

## Opening Pandora's box: social security reform in Turkey in the time of the AKP

### Abstract

This article evaluates social security reform in Turkey under the government of the Justice and Development Party (AKP). It discusses recent developments, describes the current scheme and points out the Islamist guise dominant in Turkish policy and in the discoveries of policy-makers. The article claims that Turkey is currently on the road to adopting policy changes that are very strongly influenced by the neo-liberal social security model being advanced by the international institutions of world capitalism. The plan to 'neo-liberalise' the nation's social security system will widen the chasm between rich and poor by way of promoting the interest of the capitalist class over the interest of the public as a whole, and will not provide acceptable solutions to many vulnerable categories of the population. The authors argue that the existing reform will end with welfare losses for the majority of the population. The reform is expected to expose individuals more than ever to the risk of fluctuations in the peripheral capitalist economy of Turkey.

**Keywords:** social security, Turkey, social assistance, health, pensions.

### Introduction

Since it came to power in 2002, the Justice and Development Party (AKP) has taken irreversible steps regarding the Turkish social security system. The AKP has introduced constitutional, institutional and legal changes in social security under its so-called 'social security reform' programme. Three trends have shaped social security reform in this period: the state has withdrawn from welfare provision; employers' flexibility over labour use has been increased; and social security tools have been refined to shape the role of markets in the production of welfare. This reform is not only in conformity with the premises of neo-liberal understanding of social restructuring, but is also in conformity with Islamic conservatism. Having renewed its power in the 2007 elections, the AKP has continued with its social security reforms. It would not be wrong to note that, in the past five years, 'social security' has been one of the major subject matters of draft resolutions in the Turkish parliament.

This article discusses the main pillars of social security reform in Turkey. To do this, the pre-reform social security system will firstly be illustrated. Secondly, the four controversial aims of social security reform will be discussed under separate headings. The discussion here will cover recent developments, including the decision of the Constitutional Court on the main legislative instrument of the reforms, as well as the recent developments in the realm of social assistance, a realm which is believed to be a source of social clientelism working for the benefit of the ruling party.

## The pre-reform social security system

Turkey started to establish social security institutions under the influence of the European system after the Second World War. The Retirement Chest (ES) for civil servants was established in 1949. It provides retirement pensions, disability pensions, survivor's pensions, job disability pensions, death grants, retirement bonuses, marriage bonuses, lump sum payments and the repayment of contributions to its contributors. The Social Insurance Institution (SSK) provides coverage to blue-collar workers employed in the public sector and to blue and white-collar workers in the private sector. It was initially established in 1945 and has had significant changes made to its functions over time. The SSK provides insurance to its contributors for injuries sustained at work and for occupational diseases, as well as maternity, sickness, disability, old age and death. The institution providing some level of social security for crafts and trades workers and other self-employed people (Bağ-Kur) was founded in 1971. The early 1980s witnessed the establishment of two other institutions, for agricultural workers and for the self-employed in the agricultural sector. However, the security provided by these two has remained insignificant as a result of the high level of unregistered activities and the coverage of security provided by these institutions.

Three main characteristics of the pre-reform social security system in Turkey can be noted. Firstly, the Turkish system of welfare is not comparable with those of the European welfare states,<sup>1</sup> in spite of the image created by the institutional architecture of Turkey, and cannot be listed under the categories pertaining to those states. It can, however, be labelled as an 'indirect and minimalist welfare regime' (Arin, 2002; Elveren, 2008). It is safe to say that, in the Turkish case, the influence of the European version of post-war liberal corporatism remains in the form rather than the content. It is true that form determines the function; however, function is realised by the capacities associated with the content. Secondly, the pre-reform social security system was dependent mainly on contributions collected from currently active and registered workers and employers; the direct state contribution to the funding of social security services remained insignificant. In particular, pensions benefits relied on a state-administered pay-as-you-go (PAYG) system in which the contributions of the currently active workforce remained vital and in which the role of the government was mainly limited to guaranteeing deficits (a 'defined benefit' system). Thirdly, besides a weak non-contributory system covering mainly children and older people, the traditional coverage of the pre-reform social security system in Turkey included the public sector health and pensions system.

