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Chapter 6
Containment of Conflict in Unorganized Industrial Relations[139]

Overview

This chapter focuses on the second row of the typology (see the grey area in figure 6.1). This row contains two hypotheses regarding the containment of industrial conflict in unorganized industrial relations, which are, for the sake of analytical clarity, posed as competing alternatives. Both hypotheses are derived from the idea that the feeling of injustice among workers, which remains unchecked in unorganized industrial relations, is the essential ingredient, which triggers industrial action.

Figure 6.1: The focus of the chapter

	Excluding the State	Focusing on the State
Organized industrial relations *(Bargaining and Coordination levels)*	**I a** Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships	**I b** Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination
Unorganized industrial relations *(The feeling of injustice)*	**II a** Industrial conflict is contained by the correction of injustices by non-state actors (NGO's , consumer groups and international networks)	**II b** Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers

[139] Another version of this chapter is accepted for publication:

Koçer, R.G. and Fransen, L. (2009) "Codes of Conduct and Promise of a Change of Climate in Worker Organization", *European Journal of Industrial Relations* Vol. 15 (3) September 2009 [forthcoming].

The first hypothesis (see IIa in figure 6.1) claims that the correction of injustices by non-state actors, that is, NGO's, consumer groups and international networks may contain the industrial conflict. This claim interprets the activities of these non-state actors as a reaction triggered by the deterioration of workers' conditions in neo-liberal environments due to the expansion of unorganized industrial relations and increasing internationalization. The expectation is that non-state actors would organize international campaigns against firms, which benefit from unorganized industrial relations, and force them to correct at least the most excessive injustices perceived by workers and thereby prevent industrial action.

On the other hand, the alternative hypothesis (see IIb in figure 6.1) claims that in unorganized industrial relations direct or indirect attribution of the blame of injustice to the state[140] rather than employers contains the industrial conflict. This claim is derived from the idea that if workers are convinced that the injustice is not created by their immediate employer but it is generated either by impersonal trends or some policies, which can only be manipulated by governments then they will not take industrial action but instead they would express their grievances in the political process.

The dynamics in Turkey's textile & clothing sector as a neo-liberal environment, and its interaction with international production chains offer appropriate empirical circumstances for examining these two hypotheses. In this chapter, by focusing on this case and mainly scrutinizing the validity of the first hypothesis (see IIa in figure 6.1), I show that under certain conditions non-state actors, through private labour regulation, may force firms to shift their position in unorganized industrial relations and in this way they may decrease the conflict propensity but in the last analysis what contains industrial conflict, even in those circumstances where private labour regulation appears to be effective, is the careful management of the feeling of injustice by

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[140] It is worthwhile reiterating that government, in this study, is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, "the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force" (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.

governments through minimum wage which renders the realm of public politics relevant for the expression of grievances. Thus, I demonstrate that the alternative hypothesis (see IIb in figure 6.1) provides a better explanation for containment of industrial conflict in unorganized industrial relations.

In the following pages, before commencing the empirical analysis, first, I draw a general picture of international production chains and unorganized industrial relations before and after the rise of neo-liberalism in order to depict the historical relevance of competing hypotheses in the second row of the typology and then I explain the reason for choosing Turkey's textile and clothing sector as the test ground for examining these hypotheses. Secondly, I provide a detailed analysis of the wage and conflict dynamics in the sector in order point out the way in which the state, through minimum wage and the non-state actors, through private labour regulation, could influence these dynamics. Thirdly, I provide in depth analysis of three firms in order to show how codes of conduct work in practice and interact with the mechanisms controlled by the state. Finally, I zoom back into the general picture, draw some general conclusions and point out some questions about the alternative hypothesis (see IIb in figure 6.1) that remain unanswered.

Historical relevance of competing hypotheses: unorganized industrial relations and neo-liberalism

The rise of neo-liberalism in the early 1980s marked a clear shift in the way in which governments defined their relationship with the transnational corporations in many developing countries. This shift was crucial for the expansion of unorganized industrial relations and the emergence of NGO's, customer associations and transnational networks as new actors in this field.

During the 1960s and 1970s, before the global rise of neo-liberalism, developing countries were trying to acquire some capacity for controlling the activities of transnational corporations operating in their territories. For this purpose, they tried to use the international organizations like the United Nations in order to introduce universal legal standards. The basic motive of these endeavours was the fear that with their formidable resources transnational corporations could dominate

the poor states, spreading fraud and corruption, while not contributing to the development efforts (Jenkins 2005:526-528).

However, in the 1980s when the neo-liberalism with its emphasis on foreign direct investment and export oriented growth emerged, the position of developing countries towards transnational corporations changed remarkably: now, instead of attempting to regulate the activities of foreign firms, these states were trying to attract foreign firms by deregulating the legal frameworks and downgrading workers' rights (Margheritis and Pereira 2007: 44, Jenkins 2005:527-528). During the 1980s and 1990s, as a result of this paradigm shift which was accompanied by technological improvements in transportation and communication (Crouch 1997:354), the labour intensive parts of the production processes in some industries such as clothing and electronics were increasingly undertaken in developing countries like South Korea, India and Turkey through complex networks of subcontract relations, which were made possible by deliberately weak or repressive labour laws (Grolleau *et al* 2004:390). The interests of transnational corporations, which tried to reduce their costs to remain competitive, seemed to have coincided with those of developing countries that tried to use the cheap labour to accomplish export oriented growth (Crouch 1997:354). The outcome was the emergence and/or spread of sweatshops and the expansion of unorganized industrial relations characterized by lack of collective bargaining and shrinking capacity of workers to represent their interests through trade unions.

This development triggered two different reactions. Firstly, workers, academics and some volunteers in countries, where the low pay, long hours and unhealthy employment conditions were common, gradually formed new and sometimes clandestine organizations in order to reveal and resist excessive demands of employers while trying to create solidarity among workers (Udayagiri and Walton 2003:316). Da Bindu in Sri Lanka, Karmojibi Nari in Bangladesh, SEWA in India, AMRC in Hong Kong and SARGEM in Turkey are examples of this kind of organizations. Secondly, the non-state actors in North America and Europe, like NGO's and consumer groups, which were hitherto campaigning for the state intervention to keep the activities of transnational corporations under control in their own countries have established contacts with the new worker organizations and trade unions in developing countries as well as with each other in order to assess and

expose the employment conditions prevailing in the global production chains (Grolleau *et al* 2004:388).

New Activism

The outcome of this interaction at first glance appears to be a paradigm shift in activism: instead of asking for the state intervention to control the corporations in their own countries, the non-state actors of Europe and North America started to campaign directly against the corporations in order to force them to take responsibility for the employment conditions prevailing in the production chains spreading to whole world. This new kind of activism was inspired from the idea that, the private politics relying on creating public awareness among customers about labour conditions and thereby posing direct threat to the reputation of corporations was more influential than the public politics, which required lobbying and campaigning for the state intervention. However, one should be cautious before considering this new type of activism as entirely independent from public politics and from intended or de facto cooperation with public authorities. For given that, "developments in contemporary world is more than a simple retreat of the state" (Buğra 2007a:175) one should take into consideration the possibility that new activism beyond its self-declared independence may actually involve "diverse partnerships with public authorities"[141] (see Buğra 2007a:176-177).

At first glance, however, this possible complication in the story of new activism is not apparent and new activism appears to be premised solely on the cooperation between non-state actors. The historical account goes as follows: new activism was born out of a process in which, while the local organizations in developing countries were providing information about employment conditions in the production chains, the non-state actors of Europe and North America were campaigning against corporations to force them to improve these conditions. Initiatives like Clean Clothes Campaign and the Labour behind the Label, organizations like Women Working Worldwide, SOMO and Mujer a Mujer have emerged as a result of this kind of interaction (Hale & Wills 2007: 453-476).

[141] This means that, in examination of any particular outcome, such as industrial peace, that may be attributed to the new activism, one should scrutinize whether there was any intended or de facto role played by public authorities and public politics in emergence of this outcome.

Indeed, this approach had some impact: the reputation damaging campaigns initiated by the non-state actors in Europe and North America against the famous brands in clothing sector like Nike, Levi-Straus, and Gap forced these firms to depart from the policy of taking no responsibility for the employment conditions prevailing in the production chains under their control. Instead, these famous brands adopted some labour codes of conduct, which regulated the conditions of work in their suppliers and, by doing so, they set example for other brands and producers. Similar developments were also observed in petroleum and metal industries (Grolleau *et al* 2004:392-393).

In this environment through the 1990s, the concept of corporate social responsibility, which was hitherto associated with the philanthropic activities of corporations, started to imply the corporations' acknowledgement of responsibility for the employment conditions in production chains. Now increasing number of firms declared themselves committed to certain standards regarding the employment conditions, which are generically called codes of conduct. This entire epoch of reformulation of corporate social responsibility as the commitment to certain standards of work may be conceptualized as the emergence of private labour regulation through the initiation of non-state actors (NGOs, international networks) who responded to deterioration of working conditions and lack of public regulation.

Therefore, in order to judge the impact of these non-state actors on industrial relations dynamics and to establish the degree to which these actors operate independently from public authorities and public politics, one should scrutinize the implementation and influence of the private labour regulation.

Codes of Conduct

In practice the private labour regulation consists of some codes of conduct (CoC) and set of mechanisms, which ensure the implementation of these codes. The codes of conduct (CoC) in general prohibit child labour and excessive working hours, demand certain standards of health and safety in working environment and acknowledge some rights such as the right to collective representation and fair pay. One can crudely identify two types of codes of conduct in terms of the envisaged implementation mechanisms: firstly, there are company codes which do not have any external enforcement and monitoring system; secondly, there are multi-stakeholder codes which emerged out of cooperation

between groups of business and non-state actors and allow external inspection of the compliance (Fransen & Kolk, 2007). The greatest challenge for non-state actors, of course, is to ensure the implementation of the CoCs in all workplaces involved in the complex web of subcontract relations spreading deep into unorganized industrial relations (Hale & Wills 2007: 468). The outcome of full and prevalent implementation of codes of conduct is expected to be improvement in employment conditions and correction of injustices felt by workers.

The relevance of competing hypotheses

It has been argued that the common desire of workers employed in the production chains spreading into unorganized industrial relations is to obtain the right to collective representation (Hale & Wills 2007: 467). This is the outcome of the fact that demands of employers are increasingly unchecked by the public regulation as one moves down in the production chain, thus, what workers demand from the private regulation is the ability to acquire some power through collective representation in order to challenge employers. It is possible to derive from this observation that workers in unorganized industrial relations mainly blame employers for the injustice they feel, thus, they want to take action against them by making better use of their associative power.

