

STRONG REVERSAL IN LABOR FORCE PARTICIPATION AND EMPLOYMENT

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Executive Summary

Seasonally adjusted labor market data shows that in the period of June 2020, non-agricultural unemployment rate turned out to be 16.7 percent, with 0.2 percentage point increases compared to May 2020. In this period, both non-agricultural employment and labor force increased by 395 thousand and by 534 thousand respectively. According to sectorial data, employment increased in all sectors. In addition to the increase of employment in agriculture and construction by 36 thousand and 141 thousand respectively, employment gains in manufacturing and services employment amounted to 25 thousand and 230 thousand. Services employment reversed its consecutive decreases which lasted for 7 periods. Based on the seasonally adjusted data, while female non-agricultural employment increased by 151 thousand non-agricultural female labor force increased by 251 thousand. As a result, non-agricultural female unemployment rate increased by 0.7 percentage points to 19.0 percent. On the other hand, male labor force and employment increased by 414 thousand and 330 thousand respectively taking up non-agricultural male unemployment rate from 15.5 to 15.6 percent. The existing gender gap in non-agricultural unemployment rate has been enlarged by 0.6 percentage points.

Increases in all non-agricultural labor market indicators

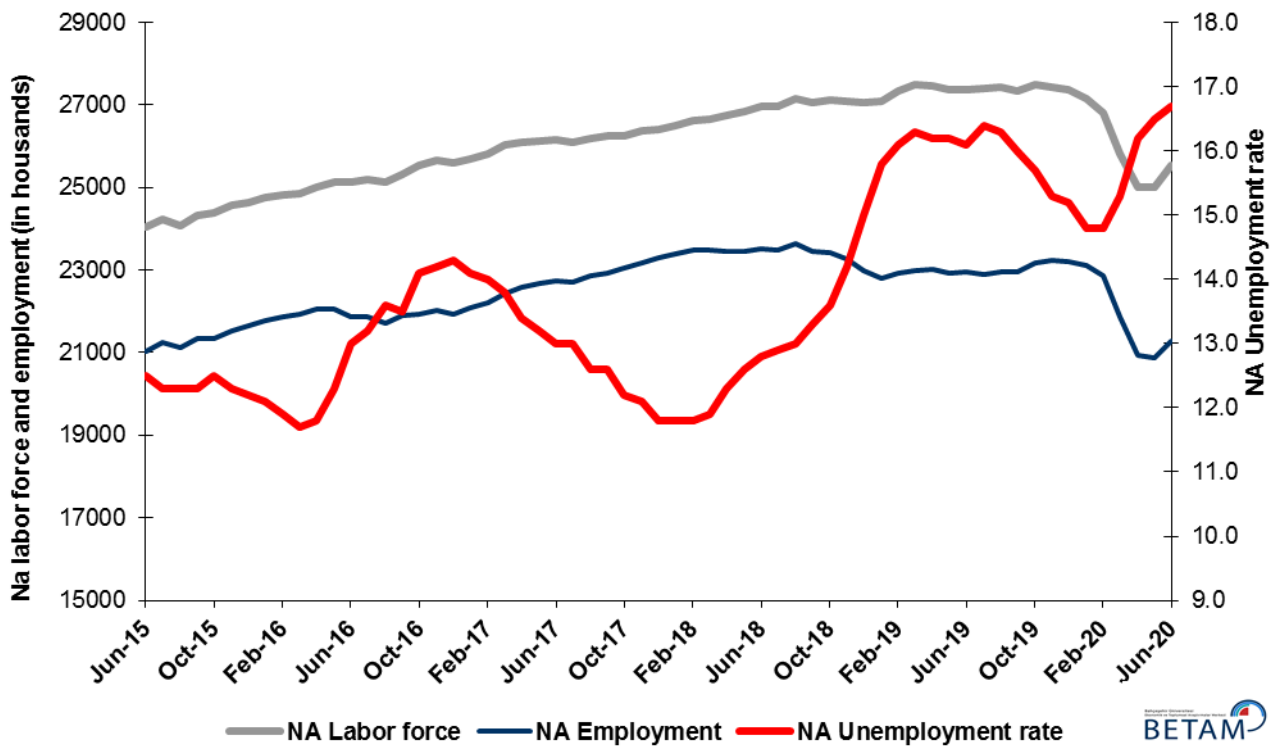
Seasonally adjusted data shows that, non-agricultural labor force increased to 25 million 531 thousand after the increase of 534 thousand in June 2020 period (May-June-July) compared to May 2020 period (April-May-June). Still, the level of non-agricultural labor force is lower in the period of June 2020 than February 2020 by the amount of 1 million 289 thousand. Non-agricultural employment increased to 21 million 267 thousand along with an increase of 395 thousand. Nevertheless, employment level in the period of June 2020 is still lower than that in the period of February 2020 by 1 million 583 thousand. The number of non-agricultural unemployed increased by 139 thousand to 4 million 264 thousand, and the non-agricultural unemployment rate rose to 16.7.