The 1990s were years in which the system as a whole suffered from losses due to an imbalance between the contributions collected and the pensions benefits paid. Firstly, the imbalances owed their existence to the informal sector, which was implicitly supported by neo-liberal policies aimed at reducing the costs of labour to capital in general. During the last thirty years, the Ministry of Labour and Social Security has never produced an efficient strategy to combat unregistered work, which has thus been a means of reducing the cost of labour in Turkey (Özdemir *et al.*, 2004). This pro-

1 European welfare states differ widely, from the so-called social democratic welfare state model to the conservative welfare state model (Esping-Andersen 1990; Koray, 2005).

cess of informalisation has had negative impacts on wages, over all areas of productive activity. In the years after 1980, conditions for the reproduction of labour power consistently worsened for the individual worker.<sup>2</sup> The process that officially started with an open-economy rhetoric exhausted the capacity of the majority of wage earners, including state officials, to be members of the middle classes. The informal sector expanded and the potential contributors to Turkey's social insurance system have been socially and structurally forced to work in unregistered and uncontrolled workplaces (Özdemir *et al.*, 2004).

Secondly, in addition to unregistered work, the imbalances owed their existence to a discharging of debts the creditor of which was various publicly-owned social insurance organisations maintained by successive governments.

Thirdly, various restrictions on the activities of these publicly-owned social insurance organisations over the investment of the funds that they had collected is an important item on the long list of the reasons for the losses generated by the imbalance between contributions collected and pensions benefits paid. In the 1990s, the deficits generated by state policies in the realm of social security were financed by the State Treasury.

Starting from the 1980s, in parallel to the overall dominance across the globe of neo-liberal discourses of production and consumption, not only government economic policy strategies but also the entire system of values started to refer to the 'market place' as the sole mode of co-ordination of productive activities (Boratav *et al.*, 2000). However, regulations on social security and public assistance remained almost untouched until recently.<sup>3</sup>

The rapidly-growing social security deficits have become a source of legitimisation for neo-liberal policies which aim to leave the funding of the social insurance system as far as possible to the mechanisms of the market place. The four major crises suffered in the 1990s and the 2000s (1994, 1998, 2001 and 2008) have contributed vastly to the hegemony of the neo-liberal solutions which dominate economic policies.

The burden of the deficits created for the State Treasury by the poorly-functioning social security system has also become a source of legitimisation for government strategies aiming to 'restore' social policies in conformity with the recipes of the International Monetary Fund (IMF). IMF-oriented economic policies have played a significant role in the 'discoveries' of national economic policy-makers in search

2 The neo-liberal restructuring of the Turkish state has resulted in a period of continuing decline (other than the period between 1989 and 1993), which has otherwise lasted throughout the 1980s, the 1990s (Köse and Yeldan, 1995) and the first years of the 2000s (Boratav, 2003), in the portion of real wages and agricultural incomes. Overall real wages declined by 1.3 % in 2002; in the same year, incomes in the manufacturing sector dropped by 4.6 % while real wages in public sector manufacturing declined by 2.6 % (Yeldan, 2003: 178-200).

3 Even today, despite significant declines in the quality of service, free education is still available at primary, secondary and tertiary levels. The previous public health and pensions system was associated with employment status based on the distinction between civil servants, workers, the self-employed and agricultural workers. Today, the distinction between civil servants and workers remains, but the other cleavages between the working population have been weakened.

of credit after the 1998 crisis (Boratav, 2003). Given that financial, or capital account, liberalisation had already been achieved, the pro-market rhetoric became inadequate for the initiation of the necessary regulations. The main axis of the IMF policies, especially after the February 2001 crisis, was intended to achieve stabilisation by way of rebuilding market confidence.<sup>4</sup> According to this strategy, Turkey was to undertake the necessary reforms that were designed by the IMF, while it would be subjected to direct control by that institution on a regular basis. If, after each regular control period, the assessors judged Turkey to be successful, then the markets would appraise/perceive it as trustworthy and the aim of rebuilding market confidence would be deemed to be achieved (Yeldan, 2003). The expected outcome of this 'success' was a decrease in the risk margins for international finance capital and a rise in consumption. In the Letter of Intent to the IMF dated 2004, Turkey was also obliged to reduce the pension deficit to 1 per cent of GNP in the long term (Yeldan, 2006).