However, although unorganized industrial relations and especially informal employment is very prone to wild cat industrial action, it is hardly the case that the industrial action would take a permanent form and paralyze the production process in a firm or sector. Coercive methods of employers and the fear of unemployment definitely contribute to the containment of industrial conflict, but, it is not possible to ensure continuity of production unless workers at least to some degree are positively motivated (Edwards & Scullion 1982: 8-9). Thus, in any unorganized industrial relations setting, there should be mechanisms of diverting at least part of the blame of injustice away from employers in order to contain industrial conflict or to prevent it from being a permanent condition that can only be avoided through repression. Despite all the transnationalization of production, regardless of the level of informality and at least from the perspective of workers, unorganized industrial relations are always placed in institutional and economic environments of nation states, thus, workers' demands are always at least partly directed towards the state (Munck 2004), therefore, one may expect them to blame governments instead of employers for some of the

factors determining their employment conditions. Of course, the expectation is that, under the conditions of democracy nation states cannot remain idle against this and they, at least implicitly, respond with the instruments at their disposal in order to manage the feeling of injustice among workers. Obviously, if this is the case, then one should see whether the role played by the state is crucial in those circumstances where new developments, such as private labour regulation appear to be effective in containment of industrial conflict.

All these considerations lead to the question which is essentially captured by the competing hypotheses in the second row of the typology (see the grey area in figure 6.1): whether containment of industrial conflict in unorganized industrial relations is the outcome of correction of injustices by the non-state actors through private labour regulation, or, it results from workers' attribution of the blame of injustices, at least partly, to governments rather than entirely to their immediate employers.

Empirical analysis and Turkey's textile & clothing sector

In order to scrutinize this question empirically, it is necessary to study the workplace level dynamics in a sector where the production process is undertaken through a complex web of subcontract relations spreading into unorganized industrial relations and where the private labour regulation is somewhat prevalent. Of course, it is also essential to study these workplace level dynamics within a particular national setting in order to be able to monitor whether workers' attribution of the blame to the factors that are controlled by governments plays a role in containment of industrial conflict. The production dynamics in the clothing & textile sector within the context of Turkey's political economy provide such an empirical environment.

Turkey is a key sourcing country for clothing industry, and after China and Bangladesh it is the third largest clothing exporter to the European Union. The expansion of clothing industry in Turkey was closely related to the export oriented growth strategy promoted by neo-liberalism. During the 1970s, the clothing was a small and mainly domestic oriented industry. However, after the neo-liberal shift in 1980, it started to grow both in terms of employment and in terms of its share in total exports while being increasingly involved in transnational subcontract relations. During the same period the collective bargaining

coverage in Turkey's textile and clothing industries, which are officially considered as a single sector, has been continually shrinking: by 2006 of 2 million workers in the sector (DPT 2006:101) less than 50.000 were covered while this number was more than 150.000 twenty years ago in a smaller workforce[142]. Therefore, one can easily argue that Turkey's textile & clothing industry is a good example of neo-liberal environments characterized by unorganized industrial relations and transnational subcontract chains. Indeed, recognition of this has led Turkey to be selected as the testing ground for a research project to monitor and improve the implementation of codes of conduct by several prominent non-state actors and initiatives such as Fair Labour Association, Fair Wear Foundation and Clean Clothes Campaign.

However, before examining to what extent these initiatives could correct the injustices at workplaces and thereby contain industrial conflict, it is essential to analyze the wage and conflict dynamics in the sector and to depict the potential role of the state.

The Anatomy of textile & clothing sector

The production processes in Turkey's clothing and textile sector are characterized by the extensive use of subcontracting. Quite often enterprises are both receiving production orders as well as putting orders out to other firms. There are different reasons for subcontracting: to meet excess demand for a product, to incidentally make use of technology not available in the plant, and to attempt to reduce labour costs (Taymaz & Kılıçarslan 2002: 4-5). The latter seems quite often the primary rationale for subcontracting in the textile & clothing industry in Turkey[143]. The way in which subcontracting reduces the labour costs can only be understood by focusing on the curious mix of informal and formal employment relations in the sector.

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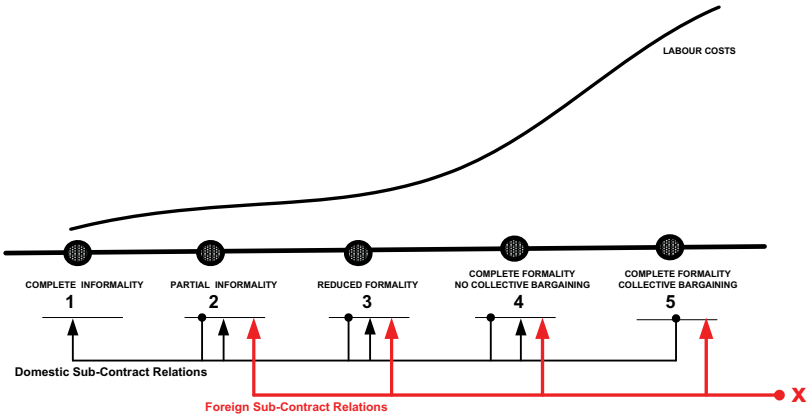
[142] Interview #21/29.03.2006, Interview # 41/ 02.05.2007, Interview # 48/11.05.2007, Interview #51/16.05.2007.

[143] Interview #38/30.04.2007, Interview #40/01.05.2007, Interview # 42 / 04.05.2007, , Interview #44/ 09.05.2007, Interview #49/12.05.2007.

The formality continuum

As depicted in figure 6.2 one can perceive the distinction between formality and informality as a movement in a continuum consisting of five points[144] 1) *complete informality*: no social security and registration for workers 2) *partial informality*: a part of the workforce remains unregistered 3) *reduced formality*: all workers are registered but a certain amount of their wages is paid without any record in order to reduce employers' share in the social security premiums. 4) *Complete formality but no collective bargaining*: all workers and their wages are entirely registered but they are not allowed to unionize. 5) *Complete formality and collective bargaining*: all workers and their wages are entirely registered and they are allowed to unionize.

Figure 6.2: formality continuum in unorganized industrial relations



One may classify the first three levels of this continuum, that is, points 1, 2 and 3 as 'informal unorganized industrial relations' since some or all components of employment at these points remain unregistered, point 4 then would be 'formal unorganized industrial relations'. Now let us examine wage dynamics at each of these points:

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[144] Interview #37/27.04.2007, Interview #38/30.04.2007, Interview #39 / 01.05.2007, Interview #40 /01.05.2007, Interview # 41 / 02.05.2007, Interview #42 / 04.05.2007, Interview #43/ 05.05.2007, Interview #44 / 09.05.2007, Interview #48 /11.05.2007, Interview #49/ 12.05.2007, Interview #57/ 21.05.2007, Interview #62/ 23.05.2007.

Point 5 in the formality continuum

Organized industrial relations characterized by entirely formal employment and collective bargaining exist on the most right-hand side of the continuum at point 5. The wage dynamics of this point are quite similar to dynamics of the metal sector bargaining system explored in the previous chapter: the employers organization TÜTSİS, like the MESS, first reaches a sectoral agreement with the largest trade union TEKSIF (a TÜRK-İŞ affiliate like Türk-Metal) and then forces the other unions (Öz-İplik-İş and TEKSTIL) to accept this agreement unconditionally. The wage level in the workplaces included in this group agreement is usually the highest in the sector[145]. However, at point 5 it is also possible to witness workplace level collective agreements between trade unions and individual employers. The wages determined through workplace level collective bargaining quite often do not exceed the official minimum wage but these agreements include remarkable fringe benefits, like regular delivery of foodstuff and coal by employers and free transportation[146]. Both of these collective bargaining styles (i.e., sectoral and workplace level) imply that workers and their wages would be entirely registered and thus, they would be entitled to retirement and severance payments.

As it was mentioned above, by 2006 less than 50.000 of two million workers in the sector were placed on point 5. These workers were organized by three trade unions, which are obviously far from meeting the ten percent sectoral representation threshold required by the legal framework[147]. Therefore, their existence largely depends on employers' and governments' tolerance, and thus, their ability to represent their members' interests is severely limited (see Adaman *et al* 2008:17). Moreover, due to the sectoral thresholds, the emergence of new trade unions becomes virtually impossible and the resulting lack of competition renders existing trade unions increasingly anti-democratic.

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[145] Interview #41/02.05.2007.

[146] Interview #45/10.05.2007.

[147]As mentioned in the previous chapter, trade unions in Turkey can conduct collective bargaining only if they exceed this sectoral threshold. The unions in the textile & clothing sector openly admit that they do not meet the sectoral thresholds (Interview #41/02.05.2007, Interview #48 / 11.05.2007, Interview #51/ 16.05.2007).

Points 3 and 4 in the formality continuum

Firms at point 4 quite often pay the minimum wage to all their workers except those with high skills. Indeed, employers make this very clear by hanging placards in the plant, which read "in this workplace the minimum regime is enforced"[148] implying that wage is not determined by the employer and thus, it is not negotiable[149]. On the other hand, firms on point 3 pay wages higher than the minimum wage but in all official documents declare that they pay minimum wage in order to reduce their share of social security premiums[150]. However, the firms which are strict in paying only the minimum wage (that is those in point 4) seem to offer much more secure employment. For example, in such a workplace in the vicinity of Edirne the employer argues that "our workers deserve more than minimum wage, we know that but we cannot pay more. We are producing for foreign firms and our price is very important. But once somebody employed here he can stay until retirement we do not fire anyone. Sometimes the entire profit of a month is spent in order to pay severance payments of retiring workers"[151]. A similar statement is also made by an employer in Ankara "we only pay minimum wage but we do our best not to layoff anyone even during crisis periods"[152]. In fact, as acknowledged by an ex-minister of Labour, it is not possible to live on minimum wage unless several individuals in the same household are working[153]. However, for workers the real advantage of long-term employment on basis of the minimum wage is the regular payments of social security premiums, which employers argue, increase the labour costs "enormously"[154], but it entitles workers to retirement and severance payments. Indeed, workplaces functioning on basis of this implicit agreement seem to be immune from wildcat industrial actions,

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[148]The sign reads: "Bu İş Yerinde Asgari Ücret Uygulanmaktadır".

[149]Interview #43/ 05.05.2007, Interview #44 /09.05.2007 (note that ,the only wage flexibility strategy these firms can pursue is to make internship agreements with vocational training schools in order to employ students on part time basis and pay them the official apprentice wage which is 1/3 of the official minimum wage).

[150] Interview #38 / 30.04.2007.

[151] Interview #44 /09.05.2007.

[152] Interview #43 / 05.05.2007.

[153] Interview #64 / 27.09.2007.

[154] Interview #11/ 13.03.2006, Interview #42 /04.05.2007.

which are common in lower levels of informality continuum[155]. Although it is not possible to be certain, one can argue that around twenty percent of workers in the sector, that is, around 300.000 people may be employed at positions 3 and 4 (see DPT 2006: 101).

