Campaign for Social Security Reform* (New Jersey: Princeton University Press, 2008).

__________, "Pension Privatization in Crisis: Death or Rebirth of a Global Policy Trend?", *International Social Security Review* (Vol. 64, No. 3, 2011), pp. 65-80.

Orszag, Peter R. and Stiglitz, Joseph E., "Rethinking Pension Reform: Ten Myths about Social Security Systems", *Paper presented at the World Bank Conference on New Ideas About Old Age Security* (September, 1999), pp. 1-48.

Öniş, Ziya, "Conservative Globalism at the Crossroads: The Justice and Development Party and the Thorny Path to Democratic Consolidation in Turkey", *Mediterranean Politics* (Vol. 14, No. 1, 2009), pp. 21-40.

Özşuca, Şerife, "Küreselleşme ve Sosyal Güvenlik Krizi", *Ankara Üniversitesi SBF Dergisi* (Cilt: 58, No: 2, 2003), pp. 133-152.

Öztürk, Osman, "SGK Başkanı Yine Değişmiş", *Birgün* (17 Ağustos 2011).

Özveri, Murat, "Yoksulluğun Yönetilmesi ve Sosyal Güvenlik Hakkı", *Praksis*, (No. 9, Kış-Bahar 2003), pp. 321-336.

Packard, Truman G., "Pooling, Savings and Prevention: Mitigating the Risk of Old Age Poverty in Chile", *World Bank Policy Research Working Papers* (Working Paper No. 2849, May 2002), pp. 1-74.

Petrol-İş, "Petrol-İş'in Araştırması: SSK'nın Fonları Nasıl Buharlaştırıldı?" (12.12.2005), Available at: http://petrol-is.org.tr/haber/petrol-isin-arastirmasi-ssknin-fonlari-nasil-buharlastirdildi-648.

Pierson, Chris, "'Late Industrializers' and the Development of the Welfare State", in Thandika Mkandawire (ed.) *Social Policy in a Development Context* (New York: Palgrave Macmillan, 2004), pp. 215-245.

Pierson, Paul, "The New Politics of the Welfare State", *World Politics* (Vol. 48, January 1996), pp. 143-179.

Pinera, José, "Chile", in John Williamson (ed.), *The Political Economy of Policy Reform*, (Washington, D.C.: Institute for International Economics, 1994), pp. 225-231.

__________, "Empowering Workers: The Privatization of Social Security in Chile", *Cato's Letter* (No. 10, 1996).

__________, "Liberating Workers: The World Pension Revolution", *Cato's Letter* (No. 15, 2001).

Pino, Ariel and Yermo, Juan, "The Impact of the 2007-2009 Crisis on Social Security and Private Pension Funds: A Threat to Their Financial Soundness?", *International Social Security Review* (Vol. 63, No. 2, 2010), pp. 5-30.

Press Conference of Deputy Prime Minister Ali BABACAN and Minister of Finance Mehmet ŞİMŞEK on some legal arrangements concerning İstanbul Finance Centre, Supporting Entrepreneurship, Insurance Sector and Individual Pension System, 17 April 2012, Available at: www.hazine.gov.tr.

Quadagno, Jill S., "Welfare Capitalism and the Social Security Act of 1935", *American Sociological Review* (Vol. 49, October 1984), pp. 632-647.

Queisser, Monika, "The Second Generation Pension Reforms in Latin America", *OECD Ageing Working Papers* (Working Paper No. 5.4, 1998), pp. 1-106.

__________, "Pension Reform and International Organizations: From Conflict to Convergence", *International Social Security Review* (Vol. 53, No. 2, 2000), pp. 31-45.

Regulation on Amendments to the Regulation on Principles Governing Establishment and Activities of Pension Mutual Funds, *Official Gazette* (No. 26754, 12.01.2008).

Regulation on Individual Pension System, *Official Gazette* (No. 26842, 09.04.2008).

Reinhardt, Josephine B., "Los "Chicago Boys": A Powerful Exchange of People and Ideas between Chile and Chicago", *Bates College Honors Theses* (Paper 41, 2012).

Riesco, Manuel, "Is Pinochet Dead?", *New Left Review* (Issue 47, September-October 2007), pp. 5-20.

Ritzer, George, "Book Review" (A Brief History of Neoliberalism, by D. Harvey), *American Journal of Sociology* (Vol. 113, Issue. 1, July 2007), pp. 286-288.

Rodrik, Dani, "After Neoliberalism, What?", *Paper Presented at the Alternatives to Neoliberalism Conference*, (Washington D.C., 2002).

__________, "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform", *Journal of Economic Literature* (Vol. XLIV, 2006), pp. 973-987.

Rofman, Rafael, Fajnzylber, Eduardo and Herrera, German, "Reforming the Pension Reforms: The Recent Initiatives and Actions on Pensions in Argentina and Chile", *World Bank Social Protection Discussion Paper* (No. 0831, 2008), pp. 1-61.

Saad-Filho, Alfredo, "From Washington to Post-Washington Consensus: Neoliberal Agendas for Economic Development", in Alfredo Saad-Filho and Deborah Johnston (eds), *Neoliberalism: A Critical Reader,* (London: Pluto Press, 2005), pp. 113-119.

Sağlam, Erdal, "SGK Başkanı Teksöz'ün İstifa Nedeni Özerklik", *Hürriyet* (5 Eylül 2006).

Sallan Gül, Songül, *Sosyal Devlet Bitti, Yaşasın Piyasa!* (Ankara: Ebabil Yayıncılık, 2006).

Sayan, Serdar, “Political Economy of Pension Reform in Turkey”, in Sumru Altuğ and Alpay Filiztekin (eds.), *The Turkish Economy: The Real Economy, Corporate Governance and Reform* (London: Routledge, 2006), pp. 252-275.

Shapiro, Daniel, “The Moral Case for Social Security Privatization”, *Social Security Choice Paper* (No. 14, October 1998), pp. 1-10.

Sherman, Karl G., “A New Social Security Reform Consensus? The ISSA’s Stockholm Initiative”, *International Social Security Review* (Vol. 53, 1, 2000), pp. 65-82.

