

EMPLOYMENT IN CONSTRUCTION PREVENTED AN INCREASE IN NON-AGRICULTURAL UNEMPLOYMENT

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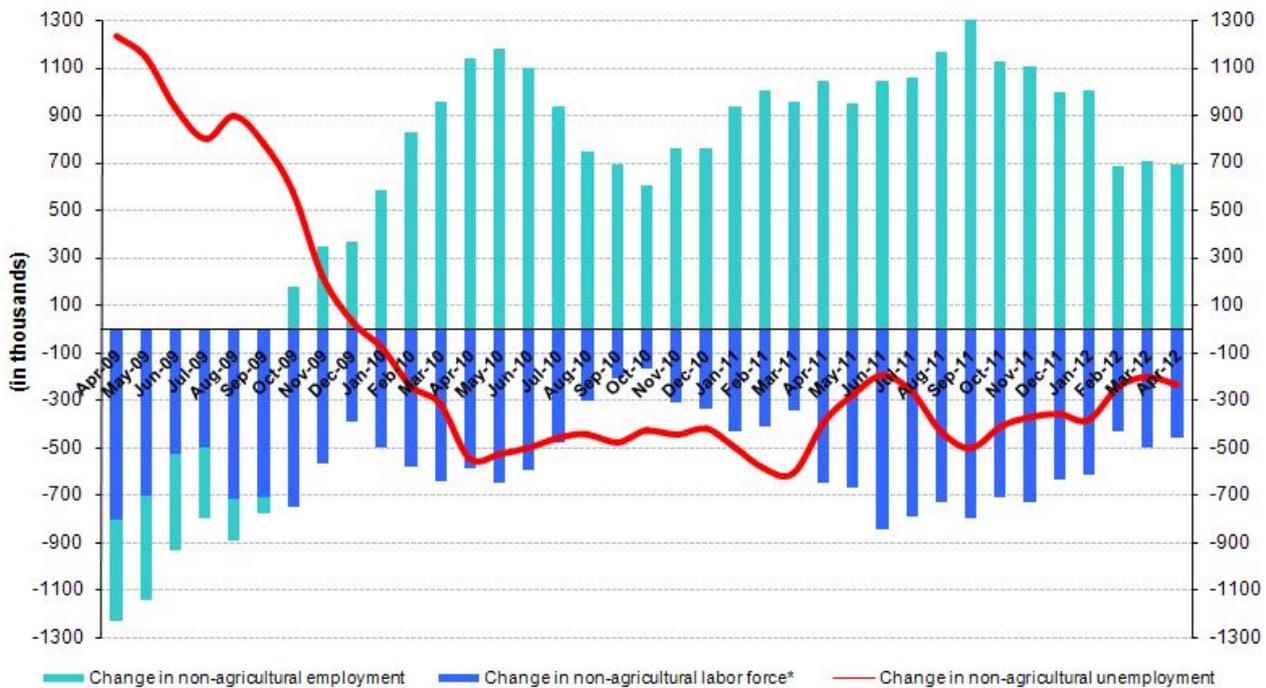
Executive Summary

Seasonally adjusted labor market data shows that non-agricultural unemployment rate decreased from 11.3 percent to 11.2 percent in the period of April 2012. Increase in both service and manufacturing remained limited in line with the low growth rate; however we observe that an increase in construction employment prevented an increase in non-agricultural unemployment.

There is a slowdown in the non-agricultural labor market

According to the labor market statistics released by TurkStat on July 16th, in the period of April 2012 (March – April – May) non-agricultural labor force only increased by 458 thousand (2.2 percent), non-agricultural employment increased by 694 thousand (3.9 percent) and the number of unemployed persons in non-agricultural decreased by 236 thousand to 2 million 325 thousand on a year-on-year basis (Figure 1). Non-agricultural unemployment rate has been decreasing parallel to stagnation in increase in employment and labor force for past three periods.

