

THE IMPACT OF THE FINANCIAL AND ECONOMIC CRISES: PREVAILING WAGE POLICIES AND COST REDUCTION

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Abstract: Throughout the world starting with 2007, and for the following two years, increasingly persisting effects of the economic crisis has given rise to negative effects for global economy. The new adverse changes that befall regarding economic and social aspects caused the complex legal problems to emerge. The closing businesses, bankrupt businesses, the laid off workers, are recouring the courts of law (filing suit) for their rights. The number and kind of law suits have contributed a legal dimension to the economic dimension of the crisis. During the terms of crisis the patronage of the business is essential. If the understanding that safekeeping of business also provides cover for workers is a logical outcome, then the participation of the workers to the risk of the business is also logical. On this issue of the participation of the workers in the risks of a business, the fact that this can only be accomplished through a system of rights to participate in the management of a business provided by institutional regulations should be kept in mind. During a term of economic crisis, if there is a possibility of acquiring benefit other than by laying off workers then there will be no more valid reason for the lay offs. Therefore, if it is possible to achieve the aim by lifting overtime working, by taking flexible wage and working designs, lay offs should not be applied.

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Keywords: Economic crises, wage policy, cost reduction

Küresel Kriz Ortamında, Maliyet Tasarrufu Sağlayan Ücretlendirme Politikaları

Özet: Dünya genelinde 2007 yılında başlayarak, takip eden iki yılda etkilerini arttırarak devam ettiren ekonomik kriz, ülkemiz açısından da olumsuz etkilere yol açmıştır. Ekonomik krizde iktisadi ve sosyal yönden yaşanan olumsuz gelişmeler yeni, karmaşık hukuki sorunları da ortaya çıkartmıştır. Kapanan işyerleri, iflas eden işletmeler, işten çıkartılan işçiler, çözümü mahkeme kapılarında aramaktadır. Açılan dava sayısı ve türleri krizin ekonomik boyutuna hukuksal bir boyut kazandırmıştır. Ekonomik kriz dönemlerinde işletmenin korunması gerekliliği bulunmaktadır. İşletmenin korunarak, işçinin de korunacağı anlayışının mantıksal bir sonucu ise, işletme riskine işçilerin de ortak edilmesi olmaktadır. Bu konuda işletme risklerine işçilerin de ortak olması düşünüldüğünde, bu durum işletmede yönetime katılma hakkının kurumsal düzenlemelerle sağlandığı bir sistem içinde geçerli olabileceği gözden uzak tutulmamalıdır. İktisadi kriz dönemlerinde ekonomik krizin varlığının kesin olması, işten çıkarma için tek başına yeterli bir sebep oluşturamaz. İşletmenin iktisadi kriz dönemlerinde, işçi çıkararak elde edeceği yarara, fesihten başka bir yolla ulaşmak mümkün ise artık işçi çıkarılması için geçerli bir nedenden söz edilemez. Dolayısıyla fazla çalışmalar kaldırılarak, esnek ücretlendirme ve çalışma biçimleri getirilerek, amaca ulaşmak mümkünse, işten çıkarma yoluna başvurulmaması gerekir.

Anahtar Kelimeler: Ekonomik kriz, ücret politikası, maliyet tasarrufu

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1. Introduction

At present, the rapid change that takes place in technological, financial and economical environment in this competitive era causes the businesses to face such situations that may be described as crisis. In the medium of growing global competition, no matter at what the extend is, businesses of all sizes are effected by the crises. Yet, the size of the effect may vary. However, implementing organizational practice concerning employees prior to crisis may lessen the effects of crisis and may reduce the negative effects that threaten the existence and the goals of businesses (Kucuk & Bayuk, 2007).

The problems that arise in international relations, depressions, politic and economic problems that are encountered in nations, conflicts between organizations and political strains also must be considered under the terminology of crisis. According to economics; the loss of balance of supply and demand in a country, the disharmony between economic structural factors and financial sector is described as crisis (Altug, 2001).

The circumstances that a disagreement increases between the employees, the effect of decreasing business activities, the damaged business image, and business objectives becoming increasingly unattainable indicate that the process of crisis has activated in a business (Fink: 1986). The most prominent characteristic of all crises is that unexpected and unanticipated situations occur on the part of the business. Even though some indications of crisis may arise, these indications may not have been determined accurately and on the spot by the business (Apuhan: 1997). Another important characteristic of crises is it engenders incidents that may consist considerable organizational loss. Furthermore, crises are conditions that decisions must be made under the restrain of time (Mitroff et.al., 1992).

