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INSTITUTIONAL ASYMMETRY AND THE DYNAMICS OF TRIPARTITE BARGAINING IN MINIMUM WAGE DETERMINATION IN TÜRKİYE

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ABSTRACT

This study approaches minimum wage determination in Türkiye not merely as a technical bargaining process over the wage level, but also as a multi-actor decision-making arena jointly shaped by institutional rules, voting arrangements, and power relations among the parties. Its main objective is to explain why, and under what conditions, the outcome of the Minimum Wage Fixing Commission tends to converge toward a structure in which the public side becomes decisive, despite the Commission's formal tripartite basis of representation. To this end, a three-actor asymmetric bargaining-voting model is developed, comprising labor, employers, and public decision-makers. In the model, the final minimum wage level is defined within a hybrid equilibrium structure that combines the bargaining outcome among the parties with the institutional voting outcome. The institution-specific calibration for Türkiye, however, shows that the public side is not merely a third player but also occupies a pivotal position due to its role in agenda-setting, procedures, and macroeconomic responsibilities. The scenario analysis shows that as conflict between labor and employers demands deepens and procedural asymmetry increases, the weight of the bargaining component weakens and the final outcome moves closer to the public side's reference wage. These findings suggest that minimum wage decisions in Türkiye are shaped not only by distributive conflict but also by institutional design. The study makes a theoretical contribution to the minimum wage literature by focusing less on the consequences of the minimum wage itself and more on the decision-making mechanism through which that outcome is produced.

Keywords: *Minimum wage, Bargaining game, Game theory, Institutional design, Tripartite structure.*

JEL Classification: *C72, J31, J50*

TÜRKİYE'DE ASGARİ ÜCRETİN BELİRLENMESİNDE KURUMSAL ASİMETRİ VE ÜÇ TARAFLI PAZARLIK DİNAMİKLERİ

ÖZET

Bu çalışma, Türkiye'de asgari ücretin belirlenmesini yalnızca ücret düzeyi üzerinde yürüyen teknik bir pazarlık süreci olmasının yanında kurumsal kuralların, oylama yapısının ve taraflar arasındaki güç ilişkilerinin birlikte şekillendirdiği çok aktörlü bir karar alanı olarak ele almaktadır. Çalışmanın temel amacı, Asgari Ücret Tespit Komisyonu'nun biçimsel olarak üçlü temsile dayanmasını merkeze

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almasına rağmen, karar sonucunun neden ve hangi koşullar altında kamu tarafının belirleyici olduğu bir yapıya yakınsadığını açıklamaktır. Bu amaçla işçi, işveren ve kamu karar vericilerinden oluşan üç aktörlü asimetrik bir pazarlık-oylama modeli geliştirilmiştir. Modelde nihai asgari ücret düzeyi, taraflar arasındaki pazarlık sonucuyla kurumsal oylama sonucunu birleştiren hibrit bir denge yapısı içinde tanımlanmaktadır. Ancak Türkiye'ye özgü kurumsal kalibrasyon, kamu tarafının yalnızca üçüncü bir oyuncu değil, aynı zamanda gündem, prosedür ve makroekonomik sorumluluklar nedeniyle pivot aktör konumunda olduğunu da göstermektedir. Yapılan senaryo analizi ile işçi ve işveren talepleri arasındaki çatışma derinleştiği ve prosedürel asimetrinin arttığı görülmektedir. Böylece pazarlık bileşeninin ağırlığının zayıfladığını ve nihai sonucun kamu tarafının referans ücretine yaklaştığını ortaya koymaktadır. Bu bulgular, Türkiye'de asgari ücret kararlarının yalnızca bölüşüm çatışmasının değil, aynı zamanda kurumsal tasarımın da ürünü olduğunu göstermektedir. Çalışma, asgari ücret literatürüne, asgari ücretin sonuçlarından çok bu sonucun hangi karar mekanizması içinde üretildiğine odaklanan teorik bir katkı sunmaktadır.

Anahtar Kelimeler: *Asgari ücret, Pazarlık oyunu, Oyun teorisi, Kurumsal tasarım, Tripartite yapı.*

JEL Sınıflandırması: *C72, J31, J50*

1. Introduction

The minimum wage is one of the most widespread institutional instruments in modern labor markets. Documents and reports published by the International Labour Organization show that, although minimum wage mechanisms exist in more than 90 percent of ILO member states, these mechanisms differ considerably across countries in terms of wage levels, wage-setting structures, and decision-making processes (Bissinger, 2023; International Labour Organization [ILO], 2016a). ILO standards likewise do not impose a single formula for determining the minimum wage; instead, they recommend taking into account both the needs of workers and their families and broader economic factors (International Labour Office, 2014; ILO, 2016b). This suggests that debates on the minimum wage cannot be reduced solely to the question of "what is the appropriate wage level?" It also indicates that the question of "through which institutional process, and through the interaction of which actors, is this wage determined?" must be placed at the center of analysis.

The analytical importance of the minimum wage does not stem merely from its function as a wage floor. It simultaneously touches multiple levels of the economy. From the perspective of households, the minimum wage is one of the main determinants of labor income, consumption possibilities, and living conditions. From the perspective of firms, it is an important component of production costs, affecting labor costs, employment decisions, and profitability calculations. From the perspective of the state, the minimum wage functions as a macroeconomic instrument linked to inflation, wage formation, informality, employment, and social policy objectives. For this reason, the process of minimum wage determination should be understood not merely as wage bargaining between parties, but as a multi-layered field of decision in which the interests of households, firms, and the state intersect on the same institutional ground (International Labour Office, 2014; ILO, 2016a; Türkiye Cumhuriyet Merkez Bankası [TCMB], 2021).

A substantial part of the literature on the minimum wage focuses on the effects of wage increases on labor markets and income distribution. These debates usually emphasize employment, the structure of low-wage jobs, the lower segments of the wage distribution, and broader distributive outcomes. On the one hand, some studies argue that minimum wage increases may

reduce employment, especially for low-skilled workers. On the other hand, studies do not find a marked decline in the total number of low-wage jobs and suggest that the effects are concentrated more strongly in the lower part of the wage distribution (Cengiz et al., 2019; Neumark & Wascher, 2007). In addition, some contributions treat the minimum wage not merely as a legal wage floor but as a broader institutional tool that affects workers' bargaining power and the distribution of income (Malloy, 2016).