Figure 1 Year-on-year changes in non-agricultural labor force, employment and unemployment



* The change in labor force represented with a negative sign.

Source: TurkStat, **Betam**

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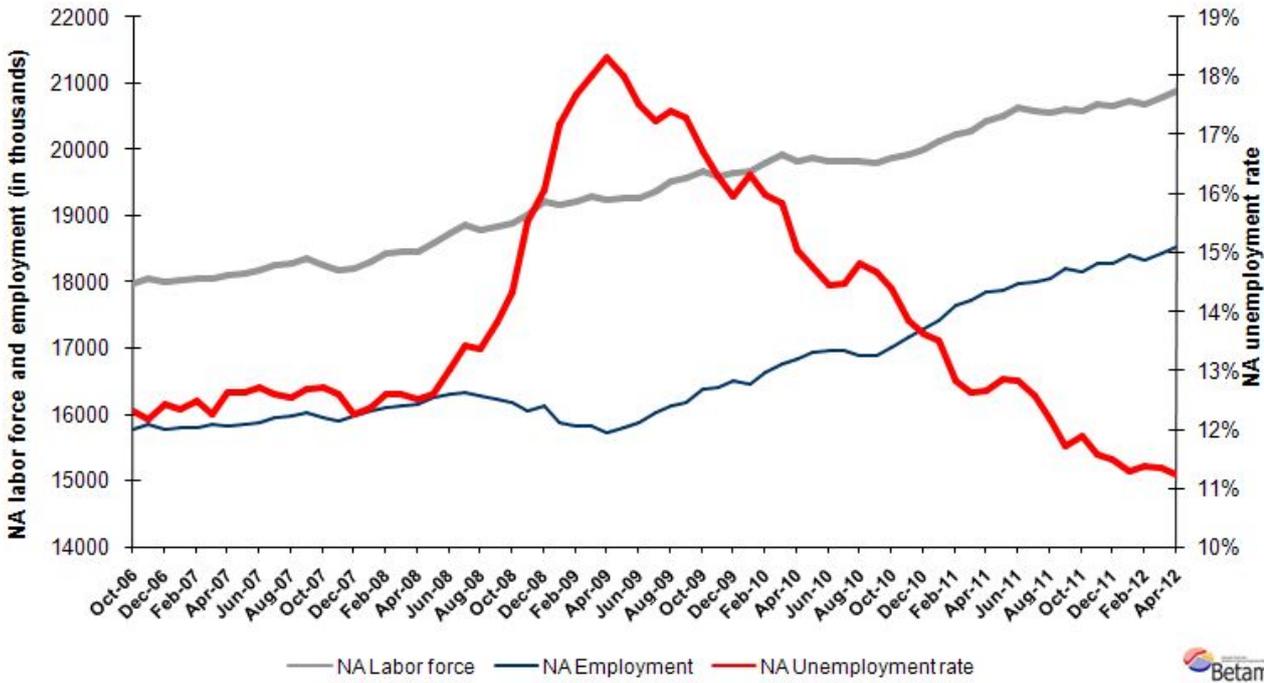
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Seasonally adjusted non-agricultural unemployment stagnates

According to seasonally adjusted series, non-agricultural labor force increased by 109 thousand to 20 million 888 thousand in the period of April compared to the period of March 2012 (Figure 2, Table 1). Non-agricultural employment increased by 119 thousand and reached 18 million 543 thousand. Consequently, the number of unemployed persons in non-agricultural sectors decreased by 10 thousand and seasonally adjusted non-agricultural unemployment rate decreased by 0.1 percentage point from 11.3 percent to 11.2 percent (Figure 2). Increases in employment and in labor force both slowed down leading to slight declines in the non-agricultural unemployment rate.

