



5

The Labour Market

One of the key challenges of the newly formed state was the establishment of a properly working labour market. A significant proportion of Turkish Cypriots had been working in the agricultural sector before the declaration of the KTFD in 1975. There were a small number of educated individuals who were working mainly as civil servants in the Republic of Cyprus state offices or in the police force. Insofar as the new state came to form its own governmental institutions, the small number of such experienced labour was insufficient. Furthermore, post-division there were also around 30,000–35,000 refugees from south (mainly farmers) and subsequently also 60,000 immigrants from Turkey who were distributed around the northern part of the island making up the new labour force. There was certainly a shortage of civil service labour while at the same time there was a surplus of mainly low-skilled labour. According to the official figures, the active labour population, in 1977, of the KTFD was 89,600.¹

The state undertook two key measures to deal with the disequilibrium in the labour market. The first was to provide employment to many displaced Turkish Cypriot individuals in civil services and at quasi-state-owned enterprises. Although this initially seemed to be a

positive development, we show throughout this section and most of the book that this initiative was motivated by other non-economic purposes. A second step was to allocate agricultural land and accommodation to new immigrants from Turkey so that they could settle and contribute to the growth of the economy in northern Cyprus. This also proved to be a very conflictual and divisive practice as the lands and houses that were distributed, through the ITEM law, were the ones that had belonged to Greek Cypriot refugees who had fled to the south after 1974, and the regulations regarding the allocation were arbitrary and unfair.

One of the most difficult tasks for any economic analysis is to examine the overall effect of attempts to increase employment on economic growth. These difficulties are compounded in the case of northern Cyprus under the KTFD and then the TRNC, insofar as the official figures regarding unemployment rates are not accurate as they only used the number of people who formally registered as unemployed to calculate unemployment rates. More fundamentally, record keeping immediately after 1974 could not have been accurate as most of the institutions of economic governance, including basic data gathering, were not established until 1983. Despite these deficiencies, in this section a historical examination of employment in the public sector, most obviously the civil services, as well as the private sector will be shown. In so doing, the official political view regarding the evolution of labour demand in civil services will be recorded and analysed. In the absence of anything but sporadic and spot data regarding private sector employment until 2004, the analysis of this sector relies upon social security registration data to estimate the employment numbers in the private sector after 1980. Not least because they are one of the few sources of labour market data, the historical developments of trade unions in northern Cyprus are also discussed to understand how the labour market, particularly in the public sector, evolved. The discussion of employment in state economic enterprises (SEE) is left for another chapter.

Labour Demand in Civil Services

Civil service employees, that is, those public sector employees paid from the central budget, were given special advantages immediately after the separation. The decision of Autonomous Turkish Cypriot Administration (ATCA/OKTY) on 19 September 1974 (Decision #5561) would lay out the framework for the allocation of housing and furniture to the staff of ATCA itself. A committee of seven members was charged with determining the rules of allocation of housing and furniture to those who were employed in public services of ATCA and did not have any real estate property under their own or spouse's name (so technically if someone had a property under a child's name, they would still be able to benefit from this rule). The allocated houses were subject to a rent which was 4.5% (6% if furnished) of gross wages for police force members and 10% (15% if furnished) for all other civil servants. The houses that these individuals were allocated were the erstwhile homes of the recently displaced Greek Cypriot refugees, and the rule stated that those newly made tenants were to be responsible for the maintenance of the rented house. There was a special clause included in the Decision, that in the event of the original Greek Cypriot wishing to return and recover his or her house, then the tenant was required to quit immediately otherwise would be categorized as a trespasser.² Although this looked like a well-intentioned attempt to house vulnerable and displaced refugees, unofficial stories would reveal that most of these individuals did not pay any rent for many years, and they did not take good care of these houses because it did not belong to them. After borders were partially removed in 2003, some Greek Cypriots were surprised to find their old furniture still being used at their old homes. More privileges would be extended later to the civil servants.

Expanding public sector employment has been a norm rather than exception in northern Cyprus. After the establishment of TRNC, the new state needed many individuals to fill the positions required of the newly formed government institutions. The individuals who had been formerly employed by the Republic of Cyprus were a first choice as they had had the relevant experience working as civil servants. But there was a huge demand for many other positions at state hospitals, schools,

administrative units and municipalities. The government started hiring individuals as civil servants without really looking at their qualifications and experience. The number of civil servants increased rapidly immediately after the proclamation of the new republic. Most of the civil servants were employed as permanent workers ('blue collar' positions) and teachers. There were also a significant number of non-permanent employees working in 1982 and 1983. The police force was another favourite destination for employment in the civil services.

When the TRNC was established in 1983, the state already had some offices, but the related laws that dictate the workings of these offices, as introduced in the previous chapter, would be established several years later. Each state office was assigned a certain maximum number of permanently established positions (known as *kadro*) that were specified in their own establishment laws. The numbers for different posts within an office were specified explicitly. Each office had at least five posts: director, vice-director, secretary, driver, driver-messenger. The numbers were decided by the recommendations from the Personnel Office, but the *kadro* number could be increased by approval of the Council of Ministers. The list of all the state offices is provided in Table 2. Some of the offices (e.g., the Office of Societal Gender Equality [Toplumsal Cinsiyet Eşitliği Dairesi]) had no *kadro* filled, and almost all of the offices operated below legally required allocations. To fill an empty post, the Public Services Commission had to announce the opening of the position, and the candidates were supposed to first pass a general written exam required to get a job as civil servant and then satisfy the job-specific criteria. Of course, it is debatable if TRNC needed these many offices and furthermore whether each office needs that number of *kadro* appointments.

The appointment and promotion criteria of civil servants continue to be regulated in theory by dedicated laws. The Civil Servants Act (*Kamu Görevlileri Yasası*, 7/1979) and the Personnel Office Act (*Personel Dairesi Yasası*, 77/1989), the two main relevant laws, have both have been amended several times over the years. If there is an opening for a post in any government office, the Personnel Office is required to announce the requirements for the post and the Public Servants Commission is in charge of dealing with the applications and making sure the qualifications

are met. Once someone is hired in the civil services, he/she will be subject to the regulations set forth by the Civil Servants Act.