Although minimum wage debates are often conducted in terms of their effects on employment, wages, and income distribution, this field is by no means foreign to game theory and bargaining models. Studies based on search-matching and wage bargaining have examined the effects of the minimum wage on bargaining outcomes, wage distribution, and welfare within different theoretical frameworks. Flinn (2006) addresses this relationship through search-matching and Nash bargaining, while Dittrich (2021) discusses spillover effects of the minimum wage on wage structures under alternative bargaining solutions. Experimental studies likewise show that the minimum wage does not merely establish a legal floor, but can also push bargaining outcomes toward higher wage levels (Dittrich et al., 2014). There are also studies that focus on the institutional regime under which the minimum wage is set and on how it is determined. Boeri (2012) discusses the relationship between the level of the minimum wage and the wage-setting regime through a simple model, while Brown (2009) examines the determination of the national minimum wage in Britain through the internal functioning of the commission and its capacity to produce consensus. Mabbett (2023), in turn, treats minimum wage commissions as institutional arrangements that reorganize the relationship between the state and the social partners. Nevertheless, studies that place strategic interaction within commissions, voting rules, and actor preferences at the center of a formal game-theoretic framework remain relatively limited. This study seeks to contribute to that gap through the case of Türkiye.

The reason why this gap becomes more visible in the Turkish case is that the minimum wage here is not merely an economic indicator; it is also the product of a mechanism operating through explicit institutional rules that bring together micro- and macro-level concerns within the same decision-making process. In Türkiye, the minimum wage is determined by the Minimum Wage Fixing Commission. According to the relevant regulation, the Commission consists of five representatives, each from the public, labor, and employer sides; it convenes upon the call of the Ministry, operates according to an agenda prepared by the Ministry, and takes its decisions by majority vote. In this structure, which convenes with at least 10 members, in the event of a tie, the side on which the chair is located is deemed to have secured the majority. The regulation also stipulates that decisions must be justified on the basis of information and documents, allows the Commission to cooperate with universities and other institutions, and requires deliberations to be conducted confidentially (Çalışma ve Sosyal Güvenlik Bakanlığı [ÇSGB], 2022).

Within this structure, the labor side brings into the process the concerns of household labor income and living conditions; the employer side represents firms' labor cost and profitability concerns; and the public side reflects the effects of the wage decision on inflation, wage formation, and the overall economic balance. For this reason, it is clear that the minimum wage in Türkiye cannot be seen as the simple outcome of bargaining between labor and employers. Rather, the process points to a multi-actor field of institutional interaction in which the public

authority both defines the procedural framework and exerts influence over the final decision. Moreover, the TCMB emphasizes that the minimum wage is important not only through the cost channel but also because it serves as a key reference point for wage adjustments across the broader economy (TCMB, 2021). The Turkish case, therefore, provides a strong analytical ground for examining not only the outcomes of the minimum wage but also the decision-making mechanism through which those outcomes are produced.

Against this background, the study models the process of minimum wage determination in Türkiye as an asymmetric tripartite bargaining game. The main point of departure is that, although the Turkish minimum wage commission is formally based on the principle of tripartite representation, the decision rule, agenda structure, and procedural arrangements make the equilibrium outcome resemble, in many cases, a bargaining and voting mechanism in which the public side acts as the pivot actor. This is also where the study's contribution to the minimum wage literature emerges. First, it shifts the analytical focus away from the consequences of the minimum wage itself and toward the question of the institutional mechanism through which that outcome is produced. Second, by linking a game-theoretic framework to Türkiye's concrete institutional structure, it makes visible the gap between the appearance of tripartite social dialogue and the public-side dominance that emerges in the final decision. Third, the study conceptualizes the minimum wage decision as a process in which household wefare, firm costs, and macroeconomic stability confront one another within the same institutional mechanism.

2. Minimum Wage Literature Through the Lens of Game Theory and Bargaining Solutions

2.1. The Place of the Minimum Wage in Bargaining Models

Although the treatment of the minimum wage within game theory has developed in a narrower field than the broader minimum wage literature, it follows a relatively clear theoretical line. In this literature, the minimum wage is generally treated not as the direct outcome of a decision-making process, but as an institutional boundary, reference wage, or constraint that enters the bargaining environment between workers and employers from the outside. Accordingly, the central question is usually not "How is the minimum wage determined?" but rather "How do bargaining outcomes, wage structures, and market equilibrium change once the minimum wage is introduced?" Flinn's search-matching model and Swinnerton's analysis of the welfare-employment distinction are early and important examples of this approach (Flinn, 2006; Swinnerton, 1996).

For a long time, Nash bargaining remained the dominant solution in this literature. Flinn (2006) examines the minimum wage within a search, matching, and Nash bargaining framework, jointly analyzing wage, employment, and welfare outcomes. Similarly, Masters (2010) models wage formation in one-to-one matches through Nash bargaining and discusses minimum wage compliance within that structure. While this approach offers a strong basis for analyzing bargaining power, contact rates, and wage distribution, questions have emerged regarding whether the Nash solution is sufficient, particularly in explaining non-binding minimum wages and spillover effects above the wage floor (Flinn, 2006; Masters, 2010).

This debate has encouraged the use of alternative bargaining solutions. Laroque and Salanié (2004) argue that, in settings where wages are individually negotiated between firms

and workers, observed outcomes may be more consistent with the Kalai-Smorodinsky solution than with the Nash solution. Dittrich (2021) develops this argument further by using the Kalai-Smorodinsky solution in a search-matching model and showing that even a non-binding minimum wage may generate spillover effects in the upper parts of the wage distribution. Similarly, Dittrich & Knabe (2013) argue that the Nash solution has difficulty explaining the effects of an initially non-binding minimum wage on higher wages in union-firm bargaining, whereas the Kalai-Smorodinsky solution provides a more suitable account. Thus, the choice of bargaining solution is not merely a technical issue, but a theoretical decision that directly affects the economic results obtained (Dittrich, 2021; Dittrich & Knabe, 2013; Laroque & Salanié, 2004).

This orientation is also consistent with the broader theory of wage bargaining. Alexander (1992) characterizes the Kalai-Smorodinsky solution in wage negotiations and shows how it can be applied to union-firm bargaining. L'Haridon, Malherbet, and Pérez-Duarte (2013) systematically compare Nash, egalitarian, and Kalai-Smorodinsky solutions within a search-matching model of small firms. Therefore, the turn toward the Kalai-Smorodinsky solution in the minimum wage literature can be seen as part of a wider debate in wage bargaining theory rather than as an isolated development (Alexander, 1992; L'Haridon et al., 2013).

Experimental and behavioral studies further support the view that the minimum wage reshapes bargaining outcomes. Dittrich, Knabe, & Leipold (2014) show that, in bilateral firm-worker bargaining, the minimum wage may push wages above the legal floor. Falk, Fehr, and Zehnder (2006) find that the minimum wage can have persistent effects on reservation wages, even after its removal. Wang (2012) revisits the role of information structure in this behavioral effect, while Demirtaş (2022) shows that the minimum wage can influence wage offers and reservation wages through perceptions of horizontal fairness. Taken together, these studies suggest that the minimum wage does not merely establish a legal floor; it also affects expectations, fairness perceptions, and norms of acceptable wages (Demirtaş, 2022; Dittrich et al., 2014; Falk et al., 2006; Wang, 2012).

