NON-AGRICULTURAL UNEMPLOYMENT CONTINUES TO INCREASE RAPIDLY

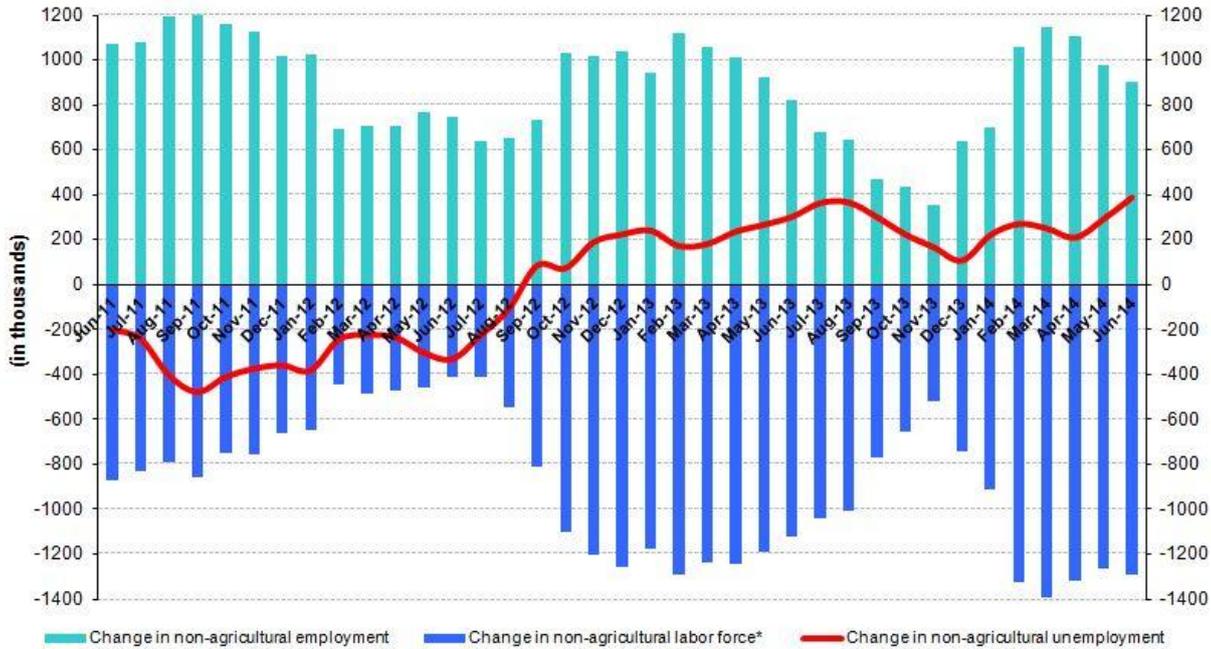**Seyfettin Gürsel[*] , Zümrüt İmamoğlu[**] and Ayşenur Acar[***]**

Abstract

Seasonally adjusted labor market data shows that non-agricultural unemployment rate increased by 0.5 percentage point in the period of June 2014 compared to the period of May 2014, and reached 12 percent. In this period, we observe employment loses in all sectors, with the exception of the service sector. Employment growth could not counterbalance the increase in labor force, hence non-agricultural unemployment increased in this period. Non-agricultural unemployment rate that has stagnated in the range of 10-11 percent since January 2011, reached 12 percent in this period. Our forecasting model based on Kariyer.net data indicates that non-agricultural unemployment will continue to increase in the next period.

Slowing down in annual increases in non-agricultural employment

According to the data released by TurkSTAT, non-agricultural labor force increased by 1 million 288 thousand (5.9 percent) and non-agricultural employment increased by 904 thousand (4.6 percent) in the period of June 2014 (Figure 1). Consequently, the number of persons unemployed in non-agricultural sectors increased by 384 thousand. Annual increases in non-agricultural employment slowed down compared to the increases in non-agricultural labor force. While non-agricultural labor force has been increasing over 1 million since the last two periods, increases in non-agricultural employment has been below 1 million. Hence, number of unemployed increased in this period. Slowdown in the growth rate is reflecting on the labor market.