The neo-liberal pension reform of 1999 had been proposed as a response to the significant losses suffered by the social insurance system. The Act (No. 4447) enacted in that year was to be the very first stage of a larger reform towards a neo-liberalisation of the system. The second stage was to be launched in 2006, with the introduction of the parliamentary bills enacted for the purpose of a shift from a publicly-financed social security system to a 'capitalisation system'. The legislation enabling this second stage was the result of the AKP's efforts since 2003.<sup>5</sup> It is this issue that will be analysed in the remainder of the article.

In this first stage, the Act (No. 4447) weakened the PAYG system in favour of private pensions schemes. In 1999, the central government implemented a two-pillar system under which the traditional social security institutions acquired the role of the first pillar while the second was intended to be composed of private pensions schemes. The attempts to 'support' existing pensions schemes by way of the private sector included a policy of keeping retirement earnings at low levels. Pensions schemes managed by the private sector became an optional second pillar of the Turkish system of social security mainly after the 2002 regulation under the AKP's rule.<sup>6</sup> The main goal of the 1999 reform was to shorten the benefit collection period and to expand the contribution period. For this purpose, the minimum retirement age was in-

4 The Standby Agreement acted in January 2002 clearly states 'In support of these objectives, we will ... (c)ontinue ... to strengthen our debt position and rebuild market confidence.'

5 2003 was the year in which the current social security reform was introduced to the general public.

6 The Turkish private pension law was drafted in 1999 and approved by parliament in October 2001. However, the legal and institutional framework of the Turkish Private Pension System was not completed until 2002. The route followed by the Act (No. 4447) resembles the route proposed by the World Bank and supported by the Association of Turkish Industrialists and Business Leaders. The World Bank had proposed a three-tier system. According to this system, the first pillar consists of a minimum package of publicly-provided benefits covering a minimum range of risks. The second pillar is also mandatory but generally provided by the services of the private sector and managed privately. The third pillar is voluntary. The services included in this third stage aims to provide a 'high quality of life' in return for high contributions.

creased to 58 (for women) and 60 (for men).<sup>7</sup> When considered in conjunction with the social security reform, it is safe to say that, currently, there exists a zealous encouragement for the privatisation of the social security system in the long run.

### **Social security reform: the beginning of the end of social security?**

An additional effort towards 'social security reform' was to come when the AKP government initiated a neo-liberal/conservative action plan for the improvement of the informative and operative capacities of the social security system and for the unification of the existing regulations in 2003. This paved the way for the 2006 legislation. The AKP formed the government one year after the 2001 financial crisis, describing itself as a moderate Islamic political organisation (Muslim Democrats). The reform plan which it initiated was an amalgam of Islamic conservatism<sup>8</sup> and neo-liberalism which can be seen as a programme which opposed the basic premises of rights-based approaches to social policy.

The prime motive behind the AKP-initiated reform was tackling the unsustainability of the existing social security system. The rising cost had become the prominent source of legitimacy for the social security reform programmes (Ağartan, 2005). The transfers made from the state budget to cover the deficit in the social security system amounted to 6 per cent of GDP in 2003 (Koray, 2005). This 6 per cent has become a real obstacle in the face of an economic policy which aims to build market confidence and decrease the risk margins for international finance capital. Meanwhile, the IMF announced that it would release a substantial loan to Turkey if it enacted the necessary legislation to initiate social security reform. Financial concerns were also echoed in the arguments of the AKP government.

The social security reform considered the market place to be the main mode of coordination in the delivery of the services financed and provided by the social security system, such as pensions and health. However, the campaign launched to legitimise the reform is based on equalising the aspects of social security measures that operate independently of employment status and on the expansion of the total coverage of the social security system. The market-based 'egalitarianism' of the new reforms required different employment statuses to be equalised on the basis of the lowest entitlement.

Under the emerging conditions of the strict social conflicts outlined by the newly-emerging urban poverty, the social security measures that operate independently of

7 The most notable provision of the Act (No. 4447) was a gradual increase in the minimum age of retirement, although a ruling of the Turkish Constitutional Court required that this provision be reconsidered. In February 2001, the Constitutional Court ruled, following its examination of an appeal by deputies from the main opposition party in parliament, that the Act's scheme for gradual increases in the retirement age during the transition period violated the principles of equality and the social state and, hence, the constitutional rights of workers in certain age groups. The result was that the transition period was extended until 2020 to increase the retirement age roughly by one every year, seriously reducing the effectiveness of the initially-planned schemes for increasing the age.