Article 72 of Civil Servants Act has been modified six times. The original article stated that ‘The promotion to higher rank [*kademe*] is determined by the office he/she is working for upon positive progress report.’ Over the years the number of years to be used in rank calculations has been modified to include time served elsewhere. The time served as *mucabit* ‘before appointment as a civil servant’ was initially extended in 1983 but then modified to include time ‘before or after appointment’, in 1984. In 1988 several other categories were included to be counted for rank calculations.³ Not only *mucabits* but all those who served in the Turkish Cypriot militia army and Turkish army and who were now working as civil servants would receive one rank increase for every year served. ‘Temporary’, that is, non-*kadro*, civil servants were also given rank increase for the time they worked under temporary status. The reasoning of the committee was simply ‘to cover forgotten groups’. Alpay Durduran who was on the subcommittee that drafted the bill in 1988 criticized these modifications, but he and his party voted positively for the bill with the hopes that ‘these modifications are the final ones and no such changes will be brought to the parliament again’.⁴

Durduran’s hope was confounded when, in 2002, an amendment was approved that ‘those who have been working for public services before October 1, 1999 regardless of their title who were later appointed to full time status by Public Services Commission’ will receive an increase in their rank for the time served before appointment. In 2003 they added another paragraph to this clause, thereby including all those who were working in the Provident Fund (pension fund), Tourism Promotion Fund, Lottery Department (under Sport Office) and disabled individuals who were employed under Protection, Rehabilitation and Employment of Disabled Act (*Engellileri Koruma, Rehabilitasyon ve İstihdam Yasası*, 64-1993) before 1 October 1999. Finally, in 2004, the time served as *mucabit* or military for all those working under ‘temporary’ and ‘full-time’ worker status would be included in the calculation of their ranks. The main reason behind these modifications was to include time served in public services anywhere as part of rank calculation and time at the military was regarded as a public service. An incrementalist politics had

been set in motion: each time a new set of employees was identified and added to the list of beneficiaries of back-dating years of service and, hence pay grade, a new set of people who had not been covered would complain and lobbied, usually with success, for inclusion in the next round of amendments.

The end-of-year bonus (known as the 13th salary) is one of the mostly criticized practices of the state regarding public service employment. Every civil servant is entitled to a bonus of one-month salary (exempt from income tax) at the end of each year regardless of their performance. This entitlement was extended to civil servants on 25 January 1984. The main reason given by the committee for this change was the high inflation during that time period; thus, the real wages of the civil servants needed an increase (TRNC Parliament Proceedings, 25 January 1984, pp. 54–55). There were long discussions in the parliament on that day, but the discussions were centred around the high inflation and not the practice of 13th salary. The opposition parties blamed the government for not being able to control the increase in prices and hence decrease in wages, and the incumbent government defended itself by listing the precautions they have taken to control inflation. In the end, all of the parties accepted this bill. After all, how can any political party afford to oppose anything that benefits a very large share of voters? Basically, in order to decrease the effect of 70% inflation on real wages in 1984, the TRNC Parliament unanimously decided to increase the nominal wages permanently by 8.3%. What happens if the economy recovered and inflation was under control? Once a change is made in the laws, it is protected by the constitution and it cannot be reversed.

Over the years people in northern Cyprus have preferred employment as civil servants because of their attractive working conditions. The work hours are rather low and not monitored, there are plenty of vacation days (not including the national and religious holidays), promotion is automatic, wages have been attractive and retirement packages were very generous. On top of the regular advantages, there were other benefits given from time to time, not least the enduring framework for allocation of housing and furniture to the staff of ATCA. For example, in March 1994, in celebration of the tenth anniversary of TRNC, the parliament passed a law called '10th Year Bonus Law' (4/1994) with one specific

article: one-time payment of half of minimum wages to anyone who has been receiving salaries, wages, or in-kind payments from the central budget as of 15 November 1993. Finally, in February 2000, the Council of Ministers decided that when a civil servant wished to import a car from Turkey, they can pay the fraction of the price collected by the Price Consistency Fund (Fiyat Istikrar Fonu) in three-year instalments as opposed to the rest of the people who had to pay the entire due amount upfront (BK #E-223-2000, 7 February 2000).⁵ Such exceptions for civil servants along with regular benefits have increased the burden of public sector on the central budget which had been around 75–80% of government revenues including payments to the civil servant retirees. In order to limit this burden, the state regulated some of the conditions in 2009, but the damage had been done much before that.

There was no such provision in these Acts that allow for unestablished positions, that is, non-*kadro* positions, to be held in the civil services. In 1982 and 1983, there were more than 3000 civil servants (about 30% of total civil servants) who were working under this category. In 1984 a law was passed that automatically upgraded most of these workers into permanent positions which were against the terms of the Acts. Because the newly formed state (TRNC) was getting ready for the first general elections that would be held in 1985, clientelistic interests motivated the upgrading of employee status. Thus, the incumbent government needed all the votes they could get, and providing guaranteed life time jobs to 3000 voters (and their beneficiaries) would be a significant step in this direction. Employment of individuals as temporary civil servants did not stop after this although their proportion has decreased and averaged around 15% during the 1984–1999 period.

As has been indicated, historically public sector employment has been favoured by Turkish Cypriots. On top of secured salaries with a bonus at the end of each year, and plenty of paid vacation days, civil servants work at 37.5 hours per week compared to 40–45 hours per week in typical private sector employment. The drivers and secretaries of the ministers were also entitled to some additional overtime payments. Above all, civil servants were rarely at their work places for more than few hours a day which raised the question if the administration of the state could be actually accomplished in fewer total hours, then why does the state need so

many workers in the first place? It is for such reasons that many individuals have opted to stay unemployed or work at family businesses while waiting for a job opportunity in the public sector. Even when people had a salaried job in the private sector, they would keep their ears open for a possible career move towards the public sector, albeit among only those who had the legal right to work in the public sector. More often than not such opportunities would arise especially during the period leading up to the general elections in the country.