Figure 2 Seasonally adjusted non-agricultural labor force, employment and unemployment



Source: TurkStat, **Betam**

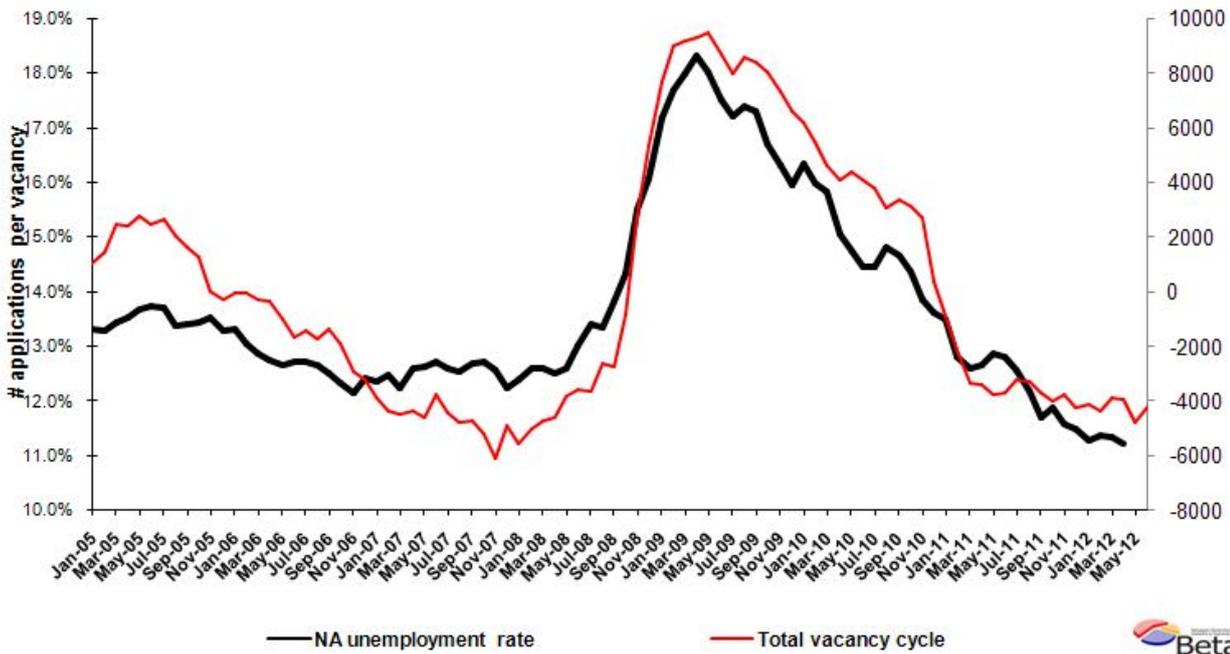
According to Kariyer.net series non-agricultural employment will continue to stagnate in the period of May 2012

In the previous research briefs, we used seasonal and calendar adjusted application per vacancy series released by Kariyer.net. However, we started using total vacancy series as the total application series contains a structural break due to technical difficulties since April 2012¹.

According to data released by Kariyer.net the vacancy series provided by the firms in the previous period pointed to a decline in non-agricultural unemployment rate for the period of April 2012. Data from April 2012 verified this expectation. Current Kariyer.net series show a slight increase in non-agricultural unemployment rate. We believe that non-agricultural unemployment rate will remain stagnant in the next period considering the labor force market indicators in the past periods.

¹ Seasonal and calendar adjustment procedure is applied to total vacancy series released by Kariyer.net. Total vacancy series is continuously increasing given that the customers base of Kariyer.net is widening overtime. Therefore we calculate the cycle of the series by subtracting the absolute number from the trend calculated by a Hodrick-Prescott filter. Since the changes in the number of vacancies are negatively correlated with the changes in unemployment we use the inverse of total vacancy series by multiplying it with -1. Although this vacancy series are not as strong forecasters as the application per vacancy series, it gives an idea for the direction of non-agricultural unemployment.

