COLLECTIVE BARGAINING IN TURKEY

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Executive Summary

Trade unions in Turkey have limited rights when it comes to signing collective bargaining agreements. As a result, Turkey has a very low collective bargaining coverage rate, particularly compared to the EU countries. ILO estimated the collective bargaining coverage rate for Turkey as 10.8% in 2001. As **betam**, we calculate the same rate as 13.3% in 2006, using TURKSTAT's 2006 Wage Structure Survey.

Wage-earners working in the following sectors seem to have a higher probability of collective bargaining coverage: Electricity, gas and water supply, mining and quarrying, transport, storage and communication. However, those who work in these sectors constitute a small part of the entire population. Almost half of all wage-earners work in manufacturing, which has a collective bargaining coverage rate of 18%.

Firm-level analysis reveals that the firm size and the collective bargaining coverage rate are positively correlated.

Employee-level analysis shows that in general, those who are covered by collective bargaining agreements receive a much higher wage compared to those who are not covered by it. However, these results are descriptive rather than econometric; hence measure raw correlations rather than causal relations.

Collective bargaining coverage rate is 13% among wage-earners

According to the figures published by the Ministry of Labor and Social Security (MLSS) in 2006, unionization rate among workers in Turkey is 58.2%. To obtain this figure, MLSS uses the ratio of the number of employees which are labor union members to the number of total employees registered at a social security institution. International institutions such as International Labor Organizations (ILO) or OECD do not use this rate, as the unionization rate published by MLSS does not adequately reflect the role of unions in the labor market. This is due to the fact that not all the trade unions are eligible for signing collective agreements (CA). Turkey is one of the few countries where the collective bargaining coverage rate is lower than the unionization rate.[1]

ILO estimated the collective bargaining coverage rate for Turkey as 10.8% in 2001. As **betam**, we calculate the same rate as 13.3% in 2006, using TURKSTAT's 2006 Wage Structure Survey. Clearly, Turkey is behind most EU countries regarding collective bargaining coverage rate.

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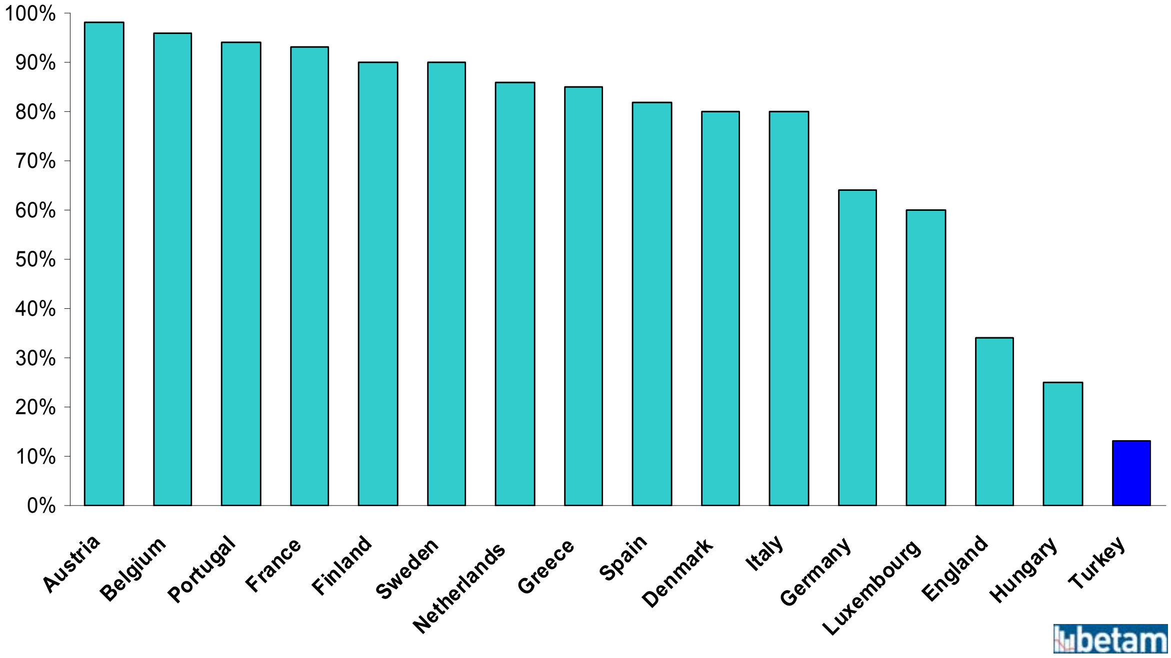
[1] According to the *Collective Bargaining and Strike Law* in effect (no. 2822), a labor union should contain at least 10% of all wage-earners in its sector or should have at least 50% of wage-earners in the firm signing a collective agreement. Additionally, *Law for the Public Employees' Trade Unions* (no. 4688) mentions "collective meeting" instead of "collective bargaining".

