

UNEXPECTED INCREASE IN UNEMPLOYMENT

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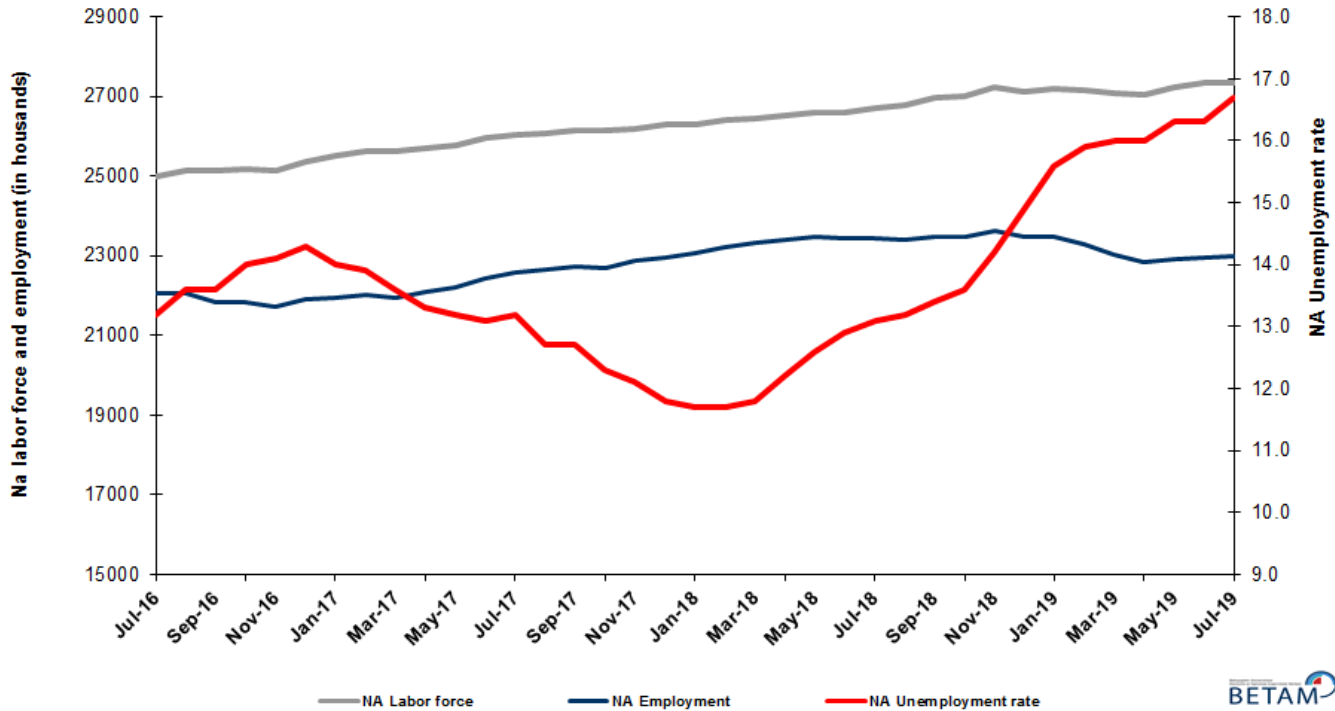
Executive Summary

Seasonally adjusted labor market data shows that, in the period of July 2019, non-agricultural unemployment rate turned out to be 16.7 percent, with a remarkable increase compared to June 2019. In this period, non-agricultural employment decreased by 65 thousand and non-agricultural labor force increased by 54 thousand. According to sectorial data, the only sector showing increase in employment is agriculture, and the sector showing the most significant decrease in employment is construction. After reversal of the decreasing trend in June 2019, construction employment decreased by 34 thousand. Manufacturing and services sectors had a net employment loss of 16 thousand and 15 thousands, respectively. Based on the seasonally adjusted data, male employment had a net loss in employment for the 11th consecutive period and female employment decreased slightly by 5 thousand. Apparently, the decreases in male employment is affected by the losses in construction employment.