The strength of this literature is that it clearly demonstrates how even an exogenous minimum wage can alter the bargaining set, wage structure, and welfare assessment. Its main limitation, however, is that most studies take the minimum wage as a given policy parameter and explain the equilibrium that emerges after it has already been introduced. By contrast, the question of how the minimum wage itself is produced, between which actors, under which decision rules, and through which strategic calculations, remains largely outside the model (Flinn, 2006; Masters, 2010).

2.2. Determination Regimes, Commissions, and the Research Gap

A second strand of literature focuses not on the effects of the minimum wage on bargaining outcomes, but on the institutional regime through which the minimum wage is determined. From this perspective, the minimum wage is not only a wage floor, but also a governance mechanism involving actors, representation relations, and decision rules. Differences between direct state determination, collective bargaining-based regimes, and commission-based arrangements shape both the wage level and the political-institutional logic through which the decision is produced. Boeri (2012) emphasizes this neglected dimension and shows that there is a systematic relationship between the minimum wage level and the wage-setting regime (Boeri, 2012).

Studies on minimum wage commissions make this institutional dimension more explicit. Brown (2009), examining the first decade of the British Low Pay Commission, identifies independence, government acceptability, and internal consensus-building as central features of the process. Mabbett (2023), in turn, evaluates minimum wage commissions in the United Kingdom and Germany as structures through which the relationship between the state and social partners is reconstituted "in the shadow of hierarchy." These studies show that minimum wage commissions are not merely technical advisory bodies, but institutional mechanisms shaped by representation, compromise, government influence, and political legitimacy (Brown, 2009; Mabbett, 2023).

At this point, however, a clear disconnect emerges. On the one hand, formal models analyze the minimum wage through bargaining solutions such as Nash or Kalai-Smorodinsky. On the other hand, institutional studies examine minimum wage commissions as political and governance mechanisms. Yet these two strands do not fully converge. The first treats the minimum wage as an exogenous parameter and analyzes its effects on bargaining outcomes, whereas the second explains how the minimum wage is institutionally formed but generally does not model this process as a formal strategic interaction. As a result, a unified game-theoretic framework that simultaneously incorporates actor preferences, decision rules, agenda structure, and voting logic within commissions remains limited (Boeri, 2012; Brown, 2009; Dittrich, 2021; Mabbett, 2023).

This gap becomes especially important in cases where the state has substantial procedural weight. In such settings, the minimum wage is neither simply the outcome of worker-employer bargaining nor a purely technical public decision. Rather, it emerges from a hybrid mechanism shaped by the demands of represented parties, the decision rule, and the role of public authority. This study is situated precisely at this point. Instead of treating the minimum wage as an exogenous boundary affecting bargaining outcomes, it models the minimum wage itself as the output of a multi-actor bargaining-voting process operating under specific institutional rules. In this way, the bargaining-solution literature and the literature on determination regimes and commissions are brought together within a single theoretical framework (Boeri, 2012; Brown, 2009; Mabbett, 2023).

3. Theoretical Framework and Model

3.1. Point of Departure of the Model

As shown in the previous section, a substantial part of the game-theoretic literature on the minimum wage treats it as an exogenous institutional boundary and examines its effects on wage bargaining, wage distribution, or employment equilibrium. In that literature, the most frequently used solutions are bargaining solutions of the Nash and Kalai-Smorodinsky type, developed for bilateral bargaining structures. The problem addressed in this study, however, is different. The aim here is not to show how a given minimum wage changes bargaining outcomes, but rather to model how the minimum wage itself is determined, between which actors, under which institutional rules, and through what kind of strategic interaction (Dittrich, 2021; Flinn, 2006; Kalai & Smorodinsky, 1975; Nash, 1950).

For this reason, the study treats the minimum wage determination process as a three-player and asymmetric structure. The players are, respectively, the labor side, the employer side,

and the public authority. The model is defined as asymmetric because the actors differ not only in terms of their preferences, but also in terms of their positions within the decision-making process. The labor side prefers a higher wage level, the employer side prefers a lower cost burden, and the public side seeks a balance among wage increases, employment, price stability, and political costs. Thus, the public actor here is not a neutral arbiter standing outside the bargaining between the two sides; it is a third player with its own preferences, instruments, and institutional weight. In this respect, the model is designed not as a conventional bilateral wage-bargaining framework, but as a multi-actor, rule-bound decision-making process.

This is the main point at which the model departs from the bilateral solutions in the literature. If the process could be reduced to pure wage bargaining between labor and employers, a Nash- or Kalai-Smorodinsky-type solution could be applied directly. Yet in structures such as minimum wage commissions, the outcome is shaped not only by the distribution of bargaining power, but also by agenda setting, representation, decision rules, and institutional procedures. For this reason, the model developed here does not exclude classical bargaining solutions; rather, it treats them as special cases of a more general structure.

3.2. Players, Preferences, and the Decision Process

In the model, the policy variable is the nominal minimum wage level determined, denoted by . The reason for choosing the nominal wage is that commission decisions are in practice made in the form of a monetary amount. However, the players' preferences depend not on the nominal magnitude itself, but on its effects on real income, profitability, employment, and macroeconomic stability. For this reason, a state vector representing economic and political conditions is defined in the model:

$$x = (\pi^e, a, u, z, s) \tag{1}$$

Here, π^e denotes expected inflation, the level of productivity, unemployment or labor market tightness, informality and compliance pressure, and s political visibility or political cost.

Each player has an ideal wage level under these conditions. Let these levels be denoted respectively by $\hat{w}_U(x)$, $\hat{w}_E(x)$, and $\hat{w}_G(x)$. In general, the following order is expected:

$$\hat{w}_U(x) \geq \hat{w}_G(x) \geq \hat{w}_E(x) \tag{2}$$

This ordering indicates that the labor side prefers a higher wage, the employer side a lower wage, and the public side a preferred point that is usually located between the two, though not fixed. The public side's ideal point may shift, for example, when expected inflation rises, when unemployment risk increases, or when political pressure changes. In this respect, the public preference is not simply the average of the other two sides. Such an assumption of a one-dimensional policy space and player-specific ideal points provides a convenient basis for both bargaining and majority-decision analysis (Black, 1948; Romer & Rosenthal, 1978).

For the sake of analytical simplicity, each player is assumed to have single-peaked preferences over the wage space. This preference structure may be represented as follows:

$$V_i(w;x) = A_i(x) - \frac{1}{2}\alpha_i(w - \hat{w}_i(x))^2, i \in \{U, E, G\} \quad (3)$$

Here, $A_i(x)$ denotes the fixed utility component arising from the conditions faced by the player, while $\alpha_i > 0$ represents the sensitivity to deviations from the player's own ideal wage. This structure implies that each player has a single preference peak and that utility declines as the wage moves away from that point. Such single-peaked preferences make it possible to consider both bargaining solutions and voting logic within the same model.