Singh, Ajit, “Pension Reform, the Stock Market, Capital Formation and Economic Growth: A Critical Commentary on the World Bank’s Proposals”, *CEPA Working Paper Series I* (No. 2, April 1996), pp. 1-33.

Solimano, Andrés, *Chile and the Neoliberal Trap: The Post-Pinochet Era* (New York: Cambridge University Press, 2012).

Sönmez, Sinan, “From Semi-Peripheral Welfarism to Neo-Liberal Solutions: What About New Perspectives? Developing World and Turkey”, *Presentation for RC 19 Conference on Social Policy in a Globalizing World*, Firenze (September 2007).

State Planning Organization (SPO), *First Development Report (1963-1967)* (Ankara: SPO).

__________, *Second Development Report (1968-1972)* (Ankara: SPO).

__________, *Third Development Report (1973-1977)* (Ankara: SPO).

__________, *Fourth Development Report (1979-1983)* (Ankara: SPO).

__________, *Fifth Development Report (1985-1989)* (Ankara: SPO).

__________, *Sixth Development Report (1990-1994)* (Ankara: SPO).

__________, *Seventh Development Report (1996-2000)*, (Ankara: SPO).

__________, *Eighth Development Report (2000-2001)* (Ankara: SPO).

Stiglitz, Joseph, E., “More Instruments and Broader Goals: Moving toward the Post-Washington Consensus”, *WIDER Annual Lecture* (Helsinki, Finland, January 1998).

__________, “Towards a New Paradigm for Development: Strategies, Policies, and Processes”, *Prebisch Lecture given at UNCTAD* (Geneva, 1998a).

Talas, Cahit, *Türkiye’nin Açıklamalı Sosyal Politika Tarihi*, (Ankara: Bilgi Yayınevi, 1992).

Taylor, Marcus, “The Reformulation of Social Policy in Chile, 1973-2001: Questioning a Neoliberal Model”, *Global Social Policy* (Vol.3 No. 1, 2003), pp. 21-44.

Teksöz, Tuncay and Sayan, Serdar, “Simulation of Benefits and Risks after the Planned Privatization of the Pension System in Turkey”, *Emerging Markets Finance and Trade* (Vol. 38, No. 5, September-October 2002), pp. 23-45.

Tezel, Ali, “Özel Sağlık Kuruluşlarının Danışmanı SGK Başkanları!”, *HaberTürk* (8 Eylül 2009).

Tokgöz, Erdinç, *Türkiye’nin İktisadi Gelişme Tarihi (1914-2004)* (Ankara: İmaj Yayınevi, 2004).

Topak, Oğuz, “Neo-Liberalizm ve Refah Devleti Miti”, in Mustafa Kemal Coşkun (ed.), *Yapı, Pratik, Özne- Kapitalizmin Dönüşüm Süreçlerinin Ekonomi Politik Eleştirisi* (Ankara: Dipnot Yayınları, 2009), pp. 103-131.

TURKSTAT, “Results of 2009 Poverty Study”, Available at: http://www.tuik.gov.tr.

Türkiye Cumhuriyeti Anayasası (1982), Available at: http://www.anayasa.gen.tr/1982ay.htm.

Türkiye’nin Güçlü Ekonomiye Geçiş Programı (14 April 2001),
Available at: http://www.tcmb.gov.tr/yeni/duyuru/eko_program/program.pdf.

TÜSİAD, *Optimal Devlet: Kamu Ekonomisinin ve Yönetiminin Yeniden Yapılanması ve Küçültülmesine Yönelik Öneriler* (İstanbul: TÜSİAD, Şubat 1995).

__________, *Emekli ve Mutlu: Türk Sosyal Güvenlik Sisteminin Sorunları, Çözüm Önerileri ve Özel Sigortacılık Girişimi* (İstanbul: TÜSİAD, Ocak 1996).

__________, *Türk Sosyal Güvenlik Sisteminde Yeniden Yapılanma: Sorunlar, Reform İhtiyacı, Arayışlar, Çözüm Önerileri* (İstanbul: TÜSİAD, Ekim 1997).

__________, *Türk Emeklilik Sisteminde Reform: Mevcut Durum ve Alternatif Stratejiler* (İstanbul: TÜSİAD, Kasım 2004).

Undersecretariat of Treasury, "Letter of Intent" (26 June 1996), Available at: https://www.imf.org/external/np/loi/062698.htm.

__________, "Letter of Intent" (9 December 1999), Available at: http://www.imf.org/external/np/loi/1999/120999.HTM.

__________, "Letter of Intent" (18 December 2000), Available at: https://www.imf.org/external/np/loi/2000/tur/03/index.htm.

__________, "Letter of Intent" (5 April 2003), Available at: https://www.imf.org/external/np/loi/2003/tur/01/index.htm.

__________, *Annual Report of Insurance and Private Pension Activities in Turkey* (Ankara: Undersecretariat of Treasury, 2003).

__________, "Letter of Intent" (2 April 2004), Available at: https://www.imf.org/external/np/loi/2004/tur/01/index.htm.

Valdés-Prieto, Salvador, "Comments" in Holzmann et. al., "Comments on Rethinking Pension Reform Ten Myths about Social Security Systems by Peter Orszag and Joseph Stiglitz", in Robert Holzmann and Joseph E. Stiglitz (eds.), *New Ideas About Social Security: Toward Sustainable Pension Systems in the 21st Century* (Washington D.C.: World Bank, 2001), pp. 57-89.

Weyland, Kurt, “Economic Policy in Chile’s New Democracy”, *Journal of InterAmerican Studies and World Affairs* (Vol. 41, No. 3, 1999), pp. 67-96.

Williamson, John, “What Washington Means by Policy Reform”, *Speeches and Papers* (Peterson Institute for International Economics, 2002).

__________, “The Strange History of the Washington Consensus”, *Journal of Post Keynesian Economics* (Vol. 27, No. 2, Winter 2004), pp. 195-206.

Williamson, John and Williams, Matthew, “Notional Defined Contribution Accounts Neoliberal Ideology and the Political Economy of Pension Reform”, *The American Journal of Economics and Sociology* (Vol. 64, No. 2, April, 2005), pp. 485-506.

