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New Flexible Working Law Bears Heated Debates

TURKEY'S NEW LABOR LAW BEARS HEATED DEBATES

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Summary

New flexible working law regulating the system of temporary vocations and private recruitment agencies entered into force on May 6th, 2016. The new law aims increasing telecommuting, employment and competition. However, labor unions react against the new labor system, which they claim will merchandise the employees with under unfair conditions.

The below figures summarize Turkey's current labor situation.

Source: TurkStat and Central Bank of Turkey

Impact on Turkey's Competitiveness

Major economies of the world are investing in high added-value sectors due to increasing production and labor costs. Additionally, Industry 4.0 - coined by Germany as a method for the competition with the East - requires innovative and flexible working conditions. Turkey's new labor law enables telecommuting and temporary working, which will decrease the official unemployment figures. Furthermore, the new law will reduce illicit work as a consequence of insured temporary working provision. As a larger scale, Turkey will have a more flexible labor market to catch up with the forth-industrial revolution by increasing its global competitiveness.

Global Competitiveness Index

	Rank (out of 140)	Score (1–7)
GCI 2015–2016	**51**	**4.4**
GCI 2014–2015 (out of 144)	45	4.5
GCI 2013–2014 (out of 148)	44	4.5
GCI 2012–2013 (out of 144)	43	4.5

Source: World Economic Forum - Global Competitiveness Report, 2015-2016

Impact on Corporate Competition

Volatility in international markets means demand fluctuations for businesses. For this reason, corporations are coming under increasing pressure to manage both customer and employee expectations. The new labor law enables businesses to have a more flexible workforce, which will minimize the negative effects of demand fluctuations. Productivity and efficiency rates will not be impacted anymore with the annual leaves, marital leaves or military service. Companies would be able to hire employees for a temporary period without any disruption in their production figures. Furthermore, companies are now not obliged to retain employees in other expertise areas. They will hire employees permanently for such fields as maintenance and storage.

Impact on Workplace Peace

Leaving aside the flexibility of workforce, the new labor market will come with its challenges as well. Integration of the temporary employees into the company will be the most significant difficulty. The new conditions are likely to negatively impact temporary labor relations, performance improvements and engagement. Furthermore, fairness among employees could be damaged because permanent and temporary employees will do the same job, while the latter will not be on the pay roll.

Conclusion & Suggestions

Corporations should restructure their organizations according to the balance between permanent and temporary jobs.

Temporary working system should not affect the workplace peace, therefore permanent employees should execute the main tasks of a company.

Companies should conduct cultural change and integration programmes in order to increase efficiency and collaboration among all employees.

Labor unions and corporate managers should work together in order to mitigate negative consequences of the new labor market.

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