Points 1 and 2 in the formality continuum

On points 1 and 2 in the formality continuum, employers follow the fluctuations in demand and contact each other before determining the wage they will pay[156]. However, they argue that there is neither sufficient trust nor coordination among employers to make gentlemen deals which would fix the wages on sectoral or regional level[157], therefore, the minimum wage functions as the lighthouse or reference which is adjusted according to market fluctuations. During the periods of high demand, employers seek new workers and thus, wage levels temporarily increase above the minimum wage while in bad periods wages go below the minimum and workers are immediately fired[158]. In response to this insecurity, workers are permanently involved in search for new jobs. When they are offered a higher wage by another employer regardless of how small the difference, they quit their existing job[159]. Moreover, short wildcat strikes are also very common on points 1 and 2: as soon as workers feel that the firm is given a good production order, the strike is pending[160]. As one employer puts it "you cannot prevent this kind of strikes, there is always one Walesa among workers who provokes them, suddenly they stop working, go outside and start picketing"[161]. Although in order to avoid such wildcat actions, employers occasionally prepare black lists which expose militant workers[162], the extreme competition and lack of trust among employers at points 1 and 2 preclude any

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[155] Interview # 37/27.04.2007, Interview #40 / 01.05.2007, Interview #57/ 21.05.2007.

[156] Interview # 37/27.04.2007, Interview #40 /01.05.2007, Interview #44 / 09.05.2007.

[157] Interview # 37/ 27.04.2007, Interview #44 / 09.05.2007, Interview #49/ 12.05.2007.

[158] Interview #49 / 12.05.2007.

[159] Interview #37/27.04.2007, Interview #49/12.05.2007, Interview #57/ 21.05.2007.

[160]Interview #40 / 01.05.2007.

[161]Interview #37 / 01.05.2007 ("*there is always one Walesa among workers*", here 'Walesa' refers to Lech Walesa, the leader of the Solidarity movement in Poland during the 1980s. Apparently for some reason Lech Walesa is perceived by this particular employer as the symbol of worker disobedience).

[162]Interview #52/ 17.12.2007, Interview #57 /21.05.2007.

effective blacklisting[163]. Therefore, one can argue that workers' attitude shaped by regional consumer prices, too, implicitly influences the way in which the minimum wage is adjusted by employers. For example, according to a trade unionist, "unless there is a crisis it is very difficult to find anyone in the clothing industry who would work for minimum wage in Istanbul. The wage level [in Istanbul] quite often is above the minimum. However, in Anatolia[164] many people always receive less than the minimum wage"[165]. The president of subcontract firms' association also emphasizes this point: "despite the unique official minimum wage, in reality in each province [subcontract] firms adjust the minimum wage according to consumer prices and demand levels so that in reality there are several minimum wages"[166]. Not surprisingly, the dependency of wages and jobs on market fluctuations render the employment at points 1 and 2 very precarious. However, the most important disadvantage of these points for workers is their complete or partial exclusion from the social security system which reduces the labour costs of the firms but renders the entitlement to retirement and severance payments either very difficult or impossible. Around eighty percent of the workers, that is, more than 1.500.000 million people, in the sector are employed on these two positions (DPT 2006:101)

Briefly one can argue that as one moves in the formality continuum from right to left the labour costs (but not necessarily the net wages) and employment security decrease while the likelihood of wildcat industrial action increases.

Tracking down the state

Of course, for the purpose of this study, before examining the ability of non-state actors to contain industrial conflict in unorganized industrial relations, it is essential to keep the track of the presence of the state in this field to be able to see whether it may play any role in absorbing the blame of injustices felt by workers.

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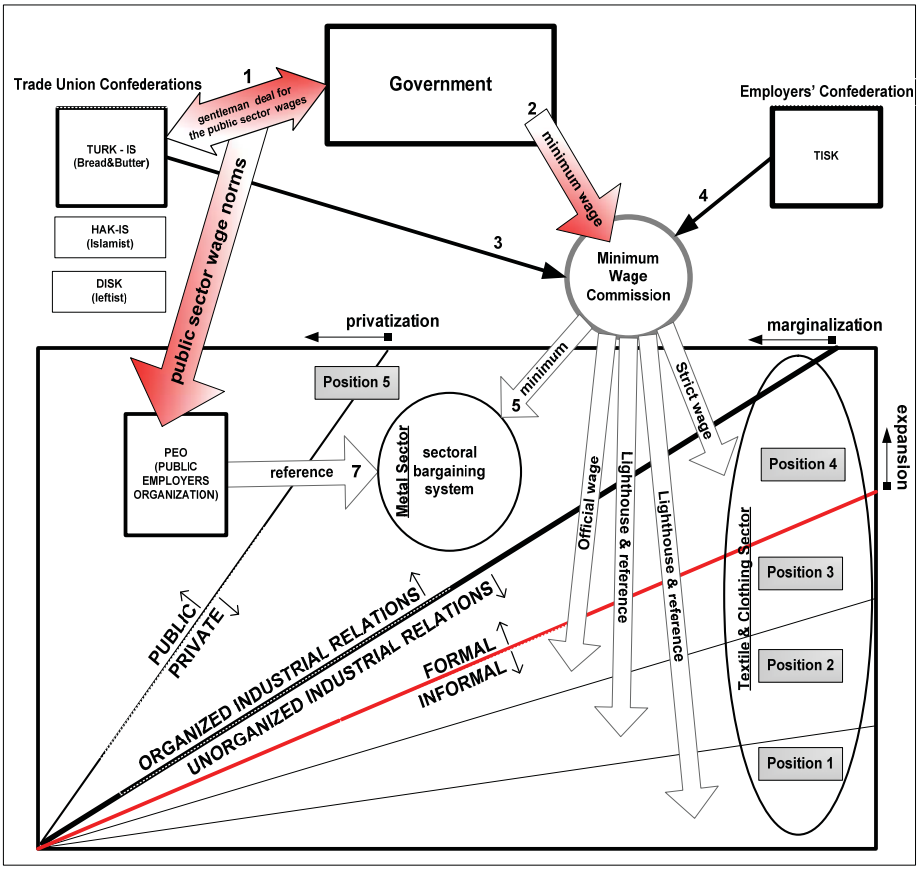
[163] Interview #57/ 21.05.2007.

[164] Anatolia is the Asian part of Turkey

[165]Interview #48/ 11.05.2007.

[166]Interview #57 /21.05.2007.

Figure 6.3: The textile & clothing sector and formality positions in the entire political economy [167]



In this respect, it is of crucial importance to keep in mind that the emergence of subcontract dominated industrial relations was largely the outcome of deliberate government policies. For in Turkey, since the initiation of the neo-liberal project in 1980 and especially during the course of 1990s and 2000s, governments encouraged and facilitated the expansion of subcontract relations and allowed firms to operate informally in order to ensure competitiveness of manufacturing industry in international markets and also to undermine organized industrial

[167] See also figures 5.5 and 5.10 in the previous chapter

relations, which, as depicted in the previous chapter, endowed workers with collective action capacity that could be used for challenging neo-liberal measures. However, the expansion of unorganized industrial relations resulted in attribution of a *de facto* role to governments in the wage dynamics of this field. Indeed, in order to clarify this particular role of the state in unorganized industrial relations it is essential to visualize the positions in the formality continuum within the entire political economy as depicted in figure 6.3.

As one can see, in this figure the field of organized industrial relations, regardless of whether it is public or private, is on point 5 of the formality continuum, the field of unorganized industrial relations on the other hand, accommodate the remaining formality positions, which are besides subdivisions divided into two as formal and informal (see the expansion trend in figure 6.3). Obviously, as indicated in the figure, the position of textile & clothing sector within the political economy of Turkey is very different from that of the metal sector which was examined in the previous chapter: while the former is almost entirely in unorganized industrial relations, the latter is largely in organized industrial relations or influenced by it[168]. One can also see that, due to the privatization of public enterprises and the marginalization of organized industrial relations (see the relevant trends in figure 6.3), minimum wage becomes crucial not only for a larger segment of workers employed in the textile & clothing sector but also in the entire political economy (Auer & Popova 2003). Therefore, of the two wage signals which are partly or entirely controlled by the state, that is, public wage norms and minimum wage (see arrows 1 & 2 in figure 6.3), it is the latter which can influence the dynamics of textile & clothing sector[169].

As mentioned above, the minimum wage plays different roles at each formality point (see figure 6.3): at point 5 it is the wage at workplace level collective bargaining but supplemented by fringe benefits and social

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[168] Why metal sector remains mainly in the organized field while textile & clothing is mainly placed in the unorganized field is, of course, an interesting question but it is not the purpose of this study to find an answer to this question. These two sectors are chosen to examine the dynamics of the respective fields of industrial relations in which they are placed. However, one may cautiously argue that, as hinted at the beginning of this chapter, besides institutional strength of trade unions, the technological requirements of sectors may also be playing a role in determination of the degree to which a particular sector is placed in the organized or unorganized field.

[169]Interview #41 / 02.05.2007, Interview #45 /10.05.2007.

security, at point 4 it is the common wage but combined with social security, at point 3 it is the officially paid wage which can be occasionally exceeded at the expense of employment security, and finally, at point 1 and point 2, it is the lighthouse wage, which is taken as the reference during wage determination processes. Given these various roles played by minimum wage, one may argue that governments, as the sole determiner of the minimum wage, appear to be present in unorganized industrial relations at all levels of formality (see figure 6.3).

The logic of subcontract relations

The positions in the formality continuum[170] are not mutually exclusive: the same firm can be placed simultaneously on some or all of these points by making different arrangements for different workers [171] (see Buğra *et al* 2005:36). However, quite often firms in the high formality positions make subcontract agreements with firms in lower formality points in order to reduce labour costs. Therefore, domestic and foreign subcontract relations create a complex web and connect all of these employment positions with each other while generating and/or transmitting the market fluctuations (see figure 6.2). These subcontract connections put workers in an awkward position: trying to negotiate the conditions of wage-time and/or effort bargaining in the subcontract firm implies dismissal for workers while the same act encourages increasing use of subcontract and possible decrease in the labour force in the main firm which is placed at a higher point in the formality continuum. Therefore, after a labour-cost based subcontract relationship is established between two firms, workers in both ends[172] would have to

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[170] One should not think that informality is always entirely imposed by employers, workers may also prefer informality. For example, since the last couple of years the government distributes "green card" which provides free access to health services to those people who do not have sufficient means to cover their own health related expenses. It is not uncommon to find that workers prefer to be completely informally employed so that they may receive this green card (see Buğra 2008: 233-234).

[171]Interview # 37 /27.04.2007, Interview #38/ 30.04.2007, Interview #41/02.05.2007.