Wolfson, Martin H., “Neoliberalism and Social Security”, *Review of Radical Political Economics* (Vol. 38, No. 3, Summer 2006), pp. 319-326.

World Bank, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* (New York: Oxford University Press, 1994).

World Bank, *Turkey: Country Economic Memorandum Structural Reforms for Sustainable Growth* (Washington D.C.: World Bank, No: 20657, TU, 2000).

World Bank, “Economic Reform Loan”, Loan Number 4549 TU (2000a), Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2004/12/15/FB1944A5BDD9DEA285256F03001638BC/1_0/Rendered/PDF/FB1944A5BDD9DEA285256F03001638BC.pdf.

World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2001).

World Bank, “Turkey Labour Market Study”, Report Number 33254-TR (2006), Available at: http://siteresources.worldbank.org/INTTURKEY/Resources/361616-1144320150009/Labor_Study.pdf.

World Bank, “Implementation, Completion and Results Report” (2006a), Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/07/20/0003

56161_20120720012943/Rendered/PDF/ICR23440P071050C0disclosed070180120.pdf.

World Bank, *Pensions in Crisis: Europe and Central Asia Regional Policy Note* (November, 2009), Available at: http://siteresources.worldbank.org/ECAEXT/Resources/258598-1256842123621/6525333-1260213816371/PensionCrisisPolicyNotefinal.pdf.

Yakut-Çakar, Burcu, “Turkey” in Bob Deacon and Paul Stubbs (eds.), *Social Policy and International Interventions in South East Europe* (UK: Edward Elgar Publishing, 2007), pp. 103-129.

Yalman, Galip L., *Transition to Neoliberalism: The Case of Turkey in the 1980s* (İstanbul: İstanbul Bilgi University Press, 2009).

Yaşar, Yavuz, “The Crisis in the Turkish Pension System: A Post Keynesian Perspective”, *Journal of Post Keynesian Economics* (Vol. 36, No. 1, 2013), pp. 131-152.

Yazar, İsa, “80 Milyar Yeni Lirayı Yöneten SGK’ya Başkan Dayanmıyor”, *Zaman* (7 Ocak 2008).

Yeldan, Erinç and Köse, Ahmet H., “Türk Sosyal Güvenlik Sisteminin Yapısal Sorunları Üzerine Gözlemler”, *Mülkiye Dergisi* (Cilt: XXIII, Sayı: 217, Temmuz-Ağustos 1999), pp. 87-96.

Yenimahalleli Yaşar, Gülbiye, “Sosyal Güvenlik Sistemlerinin Tarihsel Gelişimi” in Gülbiye Yenimahalleli Yaşar (ed.), *Sosyal Güvenlik Sistemleri* (Erzurum: Atatürk Üniversitesi Açıköğretim Fakültesi Elektronik Ders Kitabı 2 Ünite, 2012).

Zabcı, Filiz, *Dünya Bankası Yanılsamalar ve Gerçekler* (İstanbul: Yordam Kitap, 2009).

“5 Nisan 1994 Kararları”, *Sınıf Mücadelesi* (Sayı: 118, 2008), Available at: http://www.sinifmucadelesi.net/spip.php?article63.

58. Hükümet, *Acil Eylem Planı* (2003), Available at: http://www.linux.org.tr/wp-content/uploads/2010/04/AcilEylemPlani.pdf.

WEB SITES

http://conventions.coe.int/Treaty/EN/Treaties/html/035.htm.

http://www.issa.int/the-issa/history/1927-1990.

www.atlanticcharter.ca/.

www.egm.org.tr.

www.ilo.org/ilolex/english/convdisp1.htm.

www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:3065524:NO.

www.ilo.org/dyn/normalex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312180:NO.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312182:NO.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312183:NO.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588,.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102588.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312147:NO.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102893.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:10289.

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312267:NO.

www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102893.

www.oecd.org/dataoecd/14/46/33619987.pdf.

www.tisk.org.tr.

www.tobb.org.tr.

www.tuik.gov.tr.

www.tusiad.org.

www.un.org/en/documents/udhr/.

INTERVIEWS

Interview with a High-Ranked Official in the Private Pension Department of the Undersecretariat of Treasury, 29 December 2011.

Interview with a Trade Union Official, 24 January 2012.

APPENDIX A. TURKISH SUMMARY

BİR SINIF PROJESİ OLARAK NEOLİBERAL EMEKLİLİK REFORMU: ŞİLİ VE TÜRKİYE ÖRNEKLERİ

Küresel emeklilik reformu kampanyası bağlamında 1980'den bu yana bütün dünyada refah devleti küçülmekte ve özellikle Güney ülkelerinde özel emeklilik sistemleri hızla gelişmektedir. Bu tez çalışması, Güney ülkelerinde arka arkaya yürürlüğe giren özel emeklilik sistemlerini neoliberal ekonomik ve sosyal politikaların en önemli yansımalarından biri olarak görmektedir.

Neoliberal dönüşüme uygun olarak emek piyasalarının serbestleştirilmesi geleneksel emeklilik sistemlerinde krize yol açmış ve bu krizi aşmak için Uluslararası Finans Kuruluşları, ulusal ve uluslararası sermaye grupları emeklilik reformu önermişlerdir. Demografik yaşlanma sorunu ve emeklilik sistemlerinin sürdürülebilirliği söz konusu aktörlerin temel savlarını oluşturmaktadır. Emeklilik reformu devlete daha küçük bir rol biçmekte ve riskin kişiselleştirilmesine dayanmaktadır. Diğer bir deyişle, nesiller arası dayanışmayı ortadan kaldırmakta ve özel emeklilik sistemleri ile finansal piyasalara görev vermektedir.

Emeklilik sistemlerinde neoliberal aktörler tarafından zorla yaptırılan değişiklikler her ne kadar literatürde "reform" kelimesi ile adlandırılsa da, bu yaklaşım aynı zamanda olumlu bir anlam taşıdığından bu tez çalışması yaşanan değişimi "dönüşüm" hatta "yeniden yapılandırma" olarak adlandırmaktadır.

