Çankırı Karatekin Üniversitesi
İktisadi ve İdari Bilimler
Fakültesi Dergisi
Y.2016, Cilt 6, Sayı 1, ss.501-523

Çankırı Karatekin University
Journal of The Faculty of Economics
and Administrative Sciences
Y.2016, Volume 6, Issue 1, pp.501-523

Wage Theories and an Applicable Wage Model Proposal for Turkey's Labour Markets*

M. Veysel KAYA

Corresponding Author, Kırıkkale University, Faculty of Economical and Administrative Sciences, Department of Economics mveyselkaya@yahoo.com

Abdülkadir TIĞLI

Kırıkkale University, Institude of Social Sciences, Department of Economics
abdulkadirtigli@yahoo.com

Abstract
Overall, if the labour markets would be accepted as two polarized blocks, surveying the economic and social dimensions of wages will be pertinent. It has become a confliction between employers and employes, shuttered in this distinction, a fair regulation of wages for many economists were forced to detect new formulas. However, in the labour economics literature such secondary actors employes and employers; have to accept the existence of government and unions. These secondary actors acquirement from labour markets seat the economic balance on a quartet trivet. So far, in observance of the doctrinal explanation that it can be obtained is a multi-dimensional and multi-functional wage model on the basis of four actors in the labour market can be reached will contribute to the balance.
Keywords: Wage Theories, Elements of Wage, Efficiency Wage Models, Wage Determinants, Wage Differentials.
JEL Classification Codes: E24, J31, O15.

Ücret Teorileri ve Türkiye İşgücü Piyasaları İçin Uygulanabilir Bir Ücret Modeli Önerisi

Öz
Uluslararası emek piyasalarının genel olarak iki blok halinde kutuplaştığı kabul edilirse; ücretlerin iktisadi ve sosyal boyutlarının ele alınması isabetli olacaktır. Çalışanlarla işverenler arasında adeta bir mücadele haline bürünen bu ayrım, ücretlerin adil bir şekilde düzenlenmesi konusunda pek çok iktisatçıyı yeni formüller geliştirmeye itmiştir. Ne var ki, çalışma ekonomisi literatüründe tali aktörler olarak emek piyasalarında çalışan ve işverenler dışında devlet ve sendikaların varlığını kabul etmek gerekir. Bu tali aktörlerin emek piyasalarından paylarını almaları, ekonominin dengesini dörtlü bir saç ayağına oturtmaktadır. Bugüne kadar ortaya konulmuş olan doktriner açıklamalar ışığında, oluşabilecek çok boyutlu ve çok fonksiyonlu bir ücret modeli, emek piyasalarındaki bu dört aktör bazında ulaşılabilecek bir dengeye katkıda bulunacaktır.
Anahtar Kelimeler: Ücret Teorileri, Ücretin Unsurları, Etkin Ücret Modelleri, Ücret Belirleyicileri, Ücret Farklılıkları.
JEL Sınıflandırma Kodları: E24, J31, O15.

* This article was presented at 2nd Business & Management Conference, Madrid, October 6-9, 2015

Atıfta bulunmak için…| Cite this paper…| Kaya, M.V. & Tığlı, A. (2016). Wage Theories and An Applicable Wage Model Proposal For Turkey's Labour Markets. *Çankırı Karatekin Üniversitesi İİBF Dergisi*, 6(1), 501-523.

Geliş / Received: 14.09.2015 Kabul / Accepted: 03.12.2015
Çevrimiçi Erişim / Available Online: 15.12.2015 DOI: 10.18074/cnuiibf.298

1. Introduction

The constitution and evolution of wages have a significant, but also the most controversial and struggling circumstance on the development of economy and socio-political growth. Like the other production factors, also the labour factor should be inspected in the open-competitional market economy. Forasmuch as, in addition to passive determinants, which are land[1] and entrepreneurship; the labour factor is one the two basic determinants of economic circular system.

Pricing of labour -which is based on Classical Theories- has been lost their validity; inasmuch as the macroeconomical assumptions had become insufficient. So, today, the labour economy system is bound to functioning by neo-classical theory, which is founded the wage mechanism in micro-economical solutions. The wage rates are determined by four leading parts[2] of labour markets in consideration of micro data. This determination notes, wage systems are evincing the evolution to flexible structure, started from western economies (primarily the USA economy).

It is appropriate to accept that, in the 20th and 21st centuries, secrecily the superior determiners are still employers like the early times of Industrial Revolution. As it will be remembered, in the early years of Industrial Revolution period, employes had worked under long and hard conditions, otherwise they had earned considerably low wages.

Nominately, in the early age of 20th century, -as told above- under those hard working conditions, the Marxist[3] approaches had thrown out for consideration, which was seen the light at the end of the tunnel by employes. They had stirred up rebellions for low-wages and hard labour conditions, particularly in the Soviet Russian geography and also the Middle and Eastern European labour economies. These disobedience attemptions had prompted the Western capitalists (consciously the British investors) to look for a new, sustainable and optimal wage models and working conditions to keep the cyclicality of their production and investments.

Later, the Classicals and New-Keynesians had propounded wage payments around labour supply (Ricardian approaches based) and labour demand (Mill and Smithian approaces based) approaches.

In this study, as it would be elaborated the long run analysis in a thesis or another article, which based on an econometrical assessment and evaluation later; but particularly the short run analysis will be considered. Much as the short run analysis will be explain, besides it is aimed to irradiated to refer an applicable wage in the long run. Then, here are lots of staples on wage differentials. It can be arranged in order as two topics. The employes' mobility and non-homogeneity in the labour markets caused different wage rates formation. But, as it will be

interpretted later that, we know many compatible or incompetible factors to cause composing of wage differences.