8 For an analysis of Islamic conservatism, see Tugal (2008).

employment status and the expansion in the coverage of social security instruments had a certain level of attraction for both the ruling power bloc and for the poor, dealing as they do with unregistered work and activities. Yet, organised labour, including many trade unions and strong interest groups, is opposed to the so-called 'reform.'<sup>9</sup>

The current social security reform has four aims:

- a) to establish a new retirement insurance programme
- b) to establish a general health insurance system with the purpose of covering the vast majority of the population
- c) to set up a new institutional structure integrating the traditional institutions under a single roof
- d) to gather the social assistance system's currently dispersed social benefits.

#### The new retirement insurance programme (pensions)

The Social Security and General Health Insurance Law (SSGSS), numbered 5510,<sup>10</sup> was one of the major pillars of the set of social security reforms.<sup>11</sup> The main body of the Act entered into force on 1 October 2008<sup>12</sup> and introduced a new health security system and a significantly modified pensions system. We mentioned above that the Act was supported vigorously by the IMF.

Interestingly enough, however, none of the new measures introduced by this Act (No. 5510) dealt with the problem of unregistered work in Turkey and neither did the AKP government initiate parallel legislation and/or effective measures to attain this aim. The Turkish workforce is young in comparison to those of European countries. In addition, the population aged 65 and above currently comprises approximately five per cent of the population (Koray, 2005). Despite these indicators, the ratio of pensions recipients to active contributors is very high in Turkey. Such a conclusion is the direct outcome of the dominance of unregistered work patterns (Özdemir *et al.*, 2004).

The Act (No. 5510) urged significant changes in the retirement age, in the contribution period and in the replacement ratios. In conformity with the neo-liberal strategy of shortening the period in which benefits are collected while enlarging the contribution period, the Act increased the minimum age of entitlement for a pension by

9 For the strong criticisms raised by the Turkish Medical Association (TTB), see the website of the Turkish Medical Association: [www.turktabibleribirligi.com](http://www.turktabibleribirligi.com).

10 The Act can be viewed at: [http://www.svk.gov.tr/svkshared/dokuman/5510/5510\\_KA-NUN.doc](http://www.svk.gov.tr/svkshared/dokuman/5510/5510_KA-NUN.doc) (in Turkish).

11 It is known that the 'Social Insurance and General Health Insurance' Act No. 5510 was formerly prepared as two draft acts under the names of the Draft Retirement Insurance Act and the Draft General Health Insurance Act, before being combined under their current name at the Prime Minister's Office.

12 Some Articles of the Act (No. 5510) envisaged as taking effect as from the beginning of 2007 were annulled by the Constitutional Court at the end of 2006. The Draft Law concerning the re-organisation of the annulled provisions was presented to the Turkish Parliament in November 2007. The draft was approved on 17 April 2008 subsequent to long discussions and entered into force in October 2008.

way of bringing about a schedule for raising the minimum age of entitlement. The minimum age will start to rise biennially, beginning in 2039 and ending in 2047,<sup>13</sup> with the result that, as from 2048, 65 will be the age at which both men and women will be entitled to retire. By the end of 2075, the minimum age of retirement will become 68 for both men and women. In the same vein, the Act enlarges the contribution period, with the minimum number of premium payment days being increased by 100 days each year. At December 2008, the minimum number of premium payment days is 7 000, while this will rise to 9 000 days by 2026. To put it differently, the new Act (No. 5510) requires beneficiaries to contribute for 9 000 days, whereas the previous Act (No. 4447) required only 7 000 days.