Labour Supply in Civil Services

The numbers of civil servants employed over the years are shown in Tables 5 and 6. Whilst these tables do not include the number of public sector workers at municipalities and state economic enterprises (SEEs), civil service employment had fluctuated over the years, averaging at 1.6% growth per year. There was a relatively sharp decline in 1995 in the number of civil servants in all of the categories of employment (except state teachers). The largest shares of civil servants have been state teachers and police. On average, there has been a ratio of 1.7:1 currently working civil servant for every retiree from the civil services. In the next chapter, we will discuss the implications of this for sustainability of pension funds.

Unlike previously, there is some good statistical data for labour market in northern Cyprus after 2004 when household labour force surveys (HLFS) were conducted, and the data was used to estimate aggregate employment statistics. Just to give a snapshot of the most recent available data in 2011, around 23% of public employees had less than high school education and they have been working for about 12.5 years in the public sector. On the other hand, 45% of private sector employees had less than high school education and they have on average 7.5 years of tenure with the same employer. These differences could explain the 55% wage gap between public and private sector employees.⁶ The change in regulations in 2010 regarding the salaries in public sector could have lowered the popularity of labour supply to this sector, but 2011 data cannot capture the effects, if any, due to the limited after-policy time-span covered.

Two sets of civil service positions under TRNC law deserve special attention: teachers and medical doctors. State teachers (who made up around 23% of all civil servants in 2009) and physicians working at state hospitals have been very popular positions. State-employed teachers constituted on average 16.7% of all the civil servants during 1980–1995 period, but this ratio jumped to 20% and higher after 1995. This area has been a popular choice of occupation for many Turkish Cypriots as well as a tool for nepotism favoured by many politicians. State teachers are subject to additional retirement benefits compared to other civil servants. Furthermore, they have fewer working hour requirements than the rest of civil service whereby they only work 8 months a year but are paid 13 months a year, and only 5 hours a day (and have up to 25 sick days). The rest of the day they are not allowed to work in another job (a second job is prohibited by the Civil Servants Act, Article 41), but of course due to lack of monitoring by the authorized offices, many have used this option. Although the evolution of pupil/teacher ratios (which is used as a proxy for quality) in state schools show significant improvement over the years and are comparable to some of highly developed states, there have been many complaints regarding education in state schools over recent years.⁷ The ratios did not increase, but the distribution of teachers has changed where nobody wants to work at remote locations. The physicians working in the state hospitals have also enjoyed flexible working conditions since the establishment of the republic where they would work three to four hours a day and then continue practising at their private clinics. Once again, over the recent years with increasing population (hence higher number of patients) and fixed number of health workers, the quality of state-provided healthcare has decreased significantly.

One of the most recent complaints of the physicians is of the low salaries provided after 2010 when the entry salaries of all civil servants were reduced. The initial salary of a physician in 2010 would be around 4000 TL (around \$2700 at the time without overtime payments) which is rather low for someone who has gone through at least ten years of training and work in the health sector. On the other hand, this number is for a scheduled three-hour work per day which therefore also allows them to use resources of the state hospitals for their own private patients. Thus, on the one hand patients have complained that they cannot get good

quality public healthcare, while on the other hand physicians claim that they are understaffed and get paid severely low salaries, and then in turn governments complain that they don't have the necessary budget to fix this problem (whilst spending millions of TL by encouraging patients to go to domestic and foreign private hospitals). The physicians are treated separately from other 'health sector civil servants' by the related Public Health Workers Act (*Kamu Sağlık Çalışanları Yasası*, 6-2009) and are allowed to work in the private sector 'after regular working hours at the state hospitals' (Article 43, paragraph 3). This privilege was challenged at the Constitutional Court of TRNC by the 'Independent Working Physicians Association' in 2011, and it was found that the operation of private clinics in state hospitals was unconstitutional (Dossier 2./2011, TRNC Constitutional Court). This did not change anything and the governments did not act on it, and successive governments have been in violation of both the decision of the Constitutional Court and held the Constitutional Court in contempt with impunity. In fact, the Prime Minister Ömer Kalyoncu (CTP) said that the government 'will stop the investigation of those [physicians] who has a second job' because it will lead to 'chaos in health services' until they complete their discussions on amendment of five other related laws that will solve the problem all together (28 October 2015).⁸ What can you expect from a parliament with many physician MPs who would rather go to their clinics than attending the general assembly? Looking at the poor law enactment/ amendment history of northern Cyprus politicians, they never actually modified the other related laws that were claimed by the prime minister having the ability to solve the root of the problem. Physicians working in the public hospitals still continue to have their aforementioned privileges.

Another issue of labour supply in public services is the second job. According to the Civil Servants Act (Article 41), those who are employed full-time in public services are not allowed to have a second job 'during or after the regular working hours'. For example, teachers (which make up 30% of total civil servants) would finish their duty by one o'clock in the afternoon which gives them ample time to do extra work. Most of them would give private tutoring, and others would go to working at their own establishments (which would probably be under a relative's name so as to abide the law). The teachers in rural areas would also be

involved in animal husbandry or agricultural activities after work hours. Some individuals will own small retail shops or restaurants established under a family member's name to circumvent the legal requirement, but they will commonly participate in the workings of the business during or after regular civil servant hours. The air-traffic controllers have a system where they work long hours, but then they get few days off as is common practice in the world due to the stress levels involved in the job. Given the relatively quiet air traffic in northern Cyprus airspace, the same people working in this profession have used the days allocated to relax as an opportunity to work as self-employed. Many similar practices would also be observed by other civil servants, and all this has been done with the full knowledge of the governments.

The past governments have done absolutely nothing to devise ways for more efficient working of the public services. All they have done is to engage in clientelism and employ their own circle of friends into civil services. In order to decrease the financial burden of this practice on central government, the politicians modified the Public Services Act in 2008 whereby making both the working salaries and retirement benefits less attractive. This of course was heavily criticized by the civil servants especially teachers and physicians, but at the end the law was passed. Thus, the people who are employed as civil servants after 2008 will not be as lucky as their parent's generation in terms of salary and retirement benefits, but the shirky behaviour at the workplace could still continue under the present conditions. The alternative option is to work in the private sector.

