Dramatic decline in Turkish wages

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Figures recently released by the Turkish Statistical Institute (TUIK) reveal that in the first quarter of 2009, as Turkey was being hit hard by the global financial crisis, not only real wages but also nominal wages in industry decreased substantially.

According to a June 19 TUIK press release, the quarterly issued "Industrial Labour Input Indicators" show that "the gross wages-salaries index [in other words, nominal wages] in industry decreased by 4 percent over the same quarter of the previous year."

When inflation is taken into account, this 4 percent decrease in nominal wages turns into a much higher *11.4 percent loss, in real wages*. Behind this dry official figure lie distress and misery for wide layers of the population.

Even more strikingly, the data released by TUIK reveals that over the same period, nominal wages plummeted by a staggering 8.5 percent over the previous quarter—i.e., the last three months of 2008.

Such a large, rapid real and nominal decrease in industrial wages represents a massive increase in the rate of exploitation of the working class. Living standards of the Turkish working population are under a sustained attack, and workers are being blackmailed into accepting wage reductions under the threat of losing their jobs.

Although Turkish capitalism has experienced severe crises in the past, it has never witnessed such high rates of nominal wage losses. According to economist Professor Seyfettin Gursel, director of the Centre for Economic and Social Research (BETAM) at Bahçesehir University, Turkish workers have not experienced a wage deflation in nominal terms since the Great Depression years of the early 1930s.

The most recent significant erosion of real wages took place in 2001, in the wake of a devastating financial crisis, which erupted in February of that year when an International Monetary Fund-backed economic programme collapsed under its own weight. In 2001, the consumer price index rose 68.5 percent and wages increased only 31.8 percent. Real wages kept on falling dramatically until 2003.

Real wages never did manage to attain their 2000 level, although Turkish capitalism maintained continuous high economic growth, averaging 7.5 percent, during the 2002-2006 period.

Over this same period, there was a continuous attack on jobs and livings standards facilitated by the complicity of the trade unions. Before the 2001 crisis, the Turkish unions signed successive agreements with the government and employers keeping real wages depressed. In 2001, Bayram Meral, then leader of Turkey's biggest union federation, the Turkish Confederation of Labour (Turk-Is), justified signing such agreements by saying, "I signed it for Turkey, for the good of our nation."

As the economy plunged into the most severe crisis Turkey had seen in its modern history prior to the present slump, real wages plummeted even further. The unions functioned to suppress workers' resistance, paving the way for the so-called 2003-2007 "recovery" programme, which boosted profits at the expense of workers' living standards.

The rapid economic growth of the 2003-2007 period under the Islamist Justice and Development Party (AKP) was essentially based on foreign capital inflows and speculative in nature. This was a "jobless economic growth," as some economists called it, which did little to ameliorate real unemployment levels and only served to increase social and economic inequality.

The AKP government's success on behalf of Turkish capitalism was to achieve an advantage over other rival, so-called "emerging" countries, based on cheap labour achieved through unemployment, new pro-business regulations and brutal exploitation.

Turkey's economic growth started to lose steam toward the end of 2006. The internal "weaknesses" of Turkish capitalism eventually overlapped with the world economic crisis in the last quarter of 2008.

Turkey's industrial production has been in free fall since last October. Economic growth for the fourth quarter of 2008 declined by a staggering 6.2 percent, and many are predicting at least a 10 percent contraction for the first quarter of 2009.

A recent report issued by the Organisation for Economic Cooperation and Development estimates that Turkey's economy will contract 5.9 percent this year as exports plunge and companies cut investment and production.

In addition to forecasts pointing to a quasi-Depression level of economic contraction for 2009, every other leading economic indicator available indicates that the rapid erosion of wages will deepen further in the coming months.

In an article published in the Turkish daily business paper *Referans* on June 24, Professor Gursel suggests that, even based on the most optimistic scenario, the nominal wage loss will not be less than 8.5 percent at the end of the year compared to 2008. However, as Gursel suggests, this is the *best-case scenario* and, according to his calculations, it is highly likely that nominal wage losses will be around 15 percent.

At the end of April, one of Turkey's major trade unions, the thoroughly corrupt Turk Metal—together with its Islamist rival, Celik-Is—gave its consent to a 35 percent cut in wages and bonuses—over a period of 16 months—for thousands of workers employed at the Eregli Iron and Steel Factories (Erdemir), Turkey's biggest and very profitable steelmaker. In the coming weeks and months, Turkish unions are expected to sign a series of similar retrogressive agreements.

In the past, economic crises in Turkey often triggered a sharp rise in inflation, followed by an increase in nominal wages, albeit at a rate lagging behind price increases. Thus, a decrease in real wages combined with a decrease in the value of the Turkish lira, aiding exports, was used to create the conditions for a relatively quick recovery. However, today, within the context of a global financial and economic crisis, this mechanism is not working.

Under present conditions, as it is not possible to boost exports due to a lack of foreign demand, the rapid increase in unemployment and the erosion of wages will keep dealing blows to consumption in Turkey, which is the last hope of the government and the Turkish bourgeoisie to stimulate the rapidly shrinking economy.

Households are getting poorer not only because of eroding real wages, but also because unemployment is on the rise. TUIK's figures testify to this: in the first quarter of 2009, industrial employment decreased by 10.4 percent over the same quarter in 2008.

BETAM estimates that the average official unemployment rate will climb to 16.8 percent in 2009 and will reach 18 percent by the end of 2011. Turkey has never experienced such high rates of unemployment in its modern history.

The Turkish bourgeoisie is demanding that the full burden of the economic disaster be placed on the shoulders of working people. The employers are insisting on more "flexible" working conditions and the abolition of severance pay under the guise of "creating more jobs." The social and political situation will inevitably grow more explosive under these conditions of widespread popular suffering.