

***The 2008-2009 Crisis And Short-Time Working Schemes
As A Flexicurity Alternative: The Turkish Example***

By

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For the

8th EUROFRAME Conference 2011

**Labour Market After the Crisis: Policy Challenges for the EU
Economies**

Helsinki, 10 June 2011

Session: **“Domestic Experiences”**

Synopsis:

During the Global Economic Crisis, the Government has established various social policy measures. Amongst those policies, “Short-Time Working Schemes (STWS) and its pay” has particular significance for the industrial sector and its workers. Many firms could not benefit from STWS opportunity due to rigid rules and restrictions in the beginning of the crisis. Later, these restrictions have loosened because of measures against the economic crisis and consequently SWTS has become a life buoy to employers. If shorter working time was not exist, the rate of open unemployment would be 14.8% rather than 14%. The STWS is an effective social policy measure that saved livelihood of 3.247 companies and prevented 190.000 additional job losses in 2009, which was a year deeply affected by the global economic crisis. Another important conclusion which was offered by STWS experiment is that it is created a terrain to open the way of flexibility on the basis of flexicurity in the Turkish labour market.

I. INTRODUCTION

Globalization has brought with it a process of rapid change. The Global Economic Crisis that began in the second half of 2007 and left its mark on the last three and a half years has made that change even more chaotic. The crisis started as a financial crisis that then spilled over into the real sector and now has become a credit crisis as well. Changing constantly and leaving behind permanent effects, the crisis continues even today. There is however one well-known and generally acknowledged fact, namely, that economies are going to have to expand to recover from this employment and credit crisis.

The World and Turkish economies have been under the influence of the Global Economic Crisis for four years. Turkey was not affected by the crisis very negatively from a financial perspective. This aspect distinguishes Turkey from other countries. That said, due to the Global Economic Crisis, Turkey took a significant hit in manufacturing and employment areas. It must be noted that Turkey had serious unemployment issues before the crisis. The crisis has intensified those issues even more.

Following 2009, a year of virtual economic collapse, 2010 has been a year in which the global economy, relatively speaking, got back on track. Turkey has been remarkably successful in exiting the crisis thanks to measures taken to step up production and stimulate foreign and domestic demand. Industrial output has increased since December 2009, and thanks to this favorable trend in industry the Turkish economy chalked up double-digit growth figures in 2010. Manufacturing output was up by 14.4% in 2010 (it was declined 11.3% in 2009). In Turkey, GDP in fixed prices grew at the rate of 8.9% in 2010 and Turkey has the 6th fastest growing countries in the world.

Job opportunities have opened up in Turkey thanks to the measures that were taken aimed at creating employment, reducing uncertainties and achieving an increase in economic activity above forecasts. Unemployment, which spiked to 16.1% in February 2009, fell to 11.5% in February 2011. As of that month, non-farm payroll unemployment had fallen by 5.6 points on the same period the previous year to 14.2 and youth unemployment by 8.0 points to 20.6%. Overall unemployment, which was 14.0% in 2009. Unemployment rate realized as 11.9 % with 2.1 points decrease in 2010.

During the crisis, the Government has established various social policies to expand and motivate additional employment opportunities. Amongst those policies, “Short-Time Working Schemes (STWS) and its pay” has particular significance for the industrial sector and its workers. This arrangement was introduced by Labour Law No. 4857 (2003). However, as with other flexible working arrangement regulations, the rules regarding “STWS and its pay” lack any flexibility, and short-time working schemes have not been utilized sufficiently since its enactment.

Many firms could not benefit from STWT opportunity due to rigid rules and restrictions in the beginning of the crisis. Later, these restrictions have loosened because of measures against the economic crisis and consequently STWS has become a life buoy to employers. If SWTS was not exist, the rate of open unemployment would be 14.8% rather than 14%. The SWTS is an effective social policy measure that saved livelihood of 3.247 companies and prevented 190.000 additional job losses in 2009, which was a year deeply affected by the global economic crisis. Another important conclusion which was offered by the STWS experiment is that it is created a terrain to open the way of flexibility on the basis of flexicurity in the Turkish labour market.

The purpose of this study is to discuss the STWS experience that was put in place as a social policy to mitigate negative impacts of the crisis and to establish a resolution regarding the consequences of SWTS policy’s implementation. First, the definition and features of SWTS will be discussed. Second, the legal foundation of this social policy will be analyzed. Then, in Section 3, the focus will be the preventive measures taken by the Government to better this social policy. Finally, in Section 4, we will discuss how the improvements made to STWS policy in 2008, 2009 and 2010 can be rendered as permanent improvements. At this point in time, and under the impact of the crisis experience, amending the law to effect some permanent improvements in STWS is a key issue today. As such, with Code No. 6111, which entered into force effective 25 February 2011 and amended various other

code and regulations, besides general economic crisis, sectoral and regional crisis are also added among circumstances that may require the implementation of STWS. This is the second legislative improvement to the SWTS system.

In conclusion, it should be stated that we can benefit from STWS experience in the terms of flexicurity model of Turkey's labour market. Indeed, STWS as a cooperation with employers, workers and the government in order to secure job and business is a strong reference. A flexicurity model based on short-time working schemes will be a significant supplement to our business life.

This study was based on relevant laws, regulations, published research papers (desk research: internet, literature), official Turkish Employment Organization and Turkish Statistical Institute statistics (descriptive quantitative analysis), company cases and qualitative interviews. Publications, legislation and regulations that are directly or indirectly related to the subject matter were researched and scanned.

II. FLEXICURITY AND STWS: NEW INSTRUMENT FOR TURKEY

STWS is a flexible working form which aims at creating income to workers due to decreasing in production activity depending on ordinary or extraordinary events effecting firms.

