

NON-AGRICULTURAL UNEMPLOYMENT RATE DECREASED

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Abstract

Seasonally adjusted labor market data shows that the non-agricultural unemployment rate decreased from 11.7 percent in the period of January 2013 to 11.6 percent in the period of February 2013. We observe that in the manufacturing sector, the increase in employment has been accelerating since the last quarter of 2012. Service employment increased by 55 thousand as well. Kariyer.net series indicate that this slow but consistent decline might continue in the period of March 2013.

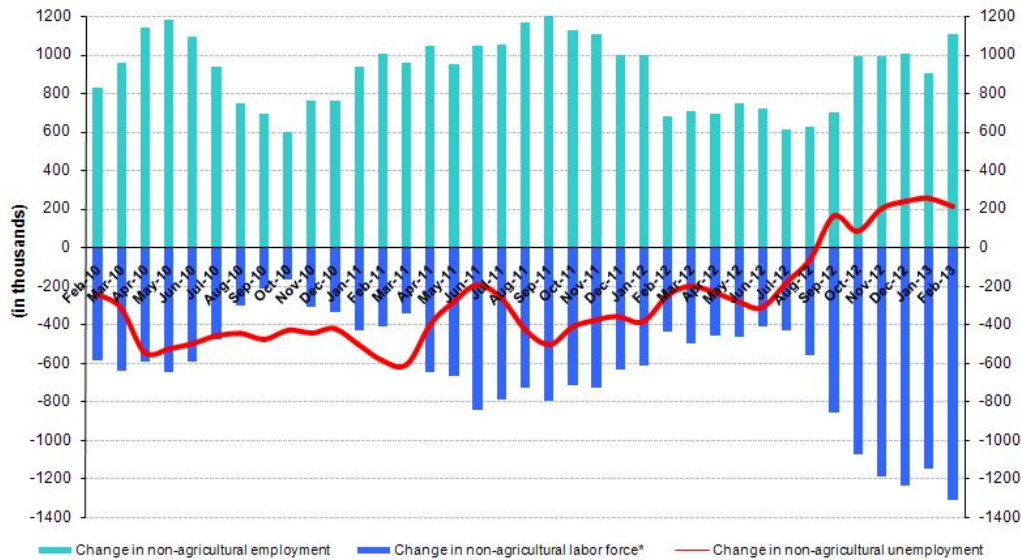
LABOR MARKET HIGHLIGHT

How rigid is the labor market in Turkey?

Labor market rigidity can be measured via various indicators. OECD uses the ratio of minimum wage to mean or median wage as a measure of labor market rigidity. The ratio of minimum wage to median wage in Turkey is 0.71, the highest ratio among the OECD countries. According to this measure, minimum wage is closer to the mean wage in Turkey compared to other countries such as Poland, Romania, and Hungary. Given that Turkey is not competitive enough, the taxes on labor should be reduced and regional minimum wages should be introduced.

Despite low growth, both employment and labor force have been strongly increasing in non-agricultural sectors

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**

According to the data released by TurkSTAT, non-agricultural labor force increased by 1 million 315 thousand (6.4 percent) and non-agricultural employment increased by 1 million 104 thousand (6.2 percent) in the period of February 2013 (Figure 1). Despite a growth rate below 3 percent, there is a remarkable increase in employment.

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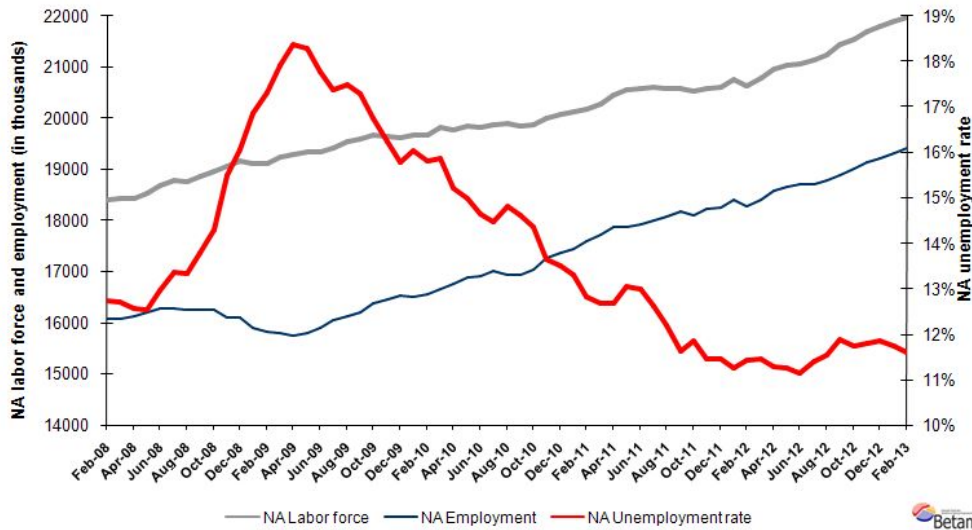
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The year-on-year increase in non-agricultural employment has been the strongest in the past year. On the other hand, the increase in non-agricultural labor force is the strongest annual increase since January 2005.