Crisis has traditionally been defined as a threat to basic values that simultaneously creates a sense of urgency and uncertainty among policy makers (Stein, 2008). The time to prevent it is restricted, when emerged it confounds the decision makers, and for that reason creates high stress. Another important characteristic that separate crises from usual business conditions is the obligation of intervening in the emergency conditions. One must be swift in terms of crisis. In this respect, a term of crisis may be described as changes that require urgent and expeditious adaptation (Puchan, 2001).

2. Effects Of 2007 Crisis On The Global Economy

The 1929 economic crisis that the modern world faced in the process of globalization, in both developed and developing countries without sparing one or the other, is identified as the first consequential crisis that had drastic effects. Crisis of 1929 which started at the financial

markets, and spread through real economy, without discrimination between employees and employers taking them under its influence, affected the world economically over a period of ten years. The economic agitation that has taken place in the world's agenda since 2007, was first made public by hardships of the backpayment of the sub-prime mortgage credits, the declining real estate rates, and the warning signal of danger of financial organizations that are the important actors of the particular market (Özakçaoğlu, 2009). Financial crisis turned into crisis of credit, crisis of liquidity and crisis of confidence, respectively. Most of the economists asserted that the current crisis is the biggest crises ever, after the great depression of 1929 (Alptekin, 2009).

From 1998 to 2007 global credit markets experienced a period of rapid expansion and widespread euphoria (Avgouleas, 2009). Starting in the summer of 2007 and spreading the whole global economy infectiously, this crisis is regarded as the most severe crisis ever happened in the last 70 years of capitalism. The global crisis that began in the USA underlies problems concerning the mortgage market. The current crisis is at root not one of an aggregate demand failure, but a balance-sheet shock brought on by a credit-induced housing boom and subsequent bust. The housing boom was financed by a complex array of securities and other financial products. In many cases, the financial products were poorly designed (O'Driscoll, 2009). The mortgage sector that emerged in the USA and affected the whole world negatively first started creating problems three years ago. The USA mortgage market, with a magnitude of 10 trillion dollars, plays the role of the biggest market of the world. Due to the high extend of the volume of currency; some financial organizations risked mortgage credits to people with low credibility five years ago, thus forming a financial structure with risky return. The size of these high-risk credits, or subprime, which was used by low-income people, reached 1.5 trillion dollars (Yeldan, 2009).

Because the interest rates were extremely low in the US 5 years ago, the middle income groups and low income groups preferred to use variable rate credits. However, the USA Federal Reserve Bank (Fed) increased the interest rates in the last two years, and this put the real estate sector into stagnation. The low income group who used this credit fell short of money and was unable to pay regularly by the fall of the market level below real estate prices and rent income. As the banks let the consumers get loans of full credit for their homes, or even 110 % loans, this made the return of the credits difficult for the debtors. These banks in the USA provided the necessary money for the housing credits by the bonds they issued from the investment banks that they borrow. Yet, when the return of the credits became difficult

for the debtors, detrimental condition also arose for the investment banks and USA mortgage markets (Alptekin, 2009).

Mainly the causes of the global crisis is listed as follows (Yeldan, 2009): deterioration of the structure of the mortgage credits, inharmonious structure of interest rates, artificial increases in real estate prices, tightness of funding of the stocks and shares, the expanding derivative credit markets, and problems in credit grading process .

Although the crisis was a mortgage crisis at the beginning, in the subsequent period it turned into a crisis of liquidity. In USA, in 2007, as the speed of the top ranked sectors: financial and insurance, real estate, construction and mining sectors slowed down, the growth rate of the total of four sectors slowed down causing the growth rate of overall economy to drop. The real economy that causes economic growth was negatively affected by the mortgage crisis. Variation in the rate of interest had a narrowing impact on the credit market. While 13.2 per cent increase was provided in 2006 in credit market, in 2007 this rate fell to 4.8 per cent. The demand of the investors acquiring profit without taking risks and the demand of consumers getting into excessive debt depending on low cost, easy credit possibilities caused the vulnerability of the system to increase. The crisis triggered by the debtors dire situation of becoming unable to pay their debts, grew because of this fragility.