2. Literature Review

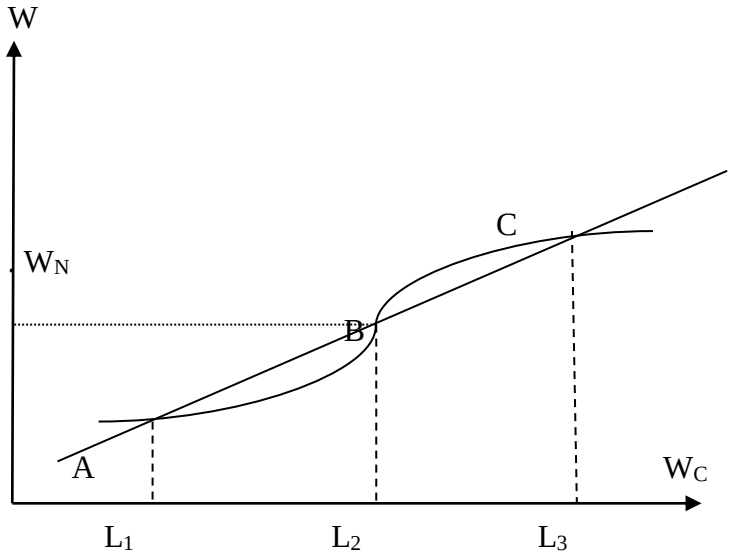
Adam Smith's assumption on the grand name of Classical Economics' inception and proceeded with the others; D. Ricardo, T. R. Malthus, K. Marx, J. S. Mill, J. B. Say as the Classical School's representatives think that the output price of labour and the aggregate output are determined in the labour market, because of the validation of full employment and full competition conditions. According to them, labour is the unique value on the markets. So, money is not an absolute exchange tool. On the neo-classical labour theoretical literature, if the price of labour is on decreasing tendency, employment increases; however on the other hand, the marginal productivity decreases. In this instance, labour demand of the firms are -in the main- determined by cyclical economical tendency.

Concretely, wage is the equivalence of labour markets. Beside it; discretely, wage is also an identity, that belongs to whole types of society's labour supplyments. By another definition, discretely wage is achieved earnings which by the type of employment; as salary, per diem, overtime payment, premium, weekly wage, perquisite, honorarium, etc.

According to Smith (2006, 61), the product of labour creates the natural price or the wage of labour. Adam Smith -the inspirer of Mill's "Wage Fund Doctrine"- explained the wages' flexibility[4], because of the cyclical situation and the other economical and geografical parameters. Actually, hereby Smith gives point to also "invisable hand" statement, on whole markets.

Ricardo divulged (2007, 86) the market price of labour that the wage rates are while connected on the increasing of capital; however the natural price of labour is closed with the ability of providing basic requirements. Ricardo's revealed the "Iron Law", wages are unflexible (rigid) in the long run. Ricardo stated two determiner of wages, as *natural price* (W_N) and *current price* (W_C). On the W-L_s diagram, the natural price line is linear but, the current price curve is variable throughout the linear natural price line, as it would be grafed below (Fig. 1).

The Theory of Surplus Value (Exploitation Theory) has raised by another classical, Marx. This approach was the beyond hope of recovery advocator of employee rights. The unique value is labour's creating value. Entrepreneurship establishment exploits the labour factor. Whereas, the entrepreneurs pay just subsistence wage and they detain the residual income as profit. In fact this defence is in contradiction with other classicals, particularly J. B. Say. To sum up, Marx completely has insisted on the sociality aspect.



Ricardo's assumption meaned, point A, B and C show the equilibrum between current price and natural price on wages. If this equilibrum tends downward (A-B distance), population[5] and labour supply decreases. And if it tends upward (B-C distance), at this time population and labour supply increases; so wage rates form around the linear wage line.

Figure 1: Iron Law (Natural Price and Current Price)

Ultimately, in contemporary ages of labour markets, "The Bargaining Power Theory"[6] which is manifested by Professor John Davidson (1899, 229-232) from The University of New Brunswick and also it had appeared in the name of "The Theory of Wages" book by John R. Hicks, printed in 1963. Actually, Hicks wanted to assess both of two sides' bergaining power, employes and employers.

Nevermore, Turkish analyst and author Biçerli, who took up this Hicks' assessment below (2013, 333), formulized the bergaining power in the context both of unions and employers:

$$\text{The Bergaining Power of Union (BPU)} = \frac{\text{The cost of conflict with employer}}{\text{The cost of agreement with employer's conditions}}$$

$$\text{The Bergaining Power of Employer (BPE)} = \frac{\text{The cost of conflict with union}}{\text{The cost of agreement with union's conditions}}$$

But at the same time, Hicks declared that, the real wages' increases would reduce the stock of capital in a number of ways (Flatau, 2002, 57).

The price of labour (wage) and employed labour are inversely proportional between together. Besides, the marginal product of labour decreases. To put it another way, the firms' labour demand detected based on the marginal product value and also labour demand curve signifies the decreasing part of marginal product curve. In case, it could be summarized, labour demand is a decreasing function of real wages.

Wage elasticity or rigidity issues have been perpetuated for decades. One of the social scientist from University of Cuny, Dr. McLaughlin has objected Kahneman, Knetsch & Thaler (1986, 739)'s "doubtlessness of the wage stickiness existence" result and in his emprical research, he has claimed that the nominal wage rates have become non-rigid (1992, 27). Likewise, Klau & Mittelstädt have underlined the rigidity of wage rates in stages of occurance in some distinguised OECD countries by their own table (1986, 16) and the diagram (1986, 19). In a remarkable study, emprical results have indicated bilateral relation between development levels of regions and wage flexibilities. So, Gürsel, Uysal & Acar (2013, 5) in their Turkey exemplified research, heading from developed regions towards underdeveloped areas, wages are getting rigid. According to another and also crisis based evaluation, privately in crisis term wages were indifferently elastic downward, with Philips Curve correlation (Daly, Hobijn & Ni, 2013, 3). In case Solow (1998, 4) declared that the rigid rates push the Beveridge Curve away from origin. That means, there is a lineer correlation between rigid wages and non-skilled unemployers. The liberalization ratio of markets are also effective on wage flexibility. Calistri & Galbraith (2001, 6)'s time series analysis confirm this interaction.

So many authors discoursed on "Efficiency Wage Models" (Yellen, 1984, 201-202). In addition to that, Katz (1986, 238) criticised and explained Yellen's formula. Stiglitz characterized the efficient approach as *ad valorem wage* subsidy, in his study (Stiglitz, 1981, 4). Willis (1986, 598) pointed out the age effect on wage determination process. Kaytancı (2010, 110)'s Granger Causality Test based contention states that the efficient wage method is more than half rated on productivity in manufacturing industry.