The Act (No. 5510) also brought some new provisions for alleviating the social inequalities deriving from different statutes among working people regarding retirement income. However, the solution provided by the legislators was to weaken the legal status and benefits of civil servants rather than elevating the status and benefits of workers and the self-employed, as mentioned above.<sup>14</sup>

### The general health insurance system

The new Act (No. 5510) also regulates general health insurance. Currently, employed people of different backgrounds have a certain amount of access to health services if they pay their compulsory contributions (obligatory premiums) in due time. Green card (*Yeşil Kart*) holders<sup>15</sup> among unemployed people have limited access to doctors, although the system does not cover medicines for this group. In the 2000s, approximately ten million people have come to benefit from the green card system (Koray, 2005). Unemployed people without green cards have no access to doctors unless they are covered as a member of a household of an employed person or if they are targeted by particular programmes which are launched on an irregular basis. Obviously, these palliative programmes do not cover expenses for medicines.

The financing of health insurance in this newly-introduced system has demonstrated certain difficulties. The Act (No. 5510) requires those whose incomes are above a certain level to contribute to the health insurance fund. The lowest limit for mandatory contributions is one-third of the official minimum wage (175.71 New Turkish Lira<sup>16</sup> in the second half of 2008). TÜRK-İŞ, the largest confederation of Turkish workers, calculates the lowest limit for subsistence (food poverty) in Turkey as of December 2008 as standing at 739.67 New Turkish Lira for a family household com-

13 It will become 64 (for women) and 65 (for men) in 2047.

14 For example, the rate of increase in monthly income is currently applied as 3 per cent per annum in the Retirement Fund and 2.6 per cent in SSK and Bağ-Kur. These rates will be applied as 2.5 per cent annually for all insured people between 1 January 2007 and 31 December 2015, and as 2 per cent annually beginning from 1 January 2016 (Act No. 5510).

15 The 'green card' programme was enacted in 1992, following a protocol between the Social Aid and Solidarity Encouragement Fund (SYDTF) and the Ministry of Health. The programme is financed by SYDTF. The objective of the programme is to provide health services to poor people who are out of the scope of the social security system and who have a monthly income of less than one-third of the minimum wage.

16  $527.13/3=175.71$ .

posed of four members (TÜRK-İŞ, 2008). People earning more than 175.71 New Turkish Lira who refuse to pay their contributions are not entitled to benefit from the health insurance system, according to the Act. In addition, a worker's registration in the health insurance system automatically gives the employer a legal audience. In the 2000s, more than fifty per cent of workers in Turkey are engaged in unregistered activities, a situation which is supported semi-officially by the government in the name of the international competitiveness of Turkish industry (Özdemir *et al.*, 2004). To put it differently, the system brought by the Act appears in the context of a social environment in which many workers would refuse to contribute for reasons of low earnings and for the negative impact of registration on their employment capacities.

For those whose incomes are less than 175.71 New Turkish Liras, access to health services is means tested. In this case, the necessary contributions are paid by the Social Security Institution,<sup>17</sup> a new entity composed for the purposes of unifying the different institutions serving different groups of employed people depending on their working status. Given that the assessors are chosen from the state institutions, which are directly controlled by the government, means tested access to services of any kind creates the danger of clientelism working for the party in power. This issue will be explained in detail in the next section.

Furthermore, the Act (No. 5510) requires beneficiaries to make an additional payment (contribution payment) on top of their compulsory contributions (obligatory premiums) for the health services from which they have benefited. Hence, social security reform introduces private insurance mechanisms and supports the delivery of health services from within the private sector. The AKP overtly states that the public share in the production of health services has to decrease significantly. To put it differently, the government claims to widen the coverage of the social security system by way of leaving the production of health services and the financing of the social security system in the long run to the market. Within this context, the mechanisms to support the production of health services in the private sector and from private insurance schemes form an integral part of the 'reform' and the relevant legislation. Accordingly, the 'social' in 'social security' loses its meaning and the question emerges as to whether this represents a beginning of the end of social security.

The result is that the 'interests' of private capital that are 'invited' to 'invest' in the health and pensions system has come to the fore in the construction of 'social' policies. The interests of capital include serious declines in 'production costs' including raw materials (medicines), labour costs (the rise in the employment of unskilled and semi-skilled personnel, plus their long working hours), savings in equipment and shrinkages in the workplace, whereas marketing activities require as soon as possible increases in the prices to be paid by contributors (contribution payments) and by the state. It has been argued that the dominance of profit-seeking activities in the production of health services will end with huge transfers of profit from the state to the private sector. To put it differently, it has been claimed that state expenditure will increase, yet the quality and amount of services produced will decrease.