The number of unemployed people in non-agricultural sector exceeded 4.5 million

Seasonally adjusted data shows that non-agricultural labor force reached 27 million 456 thousand by an increase of 54 thousand in June 2019, while non-agricultural employment went down to 22 million 871 thousand after the decrease of 65 thousand in July 2019 (Figure 1, Table 1). As a result, non-agricultural unemployment increased by 119 thousand and reached 4 million 585 thousand, and non-agricultural unemployment rate rose to 16.7 percent.

Figure 1. Seasonally adjusted non-agricultural labor force, employment, and unemployment



Source: Turkstat, Betam

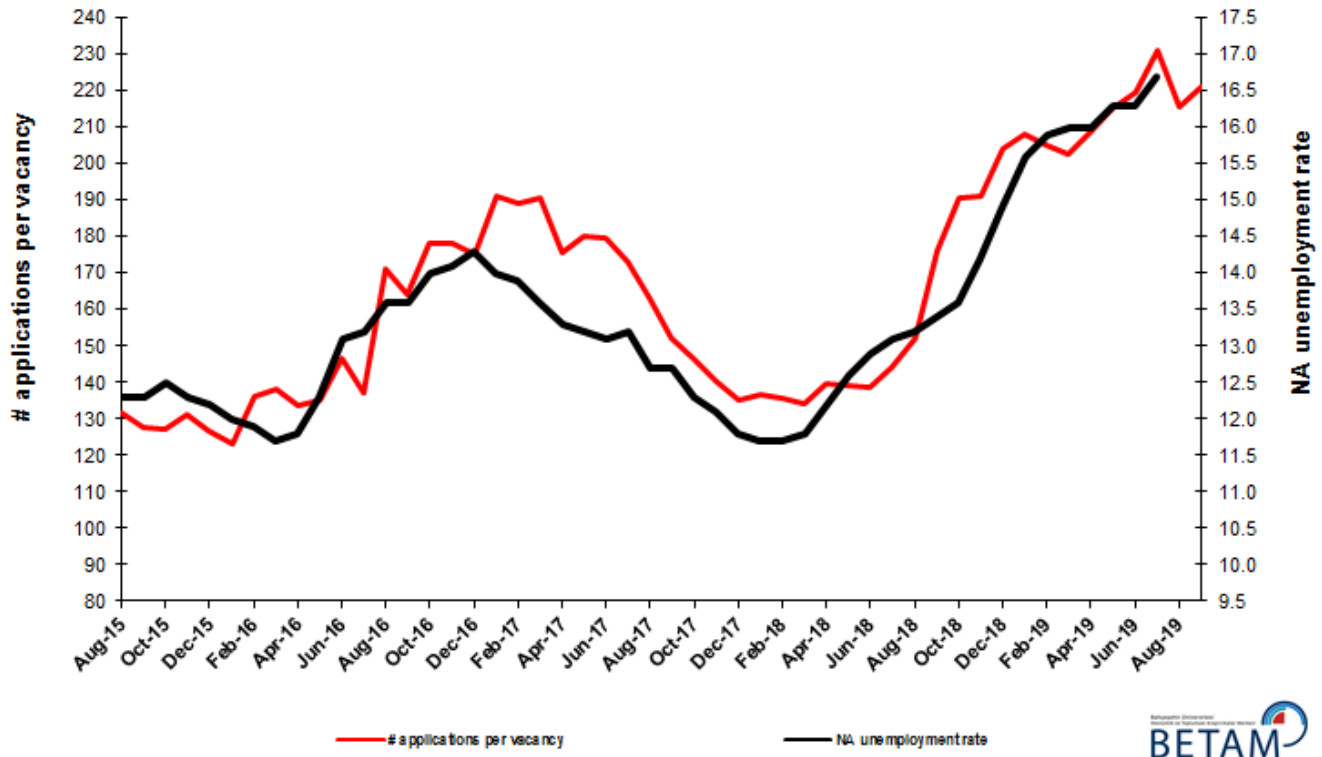
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Unemployment rate is expected to decrease slightly in August 2019

Betam's forecasting model had predicted an increase of 0.1 percentage point in non-agricultural unemployment rate for July 2019 but it increased by more than expected, 0.4 percentage point. Our forecasting model predicts a decrease of 0.1 percentage point in non-agricultural unemployment rate, resulting in 16.6 percent in August 2019. Forecasting model details are available on Betam's website.¹ Kariyer.net² application per vacancy series used in the Betam forecasting model is depicted in Figure 3. Kariyer.net series is only one of the inputs of Betam forecast model. Indeed, several variables such as employment agency (İŞKUR) data, reel sector confidence index, capacity utilization rate are used in forecasting.