[172]If workers in the main firm demand higher wages or require better working conditions employers may easily prefer to outsource more tasks to subcontract firms in order to avoid any increase in the costs. On the other hand, if workers in the subcontract firms demand higher wages or require better working conditions, then employers may prefer to fire them instead of increasing production costs for they are chosen as subcontractor by the main firm mainly due to low production prices they could offer. Obviously, subcontractors may also seek sub-

restrain their demands to save their jobs. Otherwise subcontract relations will function as escape channels (through which jobs are exported into low-wage positions) for firms that want to avoid any increase in the labour costs. This situation either precludes unionization entirely or forces unions to remain very modest in their demands (see Adaman *et al* 2008:13-15).

Subcontract deals that are offered by foreign producers pose another challenge. In order to secure foreign subcontract deals, firms must be, at least partially, visible for providing legal accountability, that is, at least part of their operations must be registered and this forces them to appear on points 2, 3, 4 or 5. However, these firms are chosen as subcontract-receivers primarily due to their ability to keep the labour costs low[173]. Therefore, the rational strategy for firms that are aiming to secure foreign subcontracts is to make use of domestic subcontract relations so as to undertake most of the production in the most left-hand side of the continuum while presenting themselves with minimum possible number of workers in the right hand-side on points 2, 3, 4 and 5. Accordingly, firms would be optimally placed in points 2 and/or 3, for here the legal visibility can be ensured with minimum labour costs. Thus, one can argue that the logic of foreign subcontract relations moves the entire system from right to left so as to leave points 4 and 5 which provide the best conditions for workers increasingly empty. This leads to the disintegration of organized industrial relations (see Buğra *et al* 2005).

These dynamics have a crucial impact on employment distribution over the points of formality continuum: while the relative share of employment in the first three points of the continuum, which are together classified as informal unorganized industrial relations, increases the employment in the remaining points decreases, that is, the sub field of formal unorganized industrial relations shrinks [174] (Adaman *et al* 2008: 12, see the expansion trend in figure 6.3). This implies that industrial relations in textile & clothing sector have the tendency of becoming more prone to wildcat industrial action.

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subcontractors instead of meeting workers demands. Hence is the role of subcontract relations as escape channels.

[173] Interview #38/ 30.04.2007, Interview #39/ 01.05.2007, Interview #40/ 01.05.2007, Interview #42/ 04.05.2007.

[174] Interview #21/29.03.2006, Interview #41 / 02.05.2007, Interview #48 /11.05.2007.

The sources of injustice and the likelihood of industrial action

In this environment the feeling of injustice among workers appears to have been generated by four main problems: first, clothing firms which employ the majority of workers mainly operate on points 1 and 2 on the formality continuum under very poor health and safety conditions[175]. Second, through the entire sector with exception of point 5 actual working hours increase well above the official limit of 45 hours per week and extra work quite often remains unpaid[176] (Adaman *et al* 2008:11). Third, majority of workers are employed on very precarious basis and thus, they do not accumulate any rights for retirement or severance payments. Finally, workers lack any continuous and recognized collective representation mechanism, thus, the most crucial issue, that is, wage-time (and effort) bargaining is largely determined by employers[177]. Only strategy available to workers, other than wildcat strikes, seems to be the permanent and precarious search for new jobs in order to obtain higher wages while losing the chance of accumulating skills. All of these problems increase in their magnitude and prevalence as one moves down in the formality continuum together with the likelihood of wildcat industrial action. Therefore, the ability of non-state actors to contain industrial conflict may be in practice examined by the extent to which the codes of conduct could address these problems.

Obviously, the unionization would be the best solution for it would enable workers to address all these problems themselves by using their associative power rationally. On the other hand, one may at least hypothetically argue that, if workers are permanently supported by an external actor who can address all these problems and prevent their recurrence by pressuring employers to remain at higher points of formality, then the correction of injustice through unionization may be redundant. Moreover, given that workers seem to be ready to accept minimum wage as long as they are given the guarantee of long term employment leading to retirement and severance payments, one can argue that if the health and safety conditions are improved, excessive

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[175] Interview #32/20.04.2006.

[176] Interview #59 / 23.05.2007.

[177] Interview #32 / 20.04.2006,Interview #38/ 30.04.2007, Interview #39/ 01.05.2007, Interview #40/ 01.05.2007, Interview #42/ 04.05.2007, Interview #44/ 09.05.2207, Interview #62 / 23.05.2007.

working hours are prevented and retirement of workers is ensured then the resulting working conditions would still be considered as improvement despite the remaining imbalance of power between workers and employers in the wage determination. This would decrease the likelihood of wildcat industrial action.

The Promise of Codes of Conduct

The non-state actors rely on a "climatic change" argument in order to tackle the sources of injustice in the sector through the CoCs. This argument is derived from the idea that "brands have a leading role in creating a climate in any given industry if they adopt CoCs; then the other firms must follow suit in order to make good business"[178]. Two successive phases of the idea of climatic change then serve as an implementation mechanism for spreading better working conditions envisaged by the CoCs: change through pressure and imitation.

For many firms operating in the clothing & textile sector, to take part in production chains, by receiving and offering subcontracts, is essential in order to ensure profit. If the lead firms make the provision of reasonable working conditions a prerequisite for subcontracts, the local firms seeking those contracts would be increasingly obliged to take workers' rights seriously[179] . Thus, foreign lead firms may exercise pressure on local firms seeking subcontract deals. They would not work with suppliers that are partly or entirely established on positions 2 and 3 in the formality continuum, meaning that these positions would no longer be the basis for a viable business strategy. Consequently, domestic firms, which are seeking foreign subcontract deals, would be increasingly placed on positions 4 and 5, which provide the most favorable conditions for workers. Obviously, this would be meaningful only if domestic subcontract relations which connect positions 4 and 5 to lower levels of formality can also be eliminated from the system through detailed inspections by the lead firms and by genuine commitment of first subcontract receivers. Moreover, if the CoCs with their emphasis on freedom of association are fully implemented then the placement of firms in position 5 or 4 in the formality continuum would be entirely dependent on workers' choice with the result that freedom of association

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[178] Interview #55/ 18.05.2007.

[179] Interview #55/ 18.05.2007.

will be exercised by workers in whatever form they prefer. This would not only entail improvement in all working conditions but it would also prevent wildcat industrial actions.

Obviously, the lead firms that are committed to the CoCs would still look for suppliers that can offer low cost production, though now the suppliers, in order to compete, would have to find other ways of reducing their costs than disregarding worker's rights. Presumably they would seek methods to obtain efficiency and productivity gains. One can reasonably assume that there will be some subcontract firms capable of meeting this challenge. The employment practices and production strategies of these firms would be gradually imitated by other firms that are not necessarily being pressured by lead firms but are seeking better ways of being competitive in order to receive direct and indirect foreign subcontract deals (see Baron & Diermeier 2007:601).

In short, the combined influence of pressure and imitation is to lead to a climatic change in the entire system; the high(er) working standards, as the condition of being connected to global production chains, would be 'injected' into the system through foreign subcontract deals offered by the lead firms and smuggled further via domestic subcontract relations[180]. Consequently, production will start to move from left to right in the formality continuum with the obvious consequence that the likelihood of organized labour to flourish would increase, the working conditions would improve and the likelihood of wildcat industrial action would decrease (see figure 6.2). In other words, the CoCs (thus, the non-state actors) aim to utilize the high degree of connectedness in the sector created by the subcontract relations in order to improve working conditions so as to generate a predictable and peaceful environment.

Obviously, the climatic change idea is mainly about how the impact of CoCs would spread across the sector but it does not exactly reveal the way in which the full compliance of those firms, which are committed to the CoCs would be ensured. For this purpose, the CoCs rely on three mechanisms: firstly, the firms placed in the higher points in the production chain are expected to monitor the compliance of others down in the chain[181], secondly, the trade unions and other non-state

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[180] Interview #55/ 18.05.2007.

[181] Interview #55 / 18.05.2007, Interview #59 / 23.05.2007.

organizations are expected to report any non compliance of the firms[182], and finally, workers are also encouraged to report any breach of the CoCs that they may encounter. To empower workers to undertake this task the firms committed to the CoCs are obliged to hang the list of rights granted to workers in a visible place in the plant together with the phone numbers to be called to report grievances. These are local phone numbers and workers can make complaints in Turkish to CoC activists. In this way any injustice felt by workers is expected to be transmitted to the non-state actors who would then take necessary measures[183].

Practice of Codes of Conduct

Of course, there are two crucial questions as to the feasibility of the idea of climatic change: Can the climatic change really spread better working conditions, especially the freedom of association, so as to enable workers to tackle the injustices themselves? or alternatively; Can the quick response mechanisms envisaged by CoC proponents really ensure that any injustice felt by workers may be corrected in short time by non-state actors so as to render collective representation redundant? Indeed, by answering these questions one may establish whether non-state actors (through private regulation) prevent the most excessive injustices and thus, contain industrial conflict in unorganized industrial relations.

For this purpose, I will analyze the impact of codes of conduct on three firms operating at the last three positions in the formality continuum (5, 4, and 3 in figure 6.2). These three are chosen from nine firms that are closely scrutinized during the fieldwork[184]

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[182] Interview #32/ 20.04.2006,Interview #48 /11.05.2007, Interview # 51/ 16.05.2007.

[183] Interview #55 /18.05.2007, Interview #62 / 23.05.2007.

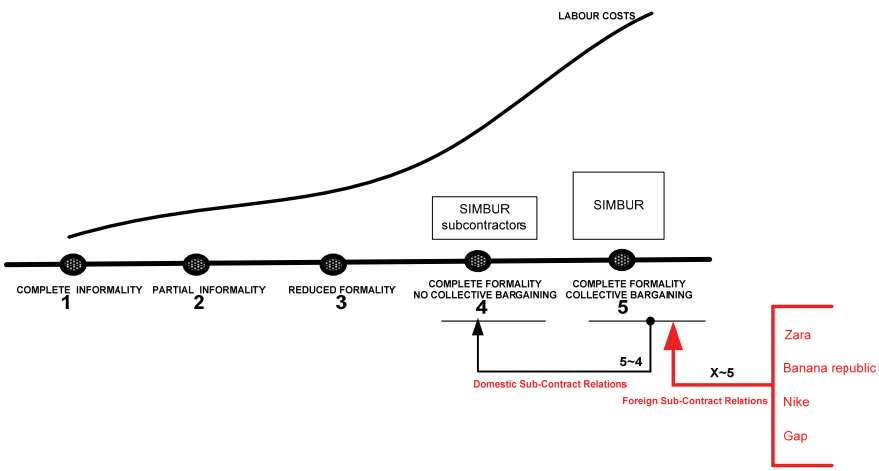
[184] The selection process was as follows: I first identified 54 firms in the sector by using the internet, association records, and snowball sampling in order to have a sample which contains at least 3 or 4 firms operating at each formality level (see figure 6.2) . I contacted all of these 54 firms but only 9 of them wanted to take part in my research. Obviously, under such circumstances it was not possible to pursue a strict selection criteria and I focused on employment relations in these nine firms. I used triangulated respondent accounts to trace recent developments with regard to CoC application in these firms, all of which differed in terms of their level of formality: *two* are on position 5, *two* are on position 4, *four* are on positions 2 and/or 3 and *one* is on position 1 (see figure 6.2). I present here three of these firms which, in my opinion, best reflect the way in which the private regulation influence (or fail to influence) the sectoral dynamics.