Bu çalışma, öncelikle David Harvey ve Andrew Gamble'in neoliberalizm üzerine geliştirdikleri tezlerin geçerliliğini Güney ülkelerindeki emeklilik sistemlerinde yaşanan dönüşüm bağlamında göstermektedir. Daha sonra Şili ve Türkiye örneği incelenmektedir. Neoliberal devlet oluşumunun ilk ve en önemli örneği olan Şili ve Şili'de devlet emeklilik sisteminin çarpıcı bir şekilde özelleştirilmesi diğer Güney ülkelerinde yaşanan değişime ışık tuttuğu için tezin bir kısmını oluşturmaktadır. Bu tez çalışması Şili örneğine iki açıdan yaklaşmaktadır: Şili'de emeklilik sisteminin özelleştirilmesi 1990'lı yıllar boyunca diğer Güney ülkelerine bir başarı hikâyesi olarak pazarlanmıştır. Zaman içerisinde bu özelleştirme sürecinin ve özel emeklilik sisteminin toplum üzerinde yarattığı olumsuz sosyal ve ekonomik etkiler Şili modelini çok da istenmeyen bir model haline getirmiştir. Türkiye örneği ise reform yaptırılan ülkeler arasındaki farklılıkları ortaya koymak için detaylandırılmaktadır. Uluslararası Finans Kuruluşları Türkiye üzerinde de reform baskısı oluşturmuştur. Ancak, her iki ülkede reform süreci farklı sonuçlar doğurmuştur. Diğer bir ifadeyle, söz konusu reform süreci tarihsel olarak sınıf mücadelesi ve siyasi dinamikler çerçevesinde gelişen ucu açık bir süreçtir. Neoliberal politikalar Birinci ve İkinci Nesil Washington Uzlaşısı ile kurumsallaştırıldığı için neoliberalizmin değişen müdahale şekilleri de tez içerisinde değerlendirilmektedir.

David Harvey, Karl Marx tarafından ortaya konulan kapitalist üretim ilişkilerinde ilkel birikim sürecinin devam eden bir süreç olduğunu ancak günümüzde bu durumun "el koyarak birikim" kavramıyla açıklanabileceğini öne sürmüştür. İlkel birikim en basit tanımıyla toprak, su ve madenler gibi ortak mülkiyet alanlarının ve işgücünün metalaştırılmasıdır. Özel mülkiyet proleterleştirme, metalaştırma, yolsuzluk ve şiddet ağları ile yaratılmıştır. Harvey'e göre çağdaş kapitalist ekonomik ilişkiler kredi ve hisse senedi spekülasyonları ile varlıklara el konması, yüksek borç yükü, yolsuzluklar, büyük şirketlerde yaşanan çöküşlerle emeklilik fonlarının erimesi hatta birçok kişinin finansal spekülasyonlar nedeniyle emeklilik haklarını yitirmesi ile açıklanabilir.

Harvey'e göre neoliberalizm yöneten sınıf gücünün yeniden tesis edildiği bir sınıf projesidir. Neoliberal politikalar sürekli finansal krizler yaratmakta ve bu krizler sayesinde ülke içinde fakirden zengine kaynak aktarımı gerçekleşmektedir. Aynı şekilde çevre ülkelerden merkez ülkelere kaynak aktarımı sağlanmaktadır.

Hem Harvey hem de Gamble neoliberal politikaların uygulanmasında devlete büyük önem atfetmektedirler. Neoliberal anlayışta devlet ekonomik politikalar bağlamında küçük olmalı, aynı zamanda sermayenin önündeki engelleri kaldırabilecek kadar güçlü olmalıdır. Devlet müdahalesi, rekabetçi piyasa koşullarında sermaye sınıfının kendi içindeki çelişkileri gidermek için de önemlidir. Devlet serbest piyasanın etkin bir şekilde çalışması için gerekli olan kurumsal düzenlemeleri yapmakla görevlidir. Kapitalizm birikimin devam etmesi için kendi dışında bir şeye ihtiyaç duyar, dolayısıyla, devlet eliyle korunan her alan kapitalist birikime açılmalıdır. Devletin otoriter gücünün neoliberalizm ile birlikte artması aslında doğal bir durumdur. Örneğin, ancak güçlü bir devlet emeklilik haklarının özelleştirilmesine karşı gelecek toplumsal güçlere otoriter yöntemlerle karşı koyabilir. Özellikle 1980'lerden bu yana yükselen muhafazakârlık ve otoriterlik neoliberalizmin hegemonyacı bir proje olmasını sağlamıştır.

Neoliberalizmin yükselişinde devletin rolü indirgemeci bir yöntemle düşünülmemelidir. Clarke'ın vurguladığı gibi devlet, sermayenin ihtiyaçlarına göre hareket eden otomatik bir düzenleyici değildir. Bilakis devlet bir sınıf mücadelesi alanıdır. Devlet para ve hukuk ilişkileriyle sermayenin tahakkümü altına girmektedir. Sınıf mücadelesinin değişen koşulları ve devlet yapısındaki değişmeler kapitalist gelişmenin önceden belirlenmiş değil, ucu açık bir süreç olmasını sağlamaktadır.

Her ne kadar neoliberal politikalar bireysel özgürlük ve seçme özgürlüğü ile pazarlandıysa da bunların gerçekleştirilmesi devletin otoriter gücü ile olmuştur. Piyasa köktenciliğine karşı her türlü tehdit azaltılmalı veya ortadan kaldırılmalıdır. Bundan dolayı, neoliberalizm tam istihdam politikalarını, devlet emeklilik sistemlerini ve sendikacılığı hedef almıştır. Diğer bir ifadeyle, piyasacı özgürlük anlayışının sağlanabilmesi için her türlü dayanışmacı ekonomik ve sosyal politika terkedilmelidir.