Table 1 Collective bargaining coverage rate in Turkey and selected EU countries



Source: ETUI-REHS and **betam**

Union rights constitute one of the most important aspects of EU-Turkey negotiations, and it is a particularly hot topic nowadays.[2] In this research brief, we aim to investigate the relative positions of wage-earners which are covered by collective bargaining agreements and those who aren't by using TURKSTAT's 2006 Wage Structure Survey. Note that we only conduct descriptive (not econometric) analyses in this research brief. Therefore we study correlations, not causal relations.

In its weighted form, the 2006 Wage Structure Survey contains 264,672 firms and 5,986,246 wage-earners in its representative sample. Collective bargaining variable is defined on a firm-level and observations are restricted to the non-agricultural sector.

[2] In his column in Radikal (12/02/09), Murat Yetkin wrote that European Commision representative Mark Pierini had told him that they were expecting a new law on trade unions from Ankara. In the same article, he mentions of an interview, where Europe Commision member Jean-Christophe Flori states that they prioritize the new law on trade unions and that it is a very important part of the project of integration with EU. Additionaly, in the latest report of European Parliament, prepared by Ria Oomen-Ruijten, it is said that Turkey should bring its trade-union laws into accordance with the ILO agreements.

Table 2 Collective bargaining coverage rates and cross-sectoral shares

Sector	**Sectoral collective bargaining coverage rate**	**Sectoral rate of employees that are not covered by CA**	**Cross-sectoral shares of employees covered by CA**	**Cross-sectoral shares of wage-earners**
Electricity, gas and water supply	**%76,4**	**%23.6**	**%8.1**	**%1.4**
Mining and quarrying	**%29.1**	**%70.9**	**%4.2**	**%1.9**
Transport. storage and communication	**%20.8**	**%79.2**	**%12.3**	**%7.9**
Manufacturing	**%18.1**	**%81.9**	**%65.3**	**%48.1**
Manufacture of basic metals and fabricated metal products	%38.4	%61.6	%16.1	%5.6
Manufacture of chemicals. chemical products and man-made fibers	%30.8	%69.2	%4.5	%1.9
Manufacture of transport equipment	%30.4	%69.6	%7.0	%3.1
Manufacture of food products. beverages and tobacco	%23.8	%76.2	%8.0	%4.5
Manufacture of electrical and optical equipment	%21.5	%78.5	%3.8	%2.4
Manufacture of machinery and equipment n.e.c.	%19.25	%80.8	%5.3	%3.7
Manufacture of coke. refined petroleum products and nuclear fuel	%16.5	%83.5	%0.4	%0.3
Manufacture of other non-metallic mineral products	%15.7	%84.3	%4.0	%3.4
Manufacture of textiles and textile products	%11.0	%89.0	%13.0	%15.8
Manufacture of rubber and plastic products	%10.9	%89.1	%1.5	%1.9
Manufacture of wood and wood products	%6.9	%93.1	%0.3	%0.6
Manufacture of pulp. paper and paper products; publishing and printing	%4.7	%95.3	%0.6	%1.7
Manufacturing n.e.c.	%4.0	%96.0	%0.7	%2.5
Manufacture of leather and leather products	%3.5	%96.5	%0.3	%1.0
Other community. social and personal service activities	**%5.8**	**%94.2**	**%0.7**	**%1.6**
Financial intermediation	**%5.3**	**%94.7**	**%0.7**	**%1.8**
Health and social work	**%3.8**	**%96.2**	**%0.6**	**%2.1**
Real estate. renting and business activities	**%3.7**	**%96.3**	**%1.9**	**%6.8**
Wholesale and retail trade; repair of motor vehicles. motorcycles and personal and household goods	**%3.6**	**%96.4**	**%4.2**	**%15.4**
Hotels and restaurants	**%3.1**	**%96.9**	**%1.0**	**%4.2**
Construction	**%1.7**	**%98.3**	**%0.8**	**%6.1**
Education	**%1.3**	**%98.7**	**%0.3**	**%2.7**
Total	**%13.3**	**%86.7**	**%100**	**%100**

Source: TURKSTAT ve **betam**

Electricity, gas and water supply industry has the highest collective bargaining coverage rate

The sectoral collective bargaining coverage rates and sectoral rates of employees that are not covered by CAs are given in the first two columns of Table 2. Figures reveal that the highest collective bargaining coverage rates are in the following sectors: Electricity, gas and water supply (76.4%) and mining and quarrying (29.1%). Yet, the fact that relatively small shares of wage-earners are employed in these sectors implies that these sectors make a very small contribution to total wage-earners covered by CAs.

On the other hand, manufacturing (48.1%) employs a relatively large share of total wage-earners. Moreover, 18.1% of wage-earners working in manufacturing industry are covered by CAs. The sub-sectors in manufacturing that have relatively high collective bargaining coverage rates are manufacture of basic metals, chemicals, transport equipment, food and electrical equipment. These sub-sectors cover 21.2% of total wage-earners.