The decrease of the credit rating of the securities depending on high risk credits by the rating organizations drove the institutional investors which invested in these securities to re-evaluate the securities, whose credit rating was dropped by the rating organizations. As a result of the drop of the value of the portfolio of the institutional investors, who owned portfolios of 400 to 500 billion dollars worth, had to freeze some of the investment funds that they have valued because these securities were valued by a much lower value than their book value.

One of the prominent banks of the USA, Bear Stearns was sold to JP Morgan with a share price of 2 dollars with the sum of 236 million dollars worth at the beginning of March. The worth of the company in 2007 was 20 billion dollars. As they realized that saving the organization was not possible, when 17 billion dollars cash was drawn from Bear Stearns within two days Fed let the company to be sold or claim bankruptcy in order to prevent the happening to spread to the whole market. Fed warned Bear Stearns that if the hand over of the company to JP Morgan failed to materialize they will not help, therefore, despite the book value of 84 dollars announced by the authority; they acceded to the hand over to JP Morgan to 2 dollars for each share.

From August 2007, which is assumed as the beginning of international financial crisis until now the number of banks that went bankrupt have reached 13. Bankruptcy of banks increased

in 2008 and only last year 11 banks went bankrupt. The total size of the actives of these banks reached the level of 173 billion 800 million dollars.

There were five big investment banks in the USA prior to the credit crisis. Investment banks had the mission of transferring the long term forwarded fund. These banks did not have the authority to collect funds. Following the handover of Bear Stearns to JP Morgan in March, Bank of America purchased Merrill Lynch. Lehman Brothers finding no investor to turn to claimed their bankruptcy. And finally Fed, to support the two largest banks of the USA changed the statute of Goldman Sachs and Morgan Stanley. All these outcomes indicated that the investment banking model had come to an end in Wall Street.

When the reasons of the current global crisis is to be examined today, we can point out firstly, to the narrowing of the credit markets that constitute the driving force of the daily consuming expenditure and secondly, depending on that, to the credit providers who cannot maintain their existing policies owing to the unbalance that developed. Beginning point of the crisis towards the end of 2006 is a rapid downturn of the housing prices by the adversary effect at the housing market in USA and it is also the aftermath of the liquidity problems that emerge in banking system by the decline of the back payment particularly at credits known as subprime mortgage credits that resulted in an impact on the global financial system in 2007 and 2008 (Bora and Yilmaz, 2008).

The existing developments that turned into global liquidity crisis from the mortgage crisis of USA, as of now, fell into global stagnation. The negative effects of the declining demand and deteriorating expectations on consumption throughout the world had adverse effect on the automobile sector in the USA. The important actors of automotive industry have deferred bankruptcy by the credits they received from the US Congress (Unal and Kaya, 2009).

In many parts of the world the banks that invested in real estate were heavily hit by the decline of housing prices. In the stock market the price of the shares of these banks befell sharp falls. With respect to the construction sector which has great influence on economic growth, no new construction meant a lot of depression and gradually this crisis encompassed the world and ultimately took our country under its influence. The adverse effects of the crisis on labor market were inevitable as a result of the adverse effect of the crisis on global financial markets. It threatened the confidence of the physical and mental labor that worked dependent on their basic instincts. The danger of social problems to arise was brought to the agenda as the laborers were threatened to be unemployed and moneyless.

3. The Impact of Global Crisis on Labor Market

The economic crisis which prevailed globally compels several companies throughout the world to actualize new methods of cost saving. The results of the research of “Pricing in Crisis” implemented by Hay Group indicated that a lot of firms cut down the size of employees or considered doing so, and in a lot of other firms, inclined to limit the wages (Yenibiris, 2009). During this term the lessening of investments and the growing insecurity engendered the level of investment, production and consumption to drop, the economic development to slow down, and millions of people to be jobless. The crisis gave rise to a lot of sectors to experience a considerable amount of contraction in the sector, the laborers to be stood off temporarily, and to go through employment shocks globally (Kobal, 2009). The financial crisis also had drastic effects on near retirees, which are facing with the hard reality of major market dips and 10-year holding period producing losses with little or no years of new savings (Salisbury, 2009).