Having a long history in EU countries, STWS has experienced a complex evolution process. In the beginning, SWTS was just seen as a tool for interfering ordinary or extraordinary events that lead business activities to stop or to decrease. The term of ordinary events include "events that cannot be imputed to employer or employee, temporary, unintended" (e.g power outage, shortage of raw material, hardware/machinery faults, bad weather, natural disasters etc.) or simply "cyclical developments". Extraordinary events mean that firms go into crisis.¹

Beside from this general norm, there are also "specific determinants" for specific jobs or specific sectors in a crisis. After a short period, the term SWTS has comprised not only unintended events but also decreasing in production activity due to reorganisation or restructuring of business. On the other hand, decreasing in the activity or aborting the activity has removed from temporary category. Especially in extraordinary occasions, time limits have been lengthened notably.²

The Global Crisis which makes employment issues heavier has led countries revising their regulations on STWS. As an instrument to suppress mass layoffs, STWS has been applied by some EU countries (Germany, Holland) with improvements during the crisis. Hungary, Portugal, Slovenia and Slovakia has first met these regulations.³

Currently, it is possible to say that STWS applications come to the front when a decreasing/aborting in the production activity owing to economic crisis. STWS is simply a shortened working and a sort of inherent numerical flexibility. By STWS, when a dismissal need appears (e.g economic crisis) current jobs will be shared among workers by cutting working time. In this way, dismissal need will be abated.

STWS has its genuine aspect though it has resemblance with part-time work. Here, the resemblance is to simply work less compared to normal working time. STWS involves in stopping business activity

¹ Marco Biagi, (Ed. by): *İş Yaratma ve İş Hukuku, Korumadan Öngörülü Eyleme*, Çev. Zülfü Dicleli, Ahmet Kardam, MESS Yayın No: 405, İstanbul, 2003, pp. 286-287.

² Biagi, a.g.e., p. 288.

³ Ton Wilthagen, Flexicurity in the crisis: the case of short-time working arrangements", *Occasional workshop on Short-Time Working Arrangements*, 13 January 2010, European Employment Observatory (EEO), Brussels, p.11; OECD, *Employment Outlook 2010*, OECD, Paris, 2010, p.50, 52.

completely or partially. Part-time working is permanent, not temporary, whereas STWS is temporary. This is the point STWS differs from part-time working. Another difference is that part time working depends on individual's free will. However, in generally STWS application is an opportunity that is given to employers unilaterally.⁴

STWS is also different from unpaid leave. Because unpaid leave is valid with workers approval and they get any payment for it. In STWS there is a unilateral decision of employer and during this process workers get their shorter working wage.

Wilthagen sees STWS not just simply flexibility but an "internal flexicurity". According to Wilthagen, there are two elements of Short-Time Working Arrangements (STWA): contractual flexibility and modern social security.⁵

STWS, which has a long history in the West, was first added to Turkish labour regulations in 2003. Turkish law maker accepts STWS as a precaution for extraordinary period. The law, gives employers the opportunity to get through this temporary period in order to sustain business and continuity of firm. It is stated that STWS has various purposes such as suppressing layoffs, especially mass layoffs, preventing skilled labour losses, securing firms sustainability.⁶

According to Turkish labour regulation, STWS is performed by employers under the authority of the Ministry of Labour and Social Security in situations that weekly working hour decreased notably/significantly or business activity completely/partially stopped temporarily. Decreasing in weekly working hour constitutes the flexibility part of the short working.

The essence of STWS is to overcome the financial crisis that firms are subjected to by a stabilisation policy with the participation of social partners (employer, employee and government). Actually, when a STWS program executed under the verification of the ministry, some part of worker's daily hour is compensated from unemployment insurance fund. Thus, both government and worker are involved in the operational risk which is under employer's responsibility.⁷

III. THE LEGAL, PROCEDURAL ASPECT AND PAYMENT OF THE STWS

1. Legal Aspect

STWS has first regulated on the Labour Law Number 4857 Article 65. The related regulation was published in the Official Journal Number (Nr) 25419 Date: 31.03.2004 under the name of "Regulations Regarding Shorter Working Schemes".

With the Law Number 5763 Amending The Labour Law and Miscellaneous Other Code Provisions Laws (Official Journal, Nr:26887, Date:26.05.2008), known as Employment Package, STWS has removed from Labour Law and added to the Law Number 4447 Unemployment Insurance (as Appendix Article 2) with some amendments. As a result of that, it has become possible to cover not only workers under the Labour Law Number 4857 but also workers under the Maritime Labour Law and The Press Labour Law.

⁴ TİSK, *Çalışma Hayatında Esneklik*, TİSK Yayın No: 190, Ankara, Kasım 1999, pp.29-30.

⁵ Wilthagen, a.g.t., p.21.

⁶ MESS: *Çalışma Sürelerinde Esneklik (Geleceğe Açılım)*, MESS Yayın No:378, İstanbul, Mart 2002, p.72.

⁷ Nurşen Caniklioğlu, "Kriz Ortamında 4857 sayılı İş Kanununun Esnekliğe İlişkin Hükümleri ve Uygulama Sorunları", *Kriz, 4857 sayılı İş Kanunu ve Esneklik Hükümleri Semineri*, 4 Mayıs 2009, İstanbul Sanayi Odası, İstanbul, <https://e-hizmet.iso.org.tr/seminer/Sunumlar/ARS0109.zip> (24.07.2009), p.72.

Together with the amendment of the law, related regulation has also been amended.

In this situation, the following composes the developments of shorter working's legal basis during crisis period:

- The Labour Code No. 1457.
- The Labour Code No. 4857.
- The Unemployment Insurance Code No. 4447.
- The Turkish Employment Organization (ISKUR) Code No. 4904.
- The Social Security And General Health Insurance Code No. 5510.
- The Law Number 5763 Amending The Labour Code and Miscellaneous Other Code Provisions (OJ: Nr: 26887, Date: 26.05.2008).
- The Law Number 5838 Amending Certain Code Provisions (OJ: Nr: 27155, Date: 28.02.2009).
- The Law Number 5951 Amending the Procedure Law on Collection of Public Claims and Some Other Laws (OJ: Nr:27484, Date: 05.02.2010).
- Regulations Regarding Shorter Working Schemes (OJ: Nr: 25419, Date:31.03.2004) (Regulation I).
- Regulations Regarding Shorter Working Schemes (OJ: Nr: 27109, Date: 13.01.2009) (Regulation II).

The Law, relates STWS with two main reasons: “general economic crisis” and “forces majeures”. These two described on the regulation as:

- General Economic Crisis: This refers to situations where national economy and workplace are significantly affected by national or international economic incidents. As such, in cases of sectoral or workplace related crisis, STWS shall not be implemented (Regulation II, Article 3).