17 The Social Security Institution will be examined in detail in the next sub-section.

These qualities of the health insurance system must be evaluated with reference to the strategy of making the market the sole mode of co-ordination in the production of health services in Turkey. The new system is designed to limit and then abolish the role of the state in the production of health services. The same is valid for the pensions system.

#### A new institutional structure: all under one roof

The new reform package proposed that the traditional social security organisations should be subsumed under a single roof together with the organisations dealing with social assistance. The fragmented institutional framework on which the traditional social security system had been established was clearly inadequate to accumulate and share the necessary knowledge in the combat of unregistered work and the other problems in Turkish industrial relations. In addition, the fragmented nature of the previous system has proven to be incapable of managing the realm of social assistance, which has always been extremely poor with regard to centralised government funds. In this regard, the administrative restructuring proposed by the advocates of the current social security reform was appropriate.

The Social Security Institution was established by the Social Security Institution Act (No. 5502), dated 2006. The Institution aims to bring the Self-Employed Institution (Bağ-Kur), the Retirement Chest (ES) and the Social Insurances Institution (SSK) under a single umbrella in order to transfer the five different retirement regimes – civil servants, contractual paid workers, agricultural paid workers, self-employed people and agricultural self-employed people – into a single retirement regime that will offer equal actuarial rights and obligations. The Social Security Institution is, according to the Act (No. 5502), a financially and administratively autonomous public body supervised by the Ministry of Labour and Social Security.

A centralised and unified management, however, will be able to provide the necessary means to combat inefficiency and unregistered work only if the political will is focused on these ends. In addition, the proposed supervision of the Social Security Institution by the Ministry will put an end to its already weak autonomous status in the administration of funds and in the management of hospitals serving the beneficiaries covered by the system. The above-mentioned violation of the formal autonomy of the social security institutions (ES, Bağ-Kur and SSK) in the 1990s contributed vastly to an atmosphere of mistrust regarding the total transfer to the government of the supervision of the social security system.

Moreover, the Constitutional Court recently declared in its Decision No. 2006/112, dated 15 December 2006, that the provisions concerning the retirement of public officials must be regulated in a different manner from other employees.<sup>18</sup> Based on this statement, the Court urged that the provisions of the Act (No. 5510) covering civil servants and other insured employees together be annulled. Therefore, the efforts aiming to cover the retirement facilities for the entire working population within a single statute have become null and void. It is important to note that, in Deci-

18 For a discussion of these developments, see Aziz Çelik's three articles in *Birgün*, 15, 16 and 17 January 2007 (in Turkish).

on No. 2006/112 dated 15 December 2006, the Constitutional Court had no detailed reference to the principle of the social state, a principle which had many times before been referred to in the case law of the Court dealing with the constitutional assessment of the laws relating to social security.

### A new structure for social assistance

The draft proposal on Social Assistance and Non-Contributory Payments is the fourth component of the reform. The draft, which explicitly deals with non-contributory mechanisms for income maintenance for those under the threat of social exclusion, remains in preparation. Contrary to the other elements of the reform, a rights-based approach seems to be predominant in the wording of the draft. The social assistance component was not even brought before parliament and was left behind without anybody even noticing its disappearance. Unfortunately, it is clear that the enactment of the draft will not be realised in the near future.

Currently, social assistance is provided to elderly people, people with disabilities and those below the poverty line. The main institutions providing this service are the General Directorate of Social Services and Child Protection (SHÇEK)<sup>19</sup> and the Social Aid and Solidarity Encouragement Fund (SYDTF), although we can also add to this list the municipalities, central government including public sector institutions that have the task of alleviating poverty (such as the General Directory of Foundations), and non-governmental organisations (NGOs). In this sub-section, we will deal with the SYDTF, municipalities and the case of the Lighthouse Association (*Deniz Feneri*) as a prime example of Islamic and neo-liberal social assistance conducted by way of NGOs. The Islamic bias embedded in the AKP's reforms are best seen under these items.