A considerable amount of authors deliberated on "performance and/or skill-based wage models". Neo-liberalists assert the productivity side. Though the authors, whose studies are on social aspects of wage, expose disadventages for employes. Lazear (2000, 1359)'s calculation exerts the incentive pay systems increase the productivity. Unfortunately in Turkey, the researchers studied on this issue mostly in public sector and sphere. Eraslan & Tozlu (2011, 58-59) emphasize on disadvantages of working conditions. Ceylan (2009, 68) points out drawbacks of that working system. One of them remarks quashing the internal balances between puclic sphere workers (Kestane, 2003, 139).

To glance other determinants of wage rates on relation between the GDP growth rates and wage regimes, Kargı (2013, 205)'s hypothesis is a considerable study in literature. According to him, in Turkey GDP growth rates are not sufficiently effective on comprising of minimum wages. Actually, that article and others such as this give us expanded imples that, in developed economies GDP rates effect the wage rates more than the underdeveloped and developing countries.

Clearly, the real wages are the main importance for employes; on the other hand according to the labour economics literature, the structure of wage consist of "equipped wage". Firstly, the equipped wage should not be understood as such "gross wage". So, gross wage implies all debit and credit items. Gross wage is remarkable just for employers and partially for the government.

3. Why are the Wage Rates Different?

Wage differentials comprise many occasions, which are not be thought without relations between each other. Also the wage differentials can be indicated under economical and social topics.

It should be dwelt upon the adventages and disadventages of wage differentials. Chamberlin and Cullen also made a sign (1971, 296) that wage differentials' decisiveness is on incentive property. According to them, it establishes the quality based competition between the work groups. To be more precise; due to its competitive character, wage differentials promote the employes to reveal optimal production in competing circumstances. Of course this approach refers economicality of wages rather than sociality.

Intrinsically, it will not be wrong to convey that wage difference is a result of open competitive market structure by a large majority. Even though the spread and functionalized bargaining power thoughts, it could not be forestalled wage differences have shown up, competitive market rules are still reigning on wage (labour) markets.

In the labour economics literature, it can be detailed very voluminous to explain the reasons of wage differentials[7]; but to attain a meaningful and functional wage structure, it will be appropriate to arrange concisely these causes under three basic topics, as structure of working conditions, economical and social grounds.

3.1. The Economical Causations

- As the statement of classicals' assumption, employes and employers are in possession of full information about labour markets. However, in current contemporary labour markets; concretely they do not have sufficient or complete information. So, the wage rates have been evolved different. Insufficient information causes the indirect costs. It can be explained under market distortions.

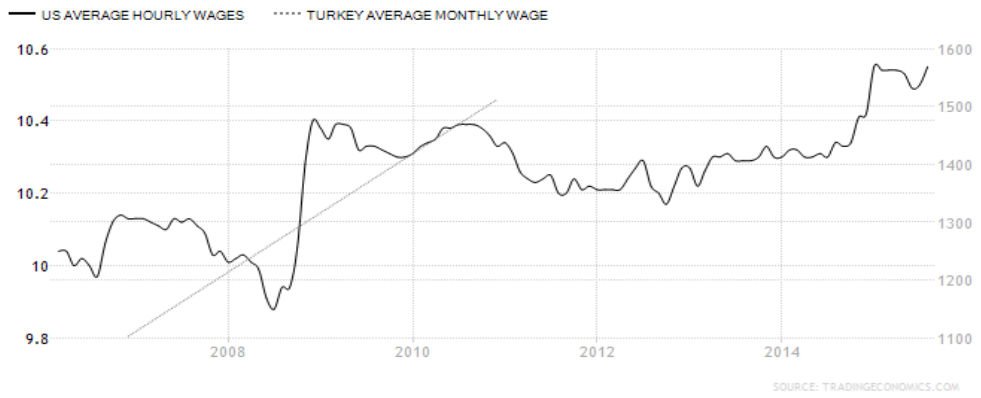


Figure 2: For distinguished years, wage rates comparement between the US and Turkey.

Source: http://www.tradingeconomics.com/united-states/wages (September 30, 2015)

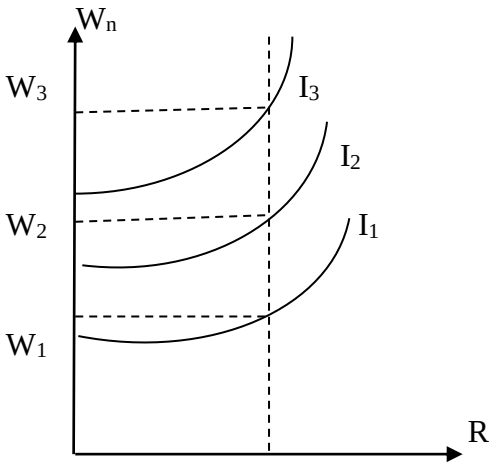
- Once again, the labour mobility is not exact in current markets. Whereas, the classicals had been revealed full mobility approach. In contemporary markets, Stiglitz (2013, 70) signs, in a well-work market, employes can move intersectors.
- The scale of firms is another basic differentiator of wage levels. But, concordantly the firm's claims of positive scale increasing effects rises in two oppositional results. Firstly, the firm enhance the nominal wages when it mark up the scale. This circumstance takes an incentive effect on workers. But secondly, if the firm claims more profit and by extension it downscale the nominal wages, this variation takes adversely affect on employes.

3.2. The Social Reasons

- Some various social additions[8] or social relieves[9] provided by employers. These appurtenances effects also workers' selections, mobility and wage levels.
- Besides, the other social activities and socail opportunities[10] can be attractive for employes. Also that may have direct influence on labour mobility and wage rates.
- In the labour markets, the existance of the unions effects wage rates usually upward. But, near it they are really effective on unemployment.
- Age distribution effects on wage differentials were also examined by some authors (Wessels, 2004, 26)
- Stiglitz (1981, 3) clarifies the urban-rural wage differential.

2.3. The Structure of Working Conditions

- The risk factors' variety causes differences. On the horizontal axis of figure 3; if the whole conditions could be accepted similar, but only the physical conditions are different; compensative wage differentials are a matter of the condition. And it should bear in mind that in the markets, all the market factors, which are relevant.