- Force Majeure: This refers to external causes such as earthquake, fire, flood, epidemics and similar circumstances which are unpredictable, not due to employer's management and control, cannot be prevented, and resulting in temporary reduction of work hours or ceasing of work activities fully or partially (Regulation II, Article 3).

As a result, the legislator has limited STWS for two main reasons, namely, general economic crisis and force majeure. In cases where an organization goes through crisis due to its management and economic structure, STWS arrangement may not be implemented.

By defining the term “STWS” as “a temporary weekly working period that is 1/3 of regular work hours applied in a workplace for a period of 4-weeks to 3-months”, the regulations clearly defined the phrase “significant decrease”. When the circumstances were normalized, STWS would cease to apply.

As a result, according to Turkish labour law, STWS is consisted of three elements:

- The first element of STWS is the temporality.
- STWS is employer's unilateral decision which is possible by the Ministry's authorisation. There is no need to worker's approval. This a noteworthy element that makes difference between STWS and any other flexible working forms. Worker's approval needed for part-time working and unpaid leave. Turkish law maker leaves the decision about shorter working up to employers. There is no limit to number of worker or profession.
- During STWS, workers get their pay from unemployment fund. Even though it does not

fully compensate, it gives workers partial income assurance and protects worker from losing their job. This means that in STWS both income and job assurance are running.

2. Procedural Aspect: Eligibility and Conditionality Requirements

As it is explained above, STWS follows a definite procedure. Keeping the procedure brief and simple is a key factor in order to determine firm's application to the institution. At least Turkey experience indicates that way. In the very beginning of the crisis, bureaucracy and complexity in the procedure caused firms not to take advantage of this option adequately.⁸ In this context, the relevant implementing regulation has changed swiftly in order to accelerate STWS procedure and make it simple.

STWS can be requested by employer's application to the administrative unit. Administrative unit is legal labour institute (The Directorate of Branch Offices of Turkish Employment Organization, - ISKUR-). The decision for STWS is up to the Ministry of Labour and Social Security. According to the regulation, STWS procedure consists of following steps:

- Employer's written request to the Directorate of Branch Offices of Turkish Employment Organization.
- Evaluating employer's request by the Directorate of Branch Offices of the Turkish Employment Organization.
- Analysing of the Ministry's inspectors.
- Sending the report to the Directorate of Branch Offices of Turkish Employment Organization whether the request is valid.
- Final analyse by the Directorate of Branch Offices of Turkish Employment Organization and sending notification to the employer.
- Employer's announcement for the decision in written (if there is a trade union which is a part of a collective labour agreement, it will also be notified)
- Initializing STWS application and ending in the stated date.

The applicant must submit the STWS request to the Directorate of Branch Offices of Turkish Employment Organization and relevant trade union. So, the first step in the STWS procedure is employer's submitting. Form of submitting and its concept is highly important for actualizing STWS application. According to article 4 of the regulation, the employer must state:

- The impacts of the economic crisis or the force majeure on the workplace and the specification of the force majeure,
- The employer's title, address, if any, to collective bargaining by trade unions, the Ministry regional offices and social security institution number,
- If any relevant documents evidencing the claim (Regulation II, Article 4/2).

According to regulation, if labour union and employer's union claim that there is a economic crisis or there is a strong evidence, The Minister of Labour and Social Security will provide clarification (Regulation II, Article 5/2). Consequently, without Minister's statement, it is hard to conduct STWS application due to economic crisis.

⁸ Şeyma İpek Köstekli, *Küresel Kriz ve Türk Sanayi İçin Esneklik-Güvence Dengesi Açılımı*, İSO Yayını: 2009/14, İstanbul 2009, p. 73.

Besides it is said in the regulation : “Without a statement presence, applications based on reasons like short of cash, inventory growth, insolvency risk will be denied by the Institute” (Regulation II, Article 5/3).

After submitting, second step is to analysing employer’s request. STWS request first evaluated by ISKUR than proceeds to next step (Regulation II, Article 5/1). Analyse of the application is performed by The Ministry of Labour and Social Security inspectors (Regulation II, Article 5/4). During the analysing; information about workers in the shorter working program (ID numbers, name, contact information, number of premium payment days for the last 3 years, earning subject to premium) will be sent by electronic message to ISKUR and to the Ministry inspector in written (Regulation II, Article 4/3).

If the request is found valid by the Ministry inspectors, the application file will be sent to ISKUR with following data included;

- Start and end date of the STWS program,
- List of workers in the STWS program,
- Inspector report.

ISKUR notifies the employer after a final analyse. Then employer announces the result at the workplace in written (if there is a trade union which is a part of a collective labour agreement, it will also be notified) (Regulation II, Article 5/4).

STWS follows the procedure as it is explained above and it ends in the declared date.

If the business back on track with the backing of STWS programme, the employer may request to end the program before planned date. In this case, ISKUR, workers and trade union which is a part of a collective bargaining agreement should be notified 6 days before the date specified in the STWS statement ends (Regulation II, Article 9).

3. STWS PAYMENT

One of the important elements that the law carries with is the STWS payment. This provides workers with getting STWS payment during the time they’re not employed. The payment is compensated from Unemployment Insurance Fund which is funded by premiums payed by employers, employees and government.

There also some conditions regarding to benefit from the Unemployment Insurance Fund. It is clarified on article 6 of the regulation (Regulations Regarding Shorter Working Schemes (OJ: Nr: 27109, Date: 13.01.2009, Regulation II):

- Approval of the employer’s STWS request by the Ministry.
- From the beginning of the STWS start date, worker’s qualification concerning the working period and number of premium payment days of the unemployment insurance.
- Request to STWS payment.

STWS payment, weekly working time to complete work applied for is given for not working (Regulation II, Article 7/3).

STWS payment, only paid to worker himself, is paid on a monthly basis at the end of the each month and cannot be confiscated or alienated with the exception of alimony payments (Regulation II, Article 7/7-8).

If the worker benefits from STWS payment is out work before necessary requirements of unemployment insurance fully covered, can get unemployment benefit after STWS payment period is deducted (Regulation II, Article 7/6).