Private Sector Employment

The private sector in northern Cyprus had not been significantly developed until the beginning of the new millennium. As explained in the previous section, the public sector (civil service and SEEs) had been the first choice of employment for many Cypriots. However, given the early retirement laws and generous benefits, many people started their own business after retirement. According to 2008 TRNC Household Budget Survey (HBS), about 11% of those who are currently working in the

private sector are also receiving some kind of monthly payments from the state as well.⁹ Again as noted earlier, in some cases civil servants would undertake a second job (although illegal) while still employed by the state but under a family member's name or, indeed, totally unregistered. Most of the registered businesses were small- to medium-sized enterprises, and therefore the private sector continued to remain un-institutionalized and largely informal. However, the remaining large companies began to take a larger share of employment in the private sector. With the increase of population and increase of financial aid from Turkey in the new millennium, the private sector gradually became more professional and institutionalized.

Immediately after the division of the island, there was a huge potential for employment in private sector. There were around 1408 establishments in industry with a capacity of 7600 employees that were inherited after the war.¹⁰ But as shown in detail in later chapters, most of these establishments were controlled by the state and labour regulations were more in line with public sector employment rather than a typical private sector. The number of registered members at the Chamber of Commerce was 1520 by the end of 1977 in which 80–85% of Chamber members employed less than 5 employees.¹¹ Similarly, the Chamber of Industry established in 1977 had 120 registries where most of them also had small number of employees.¹² Although the number of firms in commerce and industry were rather large, the amount of private sector employment was limited. In fact, only 3500 people in 1977 were employed in the private sector, with plans to increase it to 4600 by 1982 (compared to 7859 employees in civil services in 1979 who received wages directly from the state).¹³ The education level of the working population had increased by the end of the first Five-Year Development Plan (FYDP). By 1982, there were 56,791 employed individuals, 25% of which had at least a high school diploma. There were plans in second FYDP to increase education level of the labour force and increase the employment on average by 2.2% over the 1983–1988 period. The official statistics only provide employment statistics by sector (or occupation) whereby, for example, 'industry' could include both public and private sector employment in that sector. Thus, we cannot identify what percentage of the employment was strictly in the private sector.

There is also only limited information on the number of foreign workers who were working legally in northern Cyprus. During the initial years of the division, the growth of official foreign workforce was slow. In 1978, 3112 foreigners were granted residence and work permit (2803 from Republic of Turkey and 309 other foreigners), and 119 Turkish citizens were given business permits.¹⁴ The number of permits increased from 1806 in 1980 to 2390 in 1985. The latter number made up about 13% of the active contributors to the Social Insurance Fund who can therefore be classified as registered in private sector employment. The registration and control process was more restrictive during those years, so it is doubtful that there was much unregistered employment. Data on the number of work permits between 1985 and 1995 cannot be ascertained, but work permits by 1997 had increased to more than 5000 (comprising 16% of registered workers at Social Security Fund). A large increase in foreign worker registration occurred in 2005 when the government extended an amnesty to unregistered foreign workers to register before the end of the year without penalty. The number of work permits therefore increased from around 12,000 to 53,000 in one year. This does not mean all of those were new workers; indeed, most of them were working unregistered before that date. Thus, the early numbers of work permits are likely to be unreliable; nevertheless, the total number of work permits extended to foreign workers since 1995 is accurately provided in Table 7.

A significant development in private sector employment was the business conducted by Asil Nadir in the late 1980s. This London-born Turkish Cypriot businessman had established a large international business (Polly Peck) that was listed in London stock exchange. Although later he was sentenced to jail and his business collapsed afterwards at the beginning of the 1990s, the contribution of his company in the northern Cyprus private sector was significant. In 1980 this company would buy Uni-Pac and Sunzest which exported citrus fruits. These two companies in northern Cyprus would enjoy eight-year tax-free business, and they would be the biggest competitors of Cypfruvex, a government-controlled enterprise operating in the same line of business. By 1985, his company would employ 10,000 Turkish Cypriots.¹⁵ Of course, some of these employees would include young retirees from the civil services including my father who decided to leave his civil service post (after having

accumulated enough years to be eligible for pension) because he thought he cannot get promoted any higher at his civil service post (he was not very close with political parties) and the compensation and nature of the job was more attractive at Asil Nadir's companies. Before the company was investigated in 1988, the company was investing in reconstruction of large hotels like Palm Beach, Jasmine Court and Zephiros.¹⁶ But after the bankruptcy, these hotels were sold to other parties in exchange for the debt Polly Peck had.

A key demographic change that affected the labour market was the outmigration of Turkish Cypriots. After 1974, many Turkish Cypriots migrated to England as it was simple to obtain a work permit and residence permit due to Cyprus being a commonwealth country. In parliament, the opposition MPs would continually blame the UBP governments for the migration of Turkish Cypriots out of Cyprus because of poor economic conditions. Although demographic information is not available on these early emigrants, the generally accepted view is that those who were less educated tended to emigrate (since more educated individuals were already finding employment in the civil services). Additionally, emigrants tended to be mainly those from the villages and suburbs who could not find jobs easily and chose to leave the country. In contrast, emigration in the 1990s was especially motivated by access to higher education in Turkey, the UK or the USA where also, after graduation, Turkish Cypriots would find job opportunities and remain in their new 'home'. Of course, this was not a problem for the TRNC governments as it was easy to replace these individuals by a cheaper workforce from Turkey.