The crisis that befalls also caused personnel payments to reduce considerably in global terms. According to the third research of Hay Group, “Pricing in Crisis” 27 per cent of the companies across the world (30 percent of the European firms) went through a downsizing of the number of employees (Yenibiris, 2009). The percentage of those companies that incline to re-structure to lessen the number of employees amounted to the level of 46 %. 37 per cent of the businesses globally have frozen the wages of employees, and the observations reveal that they do not think of a rise in management payments (Hay Group, 2009).

Global crisis had great impact on European business relations. One fourth of the companies that provide salary-based retirement programs in this term are thinking of making an alteration. 37 percent of the businesses consider transferring its employees to retirement programs based on investment, 28 percent consider terminating the inclusion of their employees in this plan, and 26 percent consider reducing the rate of fringe benefits (Yenibiris, 2009).

The companies in many countries are fighting back to the global crisis and trying to reduce their operational costs, reduce their expenditures, suspend their investments, and lessen the number of workforce in the company to get out of the crisis with minimum possible loss. Furthermore, the contraction of credit markets and drop of incomes, give rise to the deterioration of the business investments and industrial production. In view of these, the uncertainties of the living conditions of the consumers, the fear that is sourced in the anticipation of the employees that they may lose their jobs at any time, the weakening of working conditions and the wage level, the diminishing of the employment alternatives and

the like engenders the consumer spending a cutback. When the level of production and consumption follow each other into a vicious circle triggering one another, the economical activities start falling in spiral form. Besides, interbanking markets have suspended giving loans causing the rate of interests to go down, but these low interest rates were not reflected on production and consumption and the vicious circle of crisis gradually became worse (Kobal, 2009).

Based on the global downturn survey, the Hay Group developed, they concluded that the economic fluctuations caused by global crisis, if continues, will affect the working life in the following way:

- The businesses may freeze the wages
- The employees will increasingly face with pay cuts or loss of jobs
- The premium and bonus payments will be reduced,
- The contribution made to the retirement funds of the employees will be reduced or repealed.
- Fringe benefits such as private health insurance, heating and fuel aid, meeting transportation expenditures will either be re-negotiated or repealed.

The reflection of the crisis in Turkey, on the other hand, can be pursued by Household Workforce Surveys made regularly each year by TÜİK (The Turkish Statistical Institute). The unemployment rate which went up to 16.1 percent by the effect of the crisis in the first months of 2009 paused at 13 percent making the average unemployment rate of the year 14 percent. The unemployment number increased 860 thousand people with compare to the previous year reaching the sum of 3 million 471 people (Milliyet, 2010). The unemployment rate which rose to 14 % in 2009, indicates 3.7 % deterioration with compare to the figures indicated in 2007. In comparison to 2007 when the crisis broke out unemployment increased 4.6 % in urbane areas and 2.1 % in rural areas. In 2009 the rate of unemployment reached the level of 16.6 % in urbane areas and 8.9 % in rural areas (TÜİK, 2010).

Rate of unemployment excluding agricultural factor in Turkey, with compare to the previous year have risen to 17.4 % by adding 3.8 point increase. This rate has become 16 % by adding 3.7 point increase for men, and 21.9 % by adding 3.8 point increase for women. The rate of workers who are not registered in any social security organizations for the type of work they are doing, with an increase of 0.3 points, became 43 %. In 2009 with compare to the previous year the rate of workers working in agricultural sector who are not registered in any social security organizations fell from 87.8% to 85.8 %, while the sectors excluding agriculture have risen to 30.1 % from 29.8 % (TUİK, 2010).

Table 1. Yearly Workforce Situation in Turkey (2007, 2008, 2009)