Figure 3 Seasonally adjusted non-agricultural unemployment rate and total vacancy cycle



Data source: Kariyer.net, TurkStat, **Betam**

Construction employment increased by 5.8 percent in a single period²

According to seasonally adjusted figures, construction employment increased by 91 thousand in the period of April 2012 (Table 2, Figure 4). This indicates a 5.8 percent increase from the period of March to the period of April. Strong increase in construction employment, which has been decreasing since the period of October 2011, is surprising. New developments in the construction sector should be monitored closely.

Service and manufacturing employment increased by 12 thousand and 17 thousand, respectively. We observe that low growth rate has an effect on service and manufacturing employment. However, abnormal increase in construction employment prevented an increase in non-agricultural unemployment.

Agricultural employment had been decreasing since October 2011. In April 2012, it increased by 40 thousand.

² Seasonal adjustment procedure is applied to each sector of employment series separately. Hence the sum of these series may differ from the seasonally adjusted series of total employment. The difference stems from the non-linearity of the seasonal adjustment process.

Table 1 Seasonally adjusted non-agricultural labor force indicators (in thousands)

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
March-09	19292	15818	3473	18.0%			
April-09	19250	15722	3529	18.3%	-41	-97	55
May-09	19260	15790	3470	18.0%	10	69	-59
June-09	19253	15880	3373	17.5%	-7	90	-97
July-09	19357	16024	3334	17.2%	104	143	-39
August-09	19517	16123	3394	17.4%	159	99	60
September-09	19565	16182	3383	17.3%	48	60	-11
October-09	19670	16383	3288	16.7%	105	200	-95
November-09	19602	16407	3195	16.3%	-69	24	-93
December-09	19641	16506	3136	16.0%	40	99	-59
January-10	19682	16467	3214	16.3%	40	-38	79
February-10	19810	16641	3168	16.0%	128	174	-46
March-10	19913	16758	3156	15.8%	104	117	-13
April-10	19810	16828	2982	15.1%	-103	70	-173
May-10	19870	16939	2931	14.8%	59	111	-51
June-10	19814	16951	2863	14.4%	-55	13	-68
July-10	19823	16956	2868	14.5%	9	4	5
August-10	19828	16890	2938	14.8%	5	-65	70
September-10	19802	16896	2906	14.7%	-26	6	-31
October-10	19870	17013	2856	14.4%	68	118	-50
November-10	19936	17177	2760	13.8%	67	163	-97
December-10	20007	17280	2727	13.6%	70	103	-33
January-11	20124	17408	2717	13.5%	118	128	-10
February-11	20237	17644	2593	12.8%	112	236	-124
March-11	20267	17711	2556	12.6%	30	67	-37
April-11	20436	17851	2585	12.6%	170	141	29
May-11	20509	17873	2636	12.9%	73	22	51
June-11	20627	17983	2645	12.8%	118	110	9
July-11	20593	18004	2589	12.6%	-34	21	-56
August-11	20558	18054	2503	12.2%	-35	50	-85
September-11	20600	18190	2409	11.7%	42	136	-94
October-11	20592	18149	2444	11.9%	-7	-42	35
November-11	20672	18280	2391	11.6%	79	132	-53
December-11	20655	18283	2373	11.5%	-16	2	-19
January-12	20745	18405	2339	11.3%	89	122	-33
February-12	20691	18337	2354	11.4%	-54	-68	14
March-12	20780	18424	2356	11.3%	89	87	2
April-12	20888	18543	2346	11.2%	109	119	-10