Seasonally adjusted non-agricultural unemployment continues to decrease

According to seasonally adjusted data, the non-agricultural labor force increased by 67 thousand to reach 21 million 964 thousand in the period of February 2013 compared to the period of January 2013 (Figure 2, Table 1). Non-agricultural employment increased by 91 thousand and reached 19 million 420 thousand. Consequently, the number of persons unemployed in non-agricultural sectors decreased by 23 thousand and non-agricultural unemployment rate fell slightly to 11.6 percent.

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

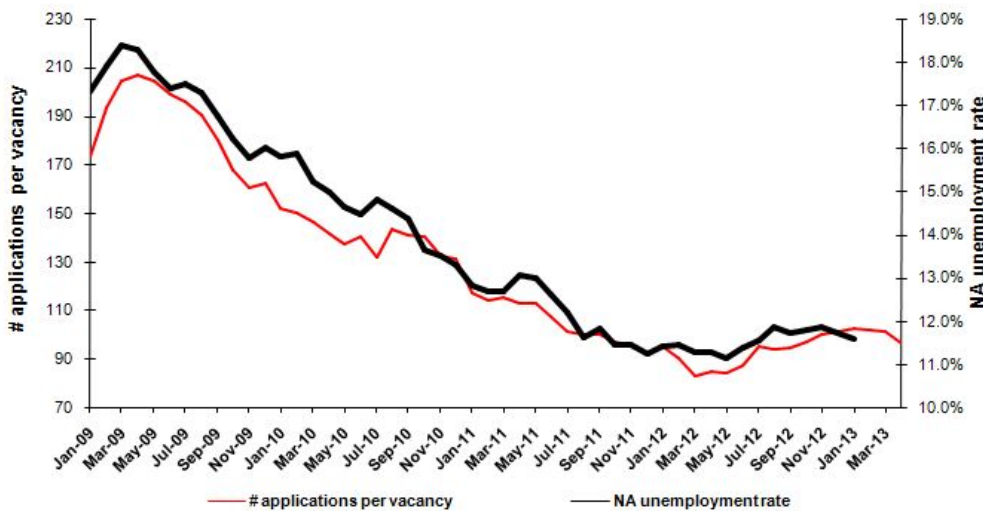


Source: TurkStat, **Betam**

According to Kariyer.net data, non-agricultural unemployment might decrease in the period of March 2013

Application per vacancy calculated by using series released by Kariyer.net¹ indicates that non-agricultural unemployment rate might continue to decrease in the period of March 2013.