Harvey'e göre neoliberalizm rızanın yaratılması ile meşrulaştırılmaktadır. Çevre ülkelerde devletlerin otoriter baskısıyla, merkez ülkelerde ise orta sınıfın girişimci bireycilik ile kuşatılmasıyla rıza yaratılmıştır. İşgücü piyasalarının serbestleştirilmesi ve esnek çalışma sisteminin yerleştirilmesi örgütlü emeğin gücünü azaltmış ve böylece neoliberal politikalara karşı mücadele edebilecek bir grubun gücü kırılmıştır. Satın alma ve birleşmeler yoluyla medya sektöründe oluşan tekelcilik neoliberal fikirlerin yayılmasına ve insanları neoliberalizmden başka bir yolun mümkün olmadığına ikna etmede başarılı olmuştur. Son tahlilde, yöneten elit kesim kendi çıkarlarını toplumun çıkarıymış gibi göstermeyi başarmıştır.

Uluslararası Finans Kuruluşları, özellikle Dünya Bankası şartlı fonları ile Güney ülkelerindeki emeklilik reformlarının yürütücüsü haline gelmiştir. Bunlara ek olarak, bölgesel kalkınma bankaları emeklilik reformlarını finanse etmişlerdir. Söz konusu reformların meşrulaştırılması için en çok kullanılan sav emeklilik sistemlerinin yaşlanma sorunu bağlamında sürdürülebilirliğidir. Hâlbuki nüfusun yaşlanması Kuzey ülkelerinin en büyük problemlerinden biridir. Bu tez çalışması bu çelişkiyi Gamble'in savıyla açıklamaktadır: Kapitalist ülkeler neoliberal reçeteleri Güney ülkelerine daha kolay dayatmaktadırlar. Güney ülkelerinde genel olarak yerleşik demokrasi anlayışı ve vatandaşlık haklarının olmaması bu durumu kolay kılmaktadır. Öte yandan, gelişmiş kapitalist ülkelerde örgütlü işgücünün yoğun olması ve vatandaşlık haklarının yasalar tarafından güçlü bir şekilde korunması neoliberal reform süreçlerini zorlaştırmaktadır.

Neoliberalizm bir büyüme modeli olarak sunulsa da ekonomik büyümeyi artırmak ve sermaye birikimini canlandırmak açısından çok da başarılı olamamıştır. Ancak, çevreden merkeze ve fakirden zengine kaynak aktarımını sağlayarak yöneten sınıfın gücünü pekiştirmiştir. Sadece gelişmiş kapitalist ülkelerde yöneten sınıfın refahını artırmakla kalmayıp Latin Amerika, Doğu Avrupa ve eski Sovyet bloku ülkelerinde yeni bir zengin sınıf yaratmıştır.

Neoliberal aktörler tarafından emeklilik reformunu meşrulaştırmak için kullanılan yaşlanma ve emeklilik sistemlerinin sürdürülebilirliği söylemi yüzeysel ve indirgemeci bir yaklaşımdır. Emeklilik konusu ve sürdürülebilirlik nüfusun yaşlanması gibi teknik bir meseleye indirgenmektedir. Devlet tarafından düzenlenen ve yönetilen emeklilik sistemleri verimsiz olmakla eleştirilmektedir. Hatta finansal piyasaların derinleşmesinin önünde engel olarak görülmektedirler. Hâlbuki emeklilik çok önemli bir sosyal meseledir. Tarihsel olarak refah devleti uygulamaları ve sermaye birikimi 1970'lere kadar beraber gelişmiştir. Genelde refah devleti uygulamalarının ve özelde emeklilik haklarının sermaye birikimi sınırlarını zorlamasıyla beraber refah devleti uzlaşısı kırılmıştır.

Dönemsel olarak bakıldığında işçi sınıfının 19. yüzyıldan beri süregelen etkin mücadelesi refah devleti uygulamalarını şekillendirmiştir. İkinci Dünya Savaşı'nın yarattığı büyük yıkım savaş sonrası dönemde refah devleti uzlaşısını doğurmuştur. Bu dönemin temel özelliği işçi sendikalarının çok güçlü olmasıdır. Refah devletinin gelişiminde Uluslararası Çalışma Örgütü'nün sürece etkin katılımı bir diğer belirleyicidir. Savaş sonrası dönemde sosyal güvenlik kavramı, Birleşmiş Milletler İnsan Hakları Evrensel Beyannamesi, Uluslararası Çalışma Örgütü Sözleşmesi ve Avrupa Sosyal Şartı ile düzenlenmiştir. Bütün bu düzenlemeler sosyal güvenliği temel bir insan hakkı olarak değerlendirmiş ve bu haktan doğan yükümlülüklerin devlet tarafından yerine getirilmesini öngörmüştür. Söz konusu dönemde sosyal güvenlik ve emeklilik hakları ekonomik bir yük olarak görülmemiştir. Bilakis ekonomik büyümenin ve kabul edilebilir bir sosyal düzenin en önemli belirleyicisi olarak değerlendirilmiştir.

1970'ler ekonomik krizi ile yaşanan neoliberal dönüşümden çok önce liberal yazarlar devlet emeklilik sistemlerinin bireysel özgürlükleri engellediğini ve emekliliğin özel sistemler ile düzenlenmesi gereğini ileri sürmüşlerdir. Devlet eliyle yeniden dağıtımın sağlanması ve emekli aylıklarının ödenmesi için çalışan nüfusun vergi vermesi bireysel özgürlükleri sınırlayan uygulamalardır. Friedrich A. Hayek ve Milton Friedman gibi liberallere göre, her birey geleceği konusunda karar verme hatta hata yapma özgürlüğüne sahip olmalıdır. Diğer bir deyişle, herhangi bir birey kendi geleceği için para biriktirmek istemiyorsa bu onun sorunudur. Devlet emeklilik sistemini yönetmek yerine piyasada emeklilik senedi satan bir aktör konumuna gelmelidir. Bu görüşler ışığında 1970'ler krizi neoliberal anlayışa sosyal güvenlik haklarının sınırlandırılması hatta ortadan kaldırılması için sadece gerekli ortamı sağlamıştır.

1970'lerde yaşanan ekonomik kriz ile başlayan neoliberal dönüşüm ithal ikameci büyüme modelinden ihracata dayalı sanayileşme stratejilerine geçişi hızlandırmıştır. Uluslararası piyasalarda rekabetçi olabilmenin en önemli koşulu olarak işgücü piyasalarının serbestleştirilmesi öne çıkmış ve bu durum, tam istihdam modeline dayanan geleneksel emeklilik sistemleri için bir felaket olmuştur.