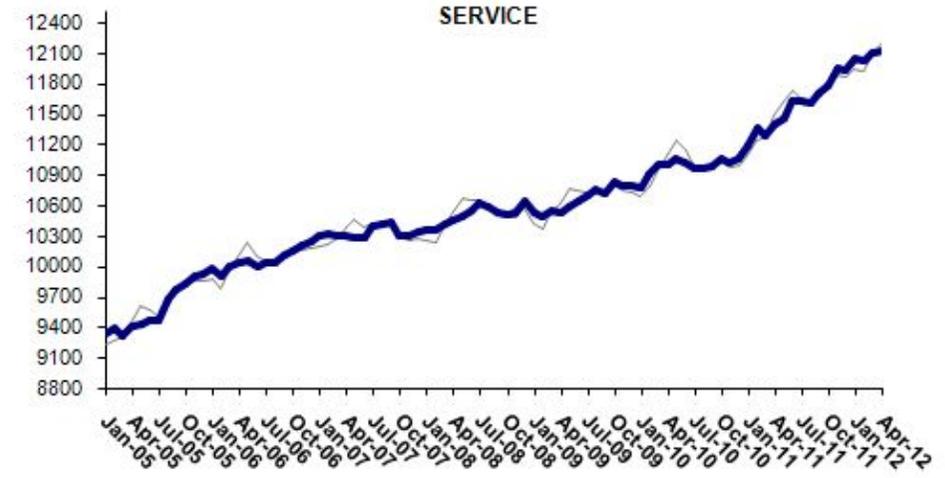
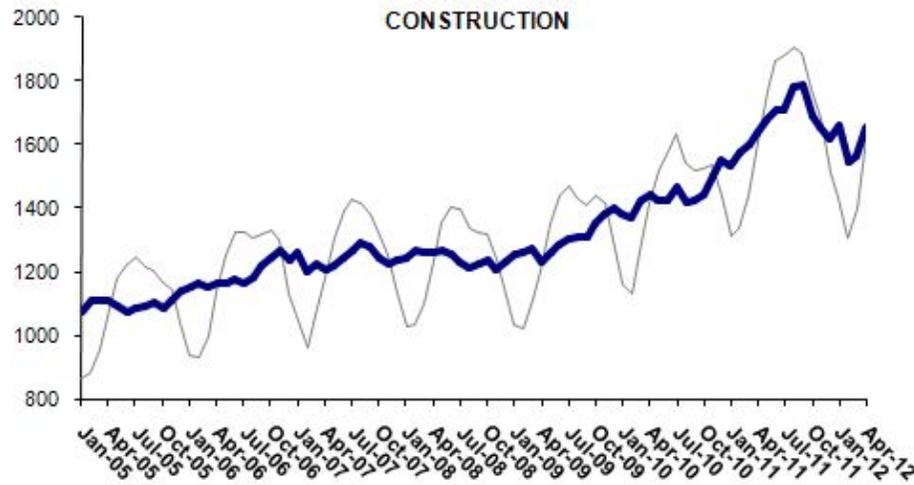
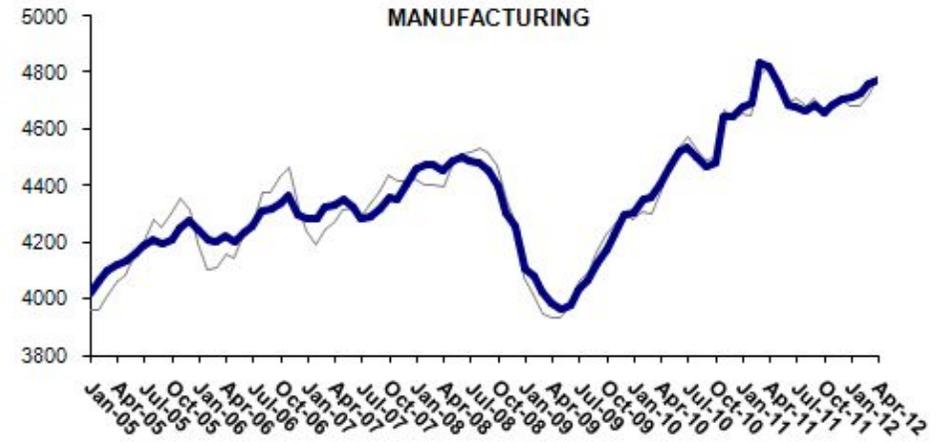
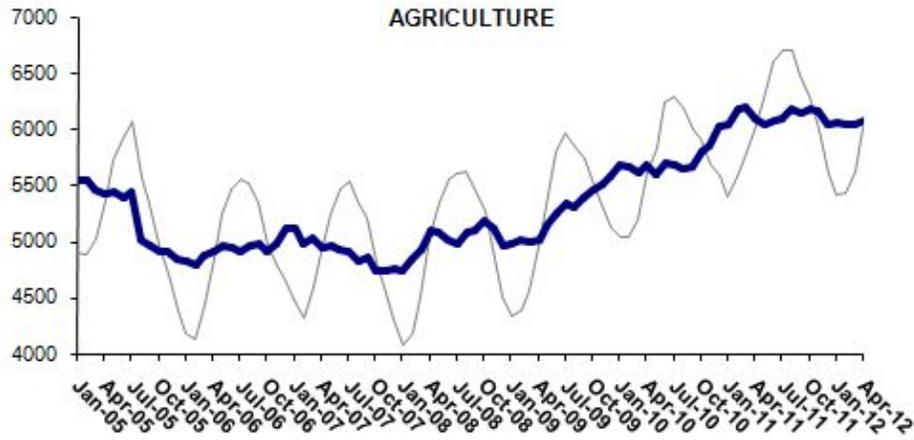
Source: TurkStat, **Betam**