The strong decreases in both the labor force and the employment rates in the recent period have reversed in the period of June. As a result, in the period of June 2020 compared to May 2020, labor force participation rate reached 48.6 percent with an increase of 0.9 percentage points, and employment rate reversed its 6-month consecutive slide with an increase of 0.6 percentage points. Let us note that in June 2020 labor force participation and employment rates are still lower by 4.3 and 4.0 percentage points respectively comparing to June 2019 (Figure 2).

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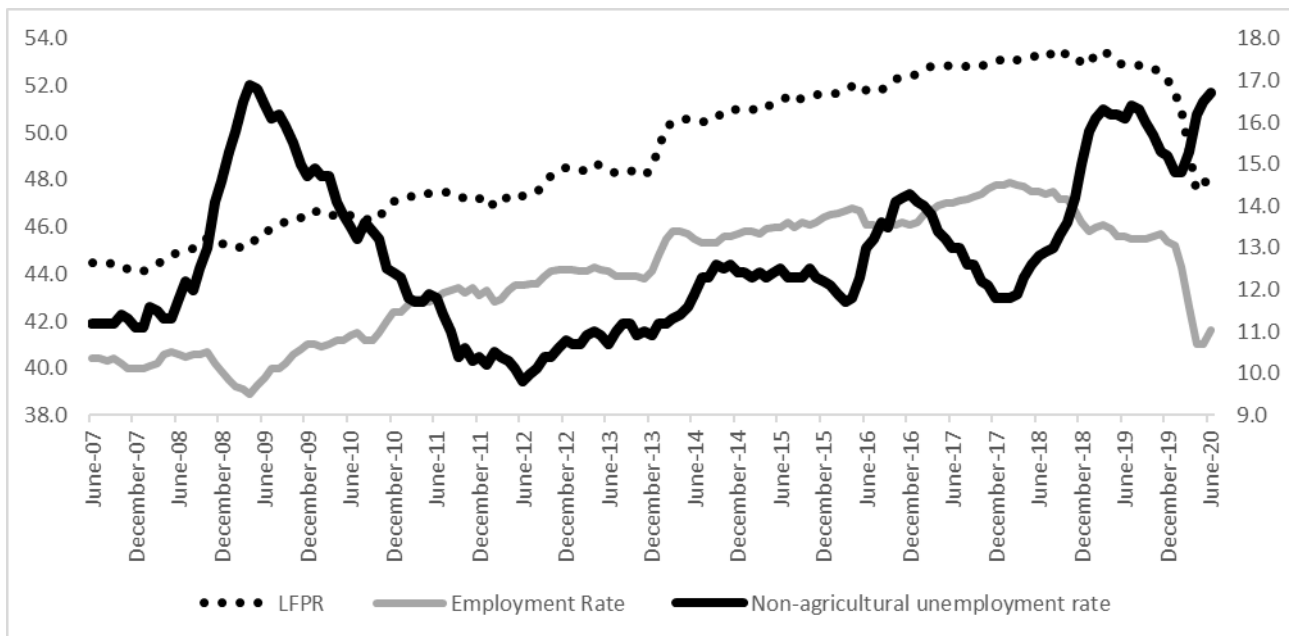
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Figure 1. Seasonally adjusted non-agricultural labor force, employment, and unemployment