The decision process is conceived in three stages. In the first stage, the labor side and the employer side announce their wage demands, denoted respectively by w_U and w_E. In the second stage, the public authority determines a reference wage level by taking into account the economic conditions and the demands of the parties; this level is denoted by w_G. In the third stage, the process ends either through bargaining or, because of the institutional decision rule, through a logic dominated by voting/pivot dynamics.

At this point, the distinctive core of the model emerges. When the process operates under a pure bargaining logic, the final wage is determined as an outcome of compromise. For this purpose, a general bargaining outcome may be defined as follows:

$$w^B = arg \max_{w \in \mathcal{F}} \Phi(S_U(w), S_E(w), S_G(w)) \quad (4)$$

Here, F denotes the set of feasible wages; $S_i(w)=V_i(w)-\bar{V}_i$ denotes the surplus obtained by player relative to its reservation utility; and $\Phi(.)$ denotes the general bargaining function that combines these surpluses. This form is deliberately left general. The reason is that the study does not confine the bargaining stage in advance to a single solution concept. If the public player is assumed to be passive and Φ is defined simply as the product of labor and employer surpluses, the model can be reduced to a bilateral Nash solution. If the solution is defined according to a sharing principle proportional to the players' maximum attainable gains, it approaches a Kalai-Smorodinsky-type outcome. The point here, however, is not to adopt one of these two solutions as the final model from the outset, but to show that they are merely special cases of the bargaining component (Dittrich, 2021; Flinn, 2006; Kalai & Smorodinsky, 1975; Nash, 1950).

The process of minimum wage determination may not always produce a purely bargaining-based outcome, especially in settings where institutional weights are pronounced. When the distance between the parties' demands widens, or when procedural rules narrow the space for bargaining, the final outcome becomes increasingly shaped by voting and pivot logic. For this reason, the second component of the model is a voting-based decision outcome. This outcome may be expressed as follows:

$$w^V = M(\hat{w}_U, \hat{w}_E, \hat{w}_G; m, q, a) \quad (5)$$

Here, denotes representational or voting weights, the decision threshold, and agenda-setting and procedural influence. Under a one-dimensional policy space and single-peaked preferences, it is well known that grants one player has the power to set the agenda, direct the vote, or break the balance between blocs, the final wage level is more likely to move toward that player's ideal wage (Black, 1948; Romer & Rosenthal, 1978).

The main originality of this study lies in explaining the final outcome neither solely through bargaining nor solely through voting. Instead, the model defines a transition between bargaining and voting that depends on the level of conflict and on institutional asymmetry. Let the difference between the ideal wages of the labor and employer sides be defined as an indicator of conflict:

$$D(x) = \widehat{w}_U(x) - \widehat{w}_E(x) \tag{6}$$

In addition, let $\rho \in [0,1]$ denote a parameter of institutional asymmetry that captures the procedural weight of the public side in the process. As increases, the influence of the public side over the agenda, procedure, and final decision is assumed to increase. In that case, the final wage outcome can be written in the following hybrid form:

$$w^* = \theta(D,\rho)\, w^B + [1 - \theta(D,\rho)]w^V \tag{7}$$

where it is assumed that

$$0 \le \theta(D,\rho) \le 1, \frac{\partial\theta}{\partial D} < 0, \frac{\partial\theta}{\partial\rho} < 0 \tag{8}$$

This expression captures two basic intuitions simultaneously. First, as the disagreement between the labor and employer sides grows, the weight of the bargaining solution declines and the outcome moves closer to the voting/pivot outcome. Second, as institutional asymmetry increases, that is, as the procedural advantage of the public side becomes stronger, the influence of the bargaining component again weakens and the resulting decision moves closer to the public side. Rather than mechanically combining Nash and Kalai-Smorodinsky, this hybridization offers a new framework that incorporates them as special cases of a broader bargaining component and adds voting/pivot logic to that structure.

Thanks to this hybrid structure, the model brings together two separate strands of the literature within a single framework. The bargaining component is flexible enough to encompass solutions such as Nash and Kalai-Smorodinsky as special cases. The voting component, in turn, brings institutional elements such as commissions, representation, and decision rules into the analysis. In this way, the minimum wage is treated neither merely as an exogenous wage floor nor solely as a technical administrative decision; rather, it is approached as the outcome of a multi-actor strategic interaction operating under specific rules. This approach departs from standard models in which the minimum wage is treated as a given boundary affecting bargaining outcomes (Boeri, 2012; Brown, 2009; Dittrich, 2021; Flinn, 2006; Mabbett, 2023).

The structure of the model generates several basic propositions. First, as the distance between the preferences of the labor and employer sides increases, the final outcome moves closer to the public side's ideal wage. Second, as procedural asymmetry rises, the determining role of the public side increases even under the same level of conflict. Third, because economic conditions shift the ideal point of the public side, different equilibrium wages may emerge under the same institutional structure across different macroeconomic periods. These results suggest that the process of minimum wage determination should be understood not only through distributive conflict, but also through institutional design and the macroeconomic context.

4. Institutional Calibration of the Model for Türkiye and the Equilibrium Structure

The three-actor asymmetric bargaining-voting model developed in the previous section is calibrated in this section according to the legal and institutional structure of the Minimum Wage Fixing Commission in Türkiye. The aim is to match the general parameters of the model with Türkiye-specific decision rules and thereby show more explicitly the mechanism through which the equilibrium wage emerges. This calibration is particularly important because minimum wage determination in Türkiye cannot be reduced to the choice of a single adjustment rate. It involves a multi-criteria decision environment in which worker welfare, employer costs, informality, prices, public finances, and distributional adequacy must be considered together (Çolak & Yenihan, 2025). From this perspective, the issue is not merely to provide an institutional description, but to clarify the specific form that the hybrid structure developed in the third section takes in the Turkish case.

In Türkiye, the minimum wage is determined by a fifteen-member commission composed of representatives from the public, labor, and employer sides. Each of the three blocs is represented by five members. Although this may initially give the impression of a symmetric tripartite structure, once the decision process as a whole is considered, it becomes clear that this symmetry is only formal. The fact that the Commission convenes upon the call of the Ministry, operates according to an agenda prepared by the Ministry, takes decisions by majority vote, and counts the side on which the chair is located as holding the majority in the event of a tie gives the public side a distinct position not only at the level of representation but also at the procedural level (Çalışma ve Sosyal Güvenlik Bakanlığı [ÇSGB], 2022). For this reason, even if the representation parameter of the model is formally symmetric in the Turkish case, the agenda-setting and decision-directing parameters must be calibrated asymmetrically in favor of the public bloc.

