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Determining Minimum Wage Rate in Turkey: Analysing by Institutional Approach

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A B S T R A C T

Strain between flexibility and social welfare makes minimum wage rate debateful subject. Although the role of invisible hand on determining wage rates can't be avoided, institutions also have decisive role; and institutional framework have useful tools for understanding the process of changing of minimum wage rate. This paper examines that which institutions have dominant role for determining minimum wage rate in Turkey. First, institutional theory of wage and labor market will be described. Comparing to neoclassical economics using tools such as competitive market, demand and supply framework for determining equilibrium wage level in labor market, institutional school focuses on imperfect market conditions, transaction costs and externalities. While neoclassical theory of wage seeks efficiency through labor market elasticities and supply-side viewpoint, institutional approach adopts on demand-side perspective so that minimum wage is substantial element for not only efficiency in labor market, but also for macroeconomic stability. Secondly, evolution of labor market and minimum wage in Turkey will be analysed. And as a least, dominant institutions determining minimum wage level in Turkey will be sought through comparative analysis.

KEYWORDS Minimum Wage Rates; Labor Market; Institutional Economics

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