Source: Turkstat, Betam

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

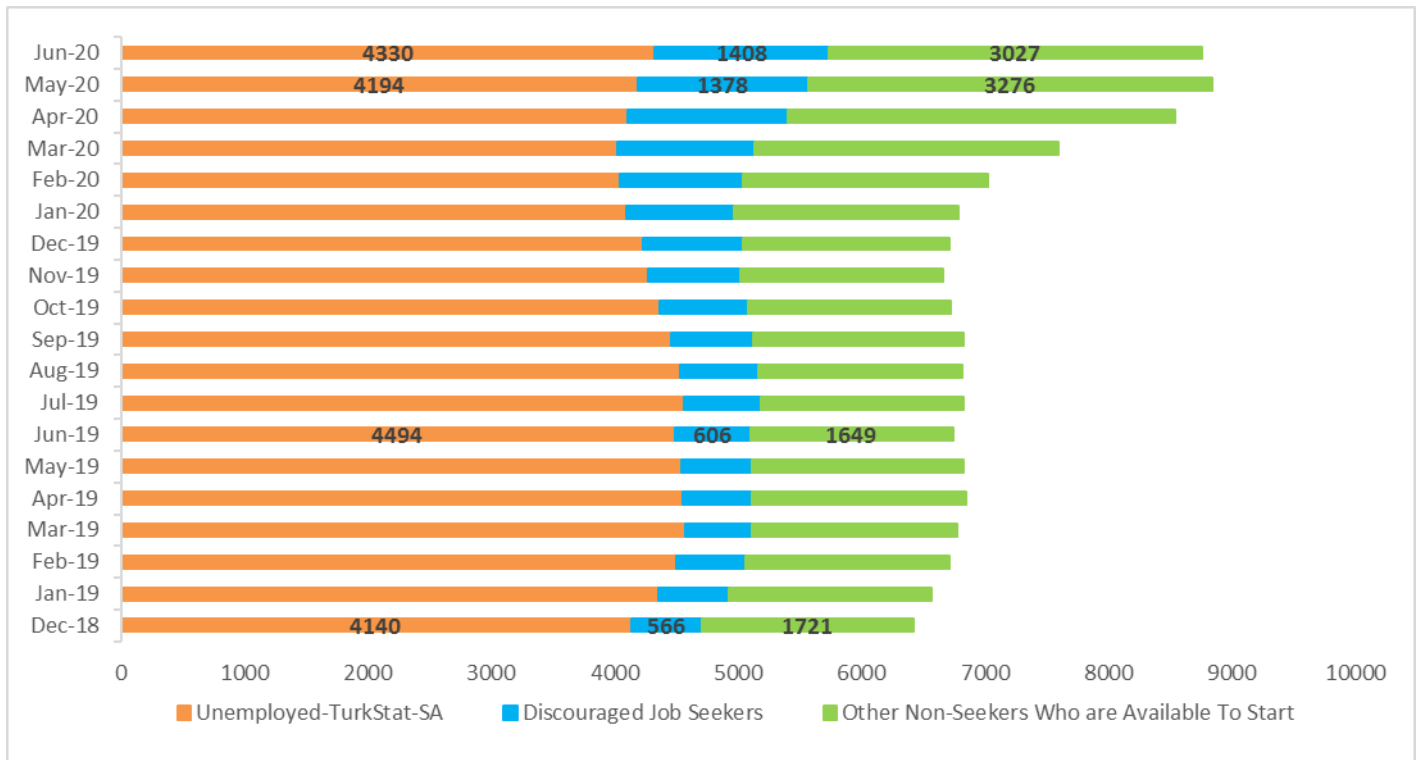


Source: Turkstat, Betam

Decrease in the number of “not seeking a job but available to start”

The level of labor force, by definition, is the summation of the level of employed people and the level of job seekers (unemployed). During the periods of massive employment losses one witnesses strange increase among individuals who desire to work but they are not actively seeking a job as they think that they could not find any. Those individuals that quit seeking for jobs and labor force due to loss of confidence and other reasons are referred as ‘Discouraged workers’ and ‘Other’ by TurkStat. The number of discouraged workers continuously increased since January 2019 and the increases accelerated in February, March and April. After deceleration in the period of May, the number of inactive non-seekers that are available to start decreased for the first time since the period of October 2019. In addition, the summation of seasonally adjusted ‘non-seekers but available to start’ and seasonally adjusted ‘unemployed’ population decreased for the first time since the period of November 2019. We estimate that this total figure decreased to 8 million 765 thousand in the period of June 2020, from 8 million 848 thousand in the period of May 2020.