Given the nature of competing hypotheses examined in this chapter (see the grey area in figure 6.1), it is essential to keep a track of the state in each empirical case that will be analyzed below, as the actor to whom the blame for injustice might possibly be attributed. Given that the minimum wage appears to be the main factor through which the state influences unorganized industrial relations, in order to keep track of the state I will explicitly point out the role played by the minimum wage in each empirical case.

The CoCs as a success story: the case of SIMBUR

SIMBUR is one of the most prominent firms in Turkey operating simultaneously in textile and clothing industries. It is a major exporter with more than 250 million US dollars annual sales in 12 countries including US, Germany, Britain and Chile. SIMBUR produces for famous brands such as Zara, Banana republic, Nike, and Gap. I conducted research in one of the SIMBUR sites in Turkey employing around 3500 workers of which 2900 qualifies as blue collar.

Figure 6.4: The position of SIMBUR in the formality continuum



This SIMBUR site (henceforth just SIMBUR) has a reputation as one of the most enthusiastic factories about CoCs: it has a special social responsibility department, which solely focuses on compliance.

Moreover, SIMBUR belongs to the minority of firms in the sector (especially in the clothing industry), which accommodate a trade union and sign collective bargaining agreements (see figure 6.4). SIMBUR provides a range of services to its workers: such as free transportation, a very developed day care facility for children, free meals and a medical centre with quite high standards[185].

SIMBUR, thanks to its ability to comply with quality, cost and social responsibility requirements simultaneously, is labelled as the strategic partner of some famous brands, a position which ensures a long term relationship, that is, permanent demand for SIMBUR' products unless an extraordinary crisis occurs[186]. The SIMBUR social responsibility chief strongly rejects the idea that the CoC is an issue of secondary importance, which comes only after concerns about cost and quality. He argues that the compliance is equally important: for it is the requirement of their customers (that is: the firms that they produce for and indirectly the customers who use the final products) thus, it must be taken very seriously. He claims that without decent working conditions one cannot ensure quality[187].

SIMBUR meticulously pursues a policy of compliance and enforcement for CoCs: while permanently undertaking internal controls aimed at increasing working conditions, it also implements a very strict code in its subcontract relations[188]. Those firms connected to SIMBUR via subcontract deals are prohibited from further subcontracting and they must comply with the CoC. This is mentioned in a special booklet prepared by SIMBUR[189]. Thus, SIMBUR does not allow its at least 18 permanent subcontractors which employ around 8000 workers[190] to benefit from lower levels of formality and it ensures their compliance with CoC by announced and unannounced inspections. The code enforced by SIMBUR in its subcontract firms includes prohibition of child labour and unregistered workers and it forbids the excessive working hours, which in the sector quite often remain unpaid. Moreover, SIMBUR, in

[185]Interview # 60/ 23.05.2007.

[186]Interview # 59/ 23.05.2007.

[187]Interview # 59/ 23.05.2007.

[188]Interview # 59/ 23.05.2007.

[189]Interview # 59/ 23.05.2007.

[190]Interview # 48/ 11.05.2007.

accordance with the CoC requirements, obliges its subcontractors to have a worker representative, which is elected via hidden vote by workers[191].

One can argue the case of SIMBUR appears to be the confirmation of the "climatic change" argument: foreign firms ask for compliance from SIMBUR, and as expected by the proponents of CoC project, SIMBUR not only places itself on position 5 in the formality continuum but it also pulls its subcontractors operating in the unorganized industrial relations to position 4 where labour has the potential to get organized and decent employment conditions can be ensured. Of course, it is not possible to assess the extent to which the changes occurring in subcontract firms working with SIMBUR diffuse further to those firms without any direct connection. However, given the opportunities provided by SIMBUR in terms of subcontract deals, there may be a competition among regional firms in order to receive deals from SIMBUR. In fact, SIMBUR's social responsibility chief emphasizes this point: "You can't say that if I get subcontract deals I will improve my conditions, you cannot expect any guarantee in this respect, you must improve your conditions in order to get better deals"[192]. Thus, by looking at the impact of SIMBUR on its subcontractors, one can argue that the promise of CoC is actually 'promising'. In other words, at first glance the most vocal demand of workers in unorganized industrial relations, that is, collective representation, appears to be made possible by the CoC through which workers can correct injustices they perceive themselves. Moreover, the CoC also seem to able to prevent at least some of the most excessive injustices, which take place in subcontract firms such as unpaid extra hours of work. However, before passing this optimistic judgment one should examine the situation in SIMBUR and its impact on the sector more critically.

In fact, with regard to freedom of association SIMBUR seems to have a double standard: while it accommodates a trade union itself, it argues that the freedom of association clause of CoC does not necessarily imply the existence of trade unions in the workplace[193]. Accordingly, it forces its subcontract firms to have an elected worker representative rather than a trade union with the obvious implication that none of the

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[191]Interview # 59/ 23.05.2007.

[192] Interview # 59/ 23.05.2007.

[193] Interview # 59/ 23.05.2007.

subcontractors have collective bargaining, that is, workers in subcontract firms cannot effectively negotiate the terms of wage-time and effort bargaining. The most absurd example in this respect is the existence of approximately 100 employees working in the SIMBUR factory in a special building, benefiting from all services but exempted from collective bargaining due to the fact that they produce for SIMBUR but work for another employer who is apparently a subcontractor. As the HRM chief puts it "these workers are not related to us"[194]. This policy is fully supported by the trade union TEKSIF[195], which argues that trying to organize SIMBUR's subcontractors would be tantamount to undermining the working conditions of SIMBUR workers: because the cost effectiveness of subcontract firms apparently resulting from the lack of collective bargaining is one of the major reasons which allows SIMBUR to afford the existence of a trade union and collective bargaining[196]. Given this logic, which is openly admitted by the trade union, one can infer that the worker representatives in the subcontract firms of SIMBUR cannot challenge the employers with regards to the wage-time and effort bargaining, because this would seriously jeopardize the dynamics of the production chain which are essentially premised on keeping the labour costs down in the lower positions. Therefore, one can argue that the freedom of association with its full benefits for workers is not only not realized completely by SIMBUR's compliance with the CoC, but to some extent, it is prevented by it: for in order to preserve conditions created by the CoC in the main firm employing 2900 blue collar workers, the union does not attempt to expand the collective bargaining further into the production chain which includes approximately 8000 workers. Thus, one can argue that in the case of SIMBUR, the ability of the CoCs to respond the most important general demand of workers in unorganized industrial relations, that is, collective representation is not entirely realized.

Obviously, one should at this point examine the other possibility, namely, whether the quick response mechanisms envisaged by the CoC may enable rapid and dynamic correction of injustices felt by workers at SIMBUR's subcontract firms so as to render collective representation through trade unions and collective bargaining redundant. According to a

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[194] Interview # 60/ 23.05.2007.

[195] TEKSİF is affiliated with the peak labour organization TÜRK-İŞ

[196] Interview # 48/ 11.05.2007.

prominent activist, to expect workers employed in subcontract firms to mention their grievances by using the phone numbers made available due to the CoC obligations is completely unrealistic. He argues that workers, under the conditions of implicit or explicit pressure of employers, would not dare to call these phone numbers and perhaps not even consider them relevant to their problems[197]. Indeed, it is also argued that the posters which mention when and how the phone numbers are to be used quite often placed in sight of directors' office, thus, close inspection of these posters by workers is impeded by the implicit menace of surveillance[198]. Moreover, it is also claimed that these posters are written in a deliberately confusing language to prevent workers from contacting the CoC activists[199]. Under these conditions one may argue that workers in SIMBUR's subcontract firms cannot seriously challenge the injustices they feel, especially about the wage-time and effort bargaining, directly by using the quick response mechanisms established by non-state actors.

The only way of (discovering and) addressing the possible injustices seems to be the inspections by the social responsibility personnel of SIMBUR, by the audits sent by the foreign firms working with the SIMBUR and by the non-state actors. Perhaps not surprisingly, these external inspectors confine their efforts to ensuring health and safety standards, registration of all workers and their wages (that is keeping the subcontract firms in position 4 in the formality continuum)[200]. The trade union TEKSİF of the SIMBUR argues, rather apologetically, that "although we do not unionize subcontract firms, we will never allow these firms to slip into informality in any way"[201]. In other words, the overall system created by the CoCs, while focusing on the other prevalent sources of injustice, manages to keep the issue of wage unaddressed in subcontract firms. Hence with regards to wages, the criteria to be used for judging the non-state actors' ability to correct injustices, that is, through collective representation or quick response, seem to be not satisfied in the case of SIMBUR.

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[197]Interview # 55/ 18.05.2007.

[198]Interview # 62 / 23.05.2007.

[199]Interview # 51 /16.05.2007.

[200]Interview # 59 / 23.05.2007.

[201]Interview # 48/ 11.05.2007.

Under these conditions one may expect that most of the 8000 workers employed by SIMBUR subcontractors are unlikely to challenge employers in wage related issues thus, they most probably receive minimum wage like many other workers in the sector. However, it is essential to acknowledge that, unlike the majority, they seem to be enjoying better employment conditions characterized by entirely paid and not excessive working hours, healthy working environment and entitlement to retirement and severance payment[202]. Indeed, according to a prominent activist, workers in the clothing industry internalized the low wage structure so much that it is quite often impossible for them to imagine remarkable increases in their wages[203]. Thus, one may argue that for the workers in the SIMBUR's subcontractors the only positive developments induced by the CoCs would be visible while the exclusion of the wage issue would be taken for granted. The outcome is likely to be the generation of peaceful industrial relations based on acceptance of strict minimum wage regime by workers in exchange for secure and long-term employment, which entitle them to retirement and severance payments.

This observation hints that the climatic change idea in practice is likely to generate peaceful two-tier-systems which consist of a workplace enjoying collective bargaining (i.e., the first-tier) and its subcontractors (i.e., the second-tier), which are excluded from collective bargaining but have better conditions than other unorganized workplaces. In other words, because of the CoCs, the conditions prevailing in unorganized industrial relations improve so as to ensure industrial peace but unorganized industrial relations remain unorganized in order to keep organized industrial relations organized.

Now let us examine another company (and production chain), which seems to be completely immune from any positive effect of the CoCs.