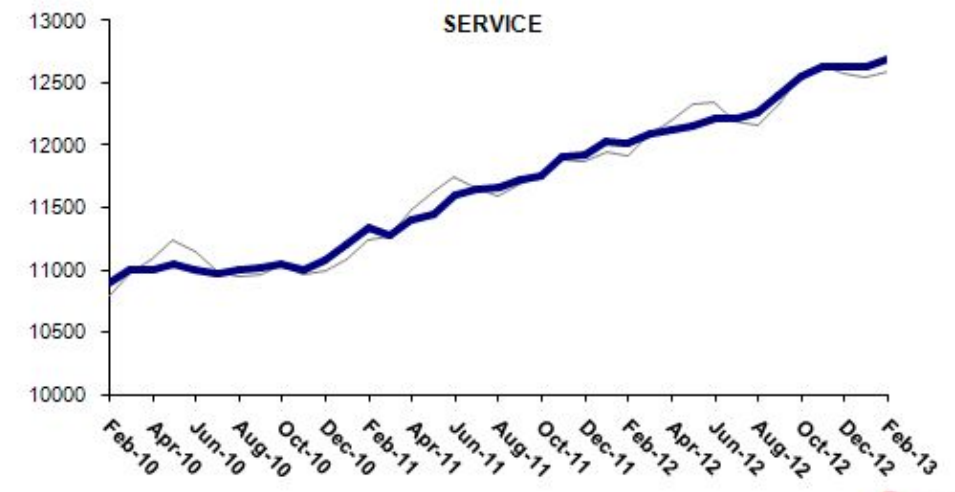
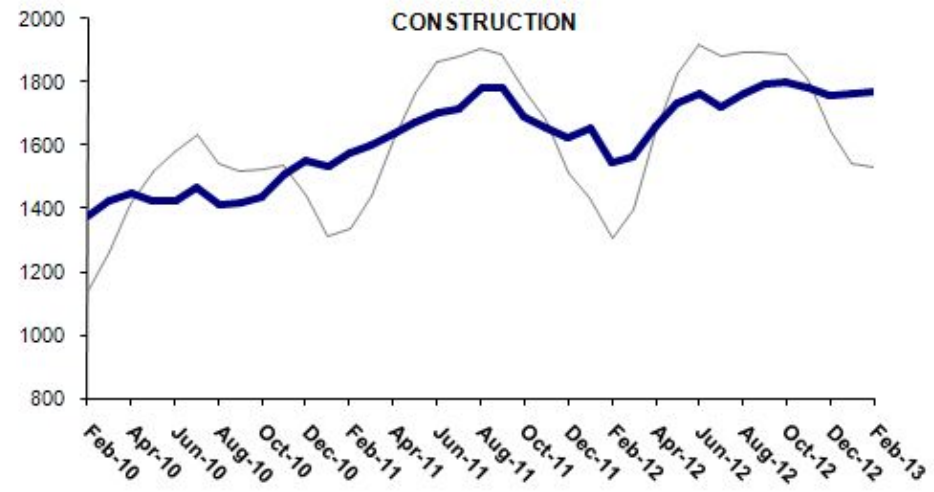
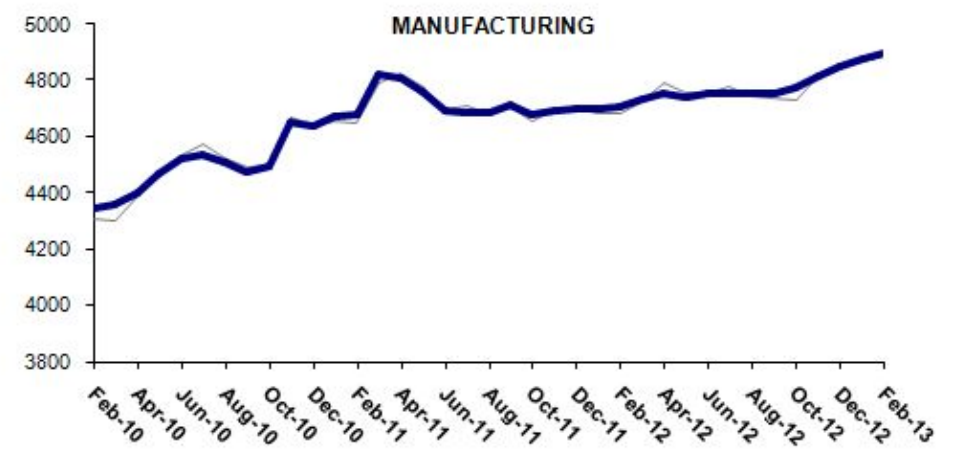
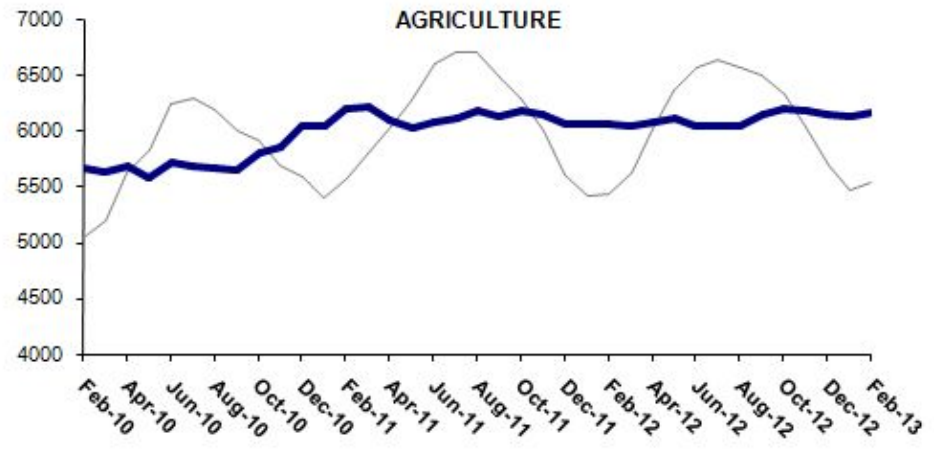
Figure 1 Seasonally adjusted non-agricultural unemployment rate and application per vacancy