	TURKEY			CITY			RURAL AREA		
	2007(*)	2008	2009	2007(*)	2008	2009	2007(*)	2008	2009
Noninstitutional population (000)	68 901	69 724	70 542	47 944	48 349	48 747	20 957	21 375	21 795
Population of 15 year olds and over (000)	49 994	50 772	51 686	35 275	35 697	36 197	14 719	15 075	15 489
Workforce (000)	23 114	23 805	24 748	15 635	16 063	16 585	7 479	7 742	8 163
Employment (000)	20 738	21 194	21 277	13 764	14 010	13 839	6 973	7 184	7 438
Unemployed (000)	2 376	2 611	3 471	1 871	2 053	2 746	506	558	724
Accession rate (%)	46,2	46,9	47,9	44,3	45	45,8	50,8	51,4	52,7
Employment rate (%)	41,5	41,7	41,2	39	39,2	38,2	47,4	47,7	48
Unemployment rate (%)	10,3	11	14	12	12,8	16,6	6,8	7,2	8,9
Unemployment excluding agriculture 1 (%)	12,6	13,6	17,4	12,3	13,1	17	14,3	15,4	19,1
Unemployment rate of young population ⁽¹⁾ (%)	20	20,5	25,3	21,8	22,6	28,2	15,6	15,5	18,9
People who are not included in the work force (000)	26 879	26 967	26 938	19 640	19 634	19 611	7 240	7 332	7 326

(1) the population between 15 and 24

Note: The figures may not add up precisely because of approximation.

(*) 2007 yearly results are revised according to new population projections.

Source: Compiled by taking the 2008 and 2009 Annual Results of Household Workforce Survey of The Turkish Statistical Institute

4. Measures Taken To Lower The Effects Of Economical Crisis On Employment Market

The necessity of safeguarding of the business in economic terms and backing the employees have to be maintained in certain accord. The logical outcome of this view is to include the workers to take part in business risk (Ozveri, 2009).

In economic crisis terms the safeguarding of business and social guarding principles must not be mixed up. The business can be maintained by incentives, credit deferrals, tax policies, the regulations that increase the reduction of cost of wages during crisis terms. to limit the regular workers' rights in order to save the business should not be thought as a social policy. Alternative working types, to share the business risks with the workers can be considered during economic crisis times. Yet, this partnership, the right to participate the management, can only be possible within a system where this right is regulated by institutional regulations. (Ozveri, 2009).

In order to find the breaking point of the employers during economic crisis periods, and to place the work security of the worker in a well-balanced frame, administrative councils and an organization of worker partake is required. From the point of view of the worker, the cancellation of his business contract means the demise of the worker's soul and inner world. Cancellation of contract, in economical crisis terms, must be the last resort. The sciences of law and economics must take into consideration the equal share of self-sacrifice between the employer and the employees during economical crisis terms.

The structural unemployment that arises from the lack of onsite training and the lack of quality of the workforce that the private sector wished to acquire in Turkey already exists.

This demand depending on unemployment has also been added in this term of crisis. Employment taxes in Turkey are quite high. The balance of actuarial technique of Social Security Institution must be carefully thought. Yet, in case of increasing employment the high tax barrier constitutes an important problem (Kilic, 2009). High rate of the tax engenders inequality, black economy and uneven competition in our country.

At the fight against unemployment active and passive methods are used. Active methods are particularly related to the ones concerning investment. It is more likely that the passive politics involve the ones that meet the workers with the employers (Kilic, 2009).

Concerning active politics:

- Support of the employment of young people and women,
- To lessen the compulsory employment load to the favor of the private sector,
- To ease in some responsibilities concerning the workplace,
- Insurance may be considered as reduction for the premium burden.

Concerning passive politics:

- Unemployment allotments,
- Part time allotments
- Provincial employment regulations activities can be included.

4.1. Working Short Hours

According to the Labor Law No. 4857 (T.C. Resmi Gazete, 2003) actual working manner is work depending on full time work by indefinite term employment contract. Lowering the wages and other social rights of the workers who work in this manner cannot be done independent of the written approval of the worker. All the decisions taken on this issue have to be applied to all the workers without distinction, and must not go against even deal debt (Ozveri, 2009).

Besides working full time, with indefinite time work contract under certain conditions working part time, working with secondment, working short term, working with definite time work contract, working on call and the like special employment kinds are organized. Similar unusual employment manners altogether collected under the name flexible employment (Eyrenci, 1990).

It is not possible that working short hours may be enforced limited to only the terms of crisis by the established regulations. In this working manner which is an exceptional arrangement, the work has to be carried on part time permanently.

To cut down the working hours of a full timer due to the crisis or calling the worker to work at specific days of the week cannot be accepted as part time working. To cut down the working hours of a worker employed at full time is qualified as short hours.