The CoCs as an untold story: the case of ENCOT

ENCOT is a clothing factory employing around 80 mainly female workers. However, it undertakes large part of its production in

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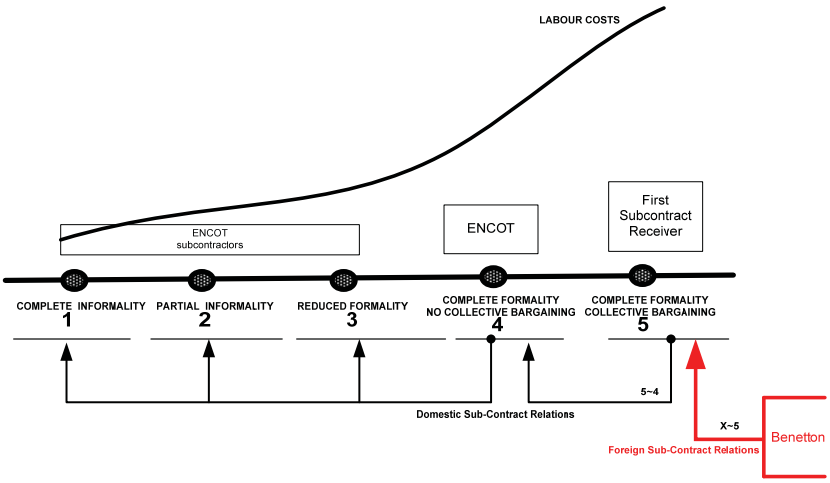
[202]Interview # 48/ 11.05.2007, Interview # 59 / 23.05.2007.

[203] Interview # 55/ 18.05.2007.

subcontract firms so that in high seasons more than 1000 workers are producing for ENCOT in many small and unregistered companies under the control of experts appointed by ENCOT while ENCOT is directly undertaking only the most difficult phases of production which are crucial for quality[204] (see figure 6.5). ENCOT was for a long time in a successful business relation with a French firm. However, due to excessive demands of the French firm for cutting the costs, ENCOT decided to stop the deal. Now, it is connected to a famous local brand via subcontract relations and this local brand is connected to Benetton. Thus, indirectly ENCOT is producing for Benetton[205].

Figure 6.5: The position of ENCOT in the formality continuum



ENCOT is at the position 4 in the formality continuum and it is connected to foreign brands via indirect subcontract relations (see figure 6.5). However, as evidenced by its heavy reliance on further subcontracts and its concern about labour costs, one can see that ENCOT transmits the production to lower levels of formality to the positions 3, 2 and 1. Like the SIMBUR case, ENCOT's supply chain may also be used to generate a

[204] Interview # 42 / 23.05.2007.

[205] Interview # 42 / 23.05.2007.

climatic change. However, the general manager confidently declares that he is not bothered by the main firms about CoCs. He thinks that their concerns about workers' rights can never be sincere given their primary interest in cheap production[206].

All ENCOT workers are registered and they receive either minimum wage or legal apprenticeship wage (which is one third of minimum wage). However, the manager argues that wages gradually improve according to the performance and skills of workers but he mentions his determination for not making any concessions to anyone who is asking for higher wages or to any attempt of collective action. In other words, he solely determines the conditions of wage-time and effort bargaining. During the only industrial action incidence that he remembers he made this very plain to workers: when they stopped production to force him to make a pay increase; he told them that unless they go back to work he would dismiss all of them and start with a completely new workforce. Consequently, workers had to go back to production without any pay increase[207].

Apparently, the reason for the lack of CoC penetration into this particular production chain is Benetton's failure to commit itself to improving workers' conditions. In this respect, the primary assumption of the climatic change argument, that is, smuggling higher working standards via foreign subcontract deals, seems not to be present in the first place. Thus, perhaps it is not fair to judge the promise of CoC (and thus, the ability of new non-state actors to correct the injustices) by looking at the experience of ENCOT. However, examination of the ENCOT case provides some clues as to the dynamics that are missed by the climatic change argument.

One of the major differences between SIMBUR, a CoC-showcase, and ENCOT is the way in which these firms are connected to the foreign firms. In the case of SIMBUR the foreign firms offer subcontract deals to SIMBUR and sell the final products elsewhere, however, in the case of ENCOT the primary producer, that is, Benetton, is pursuing the policy of producing clothes which are destined for Turkey in Turkey[208]: benefiting from cheap labour while avoiding shipping expenses. The lack of any

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[206] Interview # 42 / 23.05.2007.

[207] Interview # 42 / 23.05.2007.

[208] Interview # 42 / 23.05.2007.

remarkable consumer sensitivity for working conditions in Turkey probably renders the policy of not-bothering with workers' rights viable for Benetton, at least in Turkey, thus, also for ENCOT. This difference reveals a condition attached to the climatic change argument: the foreign firms which offer subcontracts and demand compliance with CoC should not aim at the domestic market in Turkey (or any other country with insensitive consumer profile) in order for the CoC to remain a permanent concern for suppliers.

Moreover, the immunity of domestic oriented firms, regardless of their origin, from CoCs seems to trigger a development which is not likely to be positive for workers: trade unions in the sector are increasingly disinclined to use their resources for trying to organize domestic producers. Instead, they prefer to use their resources for organizing firms that are somehow vulnerable to the impact of CoC[209] (see Adaman *et al* 2008:16). Therefore, one can argue that the CoC project, while to a certain extent encouraging the collective organization of workers in the clothing industry, simultaneously creates a problem of exclusion. Thus, one can argue that the emergence of two-tier peaceful systems like the one generated by SIMBUR is conditioned by the sales strategy of the main firms.

Now, let us examine another case (and production chain) reflecting how complex and unpredictable a CoC-based enforcement mechanism can be.

The CoCs as a complex story: the case of COTREMA

The COTREMA is a Dutch-Turkish joint venture employing 248 workers and functioning in clothing industry[210]. It is mainly producing as a subcontract firm for at least 35 famous brands of which five are explicitly committed to CoC: Pall-Mall, Scotch & Soda, Helly-Hansen, O'Neill and Gaastra[211] (see figure 6.6).

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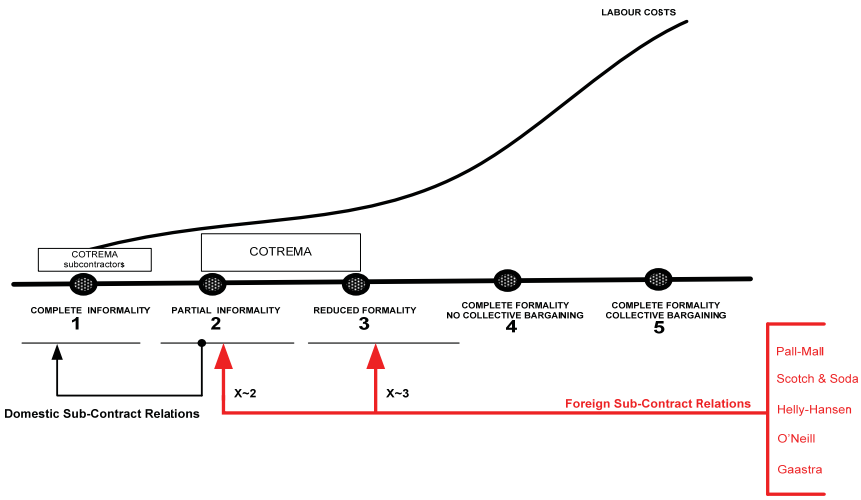
[209] Interview # 48/11.05.2007, Interview # 51/ 16.05.2007.

[210] Interview # 51/ 16.05.2007.

[211] Interview # 52/ 17.12.2007.

The first episode of the COTREMA story is quite straightforward: a trade union TEKSTIL[212] attempted to organize COTREMA but the management immediately dismissed all workers affiliated with the union. As a response, union officials who were well informed about COTREMA's foreign connections first contacted the Dutch partner of the firm and demanded the reinstatement of dismissed workers but the result was negative. As a second step, the union applied to five foreign firms working with COTREMA and committed to CoC. These brands, in turn, asked the COTREMA management to reinstate the workers but the management refused. Moreover, it also moved its production site to 55 km away in order to get rid of the entire workforce, which is 'contaminated' by trade union without actually dismissing them. However, the repercussion of refusal to reinstate workers and moving the production site elsewhere was rather mild: only two of the five CoC committed firms (O'Neill and Gaastra) stopped their orders while the remaining three continued to work with COTREMA[213].

Figure 6.6: The position of COTREMA in the formality continuum



It is important to mention that unlike the remaining three firms O'Neill and Gaastra are committed to multi-stakeholder type of CoCs, which enable external actors to be involved in implementation and

[212] TEKTİL is affiliated with the peak labour organization DİSK

[213] Interview # 51/ 16.05.2007.

inspection processes. Hence there appears another condition for the success of the climatic change: the degree to which firms remain committed to CoCs under crisis is likely to be influenced by the type of CoC that they adopt (for example, multi-stakeholder or business).

After this temporary defeat, *the second episode of the story* begun which directly involved some of the non-state actors behind the CoCs: the trade union TEKSTIL through its linkages with activists started a campaign in the Netherlands and managed to take Dutch employers' association and one of the Dutch trade union confederations which are involved in the promotion of CoCs on board in order to enforce the Dutch partner of COTREMA to re-employ the dismissed workers and then to recognize the union. After a long struggle, the COTREMA management in Turkey was compelled to discuss the situation of dismissed workers with a joint committee consisting of some CoC activists and trade union officials. The negotiations ended with an agreement: all fired workers would be reemployed and the union would be recognized. However, soon it was revealed that COTREMA management and a certain trade unionist from TEKSTIL collaborated during the negotiations in order to deceive the CoC activists: they included some workers in the agreement who were no longer interested in reemployment, thus, the scope of agreement appeared larger than it really was. Moreover, during the negotiations COTREMA fired some more workers who were known to be militant unionists, probably[214] with the tacit approval of the trade union. When these recently fired workers, together with those who were fired at the beginning and still wanted their job back, applied to COTREMA management to be re-employed on the basis of the agreement they were disappointed. COTREMA refused their demand, probably again with the consent of the trade union. However, COTREMA still recognized the trade union TEKSTIL as envisaged in the agreement. According to a trade unionist who could monitor all these events from close proximity, "under these circumstances TEKSTIL will be the yellow union of COTREMA factory"[215].

In order to unravel this complex story I make the assumption that if COTREMA were not a Dutch-Turkish joint venture, it would not be

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[214]During the interview in which I heard these events, the interviewee implied that the union indeed collaborated with the management in dismissal of militant workers, but he avoided saying this directly, hence I use the word "probably" in the text.