It can be seen the risk factor on works. If the worker select the 1st job, he / she accept W_1 wage level and get I_1 income curve. This means, the first job is the safest one. If the employee choose the 3rd job, this once he / she accept W_3 wage level and achieve I_3 income curve. This refers that the 3rd job harbours more risk. So, it is conclused that the figure shows us, risk factor on working conditions is really effective for wage differentials. (W_n = nominal wages, R = risk factor)

Figure 3: Risk Factor On Wage Differentials[11]

It will be put in order the casusations of compensative wage differentials:

- The discriminated worker status inter jobs.
- Inter jobs, the regular income is also a determinant factor.
- Occupational health and safety on the working location, as widely discussed in Turkey's labour economy, nowadays.
- The additional payments, social and economic opportunities provided by employers.
- Ehrenberg & Smith (2012, 249) added that the risk consideration of employee is another causation.
    - The distinguished skill levels inter jobs causes the different wage rates. In the industrial parlance, it is named as "qualified employee", but in the international markets it is used as "skilled worker". Of course, not any workers have the same skills. It is about the work brances or the employes' skill.
    - The institutionalized enterprises and working conditions provide a wage discipline. At first sight, this situation does not incent the wage differentials, but it has not to bear in mind that wages are also different between institutionalized and non-institutionalized firms or enterprises.

4. A Wage Structure Suggestion

Marshall, Cartter & King (1976, 329) underlined that according to the economists, the wage levels are perceived as direct cost, by employers. But Keynes refers, the employers can decrease the wage rates a bit, for cost recovery (Keynes, 2008, 228). So, this circumstance also contributes the wages' flexibility or rigidity. In fact, the functioning of international labour markets have been expressed that wages are more flexible upwards but low flexible downwards[12]. Substantially, this price movement is already valid in all markets. In this general context, it can be said, in the middle of the wage fact, there are three major problems to be solved. Firstly, almost all social scientists as state that wages are so complex, due to sectoral, geographical differencies and scale of enterprises. Secondly, around these factors wages are variable. But, as thirdly, the crux of all these two issues is, there has not been introduce a clear definition of wage functions. Briefly; wages are *complex*, *variable* and *non-defined.*

As a result of research -which are conducted to date- it may be said; before anything else, an acceptable wage model should feature some basic and substantial principals for the elements[13] of wages; under two topics. In our opinion, they could be ranged as macro and micro optimalizations.

4.1. The Microeconomical Necessities of Wage Structure

- An optimal wage level should frame the labour peace between employee and employer. Because, the efficiency of production is connected to labour peace.
- The optimal wage model should incent the employes to efficient work. Productive working is a prominent factor for economic stability.
- Optimum wage is one of the basic determinants of skilled employment. As everyone knows that the entrepreneurs favour skilled workers rather than unskilled ones.
- The wage model should be feasible, apprehensible and in a nominative case.
- Interindustry location, the optimal wage system should not be rigid throughout the vertical brances; but it should be at a reasonable level flexibility throughout the horizontal branches of industries. Notoriously, in current conditions, competitive market rules are valid also on the labour markets.
- Soever, the Eastern European and Asian (also Turkey) wage mechanism do not suggest a uniformal wage model; this implementation muddles the open competitive labour market process. Namely, an applicable wage suggestion should utterly harmonise with the competitive market circulation.

- Lastly, the wage rates should be effected a few[14] by increasing of input costs.

4.2. The Macroeconomical Necessities of Wage Structure

- It should provide continuance on employment and gradually should reduce the unemployment rates year by year. If the entrepreneur found a continuant and confident wage system, the employes will feel themselves in safe. Thus, it would be observed stable employment and production.
- The *labour turnover*[15] coefficient should be the reasonable determiner of wage markets. It is inadmissable that the labour turnover's completely disappointed. Because, the suggestion is standing in the middle of rigid and flexible wages. In free competition markets, labour turnover is comparatively mobile. So, the wage system must control this mobilitiy in a reasonable circumstance. If there would be transpired an uncurbed mobility of labour turnover, it might concretely affect adversely the stability of employes' income; at the same time it might discretely overbalance the distribution of income and entrepreneurs' production cost.
- The wage system should not incent unemployment. If the wage rates cruise under the minimum subsistence level, in that society, other individuals of households will look for job. So, labour supply will increase and the employers are getting the determiners of wage rates. Thereby, the unemployment rates affect adversely from low wages[16].
- The optimal wage rates should not be trigger of inflation. As known, In 1970s, Keynesian Franco Modigliani and Lucas Papademos' different explanations on Phillips Curve, the NIRU (non-inflationist unemployment rate) and the monetarist Friedman's explanation, NAIRU (non-accelerated inflation unemployment rate)[17] has demonstrated that the unemployment rates should not be under the NAIRU rates. Thus, the optimal wage model should not accelerate the inflation rates.
- Lastly, it has to be said, the wage application should make a prime contribution to procurity of the equality in distribution of income.

At that stage; while composing the wage structure, it is feasable to determine just the debit side of payroll. Forwhy, the credit side is identified by government's related members. So, the credit components are stable ratios as deduction and taxation. The variance and determinant items are in debit side, as it is suggested.

Actually, according to the common mind of economists and administrators, it is needed to locate a "wage tradition" rather than a model or a formulation. It is unimaginable that the unions and employes do not demand that. From this point of view, to maintain a wage tradition, it is needed to specify the wage compounds and necessary elements. In our opinion, the compounds of wage should include much more micro and macro economic data, as far as possible.