The SYDTF was established in May 1986 with the enactment of Act No. 3294. This stated that the institution should assist citizens in absolute poverty and other people that have been admitted to Turkey. The necessary measures to ensure a fair distribution of income, by taking measures for strengthening social justice and to promote social assistance and solidarity, is also a part of the mission given to the institution by way of its founding statute. Earmarked taxes, international aid and aid collected from the public provide the fund with the necessary resources to implement its policy. The SYDTF works in conjunction with the regional Social Aid and Solidarity Foundations (SYDVs), which have the task of realising the aid supported by the SYDTF.

One of the major projects introduced by the SYDTF is the green card programme. The objective of this programme, enacted in 1992 following a protocol between SYDTF and the Ministry of Health, is to provide health services to poor people that are out of the scope of the social security system and who have a monthly income of

19 SHÇEK is a public legal entity. The services/aids provided by SHÇEK are financed mainly through the central government's budget, the advertisement revenues of state television, traffic fines, taxes on petroleum and income taxes. It provides services and aid to the children, the young, those with disabilities, women, the aged and families in need of protection, care and assistance.

less than one-third of the minimum wage. In 2006, approximately ten million people have been entitled to green cards (WTO, 2006).

The composition of SYDVs and the way the benefits<sup>20</sup> are distributed, the means test requirement and the green card programme itself have become the source of controversy, mainly after the 2001 crisis. SYDVs are chaired by governors or district governors, while the rest of their managerial boards include the mayor, the provincial director of social services, the provincial head of finance, a health official, a representative of the directorate of regional affairs at the local level and three prominent members of the local population. The beneficiaries are means tested by SYDVs, being independent in the decision-making process. Hence, SYDVs are entwined by patronage networks.

The SYDTF was introduced with the hope of alleviating the burden of welfare services on the budget by way of mobilising private donations under the guidance of the state. However, the developments mainly after the 2001 crisis and the subsequent period of AKP government resulted in significant changes in the financing patterns of the SYDTF. After the 2001 crisis, the signing of the Social Risk Mitigation Project (\$500m) with the World Bank, starting as of October 2001, opened up some opportunities. At this point, the SYDTF started to mobilise World Bank contributions provided under the Social Risk Mitigation Project and other public resources rather than private donations, which have never been sufficient.

Activities other than the green card programme have acquired prominent positions under the AKP government. These activities have included cash allocations towards emergency relief and employment creation, as well as in-kind allocations that are not covered by the green card programme, such as hearing aids, medicine and prostheses. A significant amount of the resources of the fund has been transferred to local branches to realise the newly-acquired missions. It is claimed that the independent local branches have used these resources to construct clientelist relations regarding electoral support for the AKP.

Following 2002, the central government's portion of funds spent on social assistance to the poor has declined (Elveren, 2008). On the other hand, the level of social assistance provided by the municipalities has increased significantly. In-kind assistance provided by the municipalities, including food, coal and clothing, is financed mostly from charities. It is nearly impossible to investigate either the amount or the management of the funds raised by the donations of rich individuals in the municipalities, while there is no adequate information on the amount of the resources used for the different social assistance schemes of the municipalities (Government of Turkey, 2004). However, the magnitude of these charities exists in clear contrast to the failure of the SYDTF to raise private funds. It is clear that the municipalities are able to channel the donations made by prominent/rich people who are not willing to donate to the SYDTF but instead to the municipalities. The reason behind this 'choice' of

20 Benefits provided by the SYDTF are distributed in two forms. The first form is benefits in kind, including food, coal, clothing, small-scale productive projects, fuel and medicine. Benefits are also distributed in cash. Grants and scholarship programmes and emergency situations are implemented as cash benefits.

the rich might be something other than charity. In fact, it is. It has been said that, under the AKP's rule, Turkey has witnessed semi-official negotiations between the municipalities and people seeking urban rents. In addition, municipal plans are organised and reorganised behind the purpose of raising capital for the supporters of the AKP government. It is possible to argue that the municipalities collect donations in return for organising/reorganising municipal plans, for agreeing not to take legal action against illegal activities and/or for using state power in some other ways to contribute to individual capitalists supporting the AKP government regarding public bids and in the privatisation of publicly-owned companies. This situation, if true, may best be described as a specific kind of bribery under the banner of charity. Specific, because the bribery in this case is carried out for the purpose of raising electoral support in addition to gaining individual benefits (cf. Buğra and Keyder, 2006).