Figure 2 Seasonally adjusted non-agricultural unemployment rate and application per vacancy



Source: Kariyer.net, Turkstat, Betam

Employment loss in all non-agricultural sectors

According to seasonally adjusted sectorial labor market data, employment decreased in the period of July 2019 compared to June 2019 in all sectors except agriculture (Figure 3, Table 2).³ After showing an increase of 70 thousand in June 2019, employment in manufacturing sector decreased by 16 thousand in July 2019. With the decrease of 15 thousand in July 2019, employment loss in services sector continued for the 4th consecutive month, totaling 119 thousand. Following the reversal of the decreasing trend in employment in June 2019, employment in construction sector decreased by 34 thousand.

¹ For detailed information on Betam's forecasting model, please see Betam Research Brief 168 titled as "Kariyer.net Verisiyle Kısa Vadeli Tarım Dışı İşsizlik Tahmini". For the innovations in the model please see Betam Research Brief 14 titled as "Mevsim Etkilerinden Arındırılmış İşsizlik Tahmini"

Soybilgen, B., "Kariyer.net Verisiyle Kısa Vadeli Tarım Dışı İşsizlik Tahmini", Betam Research Brief 168.

<http://betam.bahcesehir.edu.tr/tr/2014/06/kariyer-net-verisiyle-kisa-vadeli-tarim-disi-issizlik-tahmini/>

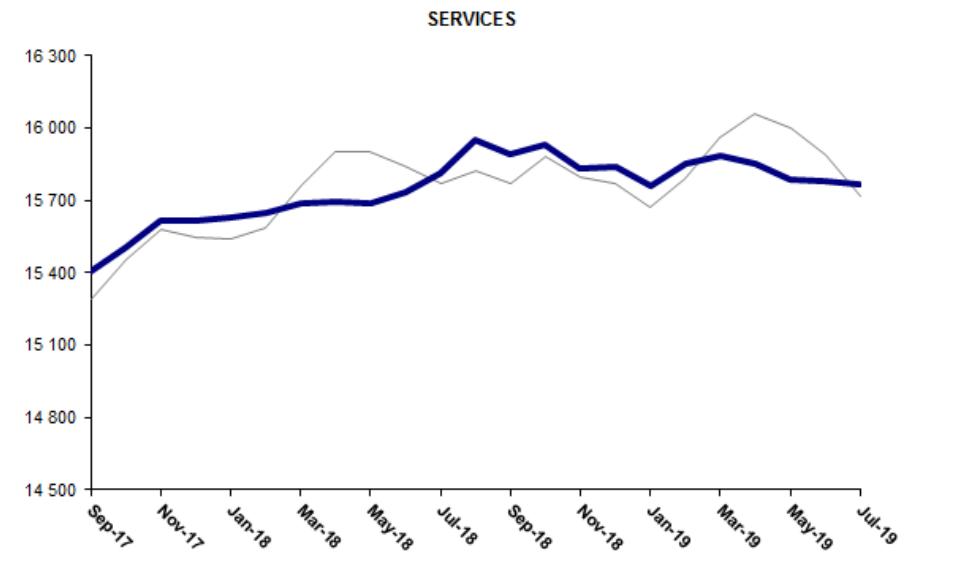
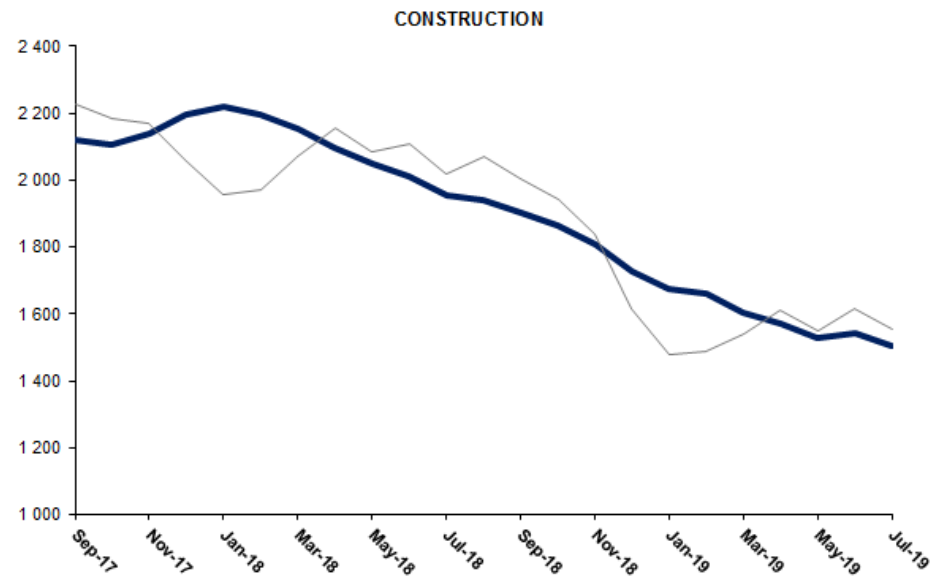
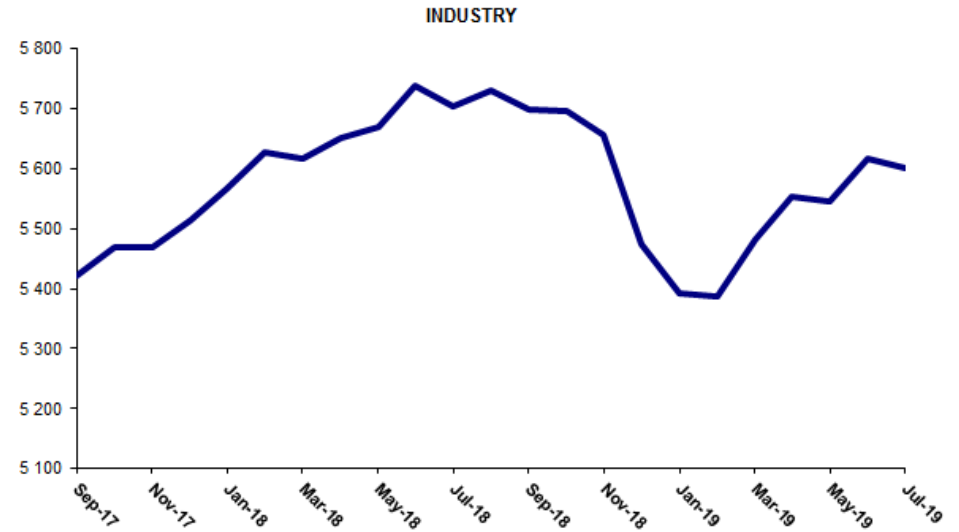
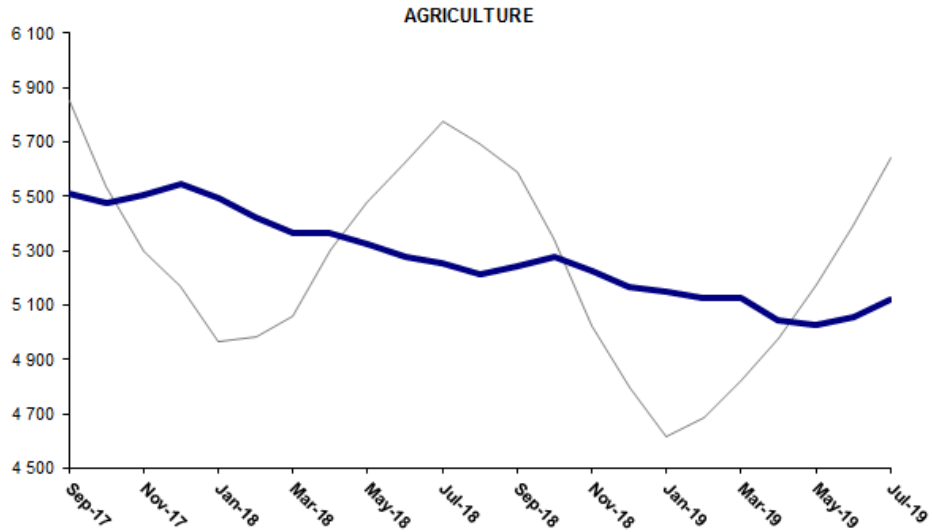
Soybilgen, B., "Mevsim Etkilerinden Arındırılmış İşsizlik Tahmini", Betam Research Brief 14

<http://betam.bahcesehir.edu.tr/2015/08/mevsim-etkilerinden-arindirilmis-tarim-disi-issizlik-tahmini/>

² 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.

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.

Figure 3: Employment by sectors (in thousand)

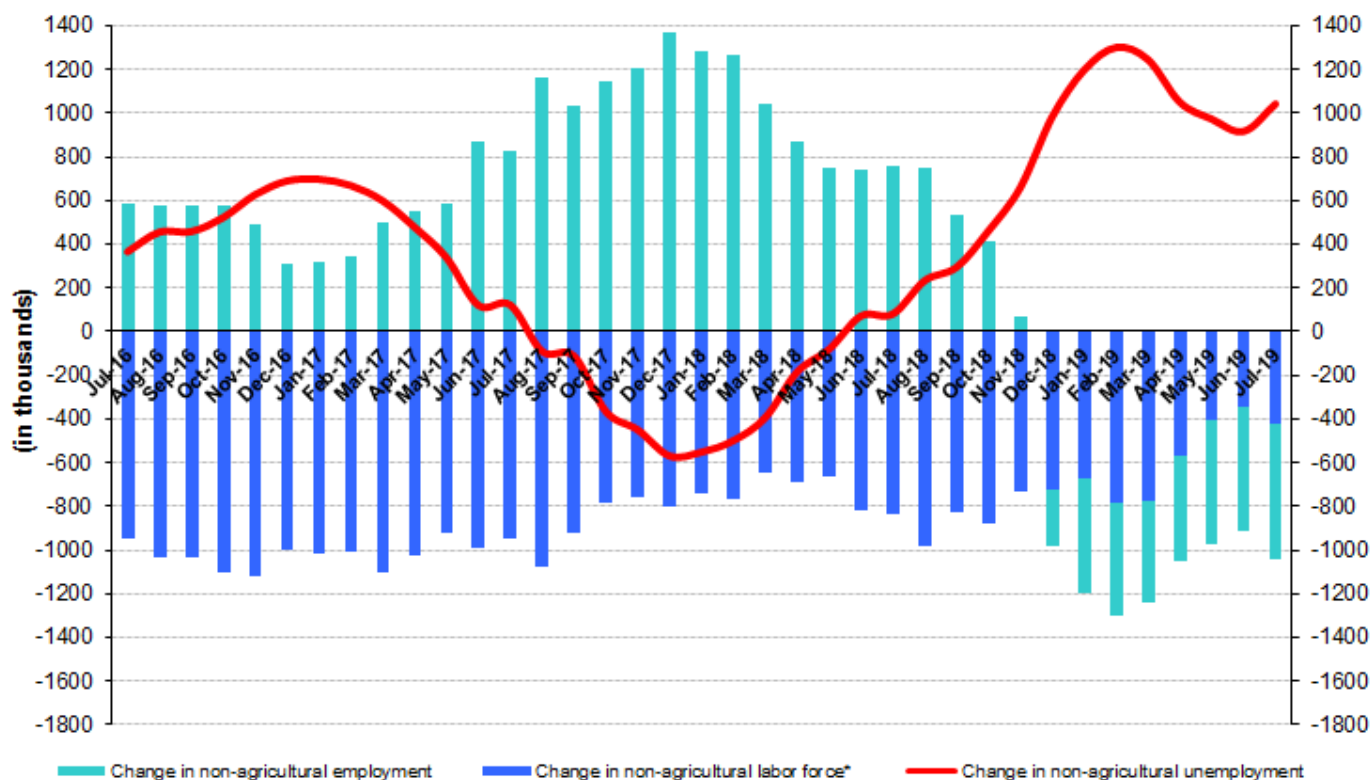


Source: TURKSTAT, Betam

Non-agricultural employment continues to decline year-on-year

From July 2018 to July 2019 non-agricultural labor force increased by 423 thousand (1.6 percent) and non-agricultural employment decreased by 618 thousand (-2.6 percent) (Figure 4). Annual labor force growth slowed down along with employment losses and deviated from its structural trend. However, non-agricultural employment suffered from heavy losses during the past year. Thus, compared to July 2018, the number of non-agricultural unemployed increased by 1 million 41 thousand.

Figure 4 Year-on-year changes in non-agricultural labor force, employment, and unemployment



Source: TURKSTAT, Betam

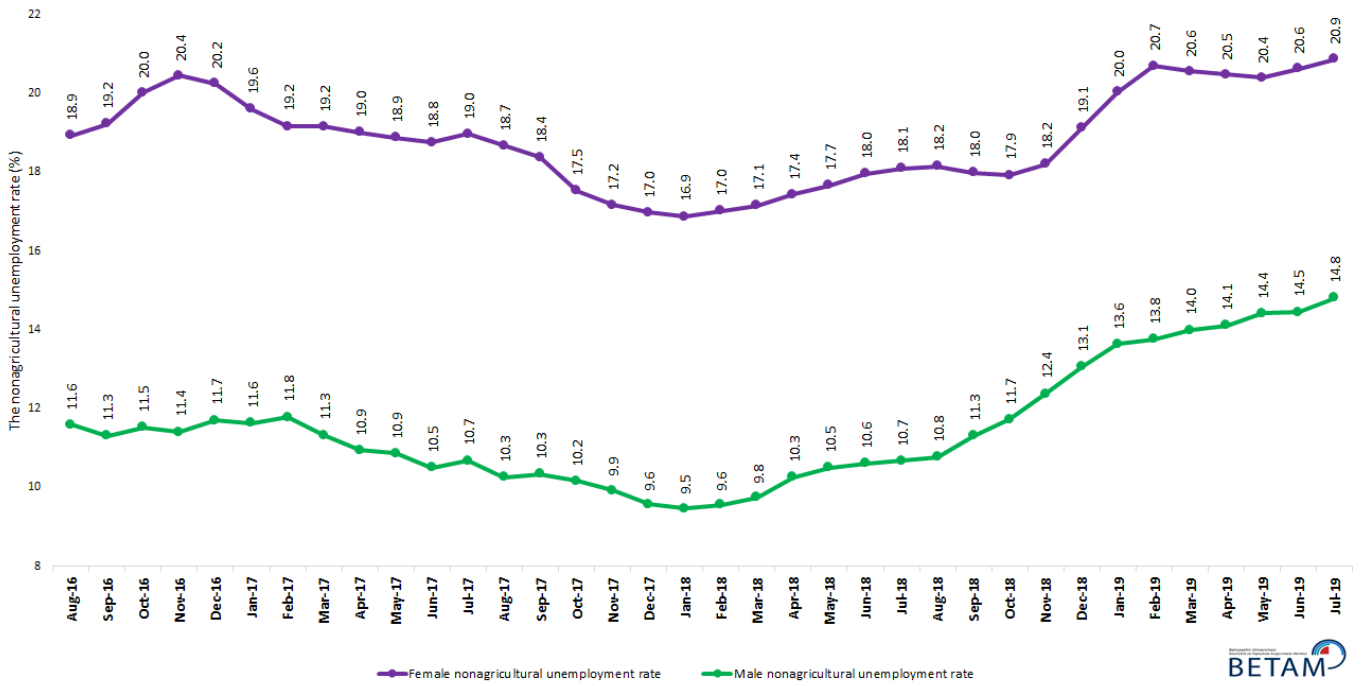
Male employment has been consecutively decreasing for eleven months

Figure 5 shows seasonally adjusted non-agricultural unemployment rate for males (green) and for females (purple)⁴. In the period of July 2019, compared to the previous month, female non-agricultural unemployment rate increased by 0.3 points and reached 20.9 percent, while male non-agricultural unemployment rate increased also by 0.3 percent to 14.8 percent. As a result, the gender gap in non-agricultural unemployment rates narrowed to 6.1 percent.

In contrast to increase in both male and female labor force, male and female employment decreased in July 2019 (Table 3). Female employment decreased slightly by 5 thousand, male employment decreased by 51 thousand. Over the last 12 months, female employment increased by 29 thousand and male employment decreased by 658 thousand, and female and male labor force increased by 320 thousand and 139 thousand, respectively. Consequently, the gender gap in non-agricultural unemployment rates narrowed from 7.4 percent to 6.1 percent.

⁴ Turkstat revised the labor market statistics drastically in February 2014. Within this framework, they back casted various labor market indicators and they also continued to announce seasonally adjusted series. However, Turkstat is not providing back-casted series by gender. Therefore, female and male labor market statistics are not sufficiently long for the seasonal adjustment procedures (There should be minimum 36 observations). With the announcement of the period of February 2017 data, the number of observations required for the seasonal decontamination process was provided. From this period Betam generated seasonal adjustment series in terms of gender. Nevertheless, it should not be forgotten that seasonal adjustment may cause extra volatility in the series for at least a while.

Figure 5: Seasonally adjusted non-agricultural unemployment rate by gender



Source: Turkstat, Betam



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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
July-16	25172	21849	3323	13.2%			
August-16	25140	21721	3419	13.6%	-32	-128	96
September-16	25366	21916	3450	13.6%	226	195	31
October-16	25507	21936	3571	14.0%	141	20	121
November-16	25643	22027	3616	14.1%	136	91	45
December-16	25610	21948	3662	14.3%	-32	-79	47
January-17	25694	22097	3597	14.0%	84	149	-65
February-17	25790	22205	3585	13.9%	96	108	-12
March-17	25959	22429	3530	13.6%	170	224	-54
April-17	26043	22579	3464	13.3%	83	150	-67
May-17	26084	22641	3443	13.2%	41	62	-21
June-17	26150	22724	3426	13.1%	65	83	-18
July-17	26139	22689	3450	13.2%	-10	-35	25
August-17	26192	22866	3326	12.7%	53	177	-124
September-17	26286	22948	3338	12.7%	94	82	12
October-17	26314	23077	3237	12.3%	27	129	-102
November-17	26419	23222	3197	12.1%	105	145	-40
December-17	26446	23325	3121	11.8%	27	103	-76
January-18	26514	23412	3102	11.7%	69	87	-18
February-18	26583	23473	3110	11.7%	69	61	8
March-18	26595	23457	3138	11.8%	12	-16	28
April-18	26699	23442	3257	12.2%	104	-15	119
May-18	26777	23403	3374	12.6%	78	-39	117
June-18	26955	23478	3477	12.9%	178	75	103
July-18	27003	23466	3537	13.1%	48	-12	60
August-18	27215	23623	3592	13.2%	212	157	55
September-18	27121	23487	3634	13.4%	-94	-136	42
October-18	27185	23488	3697	13.6%	64	1	63
November-18	27149	23294	3855	14.2%	-36	-194	158
December-18	27074	23040	4034	14.9%	-75	-254	179
January-19	27051	22831	4220	15.6%	-23	-209	186
February-19	27231	22901	4330	15.9%	180	70	110
March-19	27346	22971	4375	16.0%	116	70	46
April-19	27355	22978	4377	16.0%	8	7	1
May-19	27315	22863	4452	16.3%	-39	-115	76
June-19	27403	22936	4467	16.3%	87	73	14
July-19	27456	22871	4585	16.7%	54	-65	119

Source: Turkstat, Betam

Table 2 Seasonally adjusted employment by sectors (in thousands) *

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
July-16	5210	5254	1957	14638				
August-16	5274	5224	1918	14578	64	-30	-39	-60
September-16	5328	5260	2027	14629	54	36	109	51
October-16	5264	5282	1992	14662	-64	22	-35	33
November-16	5276	5316	1992	14719	12	34	0	57
December-16	5308	5265	1963	14720	32	-51	-29	1
January-17	5434	5274	1969	14854	126	9	6	134
February-17	5477	5251	2017	14937	43	-23	48	83
March-17	5386	5346	2091	14993	-91	95	74	56
April-17	5367	5372	2124	15083	-19	26	33	90
May-17	5401	5386	2090	15165	34	14	-34	82
June-17	5397	5383	2064	15277	-4	-3	-26	112
July-17	5501	5363	2103	15223	104	-20	39	-54
August-17	5468	5437	2141	15289	-33	74	38	66
September-17	5513	5421	2118	15409	45	-16	-23	120
October-17	5478	5470	2104	15503	-35	49	-14	94
November-17	5506	5470	2139	15614	28	0	35	111
December-17	5548	5514	2195	15616	42	44	56	2
January-18	5493	5567	2217	15627	-55	53	22	11
February-18	5422	5627	2196	15650	-71	60	-21	23
March-18	5364	5618	2153	15687	-58	-9	-43	37
April-18	5366	5650	2095	15697	2	32	-58	10
May-18	5322	5669	2047	15688	-44	19	-48	-9
June-18	5279	5737	2009	15732	-43	68	-38	44
July-18	5255	5703	1953	15810	-24	-34	-56	78
August-18	5215	5730	1942	15951	-40	27	-11	141
September-18	5243	5698	1901	15889	28	-32	-41	-62
October-18	5278	5696	1863	15929	35	-2	-38	40
November-18	5223	5656	1807	15830	-55	-40	-56	-99
December-18	5169	5474	1726	15840	-54	-182	-81	10
January-19	5147	5392	1677	15761	-22	-82	-49	-79
February-19	5126	5388	1659	15854	-21	-4	-18	93
March-19	5124	5482	1605	15884	-2	94	-54	30
April-19	5047	5553	1572	15853	-77	71	-33	-31
May-19	5027	5546	1529	15788	-20	-7	-43	-65
June-19	5055	5616	1540	15780	28	70	11	-8
July-19	5122	5600	1506	15765	67	-16	-34	-15

Source: Turkstat, Betam

Table 3: Seasonally adjusted non-agricultural labor force by gender (thousands)

	Female Labor Force	Female Employment	Female Unemployed	Male Labor Force	Male Employment	Male Unemployed
August-16	7322	5936	1386	17960	15878	2082
September-16	7387	5967	1420	18028	15989	2039
October-16	7438	5949	1489	18092	16007	2085
November-16	7468	5941	1527	18152	16081	2071
December-16	7452	5943	1509	18180	16052	2128
January-17	7446	5986	1459	18254	16132	2122
February-17	7494	6058	1436	18276	16122	2153
March-17	7595	6140	1455	18322	16246	2075
April-17	7600	6155	1445	18360	16352	2009
May-17	7666	6219	1447	18386	16389	1998
June-17	7678	6239	1440	18416	16482	1933
July-17	7694	6235	1459	18446	16476	1971
August-17	7728	6286	1443	18488	16592	1896
September-17	7777	6349	1429	18518	16602	1915
October-17	7788	6422	1365	18537	16653	1884
November-17	7836	6491	1345	18574	16730	1844
December-17	7881	6544	1338	18616	16834	1782
January-18	7918	6583	1336	18632	16867	1765
February-18	7937	6586	1351	18662	16878	1783
March-18	7930	6570	1360	18690	16867	1823
April-18	7985	6593	1392	18730	16808	1923
May-18	8036	6616	1420	18751	16781	1969
June-18	8082	6630	1452	18799	16804	1995
July-18	8100	6634	1466	18800	16793	2007
August-18	8207	6718	1490	18839	16811	2028
September-18	8177	6707	1470	18849	16717	2131
October-18	8268	6786	1482	18871	16658	2213
November-18	8251	6750	1501	18881	16544	2337
December-18	8335	6742	1593	18890	16424	2466
January-19	8361	6687	1674	18899	16321	2578
February-19	8432	6687	1745	18918	16314	2604
March-19	8478	6735	1743	18923	16275	2648
April-19	8416	6693	1723	18920	16251	2669
May-19	8367	6661	1706	18928	16199	2729
June-19	8400	6668	1732	18921	16186	2734
July-19	8420	6663	1757	18940	16135	2805

Source: Turkstat, Betam