The wholesale and retail trade sector, where 15.4% of all wage-earners work, has one of the lowest collective bargaining coverage rates. We think that this might be related to the fact that this sector is composed mainly by small firms which employ 10-49 wage-earners. Therefore, the relationship between firm size and collective bargaining coverage rate should be carefully analyzed.

As firm size increases, the probability of CA coverage increases

Firms are classified according to whether they have signed a CA or not in Table 3. As mentioned above, collective bargaining is defined on the firm-level. This implies that all the wage-earners working in a firm that signed a CA are reported as covered by a CA.

Table 3 Within-group distributions of firms

Firm Size	Number of firms	Number of firms that signed a CA	Proportion of firms that signed a CA
10 - 49	152,230	1,814	%1.2
50 - 249	61,822	2,517	%4.1
250 - 499	17,573	2,882	%16.4
500 - 999	13,912	3,484	%25.0
1000+	19,136	6,443	%33.7

Source: TURKSTAT and **betam**

A quick look at Table 3 reveals that both the ratio and the number of firms that have signed a CA increase with firm size. 33.7% of firms which employ 1000+ wage-earners and 25% of firms which employ 500-999 wage earners have signed CBAs. On the other hand, only 1.4% of firms which employ 10-49 wage-earners and only 4.1% of firms which employ 50-249 wage-earners have signed CAs.

Wage-earners who are covered by CAs earn more on average

Lastly, we compare earnings and tenure of wage-earners who are and who are not covered by CAs. We group wage-earners by firm size. Firm sizes may proxy earning differentials that are affected by certain characteristics such as productivity of the firm, human capital of employees, etc.

Table 4 Average earnings and average lengths of service

	Covered by CA	Not covered by CA	Percentage Difference
Total gross annual payment (average. annual. TL)			
10 - 49 employees	10,443	7,208	%44.9
50 - 249 employees	14,198	9,434	%50.5
250 - 499 employees	13,651	11,706	%16.6
500 - 999 employees	15,031	13,060	%15.1
1000+ employees	17,574	15,075	%16.6
Total premium pays, bonuses, supplementary benefits etc, (average, annual, TL)			
10 - 49 employees	857	183	%368.5
50 - 249 employees	1,536	520	%195.5
250 - 499 employees	2,484	911	%172.7
500 - 999 employees	1,999	1,949	%2.5
1000+ employees	3,149	2,031	%55.1
Overtime pay (average, hourly, TL)			
10 - 49 employees	6.4	5.7	%12.0
50 - 249 employees	8.2	6.1	%33.8
250 - 499 employees	9.8	6.3	%57.1
500 - 999 employees	8.6	7.3	%17.6
1000+ employees	12.1	8.1	%49.3
Tenure (average, year)			
10 - 49 employees	5.5	2.3	%141.8
50 - 249 employees	7.6	2.7	%178.1
250 - 499 employees	7.4	3.6	%106.0
500 - 999 employees	7.3	4.0	%84.4
1000+ employees	11.5	5.6	%106.2

Source: TURKSTAT and **betam**

According to Table 4, there is a huge earnings gap between those who are covered by CAs and those who are not. In firms of size 10-49, wage-earners covered by CAs receive 368.5% more bonuses and premium pays than uncovered wage-earners on average. This gap declines to 55.1% in firms of size 1000+. It is also noteworthy that in firms of size 500-999, there is not a significant difference between covered and uncovered wage-earners with respect to average premium pays, bonuses and supplementary benefits.

A similar gap exists in average tenure on the job. On the other hand, note that a consistent relation does not exist between firm size and tenure differences. The biggest difference appears in firms of size 50-249. In these firms, covered wage-earners work for 7.6 years on average, uncovered wage-earners work only for 2.7 years on average. The smallest difference appears in firms of size 500-999 where covered wage-earners work for 7.3 years on average and uncovered wage-earners work for 4 years on average.

Although not as big when compared to average lengths of service and average premium pays, bonuses etc., the average gross annual pay differentials and average overtime pay differentials are quite significant as well. In firms of size 10-49, wage-earners covered by CAs receive 44.9% more bonuses and premium pays than uncovered wage-earners on average. The same difference is 50.5% in firms of size of 50-249. On the other hand, in firms of 250-499 and 1000+, covered wage-earners earn 16.6% more than uncovered wage-earners. The difference is 15.1% in firms of size 500-999. As firm size increases, the average gross annual pay differential between covered and uncovered wage-earners decrease.

There is no apparent pattern of overtime pay differentials across firm sizes. In firms of size 10-49, wage-earners covered by CAs receive an average hourly overtime pay that is 12% greater than that received by the average uncovered wage-earner. The hourly overtime pay is 49.3% greater in firms of size 1000+. The difference is at its greatest in firms of size 250-499.

As mentioned earlier, the analysis conducted here does not indicate to direct causality between collective bargaining and earnings, tenure on the job etc. Put another way, the wage-earners that are covered by CBAs might be earning more, simply due to differences in levels of education, tenure or gender. Even if the classification according to firm sizes controls for some unobservable characteristics, an econometric study is needed to control for other observables.