Figure 3. The number of unemployed people, non-seekers who are available and summation of both, SA

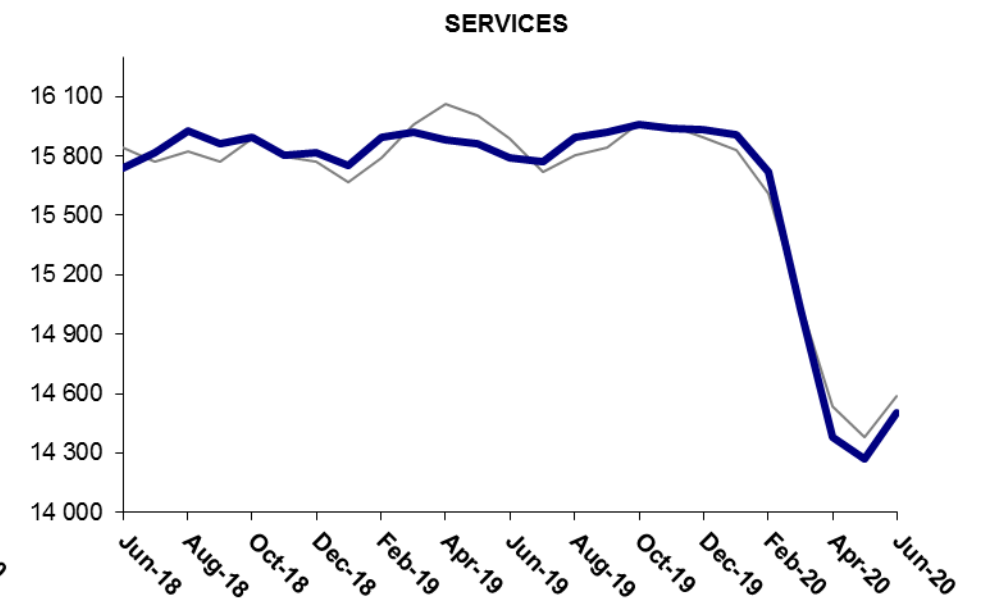