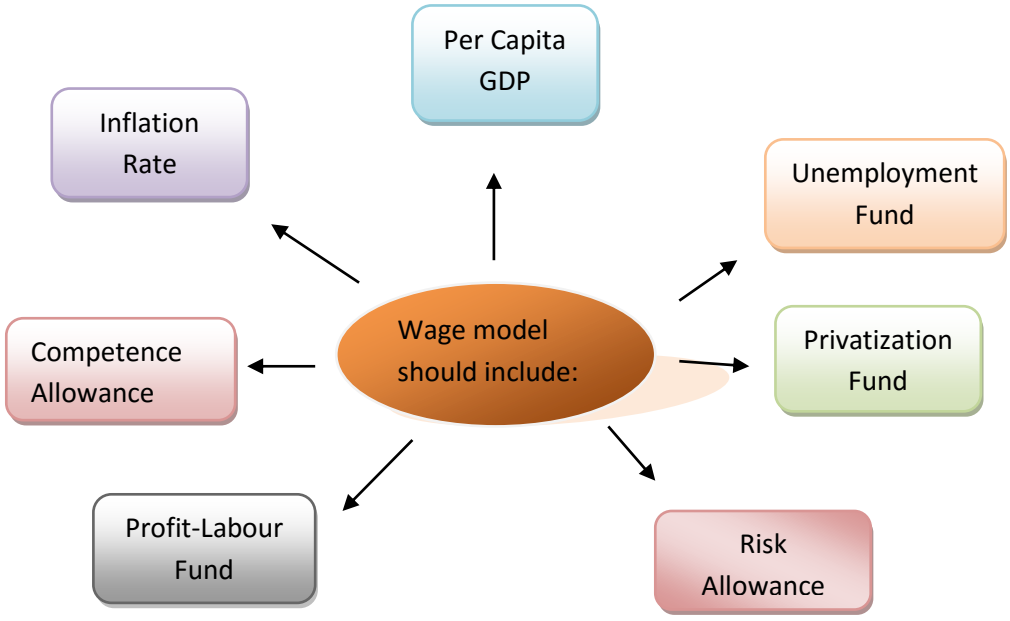


Figure 4: Micro and Macro Necessities to Intitude A Wage Structure

Until today, governments had always clarified tumid numerals concerning growth data. But also the community usually complains about living expenses and righteously asks: How happen the relationship between high growth numerals and real subsistence conditions? In addition to this, society, especially wageworkers are squeezed by inflated consumer price. The wage proposal suggest the contribution of per capita GDP to the wage structure. Peterson (1994, 441) referred Ricardo's assumption that, the national output is the topic analysis for distribution between various classifications of society. Near it, the economists that want us to consider the employers are the primer actors of economic circulation (Clark, 1906, 99).

There is an extremely applicative *unemployment fund* for unemployed people. But, this fund should not profitable just for unemployed people; as well the employes should take advantage of the unemployment fund in a certain extend. The privatization fund, which can be described as a new term for labour economy. As known, public workers disapprove the privatization, because of job assurance. The governments' obtain serious income from privatization, which are realized around the degrowth policies in work and production. So, there should be a repository for employes as "privatization fund". Another micro added-value necessity should be the "profit-labour fund". We suggest this fund instead of *performance based pay*[18]. According to us, in performance based system, the employes work hard and in brutal competition. Instead of this, if an enterprise firstly seperate and save a prespecified fund for workers from annual profit; this fund provides an optimum productivity. Because of its stability, the workers do

not relish new employments and they want attain benefit of division. So; due to this fund's stability, this system will not take into a hard competition between workers on horizontal levels. The supreme disadvantage of performance based wage is to disrupt the work peace. Inter enterprises or in an enterprise the works' have different risk factors between vertical lines. This inequality should indemnify by risk allowance temper to risk level. Finally, another suggestion on additional payments is competence allowance. Actually this allowance resembles risk allowance. To give an example, due to its authorty sign, the competent worker is under the sort of risk factor. Even if this risk factor does not harbor similar physical risks; in patches it's about firm's future or individual job loss fear.

It is unnecessary to sequence the basic and social additions here, like familial and child allowance, daily transport, lunchenon allowance... etc. These additionals are already should be the minimum allowances.

4.3. The Occurance Phase of Wage Structure

In Turkey's labour economy, minimum wage is detected by "The Commission of Minimum Wage Determination". In Turkish Labour Law system, according to the 8th clause of The Legislation of Minimum Wage; this commission frequently comprises of public officials[19]. Here is just one union representative, which have the maximum members. At first, from step one, minimum wages are identified in an unfair forum in this circumstance.

There should be the determinant commission in fair conditions. More participants from different networks[20] should attend to this commision. This commision should determine a variable multiplier and stabil coefficient. The multiplier contains micro and macro economic indices.

In the begining of wage structure occurance, our another proposal is to change the name of determiner commision. Inasmuch as, this commision should be in a social and scientific; in that case its name should be "The Commission of Ideal Wage Determination", or counterpartly other names.

4.3.1. Wace Case (or Wage Base)

In present economical conditions, the commision may determine a reasonable basic price for hourly work. It can be abbreviated as "$\mathbf{W_B}$".

For instance, the basic gross hourly wage is determined 4,00 TL. When it is considered that an employee works 8 hours per day, and 5,5 days per week; there can be a reasonable wage base.

4.3.2. The Contribution of Inflation Rate

The Central Bank's inflation expection of the following year is announced at the end of current year. But, in the following year, if the inflation rates exceed the expectations; the distiction between them should contribute the wage structure.

If it will be exampled;

At the end of 2014, The Central Bank Authorities have anounced the inflation expectation of 2015 is 8,15 %. Finally, at the end of 2015, the comsumer price index realised as 9,85 %.

The inflation difference rate is → 9,85 - 8,15 = 1,70

The causations of inflation are public expenditures, public dept, increasing market demand and other factors. To sort out the contribution rates of per author, it can be calculated by a causality test. E.g., the result of calculation in current year, public accelerator rate is 0,68. So market demand accelerator rate will be 0,32. The inflation difference allowance will be composed % 68 from public, % 32 from employer. This percentage is variable year by year. They can be symbolized as **"C_P"** and **"C_E"**.

So, to keep the employes from adversely effects, the following year *1,70 % of Wage Base* should added to Wage Structure. It can be abbreviated as "**I_S**" (Inflation Spread).

4.3.3. The Contribution of Unemployment Fund

Unemployment Fund was a serious social acquisition for Turkish labour markets until 2002. Thus, people who have been unemployed beyond their will, are utilizing for a while from this fund until they employed. During the management on this fund, the income and expense should balance each other. If it will have surplus after the seperation and preservations of some specifical reserves, this surplus value should be shared a low level with employes for their unemployment probability by Turkey Labour Institution to registered employes. By this way, it is believed that this fund will be used more rightous. It can be abbreviated as "**U_F**".

To give an example:

Unemployment Fund Income		75.000.000,00	
	Unemployment Salary Payment		25.000.000,00
	Preservations and Other Specifical Reserves		20.000.000,00
	The Contribution of Unemployment Fund (**U_F**)		30.000.000,00
		75.000.000,00	75.000.000,00

If there are 1.000.000 registered employed people in the economy;

$$\text{The Contribution of Unemployment Fund } (\mathbf{U_F}) = \frac{30.000.000,00}{1.000.000} = \begin{matrix}30,00 \text{ TL} \\ \text{for per employee}\end{matrix}$$

4.3.4. The Conribution of Privatization Fund

In the early 1980s, a great structural revolution accrued in Turkey's economic history. The Undersecretary of Prime Ministry, Turgut Özal had prepared "Stabilization and Structural Accommodation Programme" for perception of revolution. It was based as *degrowth of public sector-growth of private sector*. Up to now, this policy has settled strongly, but in the same process wage rates have decreased for increasing of production justification. Unfortunately, wage rates are considerably in low levels; in the bargain under the livelihood levels. To stabil this situation in a fair level, our wage proposal suggests that the employed people should earn income from the Privatization Fund. Alright, what about Privatization Fund? And why should the employes get earnings from this fund?