On temel prensipten oluşan Birinci Nesil Washington Uzlaşısı Güney ülkelerinde yaşanan ekonomik büyüme sorunlarına bir çözüm olarak 1980'li yıllarda ortaya atılmıştır. Bunlar; maliye disiplininin sağlanması, kamu harcamalarının öncelikli alanlarının yeniden belirlenmesi, vergi reformu yapılması, faiz oranlarının serbest bırakılması, döviz kurunun tek tip olması ve piyasa koşullarında belirlenmesi, ticaretin serbestleştirilmesi, doğrudan yabancı yatırımların özendirilmesi, devlet teşekküllerinin özelleştirilmesi, deregülasyon ile devletin piyasa üzerindeki kontrollerinin kaldırılması ve mülkiyet haklarının güvence altına alınması olarak özetlenmiştir. Bu prensipler ışığında ve Uluslararası Para Fonu ile Dünya Bankası'nın koşullu kredileri ile Güney ülkelerinde birinci nesil reformlar yaptırılmıştır. Özellikle mali disiplin, kamu harcamalarının yeniden düzenlenmesi, özelleştirme, deregülasyon ve vergi reformu refah devleti uygulamalarını hedef almıştır. Kuzey ülkelerinin aksine sınırlı refah devleti modellerine sahip olan Güney ülkeleri için bu durum sosyal güvenlik sorunlarını artırmıştır. Birinci Nesil Washington Uzlaşısı ile kısa dönemde gerçekleşecek ekonomik büyümeyle mali ve finansal dengeye önem verilmiş, söz konusu reform adımlarının uzun dönemli etkileri üzerinde durulmamıştır. Neoliberal anlayışa uygun olarak her alan için bir kıstas belirlenmiştir. Dünya Bankası'nın çok ayaklı emeklilik modeli de bu dönemde Güney ülkelerine emeklilik alanında bir kıstas olarak önerilmiştir.

Birinci Nesil Washington Uzlaşısı ile belirlenen ve Güney ülkelerine dayatılan prensipler bazı ülkelerde kısa süreli ekonomik büyüme yaratmasına rağmen genel olarak ülkeleri daha kırılgan hale getirmiş, finansal krizlere maruz bırakmış ve borç batağına sürüklemiştir. Hızlı finansallaşma süreçleri yüzünden kontrol edilemeyen spekülatif finansal hareketler ve devlet müdahalesinin sınırlandırılması Latin Amerika ve Doğu Asya ülkeleri, Rusya ve Türkiye'de ciddi finansal krizlere yol açmıştır. Sonuç olarak, bu prensipler 1990'lı yıllarda revize edilmiştir. Sermaye hesaplarının ve işgücü piyasalarının serbestleştirilmesi, sosyal güvenlik ve yoksulluğun azaltılmasına yönelik programlar yeni uzlaşının göze çarpan ögeleridir. Neoliberal politikaların dünya çapında işsizliği ve yoksulluğu artırması, emeklilik meselesi üzerinden giden tartışmaların yoksulluğun azaltılması meselesine kaymasına sebep olmuştur. Bu aslında, artan yoksulluğu yönetme ve kapitalist üretim ve tüketim ilişkilerinin ihtiyaç duyduğu sağlıklı nüfus ve işgücünü sürdürebilme girişimidir.

2008 küresel finans krizi emeklilik reformu tartışmalarını şiddetlendirmiştir. Kriz ortamı ve finansal piyasalarda yaşanan hızlı değişimler özel emeklilik fonlarında büyük kayıplara sebep olmuştur. Güney ülkelerine krizin etkisini azaltmak için Uluslararası Finans Kuruluşları tarafından sağlanan yardım paketleri bu ülkelerin tekrar şartlı borç yükü sarmalına girmelerine yol açmıştır. Her zamanki gibi, birikmiş emeklilik fonları da batık bankalar gibi sermayedarların yatırımlarını kurtarmak için kullanılmıştır. Güney ülkelerinin kriz ortamında bile özel emeklilik sistemlerini devam ettirmeleri için baskıyla karşılaşmaları özel emeklilik sistemlerinden geri dönülmeyeceğinin önemli bir göstergesidir. Sadece Macaristan ve Arjantin'de özel emeklilik sistemi hiçbir şekilde sürdürülemeyeceği için fiili olarak millileştirilmiştir.

Emeklilik sisteminin özelleştirilmesi Şili'yi neoliberal sınıf projesinin en önemli örneği haline getirmiştir. General Pinochet tarafından yönetilen askeri darbe devlet-toplum ilişkisini ciddi anlamda değiştirmiştir. Amerika Birleşik Devletleri'nde eğitim alan ve Hayek ve Friedman gibi ünlü liberallerin fikirlerinden etkilenen bir grup ekonomist (Chicago Boys) Şili'de neoliberal politikaların hayata geçirilmesinde büyük rol oynamışlardır. Emeklilik sisteminin radikal bir şekilde özelleştirilmesi örgütlü işçi sınıfının gücünü tamamen çözmüş ve böylece neoliberal devlet oluşumunun en önemli adımlarından birini oluşturmuştur. Bireysel özgürlüklerin sağlanması söylemiyle gerçekleştirilen emeklilik reformu her nedense devletin otoriter gücüyle yapılmıştır. Şili'de yöneten sınıf gücünün yeniden tesis edilmesinde bu özelleştirme sürecinin etkisi büyüktür. Uluslararası Finans Kuruluşları, bölgesel kalkınma bankaları ve liberal yazarlardan oluşan uluslararası koalisyon Şili emeklilik modelini diğer Güney ülkelerine büyük bir hevesle pazarlamışlardır.