[215]Interview # 52/ 17. 12. 2007.

possible to mobilize Dutch actors committed to the CoCs and thus, there would be no second episode of this story. Thus, I will first make an *interpretation of the first episode* of the story to be able to derive some general conclusions:

The initial fierce reaction of management to the unionization attempt can be explained by the fact that COTREMA was operating on points 2 and/or 3 in the formality continuum: it was heavily relying on partial informality and reduced formality in order to keep its costs down while pursuing a wage policy based on making adjustments to minimum wage according to market fluctuations and laying off workers. Obviously, unionization in the workplace would endanger this kind of existence. Therefore, the COTREMA management refused to recognize the trade union and preferred to risk a couple of its foreign connections instead of reconsidering its entire production strategy.

Thus, there is a weakness in the climatic change argument (thus, in the ability of non-state actors to correct the injustices): the firms facing the CoC-related obligations would actually consider the relative cost of two contradicting strategies: first, to increase the number of foreign buyers by using all the opportunities provided by informality to keep costs down. When this strategy is pursued, in case of a crisis resulting from, for example, lack of freedom of association, the management can easily sacrifice some of the foreign connections, as COTREMA initially did, and keep its production philosophy intact. Second strategy is to change the production philosophy, as envisaged by CoCs, and to seek new ways to improve productivity while respecting workers' rights so as to secure the subcontract deals provided by CoC-committed foreign firms.

The initial reaction of COTREMA reveals that the first strategy is more plausible given the fact that the majority of subcontract offering firms are not committed to CoCs but are very sensitive to labour costs. Even those firms that are explicitly committed to CoCs seem to be ready to reconsider their position when they have to make a choice at a critical point between costs and worker rights. Here it is important to compare COTREMA with SIMBUR: SIMBUR is considered as a strategic partner by some famous brands. It can rely on a long- term relationship, which guarantees permanent demand for its products and ensures profits and thereby enables SIMBUR to retain its enthusiasm for compliance with CoC. However, firms like COTREMA, with no reputation or high capital reserves, cannot rely on any long term relationship with any foreign firm

and thus, they must be much more reluctant to comply with any rule which may increase their production costs. In fact, this situation confirms an observation made by a leading proponent of CoC: "the way in which brands are making business determines their influence on supplier: if they are giving orders one at a time they have limited influence but if they give 5 years of permanent order guarantee they will have more influence, however, the tie between the brand and supplier is not strong"[216].

Thus, one may argue that the success of the CoCs and therefore, the ability of the non-state actors to correct injustices in unorganized industrial relations depends on the nature of the relationship between the main firms and their suppliers: only long term relationships seem to be conductive for the enforcement of the CoCs.

Now let us focus on *the second episode of the story*, that took place, I assume, due to mixed, that is Dutch-Turkish, ownership of COTREMA which rendered it vulnerable to pressure from some Dutch actors involved in the CoC initiative.

One may argue that the effectiveness of the CoC project, which in the end compelled the COTREMA management to accept negotiations, is closely linked to (and proportionally increasing with) the internationalization of the firms. From an optimistic perspective, this shows that it is not easy to defeat the CoC-project by overwhelming relatively weak local actors. However, there is also a negative side: any purely native supplier who produces for large number of firms only some of which is committed to CoC would be able to determine its policy entirely by cost based considerations without feeling any extra pressure. Hence once again we face the problem of exclusion: it is possible for trade unions not only to leave domestic oriented firms unattended because of their CoC based strategies as shown in the case of ENCOT, but it is also possible that they may also hesitate to engage with entirely native-owned export-oriented firms regardless of the degree of CoC penetration in the particular production chain where these firms are placed. Hence the emergence of two-tier peaceful systems like the one generated by SIMBUR seems to be conditioned by the ownership structure of supplier firms.

However, the most interesting part of the second episode of the story is the ending: the trade union, after launching a successful

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[216] Interview # 55/ 18.05.2007.

international campaign and gathering support from CoC activists, preferred to cooperate (or collaborate) with the employer and sacrificed the fired workers for the sake of ensuring its existence in the workplace. Obviously, this is the outcome of a rational calculation: instead of pressing the employer by using a strong but temporary alliance and thereby starting a very tense and precarious relationship, the union preferred to make a concession to the employer and thereby ensured more harmonious relations in the future. This indicates that CoCs may not be able to resolve the tensions between workers' interest and union interest that result from the union-aversive nature of the national law (which leads to employer dominated partnerships between trade unions and employers as shown in the previous chapter).

Indeed, one can optimistically argue that after this stage the CoCs , as in the case of SIMBUR, would gradually generate a two-tier-system in which COTREMA factory would be the organized industrial relations component at point 5 in the formality continuum while its subcontractors operating in unorganized industrial relations would constitute the second-tier and they would be placed at point 4 like the subcontractors of SIMBUR. This two-tier system would generate peaceful industrial relations if it functions as in the case of SIMBUR, that is, while wage determination in the second-tier is entirely left to employers, the health & safety standards are improved, excessive working hours are not allowed and social security of workers are guaranteed. However, given the history of the trade union TEKSTIL in COTREMA, one should not discard the possibility that, the unionists and managers of COTREMA may cooperate in order to conceal the exact level of implementation of CoCs at the subcontract firms, or perhaps even at the COTREMA factory itself. This observation points out another condition attached to the realization of the promise of CoC's: in order for CoCs to generate peaceful two-tier-systems those trade unions (or trade unionists) that organize the first-tier workplaces should not be entirely opportunistic.

Assessment

From these examples one may conclude that the climatic change that might be triggered by codes of conduct (i.e., by the non-state actors) is likely to generate two-tier micro industrial relation systems consisting of a first subcontract receiver and the connected firms, that is, sub-subcontractors: while in the first-tier there would be workers who are

employed by the first subcontract receiver, the second-tier would be formed by workers of sub-subcontractors. First-tier workers would be employed at position 5 in the formality continuum, that is, they will enjoy collective bargaining and entirely formal employment thus, they will be qualified for retirement and severance payments. Although second-tier workers would be deliberately excluded from collective bargaining, they, too, would be formally employed and thus, they would also be entitled to social security. In other words, second-tier would be placed on point 4 in the formality continuum. Therefore, in this kind of a system the terms of wage-time and effort bargaining in the second-tier would remain as management prerogatives but the inspections by first subcontractor, NGO's and the main firm would ensure that in the second-tier no worker is excluded from social security, extra work is paid and healthy working conditions are provided. The trade union which conducts collective bargaining at the first-tier is also expected to contribute to this inspection and enforcement effort. Consequently, the second-tier would be a minimum wage environment with healthy working conditions and entirely paid extra working hours but, of course, without collective bargaining. Obviously, this two-tier micro system is an equilibrium, which while not undermining the logic of production chain, that is, ensuring that those firms placed in lower positions do have lower labour costs, tries to improve the working conditions of all workers involved.

The analysis shows that from the perspective of industrial conflict, such a micro system is likely to generate peaceful industrial relations. For the likelihood of wildcat industrial action increases as one goes down in the formality continuum, that is, as the entitlement to retirement and severance payments disappears the propensity of wild cat industrial action increases. Obviously, being excluded from the possibility of security in old age and sickness generates feeling of injustice in unorganized industrial relations. Probably unpaid working hours also contribute to the bitterness towards employers. Therefore, as depicted above, the combination of minimum wage, long-term employment and social security decreases the propensity of overt conflict. The two-tier systems provide this very combination for all the workers in the second-tier, and thus, they generate peaceful industrial relations. Therefore, one may argue that new non-state actors by creating these two-tier systems through implementation of codes of conduct may indeed correct some injustices generated within unorganized industrial relations and thereby contain industrial conflict so long as workers in the second-tier do not

consider their exclusion from the conditions prevailing in the first-tier as injustice.

However, the case studies analyzed above clearly indicate that the emergence of such two-tier-micro systems through climatic change triggered by CoCs is conditioned by many factors: by the nature of the relationship between main firm and supplier (that is long term or short term relationships), by the strategy of the supplier (working with a lot of main firms or with a limited number of main firms, and producing for domestic market or producing for foreign markets), by the type of the codes of conduct adopted by the main firm (business type or multi-stake holder type). Moreover, the climatic change seems to have the potential danger of excluding entirely domestic oriented firms and perhaps also entirely native-owned enterprises. Finally, the degree of consumer sensitivity at the final destination of products, too, appears to be important. On top of these one should also add the strategies of trade unions: if trade unions are purely opportunistic then the emerging two-tier systems may not be generating the peaceful equilibrium based on minimum wage, formal employment, healthy conditions and full payment for extra work at the second-tier workplaces.

Indeed, the best conditions which may allow the climatic change to generate a two-tier micro system with peaceful industrial relations is this: *a partly foreign owned and entirely export oriented supplier establishes subcontract links with a small number of main firms which offer long term partnership and adopt multi-stakeholder type codes of conduct while aiming to sell their final products in places where the consumer sensitivity for workers' conditions is high, and then, a non-opportunistic trade union organizes the supplier's factory*.

Discussion

How can one relate these findings to the competing hypotheses? (see the grey area in figure 6.1). Is the containment of industrial conflict in unorganized industrial relations the outcome of correction of injustices by the non-state actors through private labour regulation, or it results from workers' attribution of the blame of injustices, at least partly, to governments rather than entirely to their immediate employers?

At first glance by taking all the findings into account one may cautiously claim that under certain conditions the first hypothesis

appears to be valid, that is, the correction of injustice by non-state actors (NGO's and international networks) may indeed be possible and preventing industrial action in unorganized industrial relations (see IIa in figure 6.1). This judgment, however, would be erroneous.

Obviously, one may argue that the rate of penetration by codes of conduct into unorganized industrial relations is very small, thus, although they may contain industrial conflict by correcting some injustices, given the sheer magnitude of unorganized industrial relations, this impact cannot account for the overall industrial peace. However, this argument, although not incorrect, does not reveal the essential weakness of the first hypothesis uncovered by the empirical inquiry. For the real problem is not only about magnitude but also about content: it is not the non-state actors and implementation of their private legal instruments, that is, codes of conduct and the resulting two-tier micro systems, which actually contain industrial conflict even in the rather limited segment of unorganized industrial relations which they can influence under certain conditions. What codes of conduct do in practice is to move workplaces, thus, workers placed in unorganized industrial relations, in the formality continuum; from conflict prone positions such as points 1, 2 and 3 into a conflict-averse position, that is, point 4 where the combination of minimum wage, long term employment, social security and healthy working conditions provide peaceful employment relations . The outcome of such a movement, by definition, is a decrease in the conflict propensity.