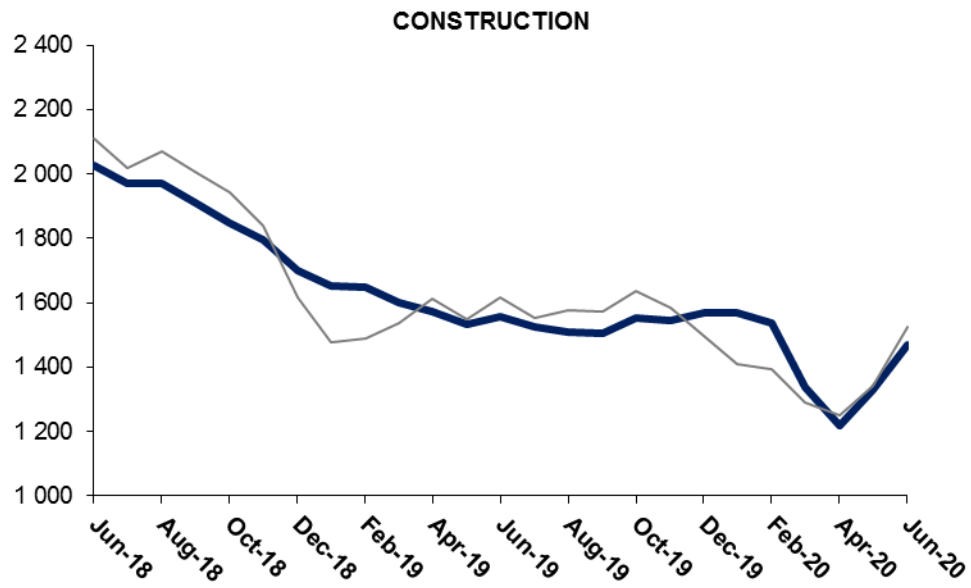
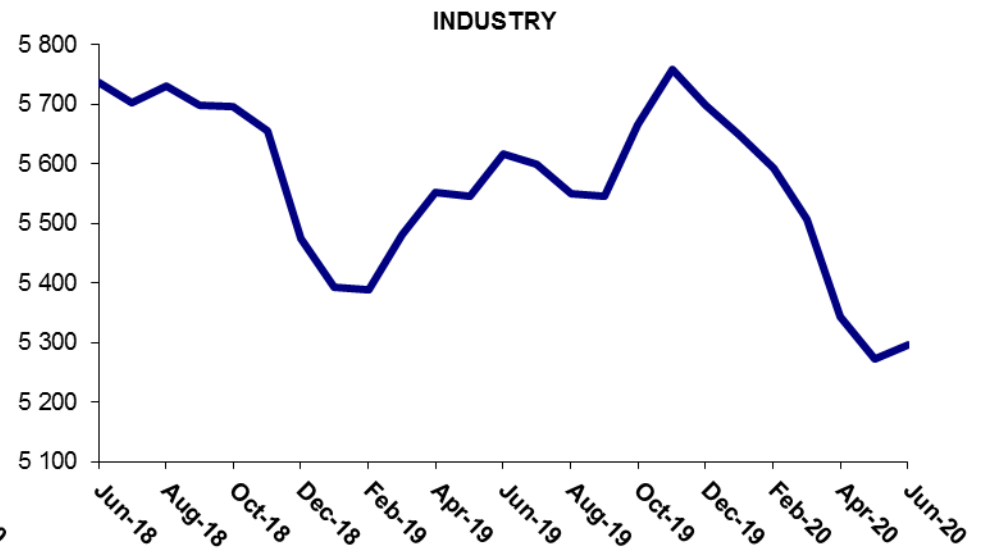
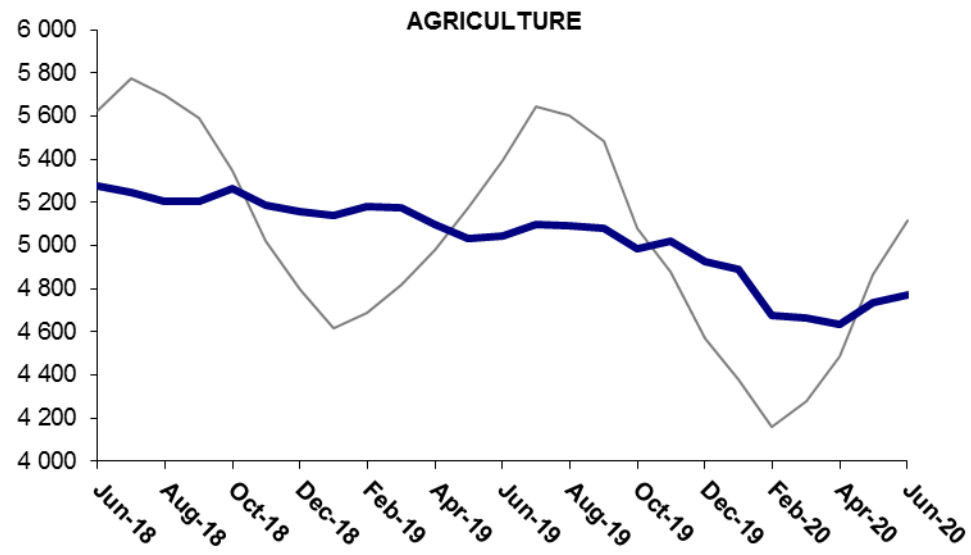