Although there are many registered establishments in private sector, their contribution to overall employment has not been proportionate to their number. As of 2010, there were 2272 registered firms to the social security office with 43,694 registered employees. However, only 6% of these establishments employed more than 50 employees (by the standards of northern Cyprus, these can be classified as 'large employers'). In other words, most of the registered firms are small-sized establishments which operate in the service and retail sectors. On the other hand, a small number of large-sized establishments made up 44% of total registered employment in the private sector. These large firms include private higher

education institutions, hotels and financial institutions. Not only did the smaller firms employ fewer employees, they are also more likely to employ unregistered employees. On the other hand, such small self-employment establishments provided an alternative to public sector employment which governments might have wished to encourage, thereby decreasing the burden on the central budget.¹⁷

In earlier studies the segregation in northern Cyprus labour market was examined using 2004–2011 official Household Labour Force Surveys from State Planning Organization. It was found that in the private market there was about 25% wage gap between immigrants from Turkey and the local workers that cannot be explained by observable characteristics.¹⁸ This finding is in contrast to many traditional human capital theories that attribute wage differences between immigrants and natives to differences in culture, religion and language (all of those distinctions were also to be found in northern Cyprus). Current research has also shown that there has been a sex discrimination in the private sector where females earn on average 25% less than males across this same time period.¹⁹ There is also public-private wage gap which was shown in the previous section using 2011 data (although no formal analysis on this topic exists). This substantial, chronic and structural inequalities demand effective remedy.

After the first crossing point across the Green Line (the island-wide buffer zone between the north and south mediated and controlled by the United Nations) were opened in April 2003, there was a significant labour movement from north to the south. The wages in the south were of course higher than the northern part which gave an incentive to many people without a steady job to look for jobs in the south. This opportunity arose for Turkish Cypriots only (and other EU nationals) but not for other immigrants or nationals such as Turkish, Arab or central Asian workers. But these individuals could only find jobs in low-skilled positions such as construction and private security even though many had high education (mostly the diplomas were obtained from the northern universities thus not typically recognized and therefore not transferrable in the Republic of Cyprus). The working conditions could be difficult, not least travel-to-work time and costs with many labourers in the construction industry, for example, engaged in work from before sunrise to

after sunset. Although wage rates were comparatively very favourable for which also included healthcare benefits at state hospitals (where the services are better than the northern counterparts), the difficult working conditions in the private sector in the south, coupled with booming economy in the north in 2006 (thanks to boom in construction sector), encouraged many workers to quit and look for jobs again in the north. The number of registered Turkish Cypriots in the south peaked at 3772 in 2005 and decreased to 1971 workers in 2011.²⁰ The corresponding monthly average euro salaries at the respective dates were €762 and €1137 which were, correspondingly, 77% and 100% more than the minimum wages paid in the north at the time.

There was also the problem of unregistered employment in northern Cyprus. So-called shadow employment is a problem for many countries, including developed countries. Different definitions of shadow employment have been used in the literature,²¹ but we use unregistered employment to include all those who are not part of any social security coverage. Although some shadow employment is necessary and unavoidable for an economy, large numbers simply entail important tax revenue losses for the government. The percentage of unregistered employment in northern Cyprus was rather high compared to other countries. The unregistered labour force percentage was around 40% in 1996 and 33% in 2000.²² The numbers decreased later where in 2006 and 2011, the ratio of unregistered workers to registered workers were, respectively, 17.5% and 26.3% which created 15% and 22% loss in social security contributions for those years.²³ There is also the tax evasion of those who are self-employed or work in the private sector. Using 2008 HBS, estimations calculated showed that self-employed and privately employed individuals in northern Cyprus under-reported their incomes levels by 20% and 13%, respectively, which is equivalent to about 11% of total tax revenues in the country.²⁴ The government have taken some steps to fight for unregistered employment in the private sector over the last ten years which has decreased the problem a little bit, but it is not clear if the effects will be long term.²⁵

The Labour Unions

Union organization and membership is a constitutionally protected right in northern Cyprus (TRNC Constitution, Article 53). It confirms a strong tradition of trade unionism in Cyprus which goes back to at least the 1920s where membership of trade unions arose irrespective of so-called communal identity.²⁶ Thus, those later to be labelled Turkish Cypriots participated in union organization alongside those later to be labelled Greek Cypriot: That is, class identity counted much stronger than linguistic or religious identity.²⁷ Most union activities were carried out jointly by Cypriots against British colonial government exploitation of workers. Nevertheless after 1963 with the emergence of serious inter-communal conflict across Cyprus, the now-distinguishable Turkish Cypriots began to form their own communal labour union federations. The first federation was Federal Union of Turkish Cypriot Workers (*Kıbrıs Türk İşçi Sendikaları Federasyonu*, Türk-Sen) who had about 15,000 members after the division of the island.²⁸ This federation had more of a rightist and conservative political ideology, but this was to change later in the 1990s when the board of this union was replaced by people who had leftist ideologies. The second largest federation was Federation of Revolutionary Workers' Unions (*Devrimci İşçi Sendikaları Federasyonu*, DEV-IS) which was more aligned with political ideology of the CTP throughout that period.

The law that regulates the workings of the unions today was passed in 1971 (*Labour Unions Act*, 13/1971) and was modified only twice (1971 and 1974) during the Autonomous Turkish Cypriot Administration. This law has not been modified since 1974 although the government programmes since 1985 have included statements regarding the importance of the rights of workers in the workplace and have vowed to take necessary steps to ensure this in northern Cyprus.²⁹ In fact, in the coalition government (DP-CTP) programme of 1995, there was a promise for a 'new modern and democratic Trade Unions Act',³⁰ but it never materialized. Instead, a bill titled the Collective Bargaining, Strike and Referendum Law (*Toplu İş Sözleşmesi, Grev Ve Referandum Yasası*, 42/1996) was drafted, and sent to the parliament in July 1995 and was

accepted, after revisions required by the president, in July 1996. The same promise was later made by UBP-DP coalition in 1996 but to no avail. In other words, regardless of political ideology of the governing parties, the policymakers have recognized a need for a change in this important law, but somehow never acted on it because successive governments were afraid of the response of the unions.

The link between unions and political parties in northern Cyprus is important to record in part explanation of the particular development of the breakaway state, and it cannot be assumed that unions adopted an ideologically fixed leftist position. Thus, for example, Rauf Denktaş nominated three leaders of Türk-Sen, the largest union federation at the time, as parliamentary candidates for ATCA in exchange for their support in the 1976 elections, and two of these candidates were elected.