The amount of daily STWS payment is equals to the amount of unemployment benefit in principle (Regulation II, Article 7/1). Daily unemployment benefit is 40% of the insurance holder's daily earnings (last 4 months earning subject to Premium is taken into account). However, according to law, amount of unemployment benefit cannot reach 80% of the minimum wage.

With the Law Number 5838 "Amending Certain Code Provisions and the Law Number 5951 "Amending the Procedure Law on Collection of Public Claims and Some Other Laws", there are some amendments provided on STWS benefit for only year 2008, 2009 and 2010. According to this, STWS benefit is raised 50% for only year 2008, 2009 and 2010. Again, STWS benefit in 2008, 2009 and 2010 is not deducted from unemployment benefit period which is determined at the beginning.

Period of STWS benefit equals to STWS provided that not more than 3 months (Regulation II, Article 7/2). But this 3 months limit is extended to 6 months solely for the applications in 2008, 2009 and 2010. It should be noted that this period can be extended for 6 months by the Council of Ministers with the condition of the same amount. However, in this period, payments as STWS benefit is deducted from unemployment benefit period.

STWS benefit is given according to elements of the unemployment insurance benefit providing that the work is completely stopped at the workplace. Moreover, if workday is shortened, the benefit will be payed as the weekly working period is completed. If STWS application is conducting due to forces majeures, payments start after a week that is prescribed by the labour law number 4857 article 24 chapter III and article 40 (Regulation II, Article 7/4).

In the event that a person who is given STWS benefit gets old-age pension or temporary incapacity allowance or is conscripted, person's payment will be cut (Regulation II, Article 8/1).

However, workers who get STWS benefit are within the scope of the Social Security and General Health Insurance according to the Law Number 5510. During STWS benefit period, worker's General Health Insurance premiums are transferred to the Social Security Institution by the Unemployment Insurance Fund. These premiums are calculated at the lowest rate of earning subject to Premium (Regulation II, Article 7/5).

IV. TURKEY LABOUR MARKET AND THE ROLE OF THE STWS APPLICATION DURING THE CRISIS

1. The Outlook of Turkey Labour Market During the Crisis

GDP, which grew 6.2% in 2002 (after 2001 crisis), 5.3% in 2003 and 9.4% in 2004, has shown a comparatively slowdown propensity with the beginning of 2005. In 2005, GDP growth rate was 8.4%. It was 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. Under the growing impact of the global crisis in the second half of 2008, GDP growth plunged to 0.9% in the third quarter, and a contraction of 7% in the fourth quarter pulled GDP growth for the year down to 0.7%, the lowest growth rate since the 2001 crisis. This was followed by a contraction of 4.7% in 2009, the sharpest fall since 2001 (Table 1)⁹.

⁹ İSO, *Türkiye Ekonomisi 2010*, İSO Yayın No:2010/8, İstanbul 2010, p.11.

Following 2009, a year of virtual economic collapse, 2010 has been a year in which the global economy, relatively speaking, got back on track. Turkey has been remarkably successful in exiting the crisis thanks to measures taken to step up production and stimulate foreign and domestic demand. Industrial output has increased since December 2009, and thanks to this favorable trend in industry the Turkish economy chalked up double-digit growth figures in 2010. Manufacturing output was up by 14.4% in 2010 (it was declined 11.3% in 2009). In Turkey, GDP in fixed prices grew at the rate of 8.9% in 2010 and Turkey has the 6th fastest growing countries in the world.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
GDP Growth Rates	-7.5	6.2	5.3	9.4	8.4	6.9	4.7	0.7	-4.7	8.9	4.5

Source: TURKSTAT; The Gross Domestic Product Statistics.
* SPO, 2011 Economic Program

With the contribution of the reconstruction of banking sector and fiscal discipline and the efforts against inflation after the period 2001, Turkey has not been affected by the global crisis within the terms of financial sector. This case differ Turkey from other countries. However, it is the real economy that has been damaged dramatically. In 2009, industrial production and employment in industry shirked by 9.6% and 5.3%. Unemployment rate was 14% throughout the year 2009 after a record of 16.1% in February 2009. The increase in the unemployment rate from 2008 to 2009 is 3 points. With the beginning of a new period after global crisis, unemployment rate has reached a new bandwidth within the range of 14%. Between 2008 and 2009, industry was the only sector job losses comes from approximately 311.000.¹⁰

In 2009, the non-institutional population rose by 818.000 on the previous year while the working age population of 15 and up rose by 914.000. The work force expanded by a total of 943.000 in 2009. The number of those employed on the other hand rose by only 83.000, with in increase of 860.000 in the number of jobless during the year. While the rate of participation in the work force rose from 46.9% to 47.9% in 2009, the rate of employment fell from 41.7% to 41.2%.

In 2010, the non-institutional population rose by 801.000 on the previous year while the working age population of 15 and up rose by 855.000. The total increase in the work force in 2010 was 893.000. The number of those employed on the other hand rose by only 1 million 317 thousand, with an decreased of 425.000 in the number of jobless during the year. While the rate of participation in the work force rose from 47.9% to 48.8% in 2009, the rate of employment increased from 41.2% to 43.0%.

A look at OECD figures shows that Turkey is the only country with a rate of participation in the work force of 47.9% among all the OECD countries, where work force participation today is around 70%.

It must be stated that Turkey had structural problems regarding unemployment issues before the crisis. The major ones are: lack of correlation between growth rate and employment rate (average growth rate between 2002-2007 was 6.8% while average employment rate increased by only 1% yearly¹¹), labour poll emerging continuously, lack of labour force participation among women, incoordination in the labour supply and demand due to professional competence, unregistered economy, rigid and costly labour market.

¹⁰ TÜİK, Sanayi Üretimi ve HaneHalkı İşgücü Araştırması Sonuçları, Ankara.

¹¹ Author's calculations based on TURKSAT and GDP statistics.