Source: Turkstat, Betam

Employment increases in all sectors

According to seasonally adjusted employment data, in the period of June 2020 compared to May 2020, employment increased in all four sectors. With the increase of 141 thousand in the construction employment, for the last two periods, employment gains in this sector totaled 251 thousand. As a result, employment in the construction sector recovered almost all its loss due to the pandemic. Employment in manufacturing increased by 25 thousand and by 230 thousand in services which has been going through employment losses even before the pandemic and suffered the most severe losses during the pandemic. Nevertheless, level of employment in manufacturing and services sector is far from their pre-pandemic levels.

Figure 4: Employment by sectors (in thousand)



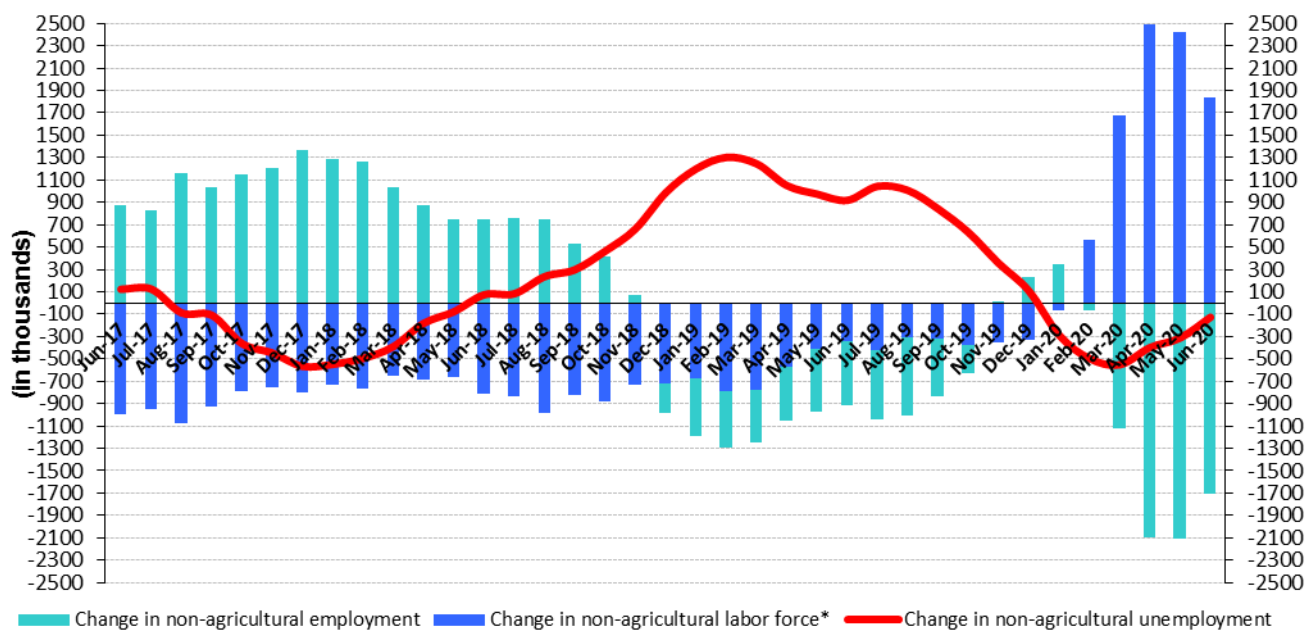
Source: TURKSTAT, Betam



Strong decreases in yearly non-agricultural labor force and employment

Compared to June 2019, non-agricultural employment decreased by 1 million 708 thousand (7.4 percent) in June 2020 while the non-agricultural labor force declined by 1 million 836 thousand, causing a decrease of 128 thousand in the number of unemployed people (Figure 5).