However, codes of conduct neither generate nor influence the most crucial components of the combination, which makes position 4 less prone to industrial conflict, that is, minimum wage, long-term employment and social security. Although the two-tier systems generated by codes of conduct make these conditions available for those workers placed in the second-tier, it is the state, which determines the exact content and meaning of these peace-generating conditions. Thus, the peace in these two-tier systems is essentially generated by government policies and the way in which workers interpret them. One may deduce from this that *even in those limited circumstances in which non-state actors appears to be generating industrial peace through their codes of conduct, this outcome in fact results from an implicit partnership between non-state actors and the state, in which non-state actors move the workplaces into position 4 but it is the state who renders this position*

conductive to industrial peace by absorbing the blame for injustices workers feel. To clarify this argument a further elaboration is necessary:

In an environment characterized by precarious employment, unhealthy working conditions and no social security, once an employer moves into position 4 where all these conditions would be 'as good as legally possible' s/he would no longer be the primary agent to whom the blame for injustice is attributed. The basic reason for this appears to be the social security component associated with position 4. However, inclusion of workers into social security system is directly connected with or conditioned by the other two components of position 4: strict adherence to minimum wage is exchanged with long term employment and it is the long term employment that makes inclusion into the social security system meaningful. Indeed, as depicted above, whenever wage issue is mentioned at minimum wage workplaces employers point out this connection by emphasizing their commitment to not laying-off workers even during bad periods. The common practice of hanging placards in the plant, which read 'in this workplace minimum regime is enforced' also enhances the nonnegotiable nature of the wage and reminds the underlying implicit exchange[217].

Therefore, once a workplace is moved to position 4 by the direct pressure created by codes of conduct or as a result of subsequent climatic change, the direction of blame for injustice changes: the employer would appear as if s/he has done everything possible: social security and long term employment is secured in exchange for strict adherence to minimum wage, and thus, the best possible combination of working conditions from the perspective of someone who used to work in precarious conditions or at least being aware of them is ensured (see Adaman *et al* 2008:15). Any further improvement can only be possible if the minimum wage improves and it is just too obvious to everyone that not the immediate employer but the government is the one who is responsible for the level of minimum wage. Thus, under these conditions the blame for injustice would be directed to governments.

Therefore, one may argue that what codes of conduct do is to move workplaces into a position where the primary agent to whom the blame

[217]Of course this implicit exchange appears beneficial due to general conditions prevailing in the sector: where maintaining informal existence is the norm for firms, finding entirely legal employment would appear to workers as something to be appreciated. Probably if the collective bargaining were the norm then formal employment would not generate the same feeling.

for injustice is directed is the state rather than the immediate employers. Of course, the expectation is that the outcome of this shift in the direction of the blame would be the implicit interaction between governments and workers within the realm of politics, which would render voting rather than industrial action the most relevant medium for expressing the feeling of injustice. This is the real cause of industrial peace in those segments of unorganized industrial relations where codes of conduct can be influential under certain conditions. Indeed, this claim is confirmed by interview evidence: both employers and worker representatives openly acknowledge that dynamics of minimum wage is closely related to the electoral politics[218]. This is in fact one of the reasons why employers quite often oppose early general elections, which according to them, disturbs the dynamics of industrial relations by making governments more inclined to act in accordance with "populist" impulses[219]. *Thus, one can argue that non-state actors (through codes of conduct) are workers' medium of movement in the formality continuum, it is the shift in the direction of blame and the resulting implicit interaction between workers and the state, which contains the conflict. Obviously, in this general picture while it is the state which is the main actor who contains industrial conflict, non-state actors may be considered as its partners in the process which facilitate the change in the direction of the blame of injustice*. This seems to lend support to the observation that non-state actors are quite often involved in "diverse partnerships with public authorities" (see Buğra 2007a:176-177) which may be, as in this case, quite subtle.

So far the main focus of the discussion, due to the nature of the two-tier systems generated by the codes of conduct, has been the containment of conflict at position 4 in the formality continuum. However, the analysis up to here allows making some indirect inferences about the conflict dynamics in other segments of unorganized industrial relations where codes of conduct could not penetrate.

As mentioned earlier, minimum wage is crucial for these segments of unorganized industrial relations as well: it functions at point 3 as the officially paid wage which can be occasionally exceeded at the expense of

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[218] This issue has been mentioned or implicitly referred to in many interviews during the fieldwork but it was most explicitly acknowledged in two occasions: Interview #2/27.03.2006 and Interview #48/ 11.05.2007. In chapter 7, I show the existence of this interaction between politics and industrial relations in a much more detailed way.

[219] Interview #2/27.03.2006.

employment security, and at points 1 and 2, it creates the lighthouse effect as the reference wage. Given the fact that only in the clothing sector more than one and a half million people are employed at these positions, one can see that minimum wage through its influence on unorganized industrial relations, affects a large segment of the society and therefore, the feeling of injustice it creates must be carefully handled by governments. Obviously, as depicted in the analysis above, as one goes down in the formality continuum the immediate employer rather than the government is increasingly held responsible for the injustice. However, one may still expect that, due to the sheer number of workers at these low formality positions, the overall friction in unorganized industrial relations would not be ignored by governments given that they can manipulate the conflict dynamics at these position through minimum wage.

At this point the insights provided by the previous chapter allow making an indirect inference. As depicted there, the reckless manipulation of public wage norms and minimum wage in accordance with neo-liberal prescriptions proved to be dangerous for political stability under the conditions of democracy. For it feeds the resentment in the society: when during the 1980s the government pursued the policy of sending deliberately low wage signals to the economy by using public wage norms and minimum wage in order to facilitate the establishment of free market, the outcome was large scale industrial actions in organized industrial relations which enjoyed great public support due to anti-government feeling in the larger society. Given the crucial role of minimum wage for large number of workers it is reasonable to assume that the manipulation of minimum wage in pursuit of reckless neo-liberalism was one of the sources of this wide spread resentment[220].

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[220] Of course, it is crucial to recall that minimum wage has always been too low for ensuring minimum living conditions for a single person, as mentioned above, governments' assumption is that more than one individual in a household should be working on minimum wage to ensure subsistence. However, it is the extent to which the various functions that minimum wage assumes within the field of unorganized industrial relations are influenced by the level of minimum wage that determines the impact of minimum wage on the resentment in society. In other words, although minimum wage has always been low for a single person, there is low and high minimum wage in the sense of the ability of minimum wage to assume different functions at different formality levels simultaneously so as to prevent resentment. For example, as mentioned in the text the minimum wage, for majority of workers, has the lighthouse effect, that is, it is taken as reference in wage determination by employers. Thus, keeping minimum wage deliberately very low sets the reference too low and triggers resentment among workers.

Therefore, one may argue that at least in Turkey there is an implicit rule for managing the neo-liberal political economy: ruling governments need to ensure that minimum wage does not generate permanent anti-government feeling or intensive conflict between employers and workers so as to lead to wide ranging resentment which might ignite or encourage political protest as happened in the late 1980s. Accordingly, one may argue that what contains industrial conflict at position 4 and what determines the intensity of conflict and resentment in the remaining positions of unorganized industrial relations is the policy of governments regarding the minimum wage in response to the feeling of injustice among workers. However, it is also clear that for the sake of preventing resentment governments cannot undermine the dynamics of unorganized industrial relations entirely by making minimum wage 'too high' to assume different functions simultaneously at different levels of formality nor can they entirely ignore employers' concerns. For, as depicted by the case studies examined in this chapter, unorganized industrial relations should be compatible with the logic of international production chains, which essentially expand into environments where cheap labour and flexible conditions can be found. This implies that governments cannot respond to the feeling of injustice generated in unorganized industrial relations by simply increasing the minimum wage. Instead they should manage the feeling of injustice by careful manipulation of minimum wage so as to prevent excessive friction between employers and workers without damaging the logic of unorganized industrial relations which, as depicted above, is also carefully maintained by the peaceful two-tier micro systems created by non-state actors through codes of conduct.

It should be the management of the feeling of injustice in this way through the politics of minimum wage, which contains industrial conflict at point 4 and prevents excessive friction and resentment at other segments of unorganized industrial relations.

At this point it is crucial to make a reckoning for new activism: as mentioned at the beginning of this chapter, non-state actors have created private labour regulation through new activism, which is based on tackling directly the firms that control the production chains without engaging with public politics. In other words, private politics of new-activism has created the instruments such as codes of conduct, which gained prominence in neo-liberal environments characterized by unorganized industrial relations. However, the analysis in this chapter

suggests that, it is the factor of public politics or politics of minimum wage which appears to be containing and managing the industrial conflict in unorganized industrial relations even in those segments where codes of conduct could be influential. Thus, within the confines of this analysis, one can argue that *the effectiveness of private politics in unorganized industrial relations is conditioned by the effectiveness of public politics. The success of non-state actors depends on the success of the state*.

Conclusion

Having these observations in mind, one can argue that under certain conditions non-state actors through private labour regulation may force firms to shift their position in unorganized industrial relations which results in decline in conflict propensity, however, even in these circumstances what really contains industrial conflict is the management of the feeling of injustice by governments through minimum wage which renders the realm of politics relevant for the expression of grievances.

Therefore, the alternative hypothesis (see IIb in figure 6.1), which focuses on the role of the state appears to be a more fundamental explanation for the containment of industrial conflict in unorganized industrial relations. However, the analysis in this chapter did not focus on the alternative hypothesis and thus, there remain four questions related to this state-centered hypothesis to be scrutinized further:

Firstly, other than employers' and worker representatives' verbal acknowledgements of the impact of electoral politics on the way in which governments manipulate unorganized industrial relations through minimum wage[221], we still do not have concrete evidence for the implicit interaction between governments and workers in the realm of politics. How do workers in unorganized industrial relations express their grievances in the realm of politics? Is there really some impact of elections on governments' decisions regarding the minimum wage? Here it is crucial to remember that, at the end of the last chapter the necessity of finding evidence for the separation of organized industrial relations from politics after the gentleman deal arrangement of 1990 has emerged, on the contrary, here it appears that one should find evidence for the

[221]This issue has been mentioned or implied in many interviews during the fieldwork but most explicitly acknowledged in two occasions: Interview #2/27.03.2006 and Interview #48/ 11.05.2007.

connection between unorganized industrial relations and the politics of minimum wage.

Secondly, if indeed there is an implicit interaction between workers in unorganized industrial relations and governments as suggested by the interview evidence, does the growing size of this field have an impact on this interaction? What are the implications of this for the ruling governments and for the neo-liberal project?

Thirdly, to what extent the implicit interaction between governments and workers in unorganized industrial relations has been influenced by economic developments, that is, by contractions and expansions of economy, which are beyond the control of governments?

Finally, the motivation of governments in management of injustice remains unaccounted for. Is it reasonable to expect that in neo-liberal environments all governments would manage the feeling of injustice within unorganized industrial relations in the same way, that is, trying to prevent excessive tension and widespread resentment without damaging the logic of production chains? Is there any meta-principle of governing the state, which ensures the pursuit of the same policy by different governments?

I will answer these questions in chapter 7 where I exclusively focus on the role of the state in industrial relations.