This institutional structure maps directly onto the players in the model. The labor bloc represents the household dimension, namely labor income, purchasing power, and living conditions. The employer bloc represents the microeconomic dimension associated with firms' labor costs, profitability, and employment capacity. The public bloc, by contrast, represents the macroeconomic dimension, since the minimum wage decision affects inflation, wage reference formation, informality, employment, and social balance. The commission in Türkiye should therefore be understood not simply as a body in which three institutional sides come together, but as a structure in which the household, firm, and state levels intersect within a single decision-making mechanism. In particular, the Central Bank of the Republic of Türkiye [TCMB] provides strong support for this independent position of the public side by emphasizing that the minimum wage affects inflation through the cost channel and also serves as a reference point for wage adjustments throughout the broader economy (TCMB, 2021).

In this framework, let the ideal wage levels of the players in Türkiye be denoted by $\widehat{w}_U$, $\widehat{w}_E$, and $\widehat{w}_G$, respectively. In general, the following ordering is assumed to hold:

$$\widehat{w}_U \geq \widehat{w}_G \geq \widehat{w}_E \tag{9}$$

This ordering indicates that the labor side prefers a higher wage, the employer side a lower cost burden, and the public side a reference wage point located between social protection

and macroeconomic stability. In the Turkish case, this middle-point assumption is not merely intuitive. Given the structure of the Commission and the macroeconomic responsibilities of the public side, it may be argued that the public bloc often generates a balancing point between the two extreme demands.

The first critical implication of the Türkiye-specific calibration emerges at the voting stage. Assuming the Commission consists of three blocks and that each bloc acts cohesively within itself, the public bloc can form a majority either with the labor bloc or the employer bloc. The public side is therefore structurally in a pivot position in inter-bloc relations. Under the assumptions of a one-dimensional policy space and single-peaked preferences, this means that the voting outcome tends to approach the public side's ideal wage or, more cautiously, the agenda-feasible point closest to it. For this reason, the voting component for Türkiye may be closed as follows:

$$w_{TR}^{V} = \widehat{w}_G \tag{10}$$

or, stated more cautiously, as the point within the set of feasible options on the agenda that is closest to $\widehat{w}_G$. This result shows clearly why, in the Turkish case, the model cannot be reduced to a purely bilateral bargaining outcome. No matter how intense inter-party negotiations may be, the structure of decision-making itself grants the public side a role that can disrupt the balance and shape the final outcome.

The second critical element specific to Türkiye is that the bargaining component is not symmetric either. The general bargaining outcome defined in Section 3 may be written for Türkiye as follows:

$$w_{TR}^{B} = \arg\max_{w \in \mathcal{F}} (S_U(w))^{\beta_U} (S_E(w))^{\beta_E} (S_G(w))^{\beta_G} \tag{11}$$

Here, $S_i(w) = V_i(w) - \overline{V}_i$ denotes the surplus of player relative to its reservation utility. The decisive point in the Turkish calibration is that β_G is not treated as an ordinary third-party parameter. The public side is not merely a bloc participating in the negotiations; it is also the bloc that initiates the agenda, frames the procedure, and bears the macroeconomic consequences of the decision. For this reason, in the Türkiye-specific structure, the following assumption appears theoretically defensible:

$$\beta_G > \beta_U, \beta_E \tag{12}$$

This inequality does not mean that the public side is dominant in every situation in an absolute sense. It means, rather, that even within the bargaining component, the public player does not behave like an ordinary third actor, but carries greater weight because of its institutional position.

If the utility functions are written in quadratic form as defined in Section 3, the Türkiye-specific bargaining outcome can be shown more explicitly as follows:

$$w_{TR}^{B} = \frac{\beta_U \alpha_U \widehat{w}_U + \beta_E \alpha_E \widehat{w}_E + \beta_G \alpha_G \widehat{w}_G}{\beta_U \alpha_U + \beta_E \alpha_E + \beta_G \alpha_G} \tag{13}$$

This expression makes an important point visible: even the bargaining outcome in Türkiye is not a pure labor-employer compromise. At the bargaining stage as well, the public side is not an external arbiter but a weighted actor at the table. For this reason, even the compromise point that emerges before the process moves to the voting stage should not be expected to detach fully from the public reference wage.

The third and most critical step in the Turkish calibration is the explicit closure of the hybrid outcome. The general form defined in Section 3 takes the following form for Türkiye:

$$w_{TR}^{*} = \theta(D, \rho_{TR})\, w_{TR}^{B} + [1 - \theta(D, \rho_{TR})] w_{G} \tag{14}$$

Here,

$$D = \hat{w}_{U} - \hat{w}_{E} \tag{15}$$

denotes the level of conflict between the labor and employer blocs, while ρ_{TR} denotes Türkiye-specific institutional asymmetry. In the Turkish case, ρ_{TR} may be thought of as the combination of four elements in particular: the public side's power to convene the meeting, its control over the agenda, its possession of the chairmanship, and its decisive advantage in the event of a tie. For this reason, ρ_{TR} should be interpreted not as a low but as a relatively high parameter. By construction, the model assumes that

$$\frac{\partial \theta}{\partial D} < 0 \text{and} \frac{\partial \theta}{\partial \rho_{TR}} < 0 \tag{16}$$

The meaning of this is straightforward: as the distance between labor and employer demands widens and as the procedural weight of the public side increases, the importance of the bargaining component declines, and the final outcome moves increasingly toward the public side's reference wage.

This result yields a strong theoretical interpretation for Türkiye. Although the Commission is formally based on tripartite representation, the equilibrium outcome does not operate purely through a tripartite consensus logic. When disagreement between the parties is limited, the system may move closer to the bargaining component.

nt. But when conflict grows, and institutional rules become more binding, the system evolves toward a voting logic in which the public side acts as the pivot. For this reason, the process of minimum wage determination in Türkiye cannot be reduced to either a pure bilateral Nash bargaining outcome or to the Kalai-Smorodinsky solution alone. A more appropriate framework is a three-actor hybrid model that treats these two solutions as possible special cases of the bargaining component, while closing the final outcome under a public pivot.

The last, and perhaps most important, consequence of the Türkiye-specific calibration is that the public side functions not only as an institutional pivot but also as a macroeconomic pivot. Given the minimum wage's effects on wage reference formation, inflation, and overall economic balance, the public side's ideal point cannot be regarded simply as a technical midpoint between labor and employer demands. Rather, it represents an autonomous public equi-

librium point among social protection, price stability, and employment. Accordingly, the final wage outcome in Türkiye emerges from the intersection of the micro-level tension between household welfare and firm costs and the public authority's concern for stability at the macro level within the same institutional mechanism. The final form of the model, as adapted to Türkiye, aims precisely to capture this multi-layered structure.