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

Change in non-agricultural employment Change in non-agricultural labor force* Change in non-agricultural unemployment

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

Source: TurkSTAT, **Betam**

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Non-agricultural unemployment continues to increase

According to seasonally adjusted data, non-agricultural labor force increased by 104 thousand in the period of June 2014 compared to the period of May 2014, and reached 23 million 124 thousand (Figure 2, Table 1). Non-agricultural employment decreased by 24 thousand and reached 20 million 349 thousand. Hence, the number of persons unemployed in non-agricultural sectors increased by 128 thousand and non-agricultural unemployment rate increased by 0.5 percentage point and reached 12 percent. Given that the non-agricultural unemployment rate has been stagnating in the range of 10 to 11 percent, the increase to 12 percent is sizeable. We would like to remind our readers that non-agricultural unemployment rate reached its peak rate (16.9 percent) during 2009 financial crisis, then it rapidly decreased to the range of 10-11 percent. This rapid increase raises worries about the labor market. Moreover, unemployment forecasting model of Betam indicates that non-agricultural unemployment will continue to increase in the period of July 2014.

**Figure 2 Seasonally adjusted non-agricultural labor force, employment and unemployment**
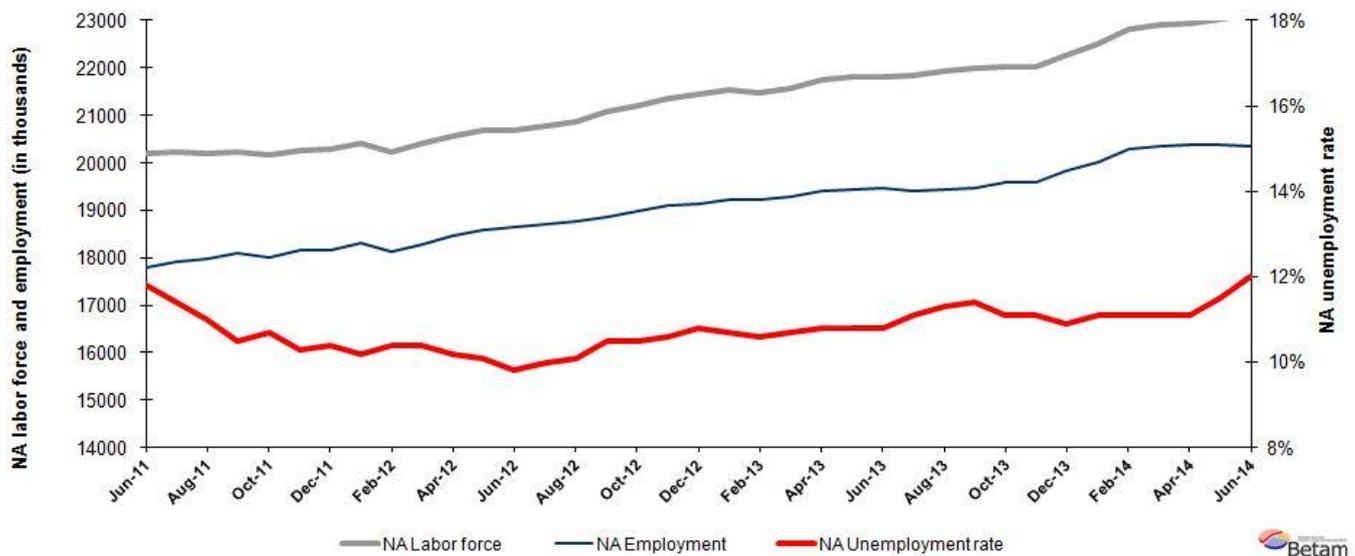
Source: TurkStat, **Betam**

According to Kariyer.net data, non-agricultural unemployment will continue to increase in the next period

Our calculations based on the seasonally adjusted application per vacancy statistics calculated using Kariyer.net[1] series accurately predicted the direction of unemployment for the periods of May and June 2014. Parallel to our expectations , unemployment rapidly increased in these two periods. The seasonally adjusted application per vacancy statistics calculated using Kariyer.net are presented in Figure 3. The application per vacancy has increased since January 2011, continued to increase on July and August. According to the forecasting results, non-agricultural unemployment will increase in the period of July 2014 as well. Unemployment rate will continue to increase in the next period due to economic contraction observed in the second quarter of 2014

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[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. Monthly labor market series released by TurkStat is the average of three months. Therefore, application per vacancy statistics calculated using Kariyer.net series is the average of three months as well.

Figure 3 Seasonally adjusted non-agricultural unemployment rate and application per vacancy
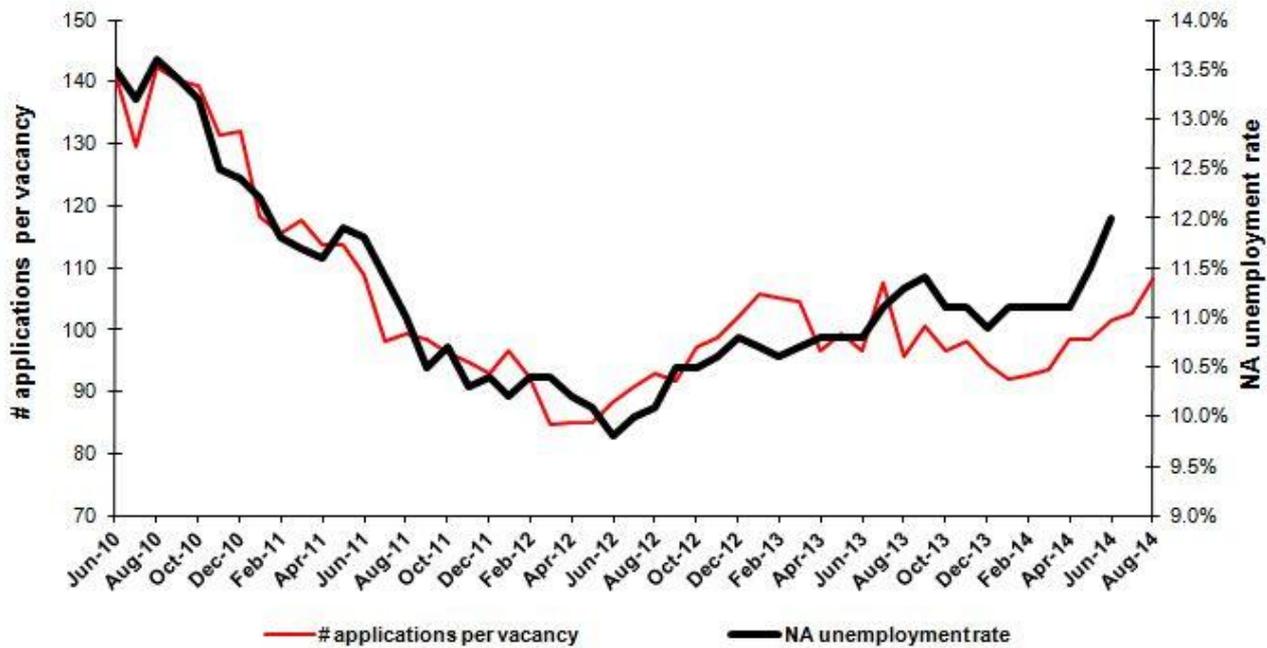

Source: Kariyer.net, TurkStat, **Betam**

Employment losses in all sectors, with the exception of service sector

Seasonally adjusted labor market series show that employment decreased in all sectors (except service sector) in the period of June2014 (Table 2, Figure 4).[2] Service employment that has been decreasing since the last three periods, decreased by 54 thousand in the period of June 2014. Similarly, manufacturing employment that has been slightly decreasing in the period of May 2014, decreased by 32 thousand. Service employment increased by 62 thousand compared to the previous period. However, employment loses in manufacturing and construction sectors could not compensate the increase in manufacturing employment, hence non-agricultural employment decreased by 24 thousand. Employment losses in manufacturing and construction sectors could be taken as response of the economic slowdown in Turkey.

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[2] 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.

Figure 4 Employment by sectors (in thousands)[3]

AGRICULTURE

MANUFACTURING

CONSTRUCTION

SERVICE
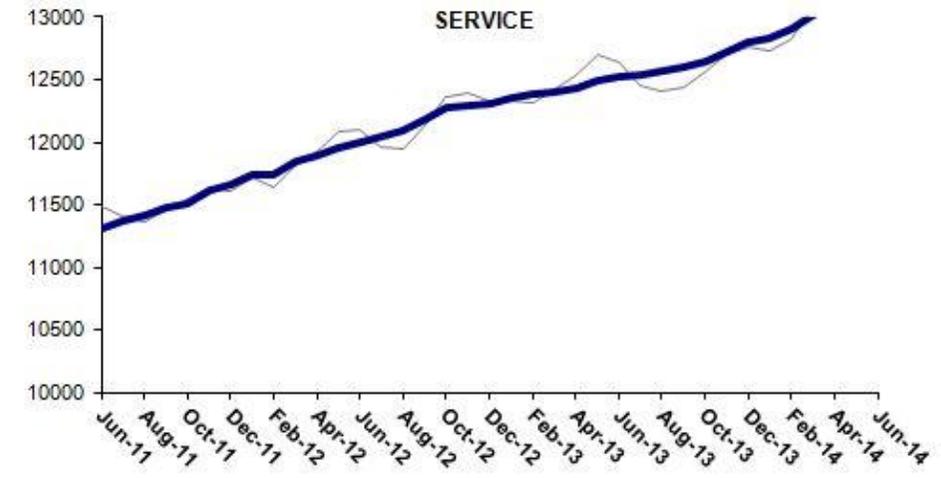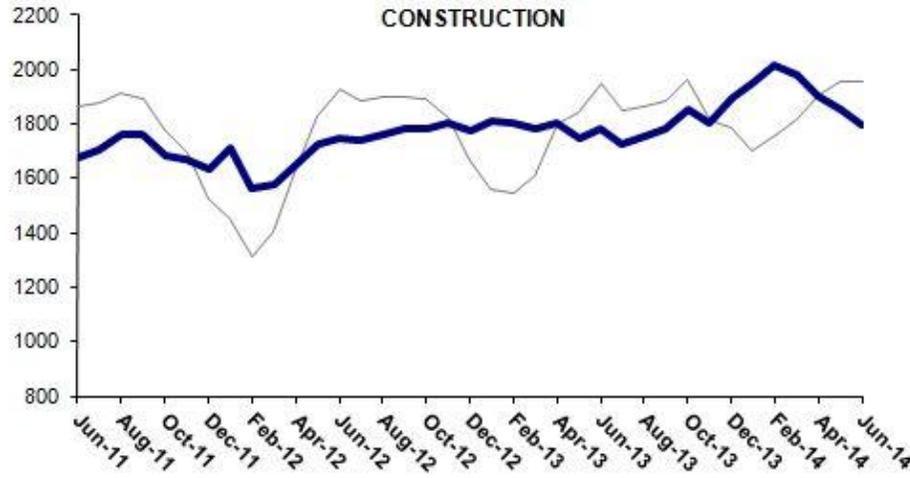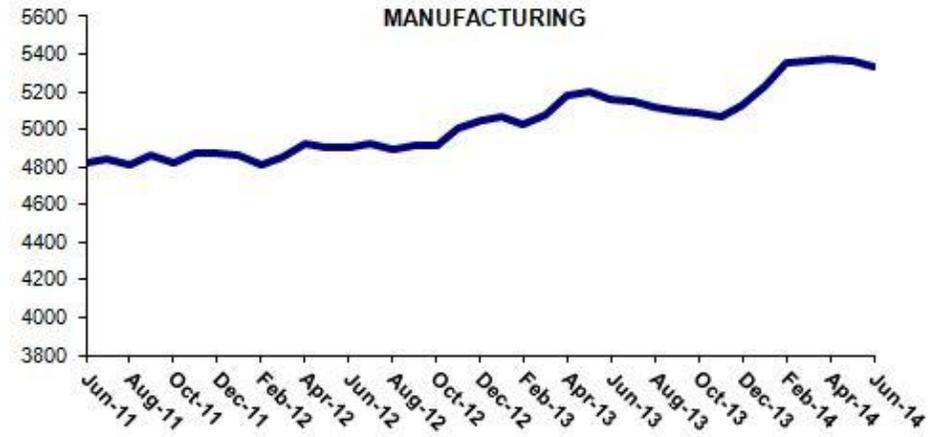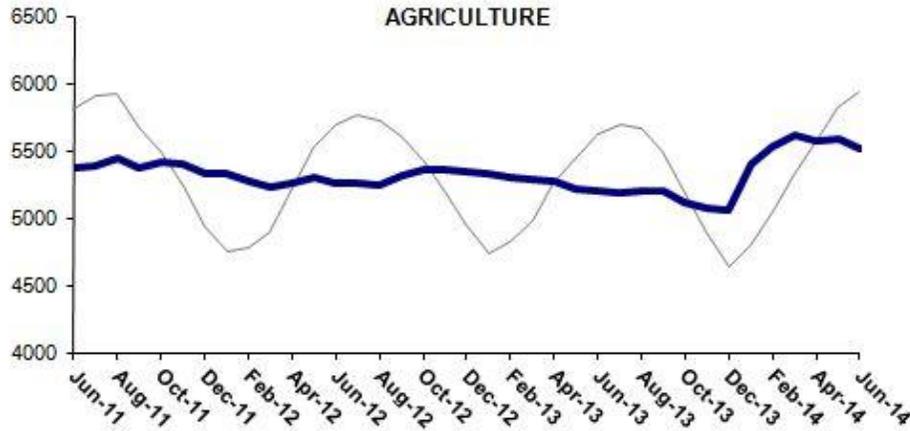
Source: TurkStat, **Betam**

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

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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
May-11	20166	17766	2400	11.9%			
June-11	20190	17808	2382	11.8%	25	42	-17
July-11	20225	17919	2306	11.4%	34	111	-77
August-11	20208	17985	2223	11.0%	-17	66	-83
September-11	20234	18109	2125	10.5%	26	124	-98
October-11	20172	18014	2158	10.7%	-61	-95	34
November-11	20249	18163	2086	10.3%	76	149	-73
December-11	20277	18168	2109	10.4%	28	5	23
January-12	20398	18317	2081	10.2%	121	149	-28
February-12	20220	18117	2103	10.4%	-178	-200	22
March-12	20403	18281	2122	10.4%	183	164	19
April-12	20569	18471	2098	10.2%	166	190	-24
May-12	20671	18583	2088	10.1%	102	112	-10
June-12	20673	18647	2026	9.8%	2	64	-62
July-12	20782	18704	2078	10.0%	109	57	52
August-12	20861	18754	2107	10.1%	79	50	29
September-12	21085	18871	2214	10.5%	224	117	107
October-12	21202	18976	2226	10.5%	117	105	12
November-12	21360	19096	2264	10.6%	158	120	38
December-12	21455	19138	2317	10.8%	95	42	53
January-13	21541	19236	2305	10.7%	86	98	-12
February-13	21492	19214	2278	10.6%	-49	-22	-27
March-13	21582	19273	2309	10.7%	90	59	31
April-13	21756	19406	2350	10.8%	173	133	40
May-13	21802	19447	2355	10.8%	46	41	5
June-13	21820	19463	2357	10.8%	18	16	2
July-13	21836	19412	2424	11.1%	16	-51	67
August-13	21926	19448	2478	11.3%	90	36	54
September-13	21983	19477	2506	11.4%	57	29	28
October-13	22031	19586	2445	11.1%	48	109	-61
November-13	22038	19592	2446	11.1%	7	6	1
December-13	22256	19830	2426	10.9%	218	238	-20
January-14	22517	20018	2499	11.1%	262	188	74
February-14	22822	20289	2533	11.1%	305	271	34
March-14	22898	20356	2542	11.1%	75	67	8
April-14	22935	20389	2546	11.1%	37	33	4
May-14	23020	20373	2647	11.5%	86	-16	102
June-14	23124	20349	2775	12.0%	104	-24	128

Source: TurkStat, **Betam**

Table 2 Seasonally adjusted employment by sector (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
May-11	5310	4915	1660	11191				
June-11	5368	4826	1680	11301	58	-89	20	110
July-11	5385	4846	1706	11367	17	20	26	66
August-11	5445	4816	1761	11408	60	-30	55	41
September-11	5377	4866	1762	11480	-68	50	1	72
October-11	5410	4823	1681	11510	33	-43	-81	30
November-11	5403	4870	1671	11622	-7	47	-10	112
December-11	5328	4873	1636	11659	-75	3	-35	37
January-12	5334	4864	1709	11745	6	-9	73	86
February-12	5278	4808	1563	11746	-56	-56	-146	1
March-12	5226	4850	1578	11853	-52	42	15	107
April-12	5255	4930	1651	11890	29	80	73	37
May-12	5301	4908	1725	11951	46	-22	74	61
June-12	5259	4900	1745	12001	-42	-8	20	50
July-12	5256	4926	1737	12041	-3	26	-8	40
August-12	5246	4892	1764	12097	-10	-34	27	56
September-12	5310	4911	1780	12179	64	19	16	82
October-12	5351	4917	1784	12274	41	6	4	95
November-12	5361	5003	1804	12289	10	86	20	15
December-12	5345	5051	1778	12309	-16	48	-26	20
January-13	5332	5073	1814	12349	-13	22	36	40
February-13	5301	5023	1801	12389	-31	-50	-13	40
March-13	5287	5083	1784	12406	-14	60	-17	17
April-13	5278	5176	1805	12425	-9	93	21	19
May-13	5219	5200	1749	12498	-59	24	-56	73
June-13	5194	5163	1781	12519	-25	-37	32	21
July-13	5188	5146	1729	12537	-6	-17	-52	18
August-13	5201	5117	1755	12576	13	-29	26	39
September-13	5195	5096	1780	12602	-6	-21	25	26
October-13	5109	5090	1853	12643	-86	-6	73	41
November-13	5070	5064	1806	12721	-39	-26	-47	78
December-13	5058	5131	1898	12801	-12	67	92	80
January-14	5404	5232	1951	12835	346	101	53	34
February-14	5535	5359	2018	12912	131	127	67	77
March-14	5609	5365	1980	13011	74	6	-38	99
April-14	5577	5373	1902	13114	-32	8	-78	103
May-14	5582	5364	1854	13155	5	-9	-48	41
June-14	5510	5332	1800	13217	-72	-32	-54	62

Source: TurkStat, **Betam**