However, Turk-Sen became progressively disenchanted with the government's failure to deliver on labor issues. Faced with challenges to its supremacy in the labor field from newly formed, more leftist-oriented groups, Turk-Sen formally broke with the UBP in November 1977. Anomalously, its two elected deputies have so far remained in UBP. (US Cable, March 1978)

Nevertheless, the closeness between the government and the Türk-Sen can be illustrated by the career of Huseyin Curcioglu who was to become the president of Türk-Sen between 1983 and 1988, but who also served as a UBP MP from 1976 until 1993 (including as a member of the constituent assembly in 1983).³¹ After 1988, Önder Konuloğlu became the head of Türk-Sen albeit pursuing more leftist-oriented practices. Academic analysis has described Türk-Sen as both a leftist- and a right-wing union.³² Unions have not necessarily expressed a fixed and straight ideological view and have varied their approach and policies according to and affected by their leaders and the party of government. In other words, the early labour unions formed by Turkish Cypriots were expressly political in nature, not limiting their role as a labour union to protection of the labour rights of its members by pressuring the employers to provide appropriate working terms and conditions and pay rates. In their earlier incarnation during the 1960s and early 1970s, when the employers were

mainly Greek Cypriots and the workers were Turkish Cypriots, the unions also acted more akin to a political party. Indeed, one of the largest of the present unions is the Cyprus Turkish Teacher's Union (*Kıbrıs Türk Öğretmenler Sendikası*, KTOS) who has its roots in 1967–1968 when the bi-communal conflict was at a peak. Later in 1976, this union formed a political party (TKP) and became involved directly in the politics of northern Cyprus.

The Turkish Cypriot unions, like unions across the world, also competed with each other for membership and negotiating or bargaining rights. A worker could be a member of more than one union, but collective bargaining at a workplace could only be carried out by one union. Thus, different unions tried to sign up the members of the other unions to help become the designated collective bargain negotiator. One such early example of a conflict between the labour unions took place in 1976 at Sanayi Holding Ltd. This company employed a substantial number of employees, and whoever represented those would have significant economic as well as political power. The following excerpt from the US Cable (1978) talks about the extent of this conflict:

Other more important factors are also behind the current wave of activity. among them we note: a. competition between (icftu-affiliated) Turk-sen and the two other syndicates: dev-is (revolutionary/reformist) and isec (ile-rici sendikalar/federssyonu). The latter is apparently a paper organization uniting the two teachers' unions and the civil servants into a single unit. although the constituent unions act in concert, they have done so under their own names rather than that of the larger unit. The rivalry between Turk-Sen and Dev-Is for exclusive bargaining rights has been responsible for labor disputes and stoppages at Turkish Cypriot Sanayi (industrial) Holding company and more recently at the electric authority and state printing office.

Box 5.1 Court Case on *Sanayi Holding* Labour Union Dispute³³

As part of the struggle to become the representative union for negotiations at Sanayi Holding, DEV-IS members visited one of the subsidiaries of this company (Borsan) on 1 June 1977 with the intention of 'talking to the workers'. The manager of Borsan received a phone call from the general

management of Sanayi Holding letting her know that such a meeting is not allowed within the borders of the factory and the assistance of local police force has also been requested. When the representatives (Hasan Sarica, Mehmet Gültekin Nazim, Kenan Akin) went to the factory and they were not allowed to go in, that's when the struggle began and these representatives argued that it is their constitutional right to go and talk with the workers. At the end, the state's prosecutor took the matters to the district court and accused the three representatives on different counts. The lawyer of the defendants was Naci Talat and the state prosecutor was Akin Sait.

When the district court found the defendants not guilty, the prosecutor attested this in the High Court. The High Court did not reverse the district court's decision (not guilty) regarding the counts on 'intent to commit felony', 'intent to encourage others to commit felony' and 'prevent police from exercising their duties'. But the High Court found the defendants guilty from 'causing public inconvenience' because the defendants 'demonstrated in loud noise and honked their cars in a public location'.

In other words, the High Court did not reverse the decision on the counts related to labour union law and the rights of unions regarding right to strike. However, the court used this opportunity to make a comment/suggestion on the Labour Unions Act. The court suggested that when this Act was adopted from Fasil 177, some of the articles were left out which could potentially give rise to interpretations against the constitution. Thus, the High Court judges urge the policymakers to reconsider and redraft the current law on trade unions. Obviously, this wish went unnoticed.

Union membership has tended to increase since 1979 to the present although there was a significant drop in 1988 but which had recovered by 1992. The trade union federations of DEV-IS and Türk-Sen represented most of the unionized workers during the 1980s, but their popularity had decreased in the 1990s. In 1983 the Hur-Is Federation was also established and grew in popularity, but still by the year 2000, 55% of all unionized workers did not belong to any of these trade union federations. By 2008 this number had increased to 63%. In other words, even though union membership continued to increase, many more smaller unions emerged over the post-division period with which workers tended to register. Although there are many unions, most private sector employees are not members of any of these unions. Unionization has effectively been limited to public sector employees. This has caused the gap in working conditions and pay rates between private and public sector employees to widen over the years as public sector employees enjoyed the strong

bargaining power of the unions. But such a power was sometimes abused throughout the years. The right to strike is a legal right confirmed in TRNC law and exercised by the unions. Without doubt this right has been heavily used to oblige the state to concede to union demands. As outlined earlier, given the political connections of the union leaders and politicians, the activities of the unions have been largely governed by the relationship to the political party in government. Almost invariably strike action was rooted in pay disputes and working hours. Yet unions have never taken strike action for reasons of terms and conditions of employment, for example, maternity leave, gender equality of pay, or health and safety or continuing professional development. On the contrary, a retired director at a state office communicated to me that when he wanted to send his personnel to job-specific training in the early 1990s, he received a visit from the union representatives next day asking him to cancel this training.³⁴ The activities of the union at Sanayi Holding at the end of the 1970s were also condemned by some of the managers at the company.³⁵ Finally, in relation to the clientelistic and venal operation of public employment, no union has ever taken strike action because the government employed individuals in public sector without using the proper legal procedures: On the contrary, the unions had welcomed these new employees with open arms. Trade unions thus also secured their place in the ecology of the rentier state.