Yeni emeklilik sistemi emekli maaşlarını ve özel emeklilik piyasasında rekabeti artırmak ile sistemin mali sürdürülebilirliğini sağlamak yerine yoksul sayısını artırmış ve özellikle emeklilik fonu yöneticilerine, piyasa oyuncularına ve onların uluslararası bağlantılarına, yüksek maaşlı ve tam zamanlı çalışan kesime yarar sağlamıştır. Özel emeklilik piyasasında oluşan tekelleşme ve özel emeklilik şirketleri ile yöneten sınıfın yakın ilişkisi neoliberal sınıf projesini açığa çıkartmaktadır. Öte yandan, merkez-sol koalisyon hükümetlerinin neoliberal politikaları sürdürmesi, bu çapta yapılan radikal bir reformdan geri dönmenin Şili toplumunda istikrarsızlık ve güç dengesizliğine sebep olacağı ihtimalidir. Merkez-sol koalisyon hükümetlerinin yaptığı en önemli düzenleme mevcut emeklilik sisteminin yapısına bir dayanışma katmanı eklemesidir. Aslında, en önemli amaç İkinci Nesil Washington Uzlaşısı ve kapsayıcı neoliberalizm anlayışına uygun olarak yoksulların işgücü piyasasında yer almasını sağlamaktır.

Türkiye örneği neoliberal politikaların bütün Güney ülkelerinde aynı şekilde uygulanamadığının bir göstergesidir. Şili'ye benzer şekilde Türkiye'de neoliberal dönüşüm 1980 yılında yapılan askeri darbe ile başlamıştır. Hem askeri yönetim hem de onu takip eden sivil hükümetler neoliberal ekonomik ve sosyal politikalara bağlı kalmışlardır. İhracata dayalı sanayileşme stratejilerine uygun olarak ve uluslararası piyasalarda daha rekabetçi olmak için işgücü piyasaları serbestleştirilmiştir. Aslında, ihracata dayalı sanayileşme stratejileri ve onun gerekleri daha çok süreci meşrulaştırmak için kullanılan söylemsel bir yöntem olarak kalmıştır. Emek piyasalarındaki dönüşümün gerçek nedeni işgücünün daha önceden kazanmış olduğu hakların elinden alınmasıdır. Bundan dolayı, sendikalaşma işgücü piyasaları için önü alınması gereken önemli bir problem olarak tanımlanmıştır. Bu bağlamda, işgücü piyasasının serbestleştirilmesi ve emeklilik reformu diğer Güney ülkelerinde olduğu gibi yaşlanma sorunu, sürdürülebilirlik ve verimlilik gibi temel neoliberal savları kullanarak eşzamanlı gerçekleştirilmiştir. Ancak, emeklilik sisteminde yaşanan dönüşüm yöneten sınıf gücünün yeniden tesis edilmesi anlamına gelmemektedir. Şili örneğinden farklı olarak Türk burjuvazisi gücünü 1970 krizinden önce tesis etmiştir. Öte yandan, 1980'li yıllarda Uluslararası Para Fonu ve Dünya Bankası'nın gevşek takibi emeklilik sistemindeki dönüşümü geciktirmiştir. Başka bir ifadeyle Türkiye yaklaşık on yıl kazanmış ve ancak 1990'lı yıllar emeklilik reformuna tanık olmuştur. Dolayısıyla, hem emeklilik reformu hem de emeği hedef alan saldırgan politikalar yöneten sınıf gücünün sağlamlaştırılması anlamına gelmektedir.

Türkiye'de neoliberal dönüşümden önce bile evrensellik, yeterlilik ve eşitlik ilkeleri üzerine kurulu Keynesyen refah devleti ve emeklilik sistemi olmamıştır. Bireylerin emeklilik hakları çalışma statüsüne bağlı olarak düzenlenmiştir. Sosyal güvenlik kapsamındaki nüfusun en büyük kısmını bağımlı bireyler oluşturmakta ve bunlar aile üyeleri sayesinde emeklilik ve sağlık güvencesi kazanmaktadırlar. Geleneksel emeklilik sistemi 1990'lı yılların başında yüksek açıklar vermeye başlamış, ulusal sermaye grupları ve liberal kesimler bu açıkların mevcut sistemde ödenen yüksek emekli maaşlarından kaynaklandığını belirterek reform çağrısında bulunmuşlardır. Oysaki asıl sebep özel sektör işverenlerinin sorumlu oldukları sosyal güvenlik primlerini 1980'li yıllar boyunca ödememeleridir. Büyük sermaye sahipleri ve işverenler yüksek faiz oranlarıyla yatırım yapmak yerine finansal kârlardan yararlanmayı seçmişler ve sosyal güvenlik primlerini ödememişlerdir. Yatırımların azalması ve işgücü piyasalarının serbestleştirilmesi hem işsizliği hem de sosyal güvenlik haklarından yararlanan insan sayısını azaltmıştır. Geleneksel emeklilik sistemi çalışma statüsüne ve emeklilik primlerinin düzenli tahsil edilmesine sıkı sıkıya bağlı olduğu için, işsizliğin artması ve söz konusu primlerin ödenmemesi sistemi krize sürüklemiştir. Sisteme devlet katkısının olmaması da krizi şiddetlendirmiştir. Sonuç olarak emeklilik reformu, 1990'lı yıllardan itibaren iktidara gelen bütün hükümetlerin gündeminde önemli bir yer teşkil etmiştir. Bu durum küresel düzeyde yürütülen emeklilik reformu kampanyasından ayrı düşünülemez.

Türkiye'de gerçekleştirilen emeklilik reform sürecine Uluslararası Finans Kuruluşları koşullu kredileri ile fazlasıyla müdahil olmuşlardır. Müzakere sürecinde olan Türkiye için bir diğer önemli aktör de Avrupa Birliği'dir. Şili örneğini bir başarı hikâyesi olarak gören ulusal sermaye temsilcileri aynı şekilde bir emeklilik reformu yapılmasını önermişlerdir. Hazine Müsteşarlığı ve Sosyal Sigortalar Kurumu'nda çalışan bazı teknokratlar özel emeklilik sistemleri hakkında eğitim almak üzere İngiltere'ye gönderilmişler ve Şili'de olduğu gibi neoliberal emeklilik reformuna hizmet vermek üzere ülkelerine dönmüşlerdir. Bütün bunlara rağmen Türkiye'de o günkü koşullarda radikal bir emeklilik sistemi reformu gerçekleşmemiştir. Büyük çapta bir reform süreci meşrulaştırılamamıştır. Kamu emeklilik sistemine bir tamamlayıcı katman olarak 2001 yılında hayata geçirilen Bireysel Emeklilik Sistemi uzun yıllardır devlet koruması altında olan emeklilik alanının devlet eliyle özel sektöre açılmasına çok çarpıcı bir örnek teşkil etmektedir. Bireysel emeklilik piyasası zaman geçtikçe İkinci Nesil Washington Uzlaşısı'nın sermaye hesaplarının serbestleştirilmesi prensibine uyumlu olarak uluslararası sermayenin istilasına uğramıştır.