As one of the important indicators concerning the development in the employment, employment rate (ration of workers in the population between 15-65 years old) reached 41.7% with a 0.2% increase in 2008. Then it was 41.2% in 2009. In 1990 employment rate was 53.3%. In other words, Turkey decreased its employment rate by 12.1 point in the last 20 years. Employment rate realized as 43.0% with 1.8 percentage points increase compared to the previous year in 2010. Secondly, in 2009, average employment rate in EU-27 is 64.6% (EU-15: 65.9%).¹²

The OECD Employment Outlook also confirms this jobs crisis. According to OECD data, in the period between 1995 and 2006, the fastest decline in the employment rate belongs to Turkey among 29 OECD countries. In the same period, employment rate has increased by 3.57% throughout the OECD. Turkey also has the most strict employment legislation according to OECD's report in 2009.¹³

Following Table 2 and Table 3 shows that how the crisis deepened these problems:

Table 2				
Unemployment and Employment Changes				
in the Previous Year by				
	2007	2008	2009	2010
Unemployed (%)	2.1	9.9	3.9	-12.2
Unemployment Rate (Point)	0.1	0.7	3.0	-2.1
Total Employment (%)	1.5	2.2	0.4	6.2
None-Farm Payroll Employment (%)	2.3	1.9	-1.0	5.5
Manufacturing Employment (%)	0.5	3.6	-6.8	6.6
Wage-Earning Employment (%)	4.2	3.2	-1.3	7.8

Source: Turkish Statistical Institute (TURKSTAT), Household Labour Force Survey Results.

In 2008, the number of unemployed persons and unemployment rate increased by 9.9% and 0.7% to 2007. A year after, number of unemployed increased dramatically by 32.9%. Unemployment rate continued to trend up in 2009 (3%). The falls in manufacturing and wage-earning employment shows clearly how these two key sectors affected deeply by the global crisis. In 2009 manufacturing employment fell by 6.8% to 2008 and wage-earning employment fell by 1.3% .

¹² EC, *Employment in Europa 2010*, Directorate-General for Employment and Social Affairs and Equal Opportunities, Belgium, October 2010. p. 165-166.

¹³ OECD, *Collective Bargaining and Enforcement: Uptading the OECD Employment Protection Indicators*, Social, Employment and Migration Working Paper No:89, OECD, Paris, 2009, p.7, 11.

Table 3				
Employment Developments by Sectors				
(2008-2009, numbers in thousands)				
	2009	Change from 2008 - 2009	%	2010
Agriculture	5.254	238	4.7	5.683
Industry	4.130	-311	-7.0	4.494
Construction	1.249	8	0.6	1.432
Manufacturing Industry	3.949 (3.870)	-286	-6.8	4.216
Services	10.644	149	1.4	10.985
Total	21.277	83	0.4	22.594
Non agricultural Sectors	16.023	-155	-1.0	16.911
City	13.839	-171	-1.2	14.679
Countryside	7.184	7.438	3.5	7.915
Source: TURKSTAT, Household Labour Force Survey Results.				

Nevertheless, after three quarters, in the late 2009 there were signals indicating a recovery in the production and employment. Industrial production has been edging up since December 2009. An increase of 25.3% in December was followed by 12.1% in January, 18% in February, 21.2% in March, 17.0% in April, 15.6% in May and 10.2% in June. Eventhough these percentages include base effect, this trend is worthy of mention.

TURKSTAT's Household Labour Force Survey in February 2010 indicates a comparative recovery in unemployment. Unemployment rate in February fell by 1.7% to 14.4% which was 16.1% before in the last year's same period. Unemployment rate realized as 12.0% with 2.9 points decrease compared to the previous year in April 2010. But it is still high. Consequently, despite good indications, there are still major problems such as high unemployment rate, lack of investment waiting to be solved.

As a result of that there is a partial recovery in the employment indicators in the third month of the global crisis. But it should be noted that this recovery is slower than a recovery in the production.

2. Improvements in STWS For Crisis Period and Its Results

Although it is widely used in western countries, STWS is not resorted enough in our country. Despite attaching important to flexibility, it is understood that lack of information, hesitations in application, uncertainty in the regulation play a role in this situation. Other obstructions for STWS are rigid regulations and time consuming procedures of short working due to bureaucratic delay.

During the crisis, government has taken social policy measures. The measures are rather aimed at supplementary employment. Supplementary employment measures are followed by improvements for STWS which is highly important to industry and industry workers.

Improvements in STWS system during crisis period are listed below:

- Regulation by law number 5763 (extending the scope of law)

With the law number 5763 article 18, STWS has removed from Labour Law and added to the Law Number 4447 Unemployment Insurance (as Appendix Article 2) with some amendments. As a result

of that, it has become possible to cover not only workers under the Labour Law Number 4857 but also workers under the Maritime Labour Law and The Press Labour Law.

- Regulation by law number 5838 (extending time and limit)

Due to the effects of the global crisis on the country, especially for some specific sectors, following exceptions are made by the law number 5838 article 1 for only year 2008 and 2009:

- 3 months limit for STWS is lengthened to 6 months.
 - Amount of STWS benefit is raised by 50%.
 - Payments for STWS benefit will not be deducted from unemployment benefit time.
 - Previous applications can be adapted to the new article came into force if requested.
 - With the condition of the same amount of payment, extending STWS for 6 months is under the authority of the Council of Ministers. If the Council exercise its authority payments as STWS benefit will be deducted from unemployment benefit period.
 - STWS was extended for 6 months by order of the Council of Ministers Resolution 2009/15129 in 22.06.2009.
- Regulation by law number 5951 (extending time and limit)

With the Law Number 5951 Amending the Procedure Law on Collection of Public Claims and Some Other Laws, there are some amendments provided on STWS benefit for only year 2008, 2009 and 2010. STWS was extended for 6 months by order of the Council of Ministers Resolution 2010/180 in 11.03.2010.

3. Evidence on The Impact of SWTS During The Crisis: Baseline Results

The STWS which has existed in the labour law since 2003 was applied in September 2005.

The numbers of workers and firms which were benefited from STWS and the amount of payments are shown in the Table 3. The number of people risen from 650 to 190.223 with 293 times increase in comparison to 2008. This dramatic increase is the result of the combined effect of the reflection of 2008 economic crisis in 2009 and negative results which have been created in the firms. It also should be noted that facilitating practices and betterment policies opened the way for STWS. ***According to my estimation, saving 190.000 jobs would mean the prevention of an additional 0.8 percent increase in the unemployment rate in 2009¹⁴.*** This is a very important development and evaluation point. The number of firm decreased from 3247 to 266 with 12 times fell in comparison to 2009. In 2010, STWS was paid to 27.147 employess.