5. Running the Model for Türkiye and Comparing It with the Recent Process

5.1. Comparative Statics and Scenario Analysis

In the previous section, the model was calibrated according to the institutional structure of the Minimum Wage Fixing Commission in Türkiye. In this section, the same structure is operated through scenario analysis. The aim here is to make visible the conditions under which, in the Turkish case, the model approaches the bargaining component and the conditions under which it approaches a voting outcome in which the public side acts as the pivot. For this reason, the application constructed to illustrate the model should be interpreted not as an empirical modelling exercise intended to generate direct predictions, but as a scenario-based analytical representation of how the theoretical structure operates under Turkish conditions. The wage values used in the scenarios are not monetary amounts; rather, they are expressed as a normalized wage index. The value of 100 represents the current or initial wage level. The ideal points of labor, employers, and the public side are hypothetical values that respectively reflect social protection concerns, cost pressures, and macroeconomic balance considerations. In this way, the scenarios make it possible to trace more transparently the direction in which the equilibrium wage moves under different levels of conflict and procedural asymmetry.

The simulation exercise is constructed using the functional form $\theta(D_{TR}, \rho_{TR})=exp[-(0.03D_{TR}+0.8\rho_{TR})]$, where the conflict variable D_{TR} is varied over a predefined range and the procedural asymmetry parameter ρ_{TR} is evaluated at selected levels. The bargaining outcome is computed using the weighted formulation presented in the previous section. The numerical results reported in the tables and figures are derived directly from this structure.

For Türkiye, the hybrid equilibrium outcome was defined in the previous section as follows:

$$w_{TR}^{*} = \theta(D_{TR}, \rho_{TR})\, w_{TR}^{B} + [1 - \theta(D_{TR}, \rho_{TR})]\widehat{w}_{G,TR} \tag{17}$$

Here, w_{TR}^{B} denotes the wage outcome generated by the bargaining component; $\widehat{w}_{G,TR}$ denotes the public side's reference wage level; $D_{TR}=\widehat{w}_{U,TR}-\widehat{w}_{E,TR}$ denotes the level of conflict between the labor and employer sides; and ρ_{TR} denotes Türkiye-specific procedural asymmetry. In Türkiye, the fact that the Commission convenes upon the call of the Ministry, operates according to a Ministry-prepared agenda, and counts the side on which the chair is located as prevailing in the event of a tie implies that ρ_{TR} should be interpreted as meaningfully greater than zero. At the same time, the TCMB's treatment of the minimum wage as a reference point for wage adjustments across the broader economy suggests that the public side's reference wage has an independent economic meaning (Çalışma ve Sosyal Güvenlik Bakanlığı [ÇSGB], 2022; Türkiye Cumhuriyet Merkez Bankası [TCMB], 2021).

In the scenario-based numerical application, the following function is used to reduce the weight of the bargaining component as conflict and procedural asymmetry increase:

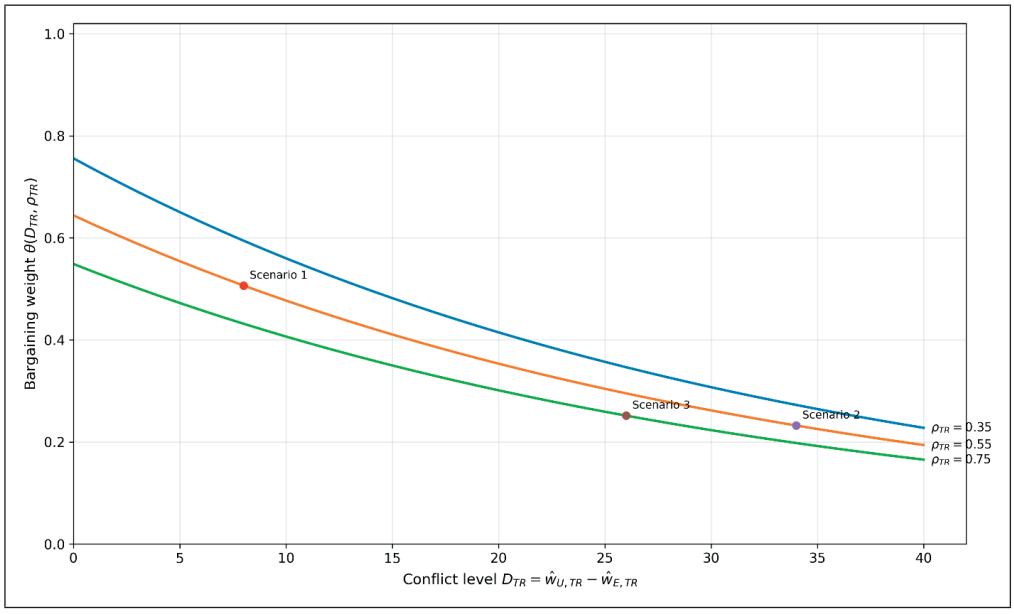
$$\theta(D_{TR}, \rho_{TR}) = \exp\left[-(0.03D_{TR} + 0.8\rho_{TR})\right] \quad (18)$$

This function captures the central intuition of the model: as the distance between labor and employer demands widens and as the procedural weight of the public side increases, the final outcome is expected to move away from the bargaining solution and closer to the public reference wage. The bargaining outcome, in turn, is represented by the Türkiye-specific weighted form introduced in the previous section:

$$w_{TR}^{B} = \frac{\beta_{U,TR}\alpha_{U,TR}\hat{w}_{U,TR}+\beta_{E,TR}\alpha_{E,TR}\hat{w}_{E,TR}+\beta_{G,TR}\alpha_{G,TR}\hat{w}_{G,TR}}{\beta_{U,TR}\alpha_{U,TR}+\beta_{E,TR}\alpha_{E,TR}+\beta_{G,TR}\alpha_{G,TR}} \quad (19)$$

For simplicity, the calculations assume $\alpha_{U,TR}=\alpha_{E,TR}=\alpha_{G,TR}=1$ and $(\beta_{U,TR}, \beta_{E,TR}, \beta_{G,TR})=(1,1,1.3)$. This choice is intended to reflect the fact that, in the Turkish case, the public side is not merely a third bloc, but carries greater weight even at the bargaining stage because of its role in agenda setting, procedure, and macroeconomic responsibility.

Figure 1: Declining Bargaining Weight as Conflict Increases Under Different Levels of Procedural Asymmetry in Türkiye (ρ_{TR} =0.35, 0.55, 0.75)



In Figure 1, the three curves represent, respectively, $\rho_{TR}=0.35$, $\rho_{TR}=0.55$,*and* $\rho_{TR}=0.75$. The upper curve corresponds to a situation with relatively low procedural asymmetry. In this case, the weight of the bargaining component is higher at the same level of conflict. The middle curve represents a medium degree of institutional asymmetry, while the lower curve represents

a situation in which the procedural weight of the public side is stronger. The vertical separation between the curves shows that, even at the same level of D_{TR}, higher values of ρ_{TR} push the hybrid equilibrium away from the bargaining outcome and closer to the public reference wage more rapidly. The downward slope of all three curves indicates that, regardless of the degree of institutional asymmetry, the bargaining component weakens as the distance between labor and employer demands increases. Figure 1, therefore, makes clear that the equilibrium wage in Türkiye depends not only on distributive conflict between the parties, but also on the institutional structure within which that conflict is resolved.