The government spends privatization income for public expenditures. But, according to us, wageworkers' livelihood income is also a serious expenditure. So, public should seperate a fund in a certain extend and should pay in fair to employes. Because, in the cyclical economy, public workers and public officials are incontrovertibly be in existence. It is indispensable that they are confronted in losing job situation. To compensate this, government pay an additional allowance in a certain extend from privatization fund. It can be abbreviated as "**P_F**".

To give an example:

In 2014, the realised privatization income is 1.750.000.000,00 TL

Privatization caused 5 % of unemployed people from public sector. Hereby, in the same rate; namely 5 % of privatization income should seperate and pay fairly to employes by public.

Privatization Fund Income		1.750.000.000,00	
	Preservations and Other Specifical Reservesfor Government Expenditures		1.662.500.000,00
	The Contribution of Privatization Fund (**P_F**) (5 % of Privatization Income)		87.500.000,00
		1.750.000.000,00	1.750.000.000,00

If there are 1.000.000 registered employed people in the economy;

$$\text{The Contribution of Privatization Fund } (P_F) = \frac{87.500.000,00}{1.000.000} = 87,50 \text{ TL for per employee}$$

4.3.5. The Contribution of Profit-Labour Fund

Within the micro economical framework, "Profit-Labour Fund" proposal is about the entrepreneurs or firms. As mentioned above, this is suggested instead of performance based pay, to prevent the disadvantageousness stemming from its hard and brutal competitive property in fair.

The firm seperate and save a fund from its annual profit. The significant point is, it should be in fixed rate and a certain extend. Maybe this rate can be determined under a business concert between employes and employer. It can be abbreviated as "**PL_F**".

To give an example;

The X firm earned current year 92.400.000,00 TL profit income annually and the firm has 220 employee.

According to the business concert, 1 % of the annual profit income should be paid to employes monthly in fair.

The Contribution of Profit-Labour Fund (PL_F) = $\frac{92.400.000,00 \times 0,01}{220 \times 12}$ = 350,00 TL for per employee

number of employee

because of monthly payment

4.3.6. The Contribution of Risk and Competence Allowance

Table 1: Risk and Competence Sequences

Risk Sequence	
Business Line	**Marking**
Mining and quarry	1,00
Structure (Building)	0,95
Metal Industry	0,90
Defense and Security	0,85
Petrol, Chemistry, Rubber, Plastics and Medicine	0,80
Ship Building and Marine Transportation, Warehouse	0,75
Energy	0,70
Cement, Soil and Glass Industry	0,65
Hunting, Fishing, Agriculture and Forestry	0,60
Press, Information and Journalism	0,55
Wood and Paper Industry	0,50
Transportation	0,45
Health and Social Services	0,40
Bank, Insurance and Finance	0,35
Weaving and Garment Sector, Leather	0,30
Food Industry	0,25
Trade, Bureau, Education and Arts	0,20
Communication	0,15
Hospitality and Entertainment Affairs	0,10
General Affairs	0,05

Competence Sequence	
Business Line	**Marking**
Health and Social Services	1,00
Bank, Insurance and Finance	0,95
Trade, Bureau, Education and Arts	0,90
Communication	0,85
Press, Information and Journalism	0,80
Petrol, Chemistry, Rubber, Plastics and Medicine	0,75
Defense and Security	0,70
Energy	0,65
Ship Building and Marine Transportation, Warehouse	0,60
Structure (Building)	0,55
Mining and quarry	0,50
Cement, Soil and Glass Industry	0,45
Metal Industry	0,40
Food Industry	0,35
Hospitality and Entertainment Affairs	0,30
Wood and Paper Industry	0,25
Hunting, Fishing, Agriculture and Forestry	0,20
Transportation	0,15
Weaving and Garment Sector, Leather	0,10
General Affairs	0,05

Source: Business Line Schedule from Turkish Republic Law No. 6356, http://www.resmigazete.gov.tr/eskiler/2012/11/20121107-1-1.pdf (July 29, 2015)
(In spite of the business line schedule was cited from the referred site, ratings were sqeuenced by authors.)

In our opinion it is not necessary to explain again why the risk and competence allowance should pay, because they were mentioned above. But on this stage, they should be based on a fixed rate, which are determined in The Commission of Ideal Wage Determination. It can be determined for different sectors, jobs, competences and positions. They can be abbreviated as "$\mathbf{R_A}$" and "$\mathbf{C_A}$".

Risk and competence ratio schedule should be prepared by classified working brances and marked them. Also the risk mark can be symbolized as "$\mathbf{R_M}$" and the competence mark can be symbolized as "$\mathbf{C_M}$".

For the year 2015, the risk allowance constant is 270,00 TL and competence allowance constant is 420,00 TL. Rist allowance constant can be symbolized as "$\mathbf{R_C}$" and competence allowance constant can be symbolized as "$\mathbf{C_C}$".

3.3.7. The Contribution of Per Capita GDP Difference Allowance

For to spread the profitable effects of per capita GDP, it should be provided the stabilization of income, by way of a reasonable index. It is hoped that the contribution of per capita GDP to wages will aid to actualising the Okun Law exceptations. But Okun Law's coefficient is not valid in whole economies. Demirgil (2010, 150) concluded that, especially the in developing countries should make the coefficient based adapted laws towards Okun Law to provide a sustainable growth. It can be abbreviated as "$\mathbf{GDP_A}$".