Source: Kariyer.net, TurkStat, **Betam**

¹ Betam has been calculating application per vacancy using series released by Kariyer.net for a while. Seasonal and calendar adjustment procedure is applied to application per vacancy series. A decrease in applications per vacancy may be caused by an increase in vacancies or by a decrease in the number of applications. An increase in vacancies signals economic growth while decreasing number of applications indicates a decrease in number of people looking for a job.

Figure 2 Employment by sectors (in thousands)²



Source: TurkStat, Betam

² Grey lines indicate seasonally adjusted series, where dark blue lines represent raw data.

Manufacturing employment has been continuing to increase

We observe employment increases in all sectors from January 2013 to February 2013 (Table 2, Figure 4)³. Even though the increase in service employment seems to have slowed down, there was still an increase of 55 thousand in the period of February 2013. Construction employment and agricultural employment increased by 9 thousand and 33 thousand respectively. Meanwhile manufacturing employment increased by 23 thousand. The increase in manufacturing employment has been accelerating since the last quarter of 2012. Consistent increases in manufacturing production index in January and February 2013 have reflected on service employment.

³ Employment in each sector is seasonally adjusted 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.

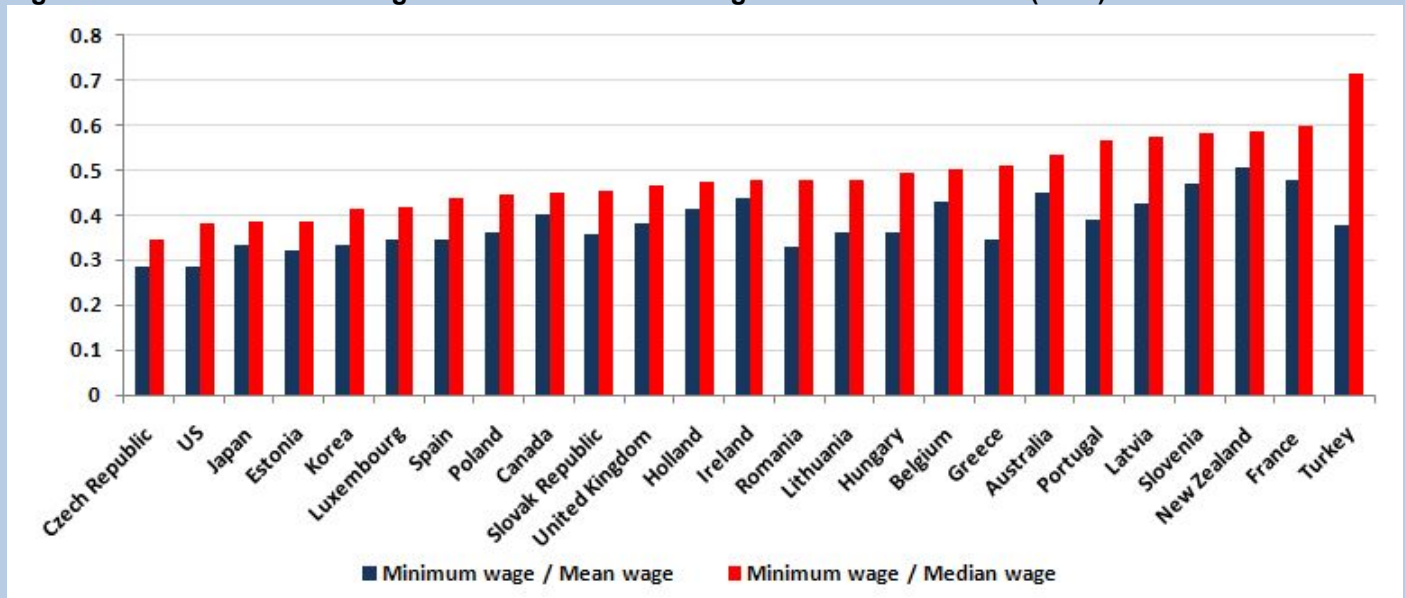
LABOR MARKET HIGHLIGHT

How rigid is the labor market in Turkey?