Another mechanism of social assistance under the AKP government is NGOs established for the purpose of orienting Islamic elements. The Lighthouse Association (*Deniz Feneri*) is the most prominent NGO in this realm. The Lighthouse Association was registered in 1998 as an association and attained a corporate structure in 2002 under the framework of an association with the same name.<sup>21</sup> It provides food, health and shelter, guest houses, public kitchens, clothing, education, occupational courses and cash benefits to its beneficiaries. It is a combination of the elements of a liberal conservative attitude to poverty and Islamist charity.

Recently, a German court revealed that a German affiliate of the Lighthouse Association was collecting donations from Turks living in Germany (BfA, 2008). It was stated by the German court that €17m out of an overall €41m in donations were illegally transferred to Turkey and that the beneficiaries included a company owned by the pro-government Kanal 7 television channel. The Lighthouse Association of Turkey has no official link to Lighthouse e.V. in Germany. However, the Lighthouse Association (Turkey) also received €8m of the transferred money. Money transfers to Turkey were realised in cash by way of couriers, the identity of whom is also interesting: German jurists portrayed the President of the Supreme Board of Radio and Television (RTÜK) as a courier for Lighthouse e.V. in Germany. The President was the AKP nominee for the RTÜK presidency. There were also allegations of a link between the AKP and the Lighthouse Association (Turkey). The Lighthouse Association (Turkey) was given the Eminent Services Award of the Turkish Parliament under the AKP's dominance. The AKP is also accused of protecting its accomplices in the Lighthouse e.V. case.

This short survey reveals the political and ideological dimensions of social assistance under the AKP government. The Lighthouse Association is not the only association, foundation or NGO within the circle of the Islamist power bloc, although it is the biggest. In the same vein, the issue of social assistance, including benefits allocated by the municipalities and by the government, is not simply a matter of providing assistance to the poor people of Turkey. It is, rather, a strategy which is used in the construction of political and ideological bonds and links that keep the AKP in power.

21 For more information about the Lighthouse Association, see the website at: <http://www.denizfeneri.org.tr/>.

## Conclusion

Throughout this article, we have discussed the massive change of track in the bulk of the strategies that can be subsumed under the rubric of Turkish social security. This study indicates the decline in the effectiveness of the PAYG system; the emergence of a system of contribution payments; the decline in the share of the public sector in the delivery of health services; the increasing bulk of transfers from the public to the private sector, financing in the process a private system for the delivery of health; and the changing function of social assistance in Turkey under the AKP's rule. Such changes point at a trend towards a shift from publicly-financed social security systems to market-based systems (a capitalisation system). This is a tendency which can be observed in the entire 'developing' world that seeks to 'sustain' its development by way of applying neo-liberal economic policies. The originality of the Turkish case is that this change of track is being realised under an Islamist political orientation.

The social security reform is in line with the recommendations of the European Union (EU) for accession countries, as well as with the neo-liberal recipes supported by the IMF. The main argument behind these neo-liberal discoveries is based on the myth, or ideology, of 'economic efficiency.' The organic intellectuals of the Turkish bourgeoisie argue that rates of return under a privately-financed individual account system will be much higher for all individuals than they are under the current social security system. In addition, they argue that the private production of health services will be more effective in satisfying the needs of the public as a whole. The principle of 'consumer satisfaction' is being used as an ideological means to convince the public, which has been suffering for decades from a poorly-managed publicly-owned health services system. This article argues that, despite the weaknesses of the publicly-owned and publicly-managed social security institutions, the alternatives proposed under these neo-liberal social policies will worsen the situation.

If the 'social' in social security is to have a meaning, Turkey needs to do two things: to develop a system which has managerial and financial independence; and to create the facilities for public participation which will enable the beneficiaries to audit the performance of the system. In line with these recommendations, Turkey should, in the future, increase its tax revenues stemming from social security contributions not only for financing the deficit of the social security institutions but also for bringing these contributions into line with EU standards (Elveren, 2008; Pamukçu and Yeldan, 2005). PAYG represents a mandatory transfer of income from the working class to the older portion of the population. On the other hand, privatisation creates the conditions for a mandatory transfer of income largely from the employed labour force and state to private companies dealing with privatised social security services and with the production of health services. We must keep this fact always in mind.

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