¹⁴ Author's calculations based on TURKSAT (Household Labour Force Survey Results) and ISKUR statistics (STWS data).

	Payment Made	Payment Made	Payment Made	Payment Made
	Number of People	Number of Firms	Amount of Payments (TL)	Amount of Payments (\$)
2005	21	10	10.566,00	7.840
2006	217	27	64.398,01	44.699
2007	40	5	22.051,13	16.965
2008	650	181	70.639,73	55.149
2009	190.223	3.247	162.473.091,19	105.187.810
2010	27.147	266	38.993.287,39	25.964

Source: ISKUR, Bulletins of Unemployment Insurance.

In 2009 which was marked by the crisis, monthly data of STWS and open unemployment rates can be viewed in the below Table 5. In June 2009 the number of beneficiaries is highest. The second highest month is May and July 2009 is in the third rank. The order of months change in the amounts of payments. The highest amounts of payments were happened in May, June and April 2009, in order. In terms of both the number of people and amounts of payments short work's attack beginning from February is interesting. Unemployment rate was at peak level in February 2009. The biggest drop in the Industrial Production Index, 23.8%, was also in February. Beginning from June 2009, a steady decrease can be seen both in the number of people who benefit from STWS and amounts of payments. With the measures packages which were came into effect, even so they were delayed, unemployment rate started to decline in May 2009.

When the monthly SWTS data of 2009 is related with the changes in the monthly industrial production index, it is seen that increases in the number of people go hand in hand with decreases in the production. But the speed of increase in the number of people was slow in comparison with the speed of decrease in the production. Here, the procedure of STWS can be cited as an effective factor. The procedure of STWS shows his results with delays, even it is accelerated and simplified.

Table 5				
Monthly Based STWS Data, Unemployment Rates and Monthly Changes in the Industrial Production Indexes in 2009-2010				
	Number of People	Amount of Payment (TL)	Unemployment Rates (%)	Changes in the Monthly Industrial Production Index (%) (2005=100)
January 2009	651	491.729,48	15.5	-21.4
February 2009	6.935	1.678.574,96	16.1	-23.8
March 2009	27.491	12.396.559,39	15.8	-20.9
April 2009	46.727	18.217.294,80	14.9	-18.7
May 2009	66.405	24.348.339,09	13.6	-17.6
June 2009	82.439	23.925.294,11	13.0	-10.1
July 2009	53.734	15.539.249,31	12.8	-9.0
August 2009	47.176	13.691.438,77	13.4	-6.3
September 2009	52.301	14.802.259,11	13.4	-8.9
October 2009	45.105	13.477.416,22	13.0	6.5
November 2009	40.378	12.252.476,52	13.1	-2.2
December 2009	38.911	11.652.459,43	13.5	25.3
January-December 2009 Total	-	162.473.091,19	14.0	-9,9 (Yearly Average)
January 2010	32.760 (8.364)	10.277.164,68	14.5	12.8
February 2010	28.500 (3.651)	8.297.799,83	14.4	17.5
March 2010	23.514 (931)	6.130.775,30	13.7	21.3
April 2010	12.954 (2.162)	3.574.533,00	12.0	16.9
May 2010	7.365 (1.381)	2.478.710,58	11.0	15.0
June 2010	3.797 (2.198)	1.401.269,52	10.5	10.0
July 2010	6.153 (4.258)	2.091.635,24	10.6	8.8
January-July 2010 Total	22.945	34.251.635,24		
January-December 2010 Total	27.147	38.993.287,39	11.9	13.1

Source: İSKUR, Bulletins of Unemployment Insurance; TURKSTAT, Household Labour Force Survey Results; TURKSTAT, Monthly Industrial Production Index (2005=100).

STWS is a kind of flexible way of work which occurs with the decision of employer. Another indicator that must be looked at to make a healthy analysis is the number of firms. Information about the number of firms are undeclared. STWS demands of firms are accepted if the conformity of application is identified, otherwise they are refused. Meanwhile, some firms first apply but then quit their application. Data about demanding and paid firms and the number of workers which were taken from İSKUR is in the Table 5 and Figure 1.

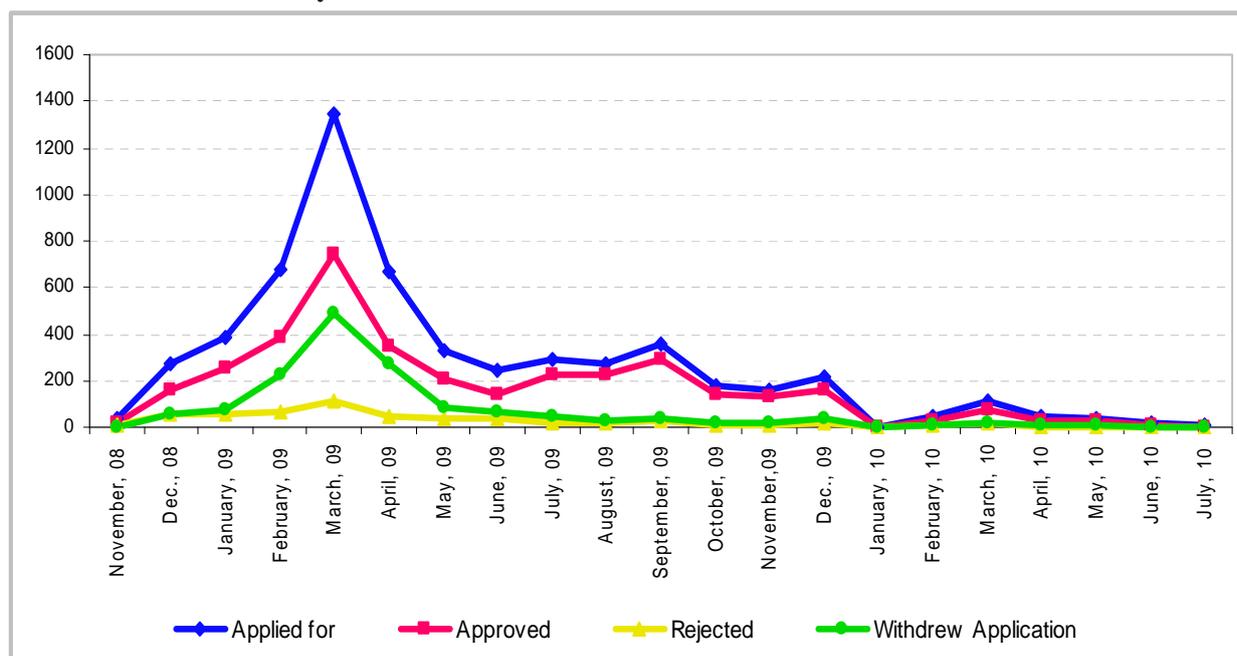
Table 6
Monthly Based STWS Firm Data Between the Years of 2008-2010