1999 ve 2006-2008 döneminde gerçekleştirilen emeklilik reformu sisteme pek çok parametrik değişiklik getirmiştir. Emeklilik yaşının yükseltilmesi, emekli aylığı bağlama oranlarının düşürülmesi ve farklı sosyal güvenlik kurumları arasında norm birliğinin sağlanmaya çalışılması iki reform sürecinin ortak noktalarını oluşturmaktadır. Her ne kadar dikte ettirilen emeklilik reformu mevcut sistemin kapsamını artırmayı ve sosyal güvensizliğe bir çözüm getirmeyi vadetse de reform süreci politikacılar tarafından bilinçli olarak emeklilik yaşı ve bağlama oranı gibi teknik konulara indirgenmiştir. Diğer bir ifadeyle, emeklilik konusu politik bir konu olmaktan çok teknik bir konu olarak yeniden tanımlanmıştır. Beklendiği üzere, reform süreci sosyal güvenlik kapsamını genişletmemiştir; hatta emeklilik hakları daraltılmış ve yoksul kesimin ekonomik ve sosyal durumu daha da kötüleşmiştir. Bunun bir diğer sebebi de işgücü piyasasındaki esnek çalışma koşullarıdır.

Bugün Şili emeklilik sistemi tamamıyla özel emeklilik hesapları üzerinden hizmet vermektedir. Türkiye de ise, tamamlayıcı Bireysel Emeklilik Sistemi'ne rağmen kamu emeklilik sistemi ağırlığını korumaktadır. Sistemden çıkış oranları Bireysel Emeklilik Sistemi'nin tamamlayıcı emeklilik aracı olmak yerine daha çok bir tasarruf aracı olarak kullanıldığını ortaya koymaktadır.

Emeklilik ve sağlık politikaları özellikle Adalet ve Kalkınma Partisi hükümetlerinin elinde kullanışlı bir sınıf projesi aracı haline gelmiştir. Parti'nin kendi iktidarı için tehlike olarak gördüğü sivil ve asker bürokrasinin gücünü azaltmanın bir yolu da emeklilik ve sağlık alanında yapılan reformlardır. Mesela, sadece söz konusu sınıflara hizmet veren sağlık kuruluşları bütün topluma açılmıştır. Öte yandan, emeklilik hakkı gibi yasal olarak düzenlenmiş sosyal haklar İslami değerler etrafında hayır hizmetlerine dönüştürülmüştür.

Güney ülkelerindeki emeklilik sistemleri 1980'lerden bu yana neoliberalizmin saldırısı altındadır. Şili ve Türkiye'deki emeklilik sistemi dönüşümü bu durumun iki değişik örneği olarak tez çalışmasında incelenmiştir. Neoliberal dönüşümden önce önemli bir politik mesele olarak değerlendirilen emeklilik meselesi neoliberal politikaların uygulanmasıyla sıradan teknik bir konuya indirgenmiş ve geleneksel emeklilik sistemleri verimsiz ve sürdürülemez olarak nitelendirilmiştir. Hâlbuki önerilen neoliberal çözümler emeklilik sistemlerinde yaşanan sorunların gerçek sebepleridir. Küresel düzeyde yürütülen emeklilik reformu kampanyasının asıl amacı insan hayatında çok önemli bir yere sahip olan emeklilik hakkına el konularak uzun yıllar boyunca devlet tarafından yürütülen, düzenlenen ve korunan bir alanın sermaye birikimine açılmasıdır. Söz konusu reform süreci evrensellik, eşitlik, kuşaklar arası dayanışma ve yoksullukla savaş gibi emeklilik sistemlerinde olması gereken temel özellikleri ortadan kaldırmış yerine riskin kişiselleştirilmesini getirmiş ve toplumlarda gelir dağılımı eşitsizliğini artırmıştır.

APPENDIX B. CURRICULUM VITAE

PERSONAL INFORMATION

Surname, Name: Yılmaz Akın, Burcu Gökçe
Nationality: Turkish (TC)
Date and Place of Birth: 4 March 1979, Eskişehir
Marital Status: Married
Phone: +90 850 200 60 82
Fax: +90 850 200 59 13
e-mail: byilmaz@eximbank.gov.tr

EDUCATION

Degree	Institution	Year of Graduation
MS	Ankara University, European Communities	2006
MA	Leiden University, European Union Studies	2005
BS	METU, Business Administration	2002
High School	Kılıçoğlu Anatolian High School, Eskişehir	1997

WORK EXPERIENCE

Year	Place	Enrollment
2006- Present	Turk Eximbank	Assistant Manager
2006 January-2006 August	Turkish Statistical Institute	Expert
2002-2006 January	Municipality of Ankara	Expert

FOREIGN LANGUAGES

Advanced English

APPENDIX C. TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü	
Sosyal Bilimler Enstitüsü	X
Uygulamalı Matematik Enstitüsü	
Enformatik Enstitüsü	
Deniz Bilimleri Enstitüsü	

YAZARIN

Soyadı : Yılmaz Akın
Adı : Burcu Gökçe
Bölümü: Uluslararası İlişkiler

TEZİN ADI (İngilizce) : Neoliberal Pension Reform As A Class Project: The Cases of Chile and Turkey

TEZİN TÜRÜ : Yüksek Lisans [ ] Doktora [X]

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir. [ ]
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir. [ ]
3. Tezimden bir (1) yıl süreyle fotokopi alınamaz. [X]

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: