

## SLOW DOWN IN EMPLOYMENT AND LABOR FORCE LOSSES WHILE UNEMPLOYMENT CONTINUES TO INCREASE

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### Executive Summary

Seasonally adjusted labor market data shows that in the period of May 2020, non-agricultural unemployment rate turned out to be 16.4 percent, with 0.3 percentage point increases compared to April 2020. In this period, non-agricultural employment decreased by 139 thousand while non-agricultural labor force decreased by 77 thousand. According to sectorial data, employment in manufacturing and services sector continued to decrease while agricultural and construction employment increased. Agriculture and construction employment increased by 96 thousand and 107 thousand respectively, manufacturing and services employment decreased by 72 thousand and 174 thousand respectively. Over the last three periods, employment losses in services sector amounted to 1 million 515 thousand. Based on the seasonally adjusted data, while female non-agricultural employment decreased by 15 thousand, non-agricultural female labor force increased by 12 thousand. As the result of this decreases in female employment, non-agricultural female unemployment rate increased by 0.4 percentage points to 18.2 percent. Male labor force and employment decreased by 77 thousand and 131 thousand respectively. Since the decline in male employment was higher than the male labor force, male non-agricultural unemployment rate increased by 0.4 percentage points to 15.5 percent.

### Decreases in all non-agricultural labor market indicators

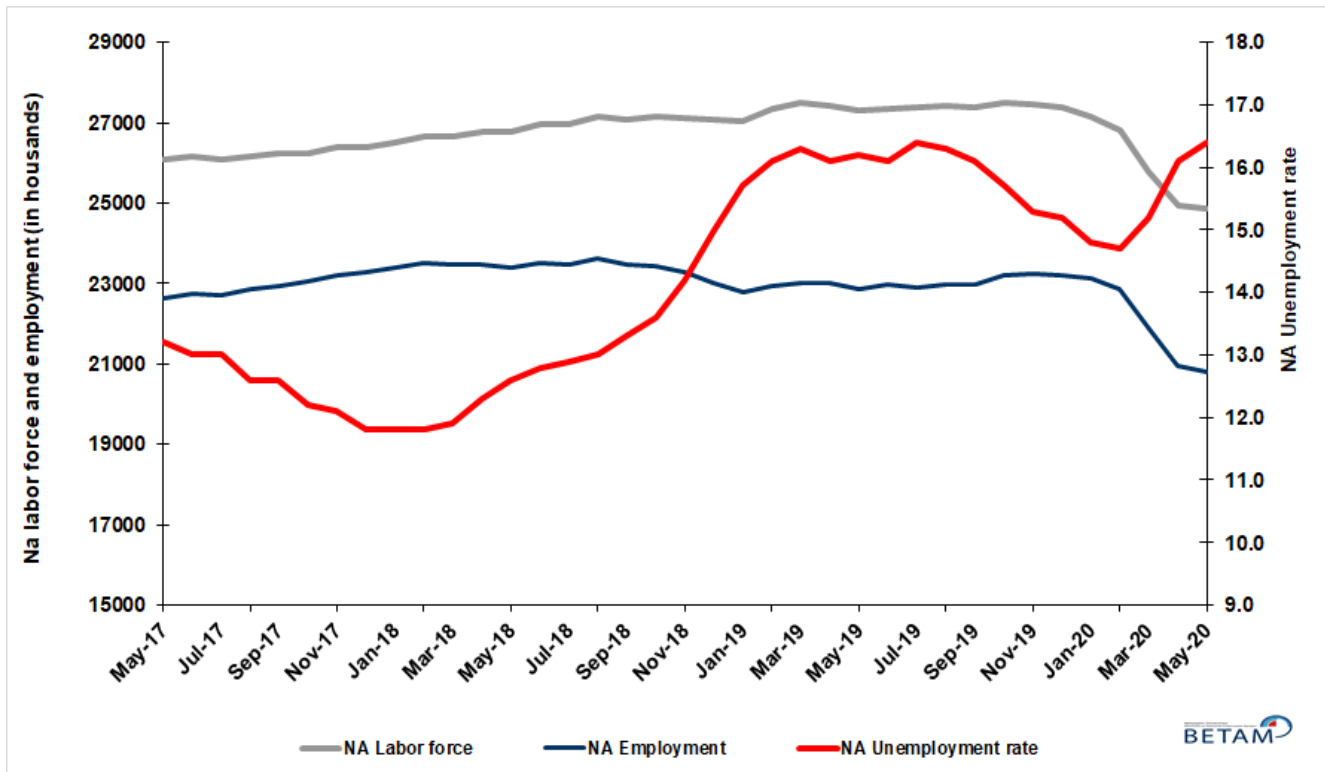
Seasonally adjusted data shows that, non-agricultural labor force decreased to 24 million 883 thousand after a loss of 77 thousand in May 2020 period (April-May-June) compared to April 2020 period (March-April-May). Over the last three periods, decreases in labor force amounted to 1 million 913 thousand. Non-agricultural employment declined to 20 million 802 thousand along with a decrease of 139 thousand. So, decreases in employment amounted to 2 million 55 thousand over the last three periods. As a result of this striking decline in employment and labor force, the number of non-agricultural unemployed increased only by 62 thousand to 4 million 81 thousand, and the non-agricultural unemployment rate rose to 16.4 from 16.1 percent.

The strong decreases in both the labor force and the employment rate in the recent period have started to lose acceleration in the period of May. As a result, in the period of May 2020 compared to April 2020, labor force participation rate stood unchanged at 47.6, employment rate decreased by 0.1 percentage point to 40.9 percent. In the recent year, labor force participation and employment rate decreased by 5.3 percentage points and 4.6 percentage points respectively (Figure 2).

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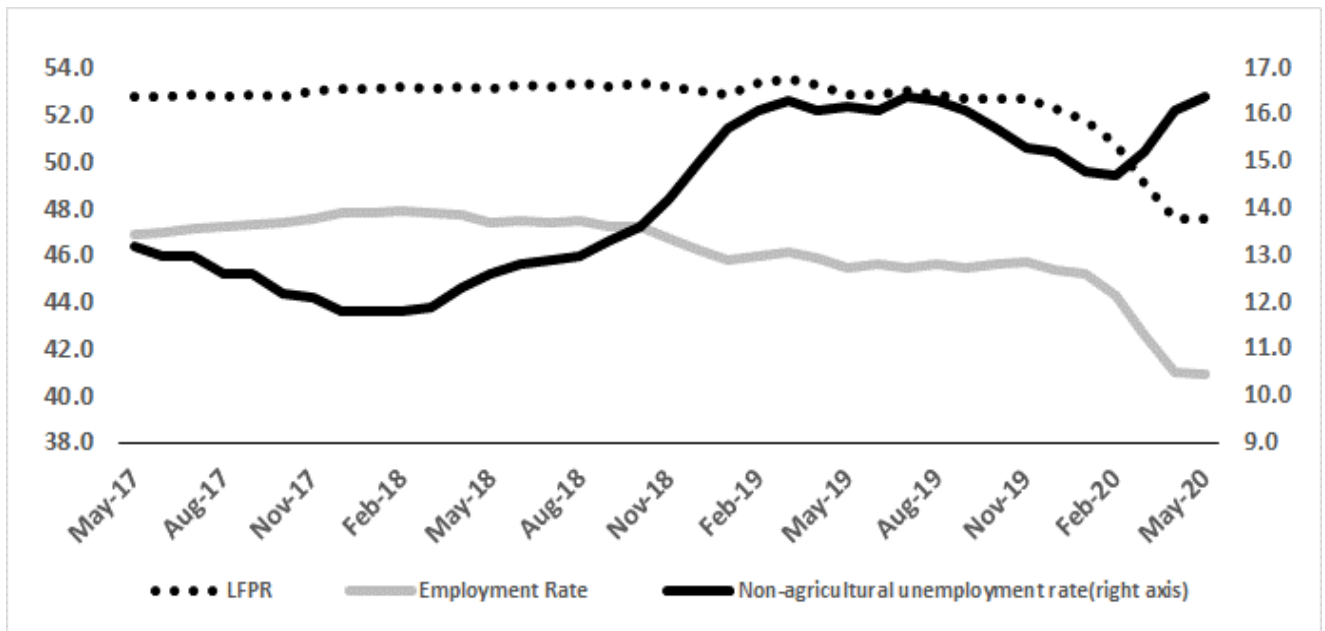
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Figure 1. Seasonally adjusted non-agricultural labor force, employment, and unemployment



Source: Turkstat, Betam

Figure 2. Seasonally adjusted LFPR, employment rate and non-agricultural unemployment rate

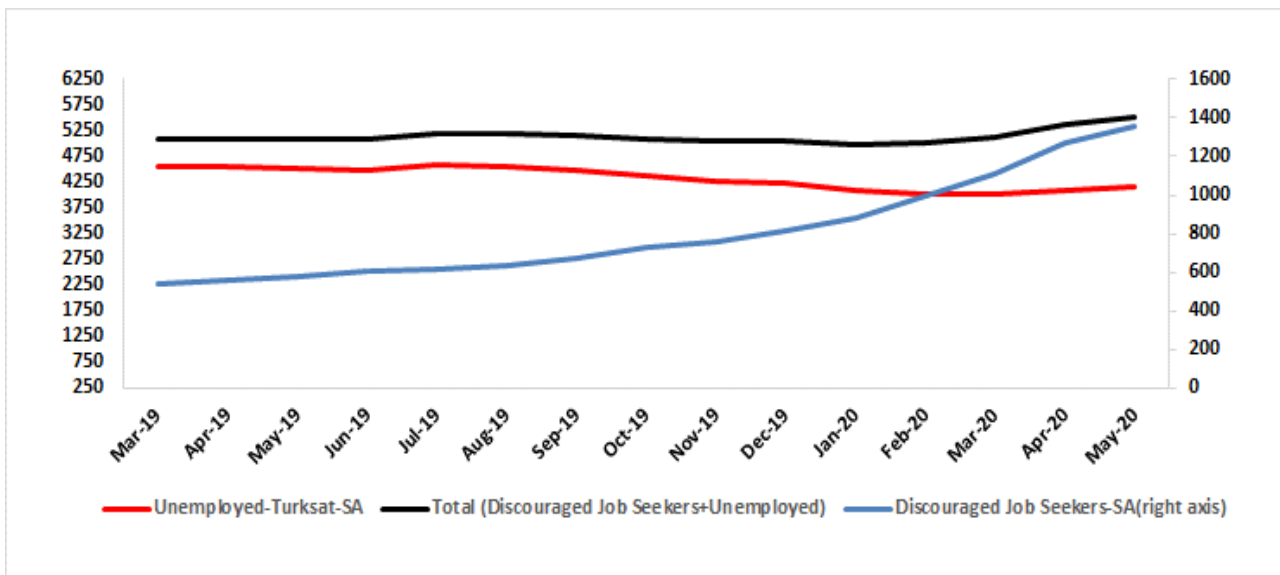


Source: Turkstat, Betam

## Significant increase in the number of discouraged workers

The level of labor force, by definition, is the summation of the level of employed people and the level of job seekers (unemployed). The unusual developments in the labor market, cause loss of confidence among individuals who desire to work but they are not actively seeking a job as they think that they could not find any one. Those individuals that quit seeking for jobs and labor force due to loss of confidence are referred as 'Discouraged workers' by TurkStat. The number of discouraged workers continuously increased since January 2019 and the increases accelerated in February, March and April. As for May 2020, even though the decreases in the number of discouraged workers decelerate, the number of discouraged workers continuous to increase. As can be seen from the Figure 3 that features discouraged workers, unemployed people and summation of both, the number of discouraged workers nearly tripled from the period of January 2019 and reached 1 million 359 thousand within a year.

Figure 3. The number of unemployed people, discouraged workers and summation of both, SA



Source: Turkstat, Betam

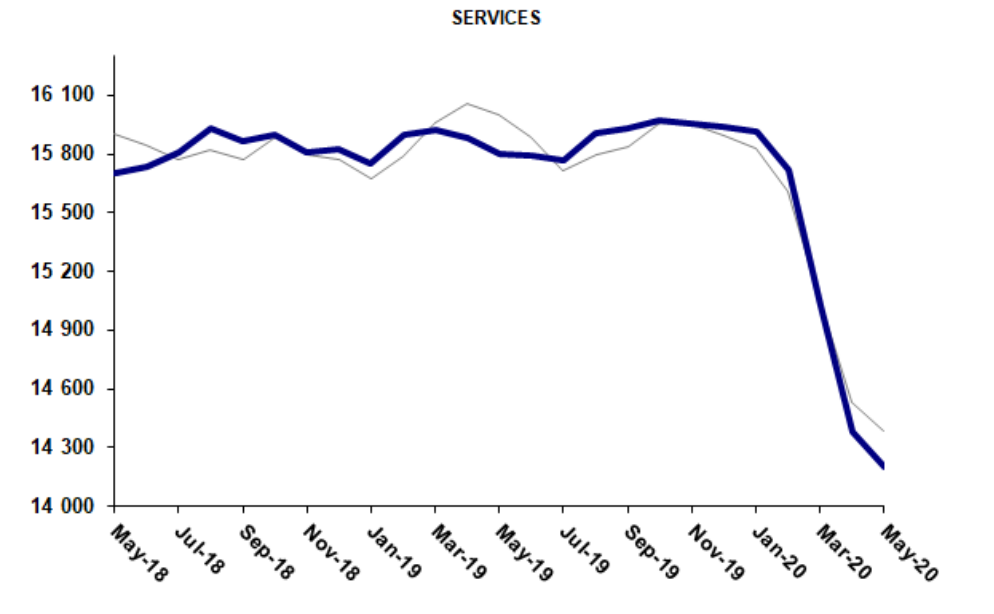
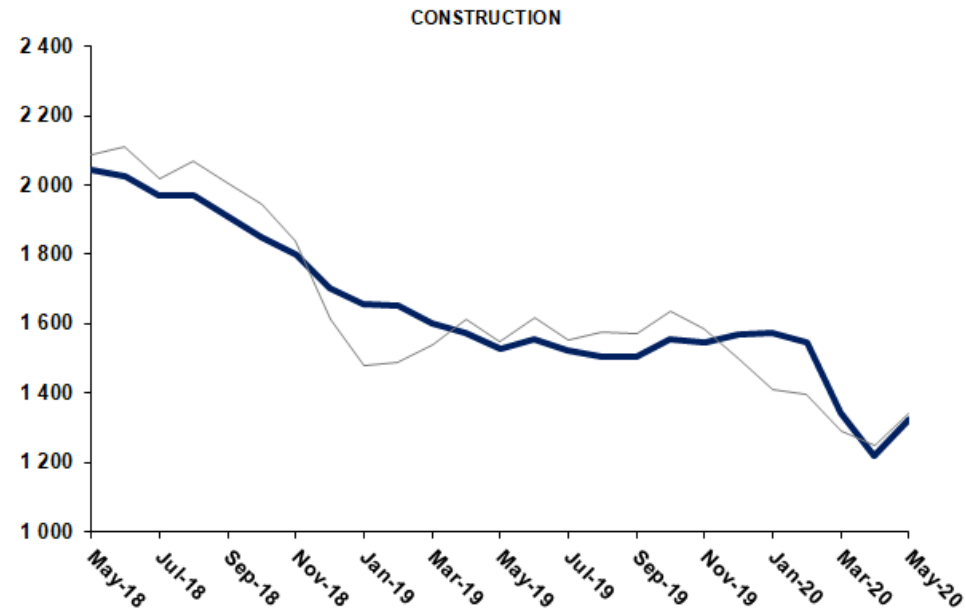
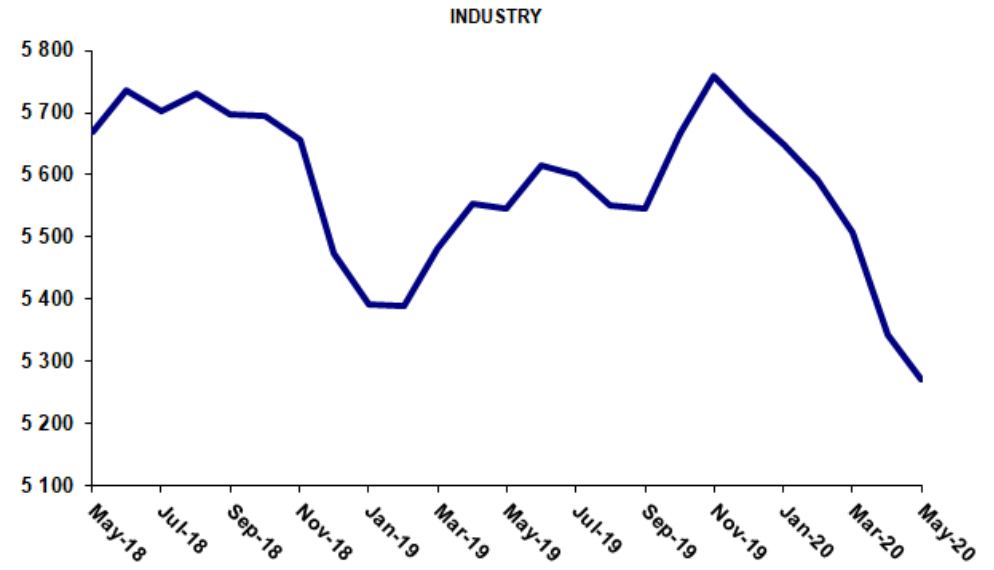
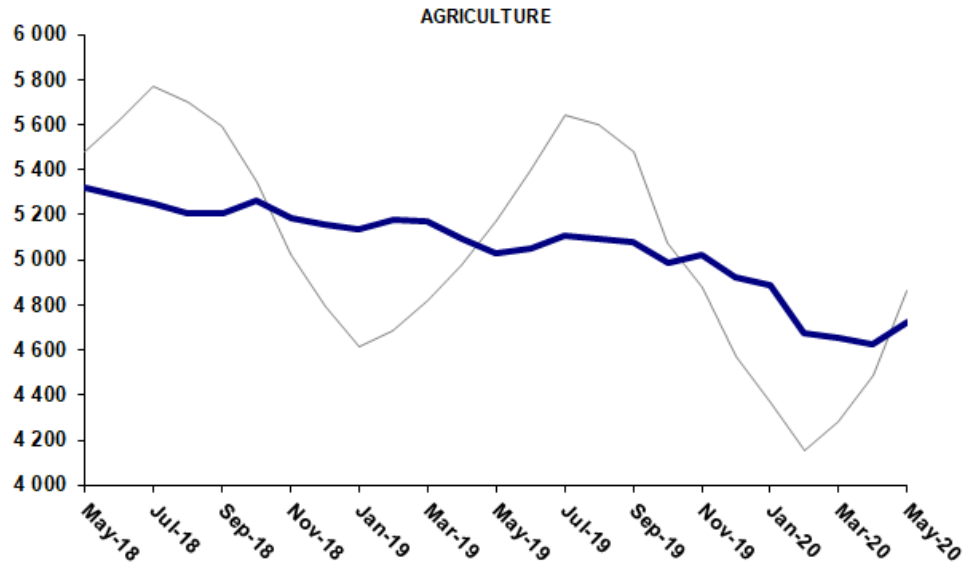
## Warning regarding the forecast of unemployment rate

In order to restrict the adverse impact of the corona pandemic on employment, instead of short-time working allowance and layoff measures, furloughs considerably invalidate the relationship between the economic activity level and employment. Additionally, the relatively high correlation between the employment losses and the number of unemployed also lost its function. We believe that these developments significantly increased the standard error interval of the Betam unemployment forecast model. As in the case of previous research brief, we prefer not to publish our June 2020 forecast in our Labor Market Outlook report for the period of May 2020. However, we would like to share with our readers that Betam's forecasting model predicted that non-agricultural unemployment rate would rise up to 16.1 percent in June 2020.

## Increases in agriculture and construction sector

According to seasonally adjusted sectorial labor market data, in the period of May 2020 compared to April 2020, while employment increased in agricultural and construction sector, employment decreased in manufacturing and services sector. In the period of May 2020 employment in agriculture increased by 96 thousand and by 107 thousand in construction. On the other hand, employment in manufacturing decreased by 72 thousand and employment in services sector by 174 thousand following a decrease of 647 thousand in April. Thus employment losses reached 1 million 515 thousand over the last three periods. As expected, the services sector is the most affected by the measures taken against the spread of the Coronavirus pandemic.

Figure 4: Employment by sectors (in thousand)

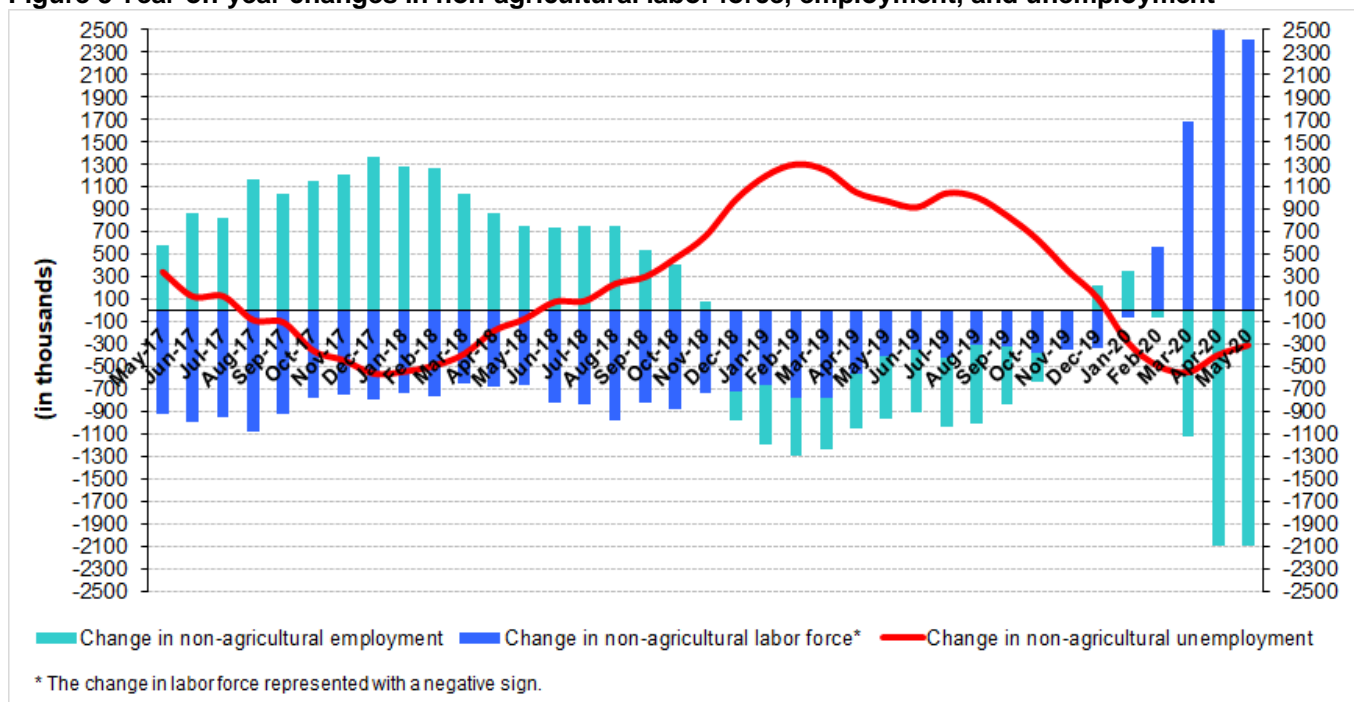


Source: TURKSTAT, Betam

## Strong decreases in yearly non-agricultural labor force participation and employment

Compared to May 2019, non-agricultural employment decreased by 2 million 103 thousand (9.1 percent) in May 2020. Compared to the same period of the previous year, the number of non-agricultural unemployed decreased instead of increasing. In the recent year, the number of non-agricultural labor force decreased by 2 million 416 thousand and the number of unemployed decreased by 313 thousand (Figure 5).

**Figure 5 Year-on-year changes in non-agricultural labor force, employment, and unemployment**



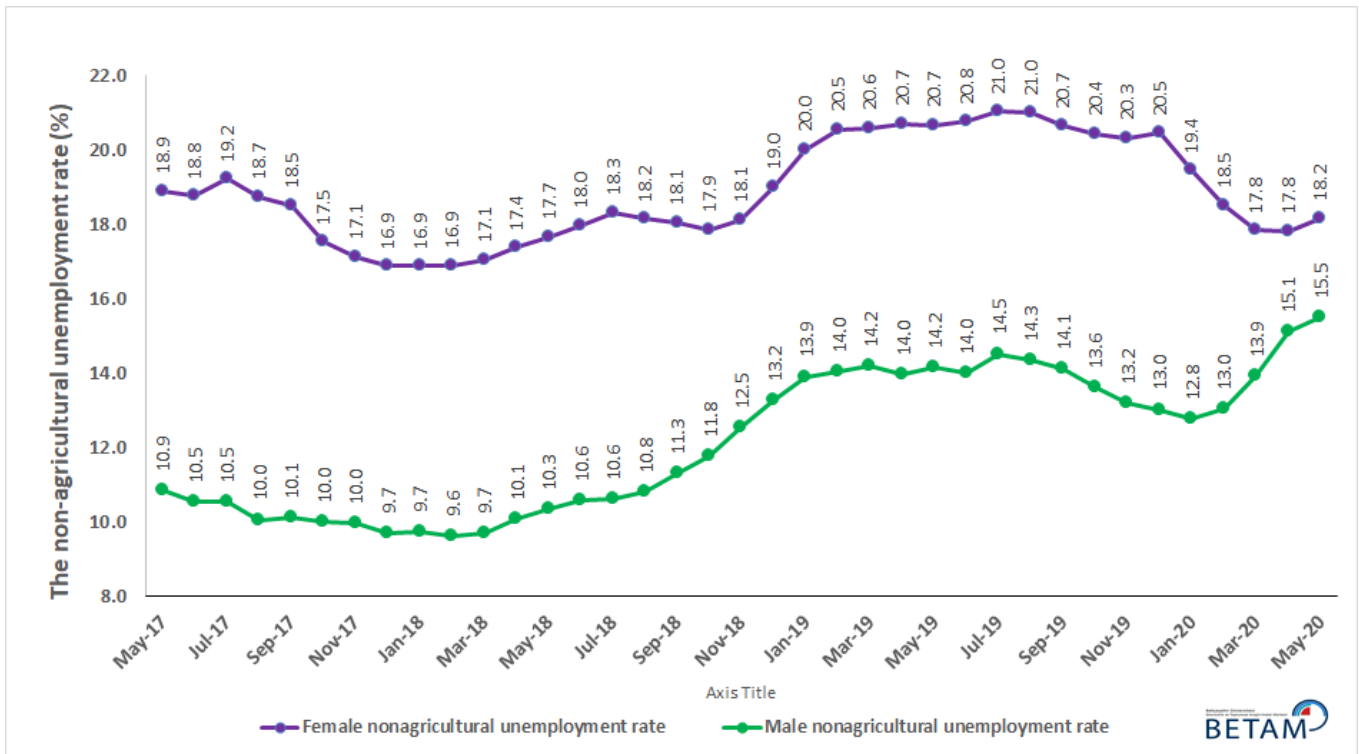
Source: TURKSTAT, Betam

## Increases in male and female unemployment rate

Figure 6 shows seasonally adjusted non-agricultural unemployment rate for males (green) and for females (purple)<sup>1</sup>. In the period of May 2020 compared to the previous period, female non-agricultural unemployment rate increased by 0.4 percentage point to 18.2 percent. Male non-agricultural unemployment turned out to be 15.5 percent, with 0.4 percentage point increases compared to April 2020. After severe decreases in female labor force over the last three periods, female laborforce increased (12 thousand) in the period of May 2020. Increase in male unemployment resulted from decreases in employment (131 thousand) and lower decreases in labor force (77 thousand) (Table 3). As a result, the gender gap in non-agricultural unemployment rates remained unchanged at 2.7 percent points.

<sup>1</sup> 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 6: 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
<b>May-17</b>	26091	22647	3444	13.2%			
<b>Jun-17</b>	26145	22746	3399	13.0%	54	99	-45
<b>Jul-17</b>	26102	22709	3393	13.0%	-43	-37	-6
<b>Aug-17</b>	26172	22874	3298	12.6%	69	165	-96
<b>Sep-17</b>	26237	22931	3306	12.6%	65	57	8
<b>Oct-17</b>	26241	23040	3201	12.2%	5	109	-104
<b>Nov-17</b>	26390	23197	3193	12.1%	149	157	-8
<b>Dec-17</b>	26410	23294	3116	11.8%	20	97	-77
<b>Jan-18</b>	26517	23388	3129	11.8%	107	94	13
<b>Feb-18</b>	26647	23503	3144	11.8%	130	115	15
<b>Mar-18</b>	26658	23486	3172	11.9%	11	-17	28
<b>Apr-18</b>	26757	23466	3291	12.3%	99	-20	119
<b>May-18</b>	26788	23413	3375	12.6%	31	-53	84
<b>Jun-18</b>	26948	23499	3449	12.8%	160	86	74
<b>Jul-18</b>	26962	23484	3478	12.9%	14	-15	29
<b>Aug-18</b>	27159	23628	3531	13.0%	197	144	53
<b>Sep-18</b>	27074	23473	3601	13.3%	-85	-155	70
<b>Oct-18</b>	27137	23446	3691	13.6%	63	-27	90
<b>Nov-18</b>	27115	23265	3850	14.2%	-21	-181	160
<b>Dec-18</b>	27062	23003	4059	15.0%	-53	-262	209
<b>Jan-19</b>	27049	22802	4247	15.7%	-14	-201	187
<b>Feb-19</b>	27341	22939	4402	16.1%	292	137	155
<b>Mar-19</b>	27486	23006	4480	16.3%	145	67	78
<b>Apr-19</b>	27422	23007	4415	16.1%	-64	1	-65
<b>May-19</b>	27300	22877	4423	16.2%	-122	-130	8
<b>Jun-19</b>	27364	22958	4406	16.1%	64	81	-17
<b>Jul-19</b>	27380	22890	4490	16.4%	17	-68	85
<b>Aug-19</b>	27432	22961	4471	16.3%	52	71	-19
<b>Sep-19</b>	27390	22980	4410	16.1%	-43	19	-62
<b>Oct-19</b>	27512	23193	4319	15.7%	123	213	-90
<b>Nov-19</b>	27463	23261	4202	15.3%	-50	68	-118
<b>Dec-19</b>	27373	23212	4161	15.2%	-90	-49	-41
<b>Jan-20</b>	27153	23134	4019	14.8%	-220	-78	-142
<b>Feb-20</b>	26796	22857	3939	14.7%	-357	-277	-80
<b>Mar-20</b>	25796	21875	3921	15.2%	-1000	-982	-18
<b>Apr-20</b>	24959	20941	4018	16.1%	-837	-934	97
<b>May-20</b>	24883	20802	4081	16.4%	-77	-139	62

Source: Turkstat, Betam

**Table 2 seasonally adjusted employment by sectors (in thousands) \***

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
May-17	5397	5386	2086	15174				
Jun-17	5405	5383	2080	15283	8	-3	-6	109
Jul-17	5503	5363	2121	15225	98	-20	41	-58
Aug-17	5467	5437	2169	15268	-36	74	48	43
Sep-17	5489	5421	2121	15388	22	-16	-48	120
Oct-17	5470	5470	2090	15480	-19	49	-31	92
Nov-17	5482	5470	2128	15599	12	0	38	119
Dec-17	5538	5514	2176	15605	56	44	48	6
Jan-18	5483	5567	2199	15622	-55	53	23	17
Feb-18	5454	5627	2190	15686	-29	60	-9	64
Mar-18	5393	5618	2151	15717	-61	-9	-39	31
Apr-18	5395	5650	2095	15721	2	32	-56	4
May-18	5320	5669	2045	15699	-75	19	-50	-22
Jun-18	5282	5737	2023	15738	-38	68	-22	39
Jul-18	5249	5703	1970	15811	-33	-34	-53	73
Aug-18	5205	5730	1971	15927	-44	27	1	116
Sep-18	5209	5698	1912	15863	4	-32	-59	-64
Oct-18	5267	5696	1849	15901	58	-2	-63	38
Nov-18	5188	5656	1798	15811	-79	-40	-51	-90
Dec-18	5157	5474	1704	15825	-31	-182	-94	14
Jan-19	5135	5392	1657	15754	-22	-82	-47	-71
Feb-19	5180	5388	1652	15899	45	-4	-5	145
Mar-19	5172	5482	1602	15922	-8	94	-50	23
Apr-19	5095	5553	1572	15883	-77	71	-30	-39
May-19	5027	5546	1528	15803	-68	-7	-44	-80
Jun-19	5052	5616	1553	15789	25	70	25	-14
Jul-19	5106	5600	1524	15766	54	-16	-29	-23
Aug-19	5095	5551	1506	15904	-11	-49	-18	138
Sep-19	5082	5546	1506	15928	-13	-5	0	24
Oct-19	4985	5666	1555	15972	-97	120	49	44
Nov-19	5022	5758	1546	15957	37	92	-9	-15
Dec-19	4922	5699	1571	15942	-100	-59	25	-15
Jan-20	4887	5649	1572	15913	-35	-50	1	-29
Feb-20	4673	5593	1544	15719	-214	-56	-28	-194
Mar-20	4657	5508	1342	15025	-16	-85	-202	-694
Apr-20	4627	5344	1219	14378	-30	-164	-123	-647
May-20	4723	5272	1326	14204	96	-72	107	-174