Table 2 Seasonally adjusted sector of employment (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
March-09	4994	4025	1271	10550				
April-09	5010	3984	1231	10526	16	-41	-40	-24
May-09	5152	3965	1260	10584	142	-19	29	57
June-09	5252	3978	1287	10636	100	13	26	52
July-09	5336	4035	1304	10697	84	57	18	62
August-09	5305	4063	1309	10750	-31	28	5	53
September-09	5394	4127	1312	10722	89	64	2	-28
October-09	5452	4177	1354	10822	57	50	42	99
November-09	5503	4227	1383	10791	51	50	29	-31
December-09	5575	4294	1403	10793	72	68	20	2
January-10	5673	4305	1381	10782	98	10	-22	-11
February-10	5659	4355	1372	10902	-14	50	-9	121
March-10	5620	4361	1423	11003	-39	7	51	101
April-10	5676	4404	1443	11002	56	42	20	-2
May-10	5592	4471	1426	11057	-84	67	-17	55
June-10	5704	4525	1426	11026	112	54	0	-31
July-10	5673	4536	1464	10957	-31	11	38	-69
August-10	5652	4501	1415	10962	-21	-35	-49	5
September-10	5667	4465	1422	10988	15	-36	6	25
October-10	5802	4481	1440	11059	135	16	18	72
November-10	5855	4648	1506	11020	52	167	66	-39
December-10	6028	4646	1549	11066	173	-1	43	46
January-11	6032	4683	1535	11188	4	37	-14	123
February-11	6180	4695	1578	11354	148	12	44	166
March-11	6201	4835	1603	11290	20	141	25	-64
April-11	6087	4823	1636	11403	-113	-12	33	113
May-11	6042	4762	1677	11447	-45	-61	42	44
June-11	6074	4689	1708	11626	32	-72	31	179
July-11	6096	4677	1710	11630	22	-12	2	4
August-11	6173	4668	1779	11604	77	-9	69	-26
September-11	6141	4689	1788	11702	-32	21	8	98
October-11	6182	4657	1689	11777	40	-32	-99	74
November-11	6158	4689	1654	11943	-24	32	-35	167
December-11	6047	4709	1621	11936	-111	20	-33	-8
January-12	6052	4715	1658	12037	5	6	37	101
February-12	6038	4728	1547	12035	-14	13	-111	-2
March-12	6032	4760	1565	12105	-6	32	18	70
April-12	6072	4777	1656	12116	40	17	91	12

Source: TurkStat, **Betam**

Figure 4 Employment changes in sectors (in thousands)³



Source: TurkStat, **Betam**



³ Grey lines indicate seasonally adjusted series, where dark blue lines represent raw data.