To give an example;

In 2014, per capita GDP is 22.000,00_TL

The pattern worker's annual gross income is 21.400,00_TL

annual difference

The contribution of per capita GDP = 22.000 - 21.400 = 600,00_TL

The monthly difference is 600 / 12 = 50,00_TL

Finally, the debit side of payroll will be as:

$$\underline{W_I} = W_B + I_R + U_F + P_F + PL_F + (R_A + C_A) + GDP_A$$

Ideal Wage (W_I)

Table 2: The Payment Sources of Cover Expences

Kind of Allowance	from Employer	from Government
Wage Case (W_B)	100 %	
Inflation Rate (I_R)	Contribution rate of Employer ($\mathbf{C_E}$)	Contribution rate of Government ($\mathbf{C_G}$)
Unemployment Fund[21] (U_F)		100 %
Privatization Fund (P_F)		100 %
Profit-Labour Fund (PL_F)	100 %	
Risk and Competence Allowance (R_A), (C_A)	$\{\sum \mathbf{R_M} \times \mathbf{R_C}\} + \{\sum \mathbf{C_M} \times \mathbf{C_C}\}$	
Per capita GDP Difference Allowance (GDP_A)	100 %	

Source: Composed by Authors

5. Discussions, Conclusion and Evaluation

The wage structure was a serious and a main problem until the beginning of economic history. It was the unique element of labour markets. In this stage, the most controversial issue is the difference of labour markets from others. Actually, the employes, who are the basic fact of four elements of labour markets, have idiosynratic properties. So, because of that properties, labour markets should be investigated in a separated course.

In the process of wage development, the economist have considered two sides of wage structure. According to a huge part of them, wage structure should occur in the open market economy rules and under their full employment assumption. It can be summarized as the *economicality side of wage*. The Classicals, Neo-Classicals had accentuated and taken into account. But, although Marx was the member of Classical School, he completely had underlined the *sociality side of wages*. He had attracted attention of his projection harsh critics of labour markets, privately to the capitalists and accepted the unique value as labour.

The luminary of demand-side economists, Keynes was not optimist as Classicals. So, after The Great Depression, his claim had shaped on his underemployment approaches. It is not wrong to said; generally, Keynesian approaches rendered the wages rigid and caused polarizations between the sides of labour markets.

After The Cold War, the rigid regimes reigned over the Eastern Europa and Asian markets. Already, this policies are valid on those lands. But controversely, in the USA economy, wage regimes are determined by open competitional market rules.

Near the arguements of wage rigidities and flexibilities, it was needed to arise an ideal wage structure, which will satisfy all the sides of labour market. In this wage model proposal, it was aimed that the macro economical data should be added to wage structure. And, it will expected that our proposal can contribute an applicable model within the basic framework.

References

Biçerli, M.K. (2013). *Çalışma Ekonomisi*. İstanbul: Beta Publication.

Billikopf, G. (2001). Incentive Pay (Pay for Performance). *The Regends of the University of California.* http://nature.berkeley.edu/ucce50/ag-labor/7labor/08.htm (Accessed Date: October 13, 2014)

Calistri, A.D. & Galbraith, J.K. (2001). *Wage Flexibility and Unemployment: A Panel Data Analysis of OECD Countries*. UTIP Working Paper, http://utip.gov.utexas.edu/papers/utip_18.pdf (Accessed Date: May 02, 2014)

Ceylan, Z. (2009). Performansa Dayalı Ücretlendirme Modelleri ve Türkiye Açısından Bir Değerlendirme. *Sayıştay Dergisi*, (74-75), 45-72.

Clark, J.B. (1906). *The Distribution of Wealth: A Theory of Wages, Interest and Profits*. London: The Macmillan Company.

Chamberlain, N.W. & Cullen, D.E. (1971). *The Labor Sector*. New York: McGraw-Hill Book Company.

Daly, M.C., Hobijn, B. & Ni, T. (2013). The Path of Wage Growth and Unemployment. Federal Reserve Bank of San Francisco Economic Research, http://www.frbsf.org/economic-research/files/el2013-20.pdf (Accessed Date: May 19, 2014)

Davidson, J. (1899). The Bargain Theory of Wages. *The Economic Journal*, 9(34), 229-232.

Demirgil, H. (2010). Okun Yasası'nın Türkiye için Geçerliliğine Dair Ampirik Bir Çalışma. *Akdeniz University Alanya Entrepreneur Faculty Issue*. 2(2). 139-151.

Ehrenberg, R.G. & Smith, R.S. (2012). *Modern Labor Economics - Theory and Public Policy*. Boston: Pearson Education Inc.

Eraslan, M.T. & Tozlu, A. (2011). Kamu Yönetiminde Performansa Dayalı Ücret Sistemi. *Sayıştay Dergisi*, (81), 33-61.

Flatau, P. (2002). *Hicks' The Theory of Wages: Its Place in the History of Neoclassical Distribution Theory*. Murdoch University, Department of Economics, Working Papers, http://www.murdoch.edu.au/School-of.../187.pdf (Accessed Date: September 29, 2014)

Gürsel, S., Uysal, G. & Acar, A. (2013). *Wage Rigidity and Informality in the Labor Market in Turkey*. BETAM Research Brief, 13(152). http://www.iris-france.org/docs/kfm_docs/observatoire-turquie/researchbrief152.pdf (Accessed Date: May 01, 2014)

Kahneman, D., Knetsch, J.L. & Thaler, R.H. (1986). Fairness as a Constraint on Prpfit Seeking: Entitlements in the Market. *The American Economic Review*, 76(4), 728-741.

Kargı, B. (2013). Ücret Yapışkanlığı Hipotezinin Test Edilmesi: Türkiye'de Asgari Ücret ve Büyüme Üzerine Zaman Serileri Analizi (2005-2012). *Çalışma ve Toplum Dergisi*, (2), 183-210.

Katz, L.F. (1986). *Efficiency Wage Theories: A Partial Evaluation*. NBER Working Papers, (1), 235-290.

Kaytancı, U. B. (2010). Etkin Ücret Teorisi ve Türkiye İmalat Sanayii Üzerine Uygulama. *Ekonomik Yaklaşım Dergisi*, 21(76), 93-118.

Kestane, D. (2003). Performansa Dayalı Ücret Sistemi ve Kamu Kesiminde Uygulanabilirliği. *Maliye Dergisi*, (142), 126-144.

Keynes, J.M. (2008). *İstihdam Faiz ve Paranın Genel Teorisi*. İstanbul: Kalkedon Publication.

Klau, F. & Mittelstädt, A. (1985). *Flexibilité du Marché du Travail et Chocs Extérieurs Sur Lex Prix*. OECD Economics Department Working Papers, http://www.oecd-ilibrary.org/docserver/download/5lgsjhvj8ds5.pdf?expires=1443881057&id=id&accname=guest&checksum=34ACF43E85FFE3F8DF546013FAD9D372 (Accessed Date: September 30, 2015)

Lazear, E.P. (2000). Performance Pay and Productivity. *The American Economic Review*, 90(5), 1346-1361.