Labor market rigidity is a widely disputed issue. There is a simple reason why: A common measure of labor market rigidity or flexibility does not exist. However, the OECD has been using various indicators such as the level of firing and hiring costs, the prevalence of part-time jobs, the ratio of minimum wage to mean or median wage in order to measure the degree of labor market rigidity. Figure A presents the ratios of minimum wages to mean wages and median wages in various countries in 2011, calculated by the OECD. One should note that the OECD uses median earnings comprising all income types obtained by workers instead of the median wage, to facilitate the international comparison. We would like to remind the reader that earnings do not reflect only wages but also taxes, payments for working overtime, bonus payments, etc. As such, they reflect the labor costs. Since the OECD uses the Wage Structure Survey, a firm-level survey, the informally employed workers and their wages are not included in its calculations. Thus, comparison of rigidity or flexibility is restricted to formal labor markets.

Generally speaking, the closer the minimum wage to mean/median wage, i.e. the smaller the difference between mean/median wage and minimum wage, the more rigid the labor market. Minimum wage sets the floor of wages in labor market. Thus, wages in the labor market cannot be less than minimum wage. One could think that if the minimum wage is set close to the mean/median wage, those with lower skill sets and lower productivity levels are paid relatively higher wages.

Figure A Ratio of minimum wage to mean and median wage in various countries (2011)



Source: OECD: <http://stats.oecd.org/Index.aspx?DatasetCode=MIN2AVE>

In Figure A, the ratios of minimum wages to median wages (minimum wage / median wage) in OECD countries are presented in ascending order. The ratios of minimum wages to mean wages (minimum wage / mean wage) are presented for each country as well. Given that the wage distribution is normal, median wages provide a better measure of central tendency. Clearly, among the OECD countries, Turkey has the highest ratio of minimum wage to median wage at 0.71. It is remarkable that the ratio of minimum wage to median wage is around 0.50 in countries such as Poland, Romania, Hungary, which were among the Eastern Bloc and are considered to be generous welfare states.

Turkey is the 10th among 24 countries in terms of the ratio of minimum wage to mean wage (minimum wage / mean wage = 0.38). In other words, mean wages are relatively higher than median wages in Turkey. This is a common finding. A higher share of low wage workers leads to a lower median wage than the mean wage. However, the difference is strikingly higher in Turkey.

This would be a good point to remember that wages of informal workers are not included in the calculations. Given that the wages of informal workers are lower than those of formal workers, the ratio of minimum wage to both the mean wage and median wage will be higher when informal workers are included.

Consequently, the formal labor market in Turkey, along with France, is the most rigid among the OECD countries in terms of the ratio of minimum wage to median wage. The least rigid countries are the Czech Republic and the US in terms of this measure. What should be done in the formal labor market in Turkey? Either median earnings should increase or gross minimum wage should be decreased. The first option is not acceptable for the economy in Turkey which already suffers from low competitiveness. Inevitably, gross minimum wage should be reduced. There are two ways to do this: either the tax burden on wages should be reduced or regional minimum wages should be introduced. Probably, both policies should be implemented simultaneously. We will analyze regional labor market rigidities in Turkey in the next month's labor market highlight.