According to the Unemployment Insurance Payment Law No.4447 (T.C. Resmi Gazete, 1999) if the employer who employs persons considered as insured with a work contract have significantly reduced their weekly working hours at the workplace temporarily or terminated the employment wholly or partially, the so called worker may put in a claim for “short hours” employment due to:

- Worldwide economic crisis,
- ‘Forces majeures’

When the acceptability of the claim to work confirmed by the Employment and Social Security Ministry, workers are entitled to short term working payments (Attachment to 2nd.Clause).

Economic crisis, ‘forces majeures’, has brought brief concepts to the regulations dated 13.01.2009 to shorten the working hours significantly. The related concepts according to the regulation are lined up as follows:

Global Economic Crisis: This is the situation that emerged in national or international economy and effected the national economy, thus affecting the workplace drastically.

Forces majeures, are reasons that are not the result of the employer’s own administration. They are unpredictable, and consequently impossible to eliminate as they are caused by outside effects, as in the case of the temporary reduction of work term, and culmination of activities, totally or partially, as a result of earthquakes, fires, floods, epidemic diseases, and mobilization, etc.

Short Hours: mean the application of reducing the weekly working hours at least by one third in a term of a temporary weekly working term at least four weeks and at most three months.

Suspension of the business: the suspension of the activities in the workplace for at least four weeks and at most three months, totally or partially.

Economic crisis and forces majeures is the main provision to benefit from short hours. To benefit from short hours for the reason of economic crisis, a nation-wide economic crisis must exist.

According to legal procedures in economic crisis terms full time working cannot be transferred to part time working hours. Only if certain conditions are fulfilled, according to

unemployment insurance payment law act no. 4447 (T.C. Resmi Gazete, 1999), short hours manner of work and short hours payment system could be turned to.

The provisions of these conditions are determined by the guidelines and application of act no. 4447 (T.C. Resmi Gazete, 1999) and the related regulation. The practice of part time working, on the other hand, is based on the continuity in accordance with Labor Law act no. 4857 (T.C. Resmi Gazete, 2003). Thus the difference between part time working and working short hours must be considered separately.

If we consider working short hours as a fight against unemployment in passive politics the following points are noteworthy (Kılıç, 2009).

- Working short hours and short hour payment is a passive policy attitude.
- During the crisis terms the structural problems of employment cannot be removed by these passive policies.
- These policies provide temporary solutions.
- The most important issue is to provide macro and micro policies and incentives that would enhance the investment capacity of the private sector, and to provide long term projections that will enhance the quality of workforce.

4.2. Weitzman Wage System “SHARE ECONOMY”

A long term solution is extending the idea of the share economy. An MIT Economist, Martin Weitzman proposed the Share Economy as a solution to stagflation. Companies would pay their workers a fixed percentage of their gross revenue rather than a fixed monthly wage. That way, when recession hits, the company would not have to lay people off (Leff, 2010).

The Share Economy solution focuses on the wage-payment system and the compensation systems, whose value is independent of the firm's well-being. Most sales are accounted for by firms that are "competitive monopolists" in their product markets, which means that prices tend to be a fixed markup over wages. Because wages do not vary much in this system, prices are also relatively "sticky," with the consequence that fluctuations in demand translate into output and employment variations rather than wage and price changes. The Weitzman solution is a compensation system that provides each worker hourly remuneration that declines as the firm's level of employment increases instead of a fixed hourly wage. This is done by providing each worker a share of the firm's revenues or profits. In this approach, as the firm expands output, employment increases while hourly remuneration decreases. If enough firms use the share system, full employment automatically results. Workers benefit because they receive the same wages as in the fixed-wage approach, but better working conditions and lower unemployment. Lower unemployment also reduces poverty and income inequality (Burton,1986). With fixed wages, he argued, fluctuations in aggregate demand

have been translated into changes in the level of employment, and have thus led to high unemployment in times of recession, whereas, if earnings were tied to profit levels, exogenous shocks would produce fluctuations in wages and prices, but not in employment (Standing, 1988).

An other essential feature of the contrast between fixed-wage and profit-sharing systems is the motivation of workers. When a worker is hired at a given monthly or weekly wage in an entrepreneurial firm, any incremental profit due to her/his extra effort accrues to the entrepreneur. Workers thus have little or even no incentive to behave in a way that will promote the profitability of the enterprise, and tend to provide the minimum standard of effort so as to keep their job. By contrast, the profit-linked property of a profit-sharing system may act to stimulate increased effort from the labor force (Lin et.al, 2002).