Source: Turkstat, Betam



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

	<b>Female Labor Force</b>	<b>Female Employment</b>	<b>Female Unemployed</b>	<b>Male Labor Force</b>	<b>Male Employment</b>	<b>Male Unemployed</b>
<b>May-17</b>	7670	6221	1449	18419	16420	1999
<b>Jun-17</b>	7679	6239	1440	18464	16518	1946
<b>Jul-17</b>	7678	6203	1475	18469	16524	1945
<b>Aug-17</b>	7687	6247	1440	18505	16645	1860
<b>Sep-17</b>	7743	6310	1433	18495	16624	1870
<b>Oct-17</b>	7764	6403	1361	18473	16629	1843
<b>Nov-17</b>	7835	6493	1342	18533	16689	1844
<b>Dec-17</b>	7858	6533	1325	18538	16739	1799
<b>Jan-18</b>	7942	6602	1340	18593	16783	1810
<b>Feb-18</b>	7964	6618	1346	18670	16875	1796
<b>Mar-18</b>	7964	6606	1359	18700	16886	1814
<b>Apr-18</b>	8008	6617	1392	18738	16852	1886
<b>May-18</b>	8043	6622	1421	18724	16787	1937
<b>Jun-18</b>	8095	6641	1455	18864	16869	1995
<b>Jul-18</b>	8103	6619	1484	18887	16886	2001
<b>Aug-18</b>	8172	6688	1483	19021	16965	2057
<b>Sep-18</b>	8145	6674	1471	18949	16810	2139
<b>Oct-18</b>	8227	6757	1469	18902	16679	2223
<b>Nov-18</b>	8238	6744	1494	18870	16503	2368
<b>Dec-18</b>	8304	6726	1578	18733	16251	2482
<b>Jan-19</b>	8380	6704	1676	18683	16087	2597
<b>Feb-19</b>	8467	6727	1740	18848	16201	2647
<b>Mar-19</b>	8528	6771	1756	18922	16237	2685
<b>Apr-19</b>	8479	6723	1756	18937	16292	2645
<b>May-19</b>	8412	6675	1738	18874	16200	2673
<b>Jun-19</b>	8432	6682	1750	18938	16289	2649
<b>Jul-19</b>	8423	6652	1771	19020	16260	2760
<b>Aug-19</b>	8442	6669	1772	19051	16319	2732
<b>Sep-19</b>	8382	6651	1731	19019	16338	2681
<b>Oct-19</b>	8446	6721	1726	19056	16463	2593
<b>Nov-19</b>	8380	6678	1702	19078	16563	2514
<b>Dec-19</b>	8358	6648	1710	19017	16543	2475
<b>Jan-20</b>	8293	6680	1613	18855	16449	2406
<b>Feb-20</b>	8135	6630	1506	18647	16215	2432
<b>Mar-20</b>	7771	6385	1386	17995	15493	2502
<b>Apr-20</b>	7419	6096	1322	17495	14850	2645
<b>May-20</b>	7431	6081	1350	17418	14718	2700

Source: Turkstat, Betam

**Table 4: Seasonally adjusted LFPR, employment rate and non-agricultural unemployment rate (%)**

	LFPR	Employment Rate	Non-agricultural unemployment rate
<b>May-17</b>	52.8	46.9	13.2
<b>Jun-17</b>	52.8	47.0	13.0
<b>Jul-17</b>	52.9	47.1	13.0
<b>Aug-17</b>	52.8	47.2	12.6
<b>Sep-17</b>	52.9	47.3	12.6
<b>Oct-17</b>	52.8	47.4	12.2
<b>Nov-17</b>	53.0	47.6	12.1
<b>Dec-17</b>	53.1	47.8	11.8
<b>Jan-18</b>	53.1	47.8	11.8
<b>Feb-18</b>	53.2	47.9	11.8
<b>Mar-18</b>	53.1	47.8	11.9
<b>Apr-18</b>	53.2	47.7	12.3
<b>May-18</b>	53.1	47.4	12.6
<b>Jun-18</b>	53.3	47.5	12.8
<b>Jul-18</b>	53.2	47.4	12.9
<b>Aug-18</b>	53.4	47.5	13.0
<b>Sep-18</b>	53.2	47.2	13.3
<b>Oct-18</b>	53.4	47.2	13.6
<b>Nov-18</b>	53.2	46.7	14.2
<b>Dec-18</b>	53.0	46.2	15.0
<b>Jan-19</b>	52.9	45.8	15.7
<b>Feb-19</b>	53.4	46.0	16.1
<b>Mar-19</b>	53.5	46.1	16.3
<b>Apr-19</b>	53.3	45.9	16.1
<b>May-19</b>	52.9	45.5	16.2
<b>Jun-19</b>	52.9	45.6	16.1
<b>Jul-19</b>	53.0	45.5	16.4
<b>Aug-19</b>	52.9	45.6	16.3
<b>Sep-19</b>	52.7	45.5	16.1
<b>Oct-19</b>	52.7	45.6	15.7
<b>Nov-19</b>	52.7	45.7	15.3
<b>Dec-19</b>	52.3	45.4	15.2
<b>Jan-20</b>	51.8	45.2	14.8
<b>Feb-20</b>	50.8	44.3	14.7
<b>Mar-20</b>	49.1	42.6	15.2
<b>Apr-20</b>	47.6	41.0	16.1
<b>May-20</b>	47.6	40.9	16.4

Source: Turkstat

**Table 5: Seasonally adjusted discouraged workers, unemployed and sum of both**

	<b>Discouraged Workers-SA</b>	<b>Unemployed- TurkStat-SA</b>	<b>Total (Discouraged Workers + Unemployed)</b>
<b>Jan-19</b>	562	4358	4920
<b>Feb-19</b>	557	4492	5049
<b>Mar-19</b>	537	4565	5102
<b>Apr-19</b>	555	4537	5092
<b>May-19</b>	578	4519	5097
<b>Jun-19</b>	605	4496	5101
<b>Jul-19</b>	617	4578	5195
<b>Aug-19</b>	635	4550	5185
<b>Sep-19</b>	676	4469	5145
<b>Oct-19</b>	725	4376	5101
<b>Nov-19</b>	759	4279	5038
<b>Dec-19</b>	812	4234	5046
<b>Jan-20</b>	882	4090	4972
<b>Feb-20</b>	998	4034	5032
<b>Mar-20</b>	1112	4014	5126
<b>Apr-20</b>	1271	4091	5362
<b>May-20</b>	1359	4166	5525

Source: Turkstat, Betam