Because of such trade union practices over the years, there has been a decrease in trust levels in them. According to World Values Survey (Wave5) in 2009, 52% of the people in northern Cyprus have some or a lot of confidence in trade unions even though only 18% of the full-time employed individuals are a member of a union. When we look at the political affiliation of the participants (measured by the question who would you vote for if there is an election tomorrow), 61% of UBP voters, 50% DP voters and 40% of CTP voters expressed a lack of confidence in unions. In other words, supporters of right-wing political ideology were less likely to have confidence in trade unions in northern Cyprus.

The largest of the unions today is KTOES (Turkish Cypriot Secondary Education Teachers' Union) and KTAMS (Turkish Cypriot Public Servants' Union). These two have been involved in large-scale public protests regarding government practices in northern Cyprus. For example, in

2004 before the referendum on Annan Plan regarding the reunification of the island, they organized large pro-demonstrations. The other smaller unions also engaged in such demonstrations but mostly by providing written solidarity. The leaders of these larger unions have also spoken openly against involvement of Ankara in domestic politics, but more recently in 2015 when KTOS (Cyprus Turkish Teacher's Union) published a planner book which included some sensitive information on historic events, some of its members burned those books in protest against the leaders of the union claiming that the information was inaccurate and provocative. The leaders have also sometimes been criticized by their members for receiving teacher's salaries whilst not working (the general secretary and the president of the union are both teachers at state schools, but by law they do not have to teach as long as they serve on the board of the union). I have personally witnessed recently that leaders of the largest unions got together in a room and drafted a press release that 'represented' the views of all the members. Such examples indicate that there is lack of synergy between the administrators and the members of these unions.

The views of politicians towards unions are also interesting. When a teacher's union went on strike for a long time in 2000, Mehmet Altınay (TKP) the Minister of Education in the UBP-TKP coalition government criticized these strikes on the basis that it hurt the children and accused the unions of not thinking of the consequences of their actions. Hüseyin Özgürkün (an MP from DP at the time) attacked the minister for 'giving a message that promotes discontinuation of union activities' and went on explaining how union activities are protected by constitutional law.³⁶ He also added that such criticism should have come from 'the social democrat parties' in parliament instead of himself, but he was proud of mentioning it anyway.³⁷ Then in 2016, when UBP-DP was the coalition government, they proposed to change the law that allows the administrators of the two teachers' union receiving salaries from the central budget without any teaching requirement. This was done after the general secretaries of the said unions criticized these parties heavily in public. Hüseyin Özgürkün (now the prime minister from UBP) argued that 'the administrators of these unions have stepped out of line', and similar law modifications would be proposed in the future for all the unions.³⁸ This time,

serving as the opposition in the parliament, TDP and CTP fiercely objected to the comments of Özgürün and reminded DP-UBP about the 'constitutional rights' of the unions and their members.

There were about 45 labour unions in TRNC as of 2013.³⁹ Except the larger two teachers' unions and one civil servants' union, the other unions have small number of members which means they are not very effective in terms of putting pressure on the governments. Thus, their activities usually go unnoticed. The unions however have historically managed to put pressure on governments to 'protect' their given rights. Most of the rights have been extended by the earlier governments in the north in line with clientelistic motives such as early retirement laws, generous working conditions and compensation packages, blind eye towards second-job regulation and the like. The unions made sure that these 'rights' were to be defended at all cost and the politicians could not change those although they were aware of the potential dangers to the overall economic well-being of the country. Although there have recently been some talks about unionization in the private sector, it is unlikely that governments will allow this given the historical abuse of union power in the public sector.

This chapter focused on development and structure of the northern Cyprus labour market. The public sector, including municipalities and SEEs, had been the first choice for employment for Turkish Cypriots after the division in 1974. The generous benefits of working in the public sector undoubtedly attracted many individuals. The private sector on the other hand was the principal employer of foreign workers albeit where Turkish Cypriots held managerial roles. This was at least the case until the start of the new millennium. After the year 2000, the private sector started to pick up and 'larger' employers began to shape the local economy. This increased the demand for labour and some Turkish Cypriots began to move to private sector employment, but with the hope of transferring to public sector at some time even after the starting salaries of the civil servants decreased significantly after 2008. With the shortage of labour supply in the private sector, firms began to bring in foreign workers but employing them illegally or unregistered in many cases which contributed to the size of informal employment in northern Cyprus. The unionization of workers in northern Cyprus is mainly limited to the public sector, amongst whose effects was to create a wage, terms and

conditions gap between private and public sector employees. Whilst the labour unions started as representatives of political parties in the 1970s, over subsequent years the connection waned although larger unions are still heavily involved in politics and civic engagement.

The experiences of labour in public and private sector in north Cyprus have been vastly different from each other. Public sector employees have enjoyed generous working conditions guaranteed by state laws. On the other hand, private sector in general did not even develop completely until the early 2000s, and before that, the sector was mainly composed of young civil service retirees who were self-employed. One exception was the middle of the 1990s when Asil Nadir's companies started to offer significant employment opportunities in the private sector. The locals tend to blame the lack of development of the private sector to prime minister of Turkey's visit in 1986 when he basically said that Turkish Cypriots need not produce anything because Turkey could take care of them. Subsequently, civil service employment increased and semi-state-owned enterprises began to fumble. Private sector businesses mainly were composed of small- to medium-sized enterprises managed by current and retired civil servant entrepreneurs who took the opportunity to generate extra income by taking advantage of relaxed regulations and cheap labour, mainly Turkish immigrants. In the next section, we discuss the evolution of another key wheel of an economy, namely, the social security system.

Notes

1. SPO (1977), p. 31.
2. Republic of Cyprus, Official Gazette, #27, #27, Addendum IV, 19 Sep 1974.
3. The term *mucabit* refers to those TMT personnel or others securing Turkish Cypriot rights/protection prior to July 1974.
4. TRNC Parliament Proceedings (30 June 1988), p. 7288.
5. The same decision also allowed MPs to import a car for personal usage (not necessarily from Turkey), but allowed payments to be extended until the term of the MP is up.