Table 1. Scenario Results for Türkiye

Scenario	$\widehat{W}_{U,TR}$	$\widehat{W}_{E,TR}$	$\widehat{W}_{G,TR}$	D_{TR}	ρ_{TR}	$\theta(D_{TR}, \rho_{TR})$	w^{B}_{TR}	w^{*}_{TR}
1. Relatively conciliatory environment	112	104	109	8	0.55	0.51	108.39	108.69
2. High conflict / high inflation expectation	130	96	114	34	0.55	0.23	113.39	113.86
3. Environment dominated by disinflation and employment concerns	124	98	106	26	0.75	0.25	109.03	106.76

Note: The calculations are based on the assumption that $\theta(D_{TR},\rho_{TR})= exp[-(0.03D_{TR}+0.8\rho_{TR})]$. In the scenario-based numerical application, $\alpha_{U,TR} = \alpha_{E,TR} = \alpha_{G,TR}=1$ and $(\beta_{U,TR}, \beta_{E,TR}, \beta_{G,TR})=(1,1,1.3)$ are assumed.

The numerical implications of this general mechanism may be illustrated through three scenarios. The first scenario considers a situation in which disagreement between the parties is relatively limited. The second represents a setting in which demands move further apart as inflation expectations rise and distributive conflict sharpens. The third reflects a situation in which social pressure persists, but the public side places greater emphasis on price stability and employment concerns.

Table 1 presents, for the three scenarios defined for Türkiye, the labor side's ideal wage $\widehat{W}_{U,TR}$, the employer side's ideal wage $\widehat{W}_{E,TR}$, the public side's reference wage $\widehat{W}_{G,TR}$, the level of conflict between the parties $\widehat{W}_{E,TR}$, the procedural asymmetry parameter ρ_{TR}, the weight of the bargaining component $\theta(D_{TR},\rho_{TR})$, the bargaining outcome w^{B}_{TR}, and the hybrid equilibrium outcome w^{*}_{TR}. In this way, the table makes visible not only the final outcome, but also the intermediate mechanisms through which it is reached. In the first scenario, since D_{TR} is low, θ is relatively high; accordingly, the hybrid equilibrium outcome lies closer to the bargaining outcome. In the second scenario, the marked increase in the level of conflict reduces θ and brings the final outcome closer to the public reference wage. In the third scenario, not only conflict but also procedural asymmetry increases, further weakening the weight of the bargaining component; in addition, the downward shift in the public side's reference wage causes the hybrid outcome to be repositioned downward as well. The table therefore shows that the final wage outcome in Türkiye is not simply the average of the parties' demands, but is jointly shaped by the level of conflict, procedural asymmetry, and the public side's reference point.

To make these numerical results more intuitive, the figure below presents, for each scenario, the relative positions of the employer demand, the bargaining outcome, the hybrid equilibrium, the public reference wage, and the labor demand.

Figure 2: Wage Positions According to Scenarios for Türkiye.

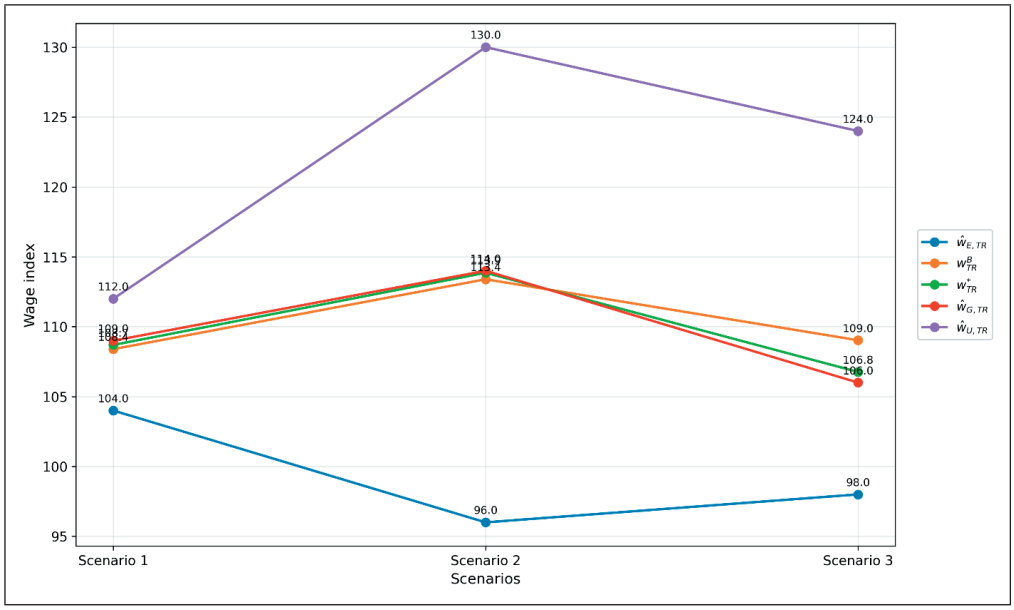


Figure 2 shows the relative positions, across the three scenarios, of the employer side's ideal wage $\widehat{W}_{E,TR}$, the bargaining outcome w_{TR}^{B}, the hybrid equilibrium outcome w_{TR}^{*}, the public side's reference wage $\widehat{W}_{G,TR}$, and the labor side's ideal wage $\widehat{W}_{U,TR}$. In each scenario, the leftmost point corresponds to the employer side's lower wage preference, while the rightmost point corresponds to the labor side's higher wage demand. Between these two endpoints, w_{TR}^{B} represents the bargaining outcome that emerges to the extent that compromise can be achieved, whereas $\widehat{W}_{G,TR}$ represents the reference point established by the public side between social protection and macroeconomic stability. The hybrid equilibrium outcome w_{TR}^{*} shows the final wage produced by the interaction of these two components. In the first scenario, the hybrid outcome remains closer to the bargaining point, whereas in the second and third scenarios, it moves noticeably closer to the public reference wage. This pattern indicates that the final wage in Türkiye is not simply the average of the parties' demands, but is formed under the joint influence of the level of conflict and the institutional and macroeconomic weight of the public side.

The scenario analysis in this section strengthens the central theoretical claim of the model for Türkiye. Although the Commission in Türkiye formally rests on tripartite representation, as conflict increases and procedural asymmetry becomes more pronounced, the decision process converges toward a structure in which the public side acts as the pivot. In other words, although the tripartite appearance is preserved in the Turkish case, the equilibrium outcome in most instances emerges as the product of a hybrid bargaining-voting mechanism in which the public side is decisive.