Weitzman by establishing the share economy system focused on production factors of the gain at production process and a fair share of this. The solution of economic crisis is quite difficult. According to Weitzman the main reason of deadlock is that a number of precautions of macro economic cure of the economic illness preclude one another. In Keynesian policies while inflation is resolving unemployment and unemployment while resolving inflation may arise. According to Weitzman the financial and economical policies applied to resolve inflation and unemployment may also engender an inflation the solution of which can be detrimental. Weitzman also states that in order to reach a reasonable level of employment the issue must be handled not with respect to macro but micro economic point of view. In our time in the base of chief economical problems not macro but micro level institutional behavior lies. Therefore, during crisis terms the issues have to be resolved at micro level steps.

Weitzman in the wage payment system that he named share economy asserted that the performance of the firm has to be taken into consideration. Weitzman also acknowledged the wage payment systems put forth before this had always taken into account the situation of the workforce but overlooked the power of payment of the firm. For the solution of stagflation where continuous inflation races together with continuous unemployment, getting into the functioning of capitalistic economy, the structural reforms at the level of the firm has to be accomplished. As an alternative wage system organizing by providing the wage by the firm's revenues and profits, a part of the wage will be determined according to the firm's performance, and some other part according to the index of cost of living is asserted. To Weitzman a third of the wage that will be paid to the laborer according to the cost of living, and two thirds of it will be scaled according to the performance of the firm. Thus the

production cost will be reduced in terms of labor cost during the terms of crisis. Weisman claims that if we apply this model that suggests micro economic measures then there will be no unemployment in times of crisis. Because in times of major fluctuation periods the share economy will take its precautions against the problems automatically. Again Weisman asserted that a third of the remuneration will not be touched until it will be paid to the laborer in case of crisis, whereas two third portions depending on the revenues of the firm will vary. In this way there will be a fixed, minimum portion of the wages that is saved. The other portion will vary according to the economic conjuncture, thus in terms of the firm the structural measures at micro economic level will be actualized. At the times of the cost of workforce is very high firms are forced to lay off laborers. Therefore, according to Weitzman if share economy model is applied there will be no need to lay off laborers, the necessary measures against the crisis will automatically done by the share economy. Such a system will not only encourage prevention of labor lay off but also engender new labor employment.

4.3. Legal Precautions

4.3.1. Wage Reduction Proceedings

To maintain their positions the businesses have to cut down their costs due to the crisis. Otherwise the businesses will lose their markets and will have to lay off workers. Another practical solution that will provide economic thrift to cost is to lower the wages. Deciding on wage reduction is not a practice that can be done solely by employers. This is due to the Labor Law Code 62 which designates “the wage of workers may not be reduced by any means such as bringing down the working hours commonly applied in all sorts of businesses to lower levels or due to a legal obligation towards the employer or depending on the result of fulfilling provision of one of the legal obligations.” It is not legally possible that the employers may give one sided decision or practice on the issue of lowering the wages due to that particular legal provision.

However, if the employers and employees may reach an agreement on the issue of wage reduction to overcome the unwanted effects of the economic crisis, there is no obstacle from legal point of view. Just as in Eregli Iron and Steel Factory Co. that was highly effected by drastic fall of iron and steel prices in international markets, increase in input costs, and the stagflation in the sector. The company employees were offered reduction of their present wages instead of lay offs. The Turkish Metal Industry Labor Union, to which both the company and the laborers were connected, compromised and rearranged the collective labor agreement and for approximately 12 500 workers in Erdemir and Isdemir to be resolved on

31.August.2010, for 16 months with a rate of 35 % wage reduction was given. The practice was extended to the total company, together with the laborers the managers and white collar personnel payments were reduced under the same rate of reduction.

4.3.2. Benefiting From Short Hours Allocation

Companies in economic crisis medium cannot exploit their existing capacities adequately, and in their activities significant delays occur. Within this environment, the businesses that cannot find adequate demand to their products sometimes may not be able to exploit the working hours, and sometimes they may have to interrupt production temporarily.