	APPLIED FOR		APPROVED				REJECTED				WITHDREW APPLICATION			
	Number of Firms	Number of Workers	Number of Firms	%	Number of Workers	%	Number of Firms	%	Number of Workers	%	Number of Firms	%	Number of Workers	%
November, 08	33	8.627	19	57.6	6.451	74.8	10	30.3	890	10.3	4	12.1	1.286	14.9
Dec., 08	271	31.633	162	59.8	19.939	63.0	55	20.3	4.680	14.8	54	19.9	7.014	22.2
Nov.-Dec.,08	304	40.260	181	59.5	26.390	65.5	65	21.4	5.570	13.8	58	19.1	8.300	20.6
January, 09	384	37.767	250	65.1	26.273	69.6	58	15.1	2.955	7.8	76	19.8	8.539	22.6
February, 09	678	49.388	385	56.8	33.347	67.5	69	10.2	2.908	5.9	224	33.0	13.133	26.6
March, 09	1.345	68.227	742	55.2	43.824	64.2	113	8.4	3.463	5.1	490	36.4	20.940	30.7
April, 09	666	23.177	346	52.0	13.208	57.0	48	7.2	2.490	10.7	272	40.8	7.479	32.3
May, 09	331	13.725	206	62.2	8.453	61.6	39	11.8	2.113	15.4	86	26.0	3.159	23.0
June, 09	244	10.809	142	58.2	7.213	66.7	33	13.5	760	7.0	69	28.3	2.836	26.2
July, 09	292	28.162	223	76.4	25.217	89.5	19	6,5	538	1.9	50	17.1	2.407	8.5
August, 09	277	21.524	229	82.7	19.955	92.7	21	7.6	728	3.4	27	9.7	841	3.9
September, 09	358	21.195	296	82.7	16.126	76.1	26	7.3	969	4.6	36	10.1	4.100	19.3
October, 09	176	14.414	143	81.3	12.249	85.0	14	8.0	978	6.8	17	9.7	1.133	7.9
November,09	160	9.357	128	80.0	7.579	81.0	13	8.1	486	5.2	19	11.9	1.292	13.8
Dec., 09	215	16.239	157	73.0	11.634	71.6	16	7.4	706	4.3	42	19.5	3.899	24.0
Total, 09	5.126	313.934	3.247	63.3	225.078	71.7	469	9.1	19.094	6.1	1.408	27.5	69.758	22.2
January, 10	0	0	0		0		0		0		0		0	
February, 10	44	3.293	26	59.1	2.522	76.6	7	15.9	268	8.1	10	22.7	469	14.2
March, 10	116	6.103	79	68.1	3.930	64.4	16	13.8	1.463	24.0	17	14.7	695	11.4
April, 10	50	2.783	32	64.0	2.001	71.9	4	8.0	289	10.4	14	28.0	493	17.7
May, 10	39	3.074	29	74.4	2.304	75.0	1	2.6	146	4.7	7	17.9	531	17.3
June, 10	21	1.540	13	61.9	920	59.7	2	9.5	143	9.3	1	4.8	20	1.3
July, 10	10	486	4	40.0	149	30.7	0	0.0	0	0.0	0	0.0	0	0.0
Jan- Jul., 10	280	17.279	183	65.4	11.826	68.4	30	10.7	2.309	13.4	49	17.5	2.208	12.8
Total (Nov. 08-July 10)	5.710	371.523	3.611	63.2	263.294	70.9	564	9.9	26.973	7.3	1.515	26.5	80.266	21.6

Source: ISKUR.

Figure 1

Monthly Based STWS Firm Data Between the Years of 2008-2010



Source: ISKUR.

As illustrated in Table 4, while the number of companies receiving SWTS payments was 10, 27, 5 and 181 in 2005, 2006, 2007 and 2008, respectively, in 2009, the number of companies making SWTS application increased significantly and reached to 3.247.

The reduction in industrial production affected SWTS applications. With 1.345 applications, March 2009 is the month with the highest number of STWS applications. February 2009 and April 2009 ranked second and third, respectively, in terms of volume of SWTS applications. March 2009 is ranked third amongst the months when the highest industrial production reduction rate was experienced. Since March 2009, except in September 2009, STWS applications have been consistently decreasing. In 2010, the year when recovery has started to occur, a significant reduction in STWS has been observed.

When we came to 2010; in January 2010 10.3 million TL to 32.760 people, in February 8.3 million TL to 28.500 people, in March 6.1 million TL to 23.514 people, in April 3.6 million TL to 12.954 people, in May 2.5 million TL to 7.365, in 1.4 million TL to 3.797 people and in July 2.1 million TL to 6.153 people were paid. The number of people who were paid for STWS includes the people who have gained the right to be paid for STWS for back months (Table 5).

Monthly indicators of 2010 about STWS generally indicate a drop in comparison with the same months of last year in terms of the number of applicants. Actually this is a natural thing in the way through exit from the crisis. To some extent, this development can be thought as a signal of betterment. But it is too early to treat it as a betterment signal in the employment front. In addition, to make a healthy analysis many data, such as indicators of labour market and indicators of unemployment insurance should collectively be assessed.