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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
January-10	19662	16511	3151	16.0%			
February-10	19673	16564	3109	15.8%	11	53	-42
March-10	19814	16670	3144	15.9%	141	106	35
April-10	19775	16766	3009	15.2%	-39	96	-134
May-10	19851	16876	2975	15.0%	75	110	-34
June-10	19824	16923	2901	14.6%	-27	47	-74
July-10	19881	17001	2880	14.5%	57	79	-21
August-10	19888	16941	2948	14.8%	7	-61	68
September-10	19841	16940	2901	14.6%	-47	-1	-47
October-10	19881	17027	2854	14.4%	40	87	-48
November-10	19992	17265	2727	13.6%	112	238	-126
December-10	20073	17360	2713	13.5%	80	95	-14
January-11	20130	17453	2677	13.3%	57	93	-36
February-11	20177	17591	2585	12.8%	47	138	-92
March-11	20288	17714	2573	12.7%	111	123	-12
April-11	20461	17869	2593	12.7%	174	154	20
May-11	20551	17867	2684	13.1%	90	-1	91
June-11	20585	17912	2673	13.0%	34	44	-11
July-11	20598	17998	2601	12.6%	13	86	-73
August-11	20590	18079	2511	12.2%	-8	81	-90
September-11	20577	18187	2390	11.6%	-13	108	-121
October-11	20525	18095	2430	11.8%	-51	-92	40
November-11	20587	18232	2355	11.4%	62	137	-75
December-11	20618	18260	2358	11.4%	31	27	4
January-12	20747	18412	2335	11.3%	129	152	-23
February-12	20630	18275	2355	11.4%	-117	-137	20
March-12	20787	18409	2378	11.4%	157	134	23
April-12	20950	18586	2364	11.3%	163	177	-14
May-12	21037	18667	2370	11.3%	87	81	6
June-12	21062	18718	2344	11.1%	25	51	-26
July-12	21129	18721	2409	11.4%	68	3	65
August-12	21243	18790	2453	11.5%	114	69	45
September-12	21434	18887	2546	11.9%	190	97	93
October-12	21535	19008	2527	11.7%	101	121	-20
November-12	21690	19129	2561	11.8%	155	121	34
December-12	21808	19222	2586	11.9%	118	93	26
January-13	21896	19329	2567	11.7%	88	107	-19
February-13	21964	19420	2544	11.6%	67	91	-23

Source: TurkStat, **Betam**

Table 2 Seasonally adjusted employment by sector (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
January-10	5682	4299	1383	10794				
February-10	5667	4347	1374	10897	-14	49	-9	103
March-10	5621	4356	1425	10993	-46	9	52	96
April-10	5673	4399	1446	10997	51	43	21	4
May-10	5576	4472	1423	11050	-97	73	-23	52
June-10	5711	4525	1423	11006	135	54	0	-44
July-10	5679	4538	1469	10968	-32	13	47	-38
August-10	5658	4509	1414	10997	-21	-29	-55	29
September-10	5654	4477	1416	11010	-4	-32	1	13
October-10	5793	4493	1437	11045	139	16	21	35
November-10	5849	4649	1506	11004	55	156	69	-41
December-10	6033	4641	1552	11071	184	-9	46	67
January-11	6043	4673	1535	11194	10	33	-17	123
February-11	6193	4682	1579	11340	150	8	44	146
March-11	6205	4823	1602	11282	12	141	24	-57
April-11	6084	4810	1639	11402	-121	-13	37	120
May-11	6021	4763	1675	11446	-63	-47	36	44
June-11	6082	4692	1706	11602	61	-71	31	155
July-11	6104	4685	1716	11652	22	-7	11	50
August-11	6184	4683	1780	11660	80	-2	64	9
September-11	6127	4711	1784	11730	-57	28	3	69
October-11	6171	4678	1688	11752	44	-32	-96	22
November-11	6151	4692	1654	11900	-20	14	-34	148
December-11	6051	4699	1622	11929	-100	6	-32	28
January-12	6063	4698	1657	12031	12	-1	35	103
February-12	6050	4706	1547	12017	-13	8	-110	-14
March-12	6035	4736	1562	12097	-15	31	16	80
April-12	6067	4754	1659	12118	32	17	97	21
May-12	6111	4739	1734	12158	44	-15	75	40
June-12	6040	4753	1764	12208	-71	15	30	50
July-12	6041	4755	1719	12210	1	2	-44	3
August-12	6046	4756	1763	12257	5	1	44	47
September-12	6151	4755	1792	12393	105	-2	28	135
October-12	6195	4772	1799	12548	44	17	7	155
November-12	6183	4813	1781	12629	-12	41	-18	80
December-12	6138	4851	1757	12629	-45	38	-24	0
January-13	6123	4876	1762	12638	-16	25	5	9
February-13	6155	4900	1771	12693	33	23	9	55

Source: TurkStat, **Betam**