Another precaution to compensate the wage loss incurred by the term that the workers do not work is to take advantage of short hours allocations. The concept of working short hours was brought to our business life by Clause 65 of the Labor Law Act No. 4857 dated 22.05.2003. “The Regulation Related to Short Hours and Short Term Allocations” arranged according to the related law clause above is put into effect after promulgated in official gazette (T.C. Resmi Gazete, 2009a). According to the particular regulation working short hours is specified as the situation of reducing at least one third of the whole or a part of the weekly average working hours of the workers in that workplace or to stop the operations of the workplace due to the overall economic crisis or forces majeures. To benefit from short hours allocation regulations depends on the arousal of the forces majeures such as national and international worldwide economic crisis or conditions of war, epidemic diseases, and natural disasters.

In conditions of such situations it is inescapable that undesirable occurrences come about for the activity of the businesses and their working hours. Provided that the conditions of employing the workers reducing the weekly working hours at least by one third in a term of a temporary weekly working term at least four weeks and at most three months or in situations when the workplace activities are completely or partially suspended, employers to be able to take advantage of short hours allocation may apply to the Labor Institution. If accepted by the Labor and Social Security Ministry they will be able to benefit from short hour allocations.

4.3.3. Bringing In Application of Unpaid Leave

According to Code No. 53 of Labor Law 4857 it is obligatory to grant yearly leave to the workers who completed a full year service term in their workplace. One of the most applied method by the employers during crisis terms is the application of leave without payment. Yet, unpaid leave is possible only when the worker demands it or when the worker accepts the unpaid leave openly, and it cannot be applied otherwise.

The unpaid leave is arranged in the form of permission allowed by the employer to those workers who will spend their leave in a distant location with travel permit in Labor Law Code No. 56 and obligatory breast-feeding permission to women in Code No. 74 of the particular law. In law no other unpaid leave permit application is arranged.

In these circumstances the practice of unpaid leave can only possible when the worker demands it or when the worker accepts the unpaid leave openly. Otherwise, the employer may allow unpaid leave only if there is a clause bearing unpaid leave arrangement in the collective labor agreement or working contract of the workers. Apart from this, the employer can not allow unpaid leave depending on Labor Law without the consent of the laborer.

4.3.4. Contributory Factors towards Insurance Premiums

For the protection and promotion of employment, contributory factors towards insurance premiums are provided especially during terms of stagnation and crises. Many laws, Labor, Social Security, Unemployment Insurance etc., were amended and the contributions of Social Insurance Employer Premium are met by the government, thus a lot of contributions are provided towards reducing the labor cost and increasing employment (T.C. Resmi Gazete, 2009b).

These contributions are basically areas of business such as:

- Contributions to Employers Who Employ Handicapped Workers,
- Contributions for the Employment of Young People and Women,
- Contributions to Enhance Competitive Power and to Obtain Premium Collection,
- Contributions to Support Research and Development Activities,
- Recruiting Workers That Benefit from Unemployment Insurance, where legal regulation is provided.

5. Conclusion

Global economic crises is important, in term of the effects experienced in real economy and the dimensions of the economic problems that the crisis gave rise, is basically determined by the effect related to real economy. National gross income, employment, and price fluctuations that are assumed as the basic variable of the operation of the economic change affect the real economy directly as a result of which unemployment and poverty arises as a problem.

Especially financial crises that come up at the stage arrived in the period of globalization directly concern labor markets. In the climate of global crisis particularly the policies that come up within the context of stabilization programs affect the working life. The Global Crisis has accelerated the rate of unemployment to long term unemployment.

The economy has to undergo a number of economic and legal operations no matter what the nature of the particular economic crisis is. The previous traditional, established relationships in economic and legal regulations will be compelled to diversify. In terms of global crisis the system has to organize its structure anew. What will the price of the global crisis be, who will pay this bill, how will the division of relations be within the newly developed arrangements, will be, to a great extent, determined by the socio-economic policies determined and applied to come out of the crisis, and the employees will also be effected by the newly applied economic and legal precautionary measures. The most important method solution of global crisis is to develop a consistent macro economic policy. To actualize this, the existent economic structural problems before the crisis have to be cleared. For the protection of workers in the working environment during the crisis, the precautions must be taken to maintain the existence of businesses as well. Workers can only be protected by protecting the businesses during terms of economic crisis. During global crises terms businesses must be protected. However, the principle of the necessity of protecting businesses and the protection of the socially impotent must be kept at an optimum balance.

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