Because the conditions to qualify for STWS appropriation are associated with Unemployment Insurance, unemployment insurance data is also important. Data of STWS appropriation, beginning from 2005 which is the starting data of unemployment appropriation is given in the below Table 7.

Table 7				
Yearly Based Data of Unemployment Appropriation				
Between 2005-2009				
	Number of Applicants to Unemployment Appropriation	Number of People Qualified for Unemployment Appropriation	%	Amount of Payment (TL)
2005	208.051	186.230	89.5	270.072.230
2006	220.694	199.429	90.4	316.988.579
2007	246.877	221.554	89.7	351.906.552
2008	381.663	332.074	87.0	517.054.113
2009	517.472	471.447	91.1	1.114.27.972
2010	274.826	183.383	66.7	64.935.546
Source: ISKUR, Bulletins of Unemployment Insurance.				
*As of 31 July 2010				

In 2009, it was reached to the greatest number in terms of the number of people in unemployment appropriation like STWS. In 2009, nearly 500.000 people took money from unemployment appropriation. When we take into the consideration that 190.000 people benefited from STWS, Unemployment Insurance provided income security, even partly, to 500.000 people and both income and job security to 190.000 people in 2009. **In the year of crisis, 2009, the number of people who benefited from the STWS appropriation equal to the 40% of the people who are paid from the unemployment appropriation.**

When we assess the burden of STWS payments of 2009 financially, it can be seen that this burden is so little. The asset of Fund of Unemployment Insurance in the crisis year of 2009 is 41.6 million TL. The total sum of STWS payments made from Fund of Unemployment Insurance is 163 billion TL. So, **STWS payments of 2009 took a very little share, 0.04%, from the Fund of Unemployment Insurance.** The effect of the low amounts of STWS per-person should be noted.

As a result, STWS which is cleared from rigidity and bureaucracy, offered a solution, even short, to the unemployment which was increased during the crisis period and contributed to stop the more increase of it. With the support of STWS, employment of 190.000 people was protected. STWS limited the losses of employment in the industrial sector which was the most damaged sector with a reduction of 311.000 job in the crisis. If STWS was not exist, the rate of open unemployment would be 14.8% rather than 14% (We made this calculation by using TURKSTAT and ISKUR data). Another important conclusion which was offered by the STWS experiment is that it is created a terrain to open the way of flexibility on the basis of flexicurity in the Turkish labour market.

V. CONCLUSIONS

Turkey which is the largest 17th economy in the world, has succeed to escape lightly from the global credit crisis with the help of reconstructioning of banking sector, financial discipline and the efforts against inflation. However, production and employment front have taken damage. Turkish government has taken actions such as STWS (cooperating with social sides) and active labour market in order to give the economy a shot in the arm.

Within these precautions, STWS has a special importance. STWS is an important opportunity given by the new Labour Law to employers in order to get over a stressful period by covering both workers and business. **The SWTS is an effective social policy measure that saved livelihood of 3.247 companies and prevented 190.000 additional job losses in 2009,** which was a year deeply affected

by the global economic crisis. STWS benefit is a social-oriented support to workers, giving them the chance to save their job and compensate their income.

In order to benefit by this opportunity and support and, in other words, conducting this application is only possible by approval of the Ministry. Briefly, as STWS application conducting by approval of the Ministry, employer's financial bottleneck caused by economic crisis and force majeure is overcome by the cooperation of government, employers and workers.

Depression periods, despite their destructive effects, can be instructive in some points and give the opportunity to unearth the weaknesses of the system.

The new Labour Law came into force in 2003, has introduced flexible working forms but rigid rules and restrictions. Many firms could not benefit from STWS opportunity due to rigid rules in the beginning of the crisis. Later, these restrictions have loosened because of measures against the economic crisis and consequently STWS has become a life buoy to employers.

In consequence flexible working applications should be encouraged. The improvements concerning STWS during the crisis should be permanent. Conditions for short working should be extended and STWS should be lengthened.

In terms of preventing jobless growth, Turkey should create its own national employment strategy. Flexibility, should be one of the elements in this strategy. Followings are suggested in detail with regard to flexible working regulations:

- Both in the article and in the regulation, the decision about economic crisis is left up to the Ministry of Labour and Social Security. Ministry makes a statement in consultation with its related institutes. Today there is no need to such procedure. STWS application should be started without Ministry's statement that there is an economic crisis
- In STWS application sectoral depressions/recessions should be taken into consideration as well as general economic crisis and forces majeure. As a matter of fact, in EU countries such as Belgium, Switzerland, France and Germany have STWS conditions including technical failures, economic reasons, force majeure, bad weather, mass leaves, shutting down workplace due to shortage of raw material and energy. Therefore, these conditions should also be added to STWS as well as general economic crisis and forces majeure. As such, with Code No. 6111, which entered into force effective 25 February 2011 and amended various other code and regulations, besides general economic crisis, sectoral and regional crisis are also added among circumstances that may require the implementation of STWS. This is the second legislative improvement to the SWTS system.
- Restricting STWS benefit with only 3 months is deficient during crisis periods. Benefit time should continue up to 6 months in any case. Another option regarding to benefit time is to divide it into parts. For example, STWS in the first month, normal working in the second. It can be set to 3 months period. This time there will be short working in the first quarter following normal working in the second quarter.
- During free times in the STWS period, workers should be supported for activities to strengthen their professional qualifications. These activities will be funded by unemployment insurance fund.
- There should be a clause in the law that the Ministry has to respond in 15 days to applicants who request shorter working benefit. It should be stated that if there is no respond in 15 days, the request will be regarded as accepted.
- If the application is denied there should be a appeal mechanism with the representation of employers and employees.
- Turkish law maker has needed to be acting very prudently as unemployment insurance came into force for its funding difficulties. For instance, insurance holders job attendance for the

last 120 days and to pay premium are required in order to earn benefit. Same conditions are also effective for STWS benefit. These conditions such as 120 days limit can be reduced so that negative effects of unemployment will be moderated.

In conclusion, it should be stated that we can benefit from STWS experience in the terms of flexicurity model of Turkey's labour market. Indeed, STWS as a cooperation with employers, workers and the government in order to secure job and business is a strong reference. A flexicurity model based on STWS will be a significant supplement to our business life.

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