Marshall, F.R., Cartter, A.M. & King, A.G. (1976). *Labor Economics: Wages, Employment and Trade Unionism*. Illinois, Homewood: Richard D. Irwin, Inc.

McLaughlin, K.J. (1992). Rigid Wages?. *Center for the Study of Economy and the State of Chicago*, (77). http://research.chicagobooth.edu/economy/research/articles/77.pdf (Accessed Date: March 20, 2014)

Peterson, W.C. (1994). *Gelir İstihdam ve Ekonomik Büyüme*. (T.Güllap, İnt.). Erzurum: Atatürk University Publication.

Phelps, E.S. (1968). Money-Wage Dynamics and Labor-Market Equilibrum. *Journals of Political Economy*. 76(4), 678-711.

Phelps, O.W. (1950). *Introduction to Labor Economics.* New York: McGraw-Hill Book Company, Inc.

Ricardo, D. (2007). *Ekonomi Politiğin ve Vergilendirmenin İlkeleri*. (T.Ertan, İnt.). İstanbul: Belge International Publication.

Shimer, R. (2004). The Consequences of Rigid Wages in Search Models. *National Bureau of Economic Research, Cambridge.* Working Paper No:10326 http://www.nber.org/papers/w10326.pdf (Accessed Date: June 10, 2014)

Smith, A. (2006). *Ulusların Zenginliği-I*. (M.Saltoğlu, İnt.). Ankara: Palme Publication.

Solow, R. M. (1998). *What is Labour-Market Flexibility? What is it Good for?*, Proceeding of the British Academy, (97). http://www.britac.ac.uk/pubs/src/keynes97/text1.cfm (Accessed Date: May 11, 2014)

Stiglitz, J. E. (1981). *Alternative Theories of Wage Determination and Unemployment: The Efficiency Wage Model*. Princeton University Discussion Paper, (95). http://www.princeton.edu/rpds/papers/WP_95.pdf (Accessed Date: June 13, 2014)

Stiglitz, J. E. (2013). *The Price of Inequility*. London: Penguin Books, Clays Ltd. St. Ives plc.

Üçışık, F. (2013). *Asgari Ücret Sorunları ve Yansımaları*. İstanbul: Ötüken Publication.

Wessels, W.J. (2004). *The Effect of Minimum Wage On Covered Labor Demand*. North Carolina State University, College of Management, Department of Economics, Working Papers. http://public.econ.duke.edu/~staff/wrkshop_Wessels.pdf (Accessed Date: April 21, 2014)

Yellen, J. (1984). Efficiency Wage Models of Unemployment. *AEA Papers and Proceedings*, 74(2), 200-205.

Willis, R.J. (1986). Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions. *University of Chicago and Economic Research Center*, 523-602.

Notes

Note 1. Land factor is considered as a stable factor in economic assessment and evaluation models. Beside it, entrepreneur factor does not implicate to the formulations. Moreover, entrepreneurship notion is implicated into production factors later by J.B.Say, already.

Note 2. Employee, employer, union and public. As they are accepted by the two elements; employee and employers are the primer actors, the other two elements -syndicates and public- are secondary actors.

Note 3. The Marxist tenet had declared the Theory of Surplus Value; or in other words, Exploitation Theory. According to this approach, labour is the unique determinant of production value. He alleged that the capitalists pay on the minimum wage levels, so they are seizing from the workers' earnings. This shows a great contradiction.

Note 4. Shimer (2004, 9) tested Keynes' approach on his empirical study that wage rigidity incents the other economic fluctuations.

Note 5. In this instance, Ricardian assumption had referred to Malthusian approach (Theory of Population). Thomas R. Malthus explained on his research (1789) that, the increasing of population is bigger than the increasing of production; in his theory (An Essay on the Principle of Population).

Note 6. Another name of the "Bargaining Power Theory" is, "The Theory of Power". [(for detailed information about The Theory of Power, q.w.: Kuttner (2011).]

Note 7. For example, Phelps (1950, 76) remarked the sexual discrimination effect on wage differentials by some variances.

Note 8. Familial allowance, maternity benefit... etc.

Note 9. Luncheon allowance, daily transport allowance, clothing allowance... etc.

Note 10. Annual leave, maternity leave, weekly leave, trips, picnic, birthday parties and other social motivational tools or activities.

Note 11. This graph has designed by inspiring from a presentation, which belongs to The Social Science Computing Cooperative of The University of Wisconsin. http://www.ssc.wisc.edu/~cfu/Chap005.pdf (Accessed Date: October 15, 2014)

Note 12. Phelps (1968, 706) pointed out the rigidity that, if there is been in a rigid circumstance; the expected wage rates are less than actual wage rates.

Note 13. As it previously explained that, they are employers, employes, unions and public.

Note 14. Perhaps in a certain extend. That means, it should be effected towards benefit of employes. In other words, in this model proposal, the input cost increasings should not effect as it comes, we can accept a curbed efficiency.

Note 15. The ratio of the number of employes that leave a company through attrition, dismissal or regisnation during a period to the number of employes on payroll during the same period. [http://www.businessdictionary.com/definition/labor-turnover.html (Accessed Date:October 1, 2014)]

Note 16. At the same time, this notion in one respect refers to "labour mobility".

Note 17. Turkish economist and author Üçışık has named this situation as "accelerating unemployment salaries and wages" (Üçışık, 2013, 69-70-71). http://macroeconomicanalysis.com/macroeconomics-wikipedia/nairu/ (Accessed Date: October 18, 2014)

Note 18. Performance based payment approach is different from skill-based pay and knowledge-based pay. Because, performance indicators incent the horizontal workers in hard competition. But, the other pay systems do not cause a competition, however no worker has a same skill and knowledge. At that point, it might be said taht performance based wage systems causes feeling discriminations between workers (Billikopf, 2001, 3).

Note 19 .
http://www.mevzuat.gov.tr/Metin.Aspx?MevzuatKod=7.5.5454&sourceXmlSearch=&MevzuatIliski=0 (September 23, 2014)

Note 20. Besides the present situation, there should be more unions' representatives, composite representatives from business world, academists from universities.

Npte 21. Already, the government brings unemployment deduction in a certain extend from entrepreneurs.