6. Actually, the gap is even wider because private sector employees work although private sector employees work on average nine hours more than public sector employees. Of course, we need more rigorous statistical approach to determine the exact wage gap between private and public sector employees.
7. The pupil/teacher ratios in state schools are available at SPO (2016), Table 26.
8. <https://www.kibrissondakika.com/doktorlarin-ikinci-is-yasagi-bakanlar-kurulu-gundeminde/>.
9. Author's own calculations using 2008 HBS raw data. Some of the payments are from retirement fund, social insurance fund, veteran payment and even unemployment payments.
10. SPO (1977), p. 68.
11. According to the regulations, all the firms who are involved in import/export were required to register with the Chamber of Commerce. Since the rest were not subject to this regulation, the numbers presented are only a lower limit for potential private sector labour supply.
12. SPO (1977), pp. 99–104.
13. *Ibid.*, p. 104.
14. TFSC, General Secretariat of Ministry of Interior and Settlement, 1978 Activities Report, p. 20.
15. Nevzat and Fraser (1999), p. 80.
16. *Ibid.*, p. 135.
17. PGlobal (2014).
18. Besim et al. (2015).
19. Ekici and Guven-Lisaniler (2015).
20. Social Insurance Service, Republic of Cyprus. HLFS of TRNC also reports the same numbers based on their sample of households surveyed which is highly unlikely to be obtained based on such a sample.
21. See Besim et al. (2015) for a review of the literature.
22. Besim and Jenkins (2006).
23. Besim et al. (2015).
24. Ekici and Besim (2016).
25. The state extended amnesty in 2005 to those (only Turkish Republic nationals) who work as unregistered in order to help them come out of shadows, and many people took this opportunity, but ten years later the problem still persists. We show in Ekici and Besim (2018) that those

- who work as unregistered earn salaries 66% less than their counterparts who work as registered.
26. See Ioannou and Sonan (2016) for treatment of historical analysis of trade unions on both sides of Cyprus.
 27. Saygili et al. (2013).
 28. Ibid.
 29. Diler (2015), pp. 364–368.
 30. Ibid.
 31. <http://www.haberkktc.com/haber/-huseyin-curcioglu-31128.html>.
 32. Ioannou and Sonan (2016) refer to this union ‘leftist’, whereas Saygili et al. (2013) refer to it as ‘rightist’.
 33. TFSC High Court, Case no: 2859/77, Nicosia (Yargitay/Ceza: 6/78).
 34. Personal communication, Summer 2017.
 35. Erdim (2014).
 36. TRNC Parliament Proceedings (28 April 2000), p. 4316.
 37. Ibid., p. 4308.
 38. TRNC Parliament Proceedings (16 January 2017), p. 10.
 39. Saygili et al. (2013), p. 292.

References

- Besim, Mustafa, and Glenn P. Jenkins. 2006. Informal But Not Insignificant: Unregistered Workers in North Cyprus. *SSRN*, April 17. <https://ssrn.com/abstract=897673> or <https://doi.org/10.2139/ssrn.897673>.
- Besim, Mustafa, Tufan Ekici, and Glenn P. Jenkins. 2015. Informality in a Micro Economy: Measurement, Composition and Consequences. *International Labour Review* 154 (3): 353–371.
- Diler, Cenk. 2015. KKTC’nin Kurulusundan Hukümetlerin Vaatleri ve Hezimetleri 1983–2015 [Governments’ Promises and Fiascos since Establishment of TRNC], Soylem Yayinlari, Lefkoşa. ISBN:9789963298860.
- Ekici, Tufan, and M. Besim. 2016. A measure of the Shadow Economy in a Small Economy: Evidence from Household-Level Expenditure Patterns. *Review of Income and Wealth* 62 (March 1): 145–160.
- . 2018. Shadow Price of Working in the Shadows: Services Industry Evidence. *The Service Industries Journal* 38 (11–12): 708–722.
- Ekici, Tufan, and Fatma Guven-Lisaniler. 2015. *Gender Wage Gap in North Cyprus Labour Market*. Working Paper, Famagusta.

- Erdim, Halil I. 2014. Ekonomik Savasin Onderi Sanayi Holding [Sanayi Holding: The Leader of Economic Struggle], January 2014, Nicosia.
- Ioannou, Gregoris, and Sertac Sonan. 2016. Trade Unions and Politics in Cyprus: A Historical Comparative Analysis across the Dividing Line. *Mediterranean Politics*. <https://doi.org/10.1080/13629395.2016.1241614>.
- Nevzat, Bilge, and Gill Fraser. 1999. *The Turquoise Conspiracy: Asil Nadir, the Collapse of Polly Peck and the Persecution of a Family*. London: Noble House.
- PGlobal. 2014. Determining the Efficiency of TRNC Labour Market [KKTC Isgucu Piyasasinin Etkinligini Tespiti Calismasi]. PGlobal Consultancy, Ankara.
- Saygili, Neriman, Kamil Kanipek, and Ismail Balikcioglu. 2013. Kktc'de sendika tarihi ve kibrisli turklerin varoluş mücadelesindeki yeri [History of Trade Union in TRNC and the Position of Turkish Cypriots in the Struggle for Existence]. *The Journal of International Social Research* 6 (Fall 28).
- SPO. 1977. First Five Year Development Plan, 1978–1982, Nicosia.
- . 2016. Economic and Social Indicators, 1977–2016, Nicosia. <http://devplan.org/Frame-eng.html>.
- TFSC, General Secretariat of Ministry of Interior and Settlement [KTFD Icisleri ve Iskan Bakanligi Mustesarligi], 1978 Activities Report, Nicosia.
- TRNC Parliament Proceedings [KKTC Meclis Tutanaklari], Term I, Year 1, Session 13, 25 January 1984.
- , Term I, Year 1988/3, Session 55, 30 June 1988.
- , Term IV, Year 2000/2, Session 52, 28 April 2000.
- , Term VIII, Year 2017/5, Session 29, 16 January 2017.
- US Cable. 1978. Current Labor Disputes in Northern Cyprus. WikiLeaks Cable: 1978NICOSI00595_b. Dated: 3 March 1978. https://wikileaks.org/plusd/cables/1978NICOSI00595_d.html.