5.2. Evaluating the 2026 Minimum Wage Process in Light of the Model

The results obtained from the simulation scenarios showed that, as the disagreement between the labor and employer sides deepens and asymmetry in procedural rules becomes more

pronounced, the bargaining channel weakens and the outcome moves closer to the public side's reference wage. From this perspective, the process through which the 2026 minimum wage was determined in Türkiye makes it possible to observe how this mechanism appears not merely as an abstract model assumption, but within the concrete flow of decision-making. What is striking here is not only the announced wage level itself. More importantly, it is the institutional setting in which the decision was produced and the stages through which it took shape. In this respect, the process reveals how the relationship among the level of conflict (D), procedural asymmetry (ρ), and bargaining weight (λ) discussed in the model operates in practice.

In light of these considerations, an examination of the process shows that the first round of talks began on 12 December 2025, while the final decision was announced on 23 December 2025. The picture that emerged from the very beginning already indicated that there was no symmetric, low-tension bargaining environment. TÜRK-İŞ announced that it would not participate in the talks, arguing that the commission structure did not grant the labor side effective decision-making power and that decisions were, in many cases, taken through the votes of the government and employer sides. The same statement also stressed that the inflation loss carried over from the previous year had to be compensated and that price increases had to be fully taken into account. Thus, the disagreement went beyond a wage dispute framed purely in numerical terms and came to include an objection directed at the functioning of the decision-making mechanism itself. This point is important for the process, because the level of conflict in the model is fed not only by the gap between the wage levels demanded by the parties, but also by tensions related to the legitimacy of the decision process itself (Türkiye İşçi Sendikaları Konfederasyonu [TÜRK-İŞ], 2025).

The form taken by the process on 18 December 2025 makes it more clearly visible why the bargaining space had narrowed. Minister Işıkhan's statement that he had visited TÜRK-İŞ and HAK-İŞ and received the demands and proposals of the two confederations shows that the labor side was not entirely excluded from the process. Yet the structure observed here is not a classical tripartite bargaining arrangement in which three actors negotiate around the same table on equal institutional footing. The preferences of the labor side were carried into the process not directly at the bargaining table, but through a channel opened by the public authority. This concretely illustrates why the procedural asymmetry represented in the model by should be treated as high. At the same time, it also helps explain why , that is, the weight of the bargaining component, weakens. In a structure where the parties do not proceed under equal procedural conditions through mutual concession-making, the bargaining component cannot be expected to remain strong (Anadolu Ajansı, 2025b).

By the final stage, when the decision was announced, this picture had become even clearer. On 23 December 2025, the net minimum wage was announced as 28,075.50 TL and the gross minimum wage as 33,030 TL; it was also stated that the rate of increase was 27 percent and that the minimum wage support had been raised to 1,270 TL. On the same day, it was reported publicly that the labor side had maintained its stance of not attending the meetings and that the decision had been finalized with the participation of the government and employer sides. Such an ending makes it difficult to interpret the outcome as a simple average of labor and employer demands. What emerges instead is a structure in which the bargaining space narrows, procedural asymmetry becomes more pronounced, and the outcome moves closer to the public side's reference point. This is already the direction indicated by the simulation results,

where high D and pronounced ϱreduce λ. In this respect, the 2026 process is meaningful because it allows us to observe the counterpart of the mechanism shown in the simulations within the actual flow of decision-making (Çalışma ve Sosyal Güvenlik Bakanlığı [ÇSGB], 2025; Anadolu Ajansı, 2025a).

On this basis, it would not be correct to draw broad and definitive conclusions from a single round of determination. Since the full details of the commission meetings are not publicly available, the parties' actual reservation points, internal bargaining limits, and the way in which the public side's final reference wage was formed cannot be directly observed. Even so, when the course of the process is considered as a whole, it becomes clear that minimum wage determination in Türkiye does not operate as a purely wage-bargaining process. At the outset, questions of representation and legitimacy became visible; in the middle phase, the labor side's demands were carried into the process from outside the commission and through the public channel; and in the final phase, the decision was closed under the decisive weight of the public side. For this reason, the 2026 determination process may be regarded not so much as a test that measures each model parameter one by one, but rather as a strong case illustrating that the result reached in the simulation section is consistent with current decision-making practice in Türkiye. It should also be kept in mind that a similar pattern had been observed in previous years.

A closer look at the most recent determination process suggests that the structure discussed in the simulations is not merely abstract in the Turkish case. The way in which the decision took shape makes visible how the depth of conflict and institutional asymmetry work together and how this combination narrows the bargaining space. In this way, it becomes clearer that the minimum wage is not simply a numerical compromise, but also the product of a particular institutional decision structure.

6. Conclusion

In light of all these explanations, it can be concluded that the minimum wage determination process in Türkiye is not merely a bargaining model shaped around the wage level, but should be evaluated as a multi-actor process operating within institutional rules and a specific decision-making structure. The model developed in this study shows that, especially when disagreement between the labor and employer sides deepens and procedural asymmetry becomes more pronounced, the final outcome moves away from the bargaining mechanism and approaches the public side's reference wage. In this respect, the model offers a theoretical contribution to the literature.

The results obtained from running the theoretical model take on more concrete meaning when considered alongside the current wage determination mechanism examined in the study. This is because the functioning of the process points to a structure different from a bargaining arrangement conducted by the parties under equal conditions; rather, it indicates a structure in which the public side's weight over the agenda, procedure, and closure of the decision is evident. The findings obtained from this perspective show that the mechanism predicted by the model describes a process compatible with the Turkish case.

The main contribution of the study also emerges at this point. That is, it moves the minimum wage debate away from the question of "what level should it be?" and directs it toward

the question of "within what institutional structure and under what relations of weight is this decision formed?" In this sense, it shows that the minimum wage should not be evaluated solely by economic indicators, but also by the decision-making mechanism itself.

Finally, it should be noted that the study has certain limitations. It can be said that the source of these limitations is that the study develops a theoretical model and applies it to scenario analysis and case-based discussion. Therefore, the fact that the parameters have not been empirically tested and that the model offers a static structure limits the interpretation of the findings as results with direct predictive power. In future studies, testing this framework with empirical data and extending it within a dynamic structure may be important, as it could offer opportunities for new studies that further improve the model's explanatory power.

Research and Publication Ethics Statement

All stages of this study were conducted in accordance with research and publication ethics, ethical standards, and the principles of scholarly citation.

Conflict of Interest Statement

The author declare that there are no potential conflicts of interest concerning the research, authorship, or publication of this study.

AI Usage Statement

During the preparation of this study, ChatGPT (OpenAI) was used to assist with translation and to improve the readability and grammatical accuracy of the manuscript. No part of the theoretical model, analysis, or results was generated by AI. All outputs were carefully reviewed and revised by the authors, who take full responsibility for the final content.

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