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



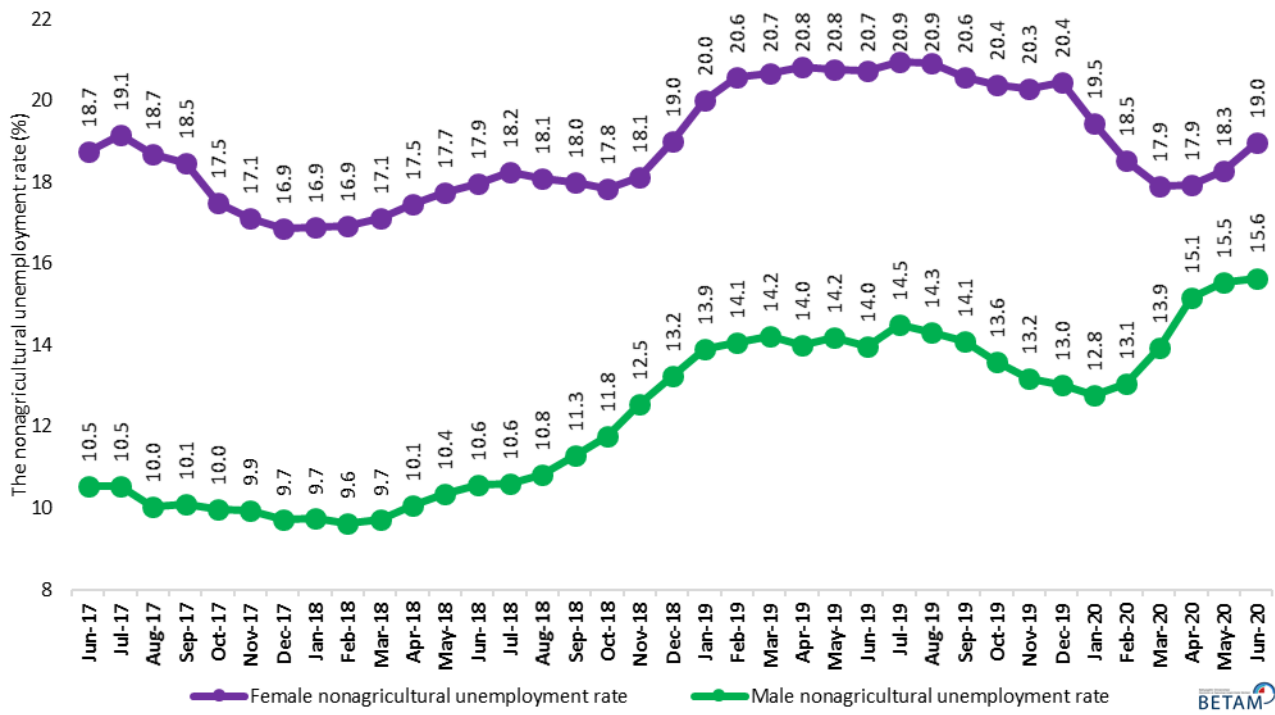
Source: TURKSTAT, Betam

Increases in male and female unemployment rates

Figure 6 shows seasonally adjusted non-agricultural unemployment rate for males (green) and for females (purple)¹. In the period of June 2020 compared to the previous period, female non-agricultural unemployment rate increased by 0.7 percentage point to 19.0 percent. Male non-agricultural unemployment turned out to be 15.6 percent, with 0.1 percentage point increases compared to May 2020. While female and male labor force increased by 252 thousand and 413 thousand, respectively, female and male employment increased by 151 thousand and 330 thousand. As increase in female labor force compared to employment increase was quite higher female unemployment rate jumped by 0.7 percentage points that enlarged the unemployment gender gap by 0.6 percentage points; the gender gap attained 3.3 percentage points in June 2020 (Table 3).

¹Turkstat 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
June-17	26146	22747	3399	13.0%			
July-17	26105	22711	3394	13.0%	-41	-36	-5
August-17	26176	22878	3298	12.6%	72	167	-95
September-17	26238	22932	3306	12.6%	62	54	8
October-17	26239	23038	3201	12.2%	1	106	-105
November-17	26381	23189	3192	12.1%	142	151	-9
December-17	26405	23289	3116	11.8%	24	100	-76
January-18	26511	23383	3128	11.8%	107	94	13
February-18	26634	23491	3143	11.8%	122	108	14
March-18	26649	23478	3171	11.9%	15	-13	28
April-18	26754	23463	3291	12.3%	104	-15	119
May-18	26840	23458	3382	12.6%	86	-5	91
June-18	26952	23502	3450	12.8%	112	44	68
July-18	26968	23489	3479	12.9%	16	-13	29
August-18	27155	23625	3530	13.0%	187	136	51
September-18	27069	23469	3600	13.3%	-86	-156	70
October-18	27125	23436	3689	13.6%	56	-33	89
November-18	27101	23253	3848	14.2%	-24	-183	159
December-18	27053	22995	4058	15.0%	-48	-258	210
January-19	27075	22797	4278	15.8%	22	-198	220
February-19	27330	22930	4400	16.1%	255	133	122
March-19	27479	23000	4479	16.3%	149	70	79
April-19	27456	23008	4448	16.2%	-23	8	-31
May-19	27374	22939	4435	16.2%	-82	-69	-13
June-19	27368	22962	4406	16.1%	-5	23	-28
July-19	27386	22895	4491	16.4%	18	-67	85
August-19	27424	22954	4470	16.3%	38	59	-21
September-19	27348	22972	4376	16.0%	-77	18	-95
October-19	27493	23177	4316	15.7%	146	205	-59
November-19	27443	23244	4199	15.3%	-51	67	-118
December-19	27356	23198	4158	15.2%	-87	-46	-41
January-20	27141	23124	4017	14.8%	-215	-74	-141
February-20	26819	22850	3969	14.8%	-322	-274	-48
March-20	25822	21871	3951	15.3%	-998	-979	-19
April-20	24994	20945	4049	16.2%	-828	-926	98
May-20	24996	20872	4124	16.5%	2	-73	75
June-20	25531	21267	4264	16.7%	534	395	139

Source: Turkstat, Betam

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

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
June-17	5403	5383	2082	15282				
July-17	5501	5363	2123	15226	98	-20	41	-56
August-17	5465	5437	2169	15271	-36	74	46	45
September-17	5488	5421	2121	15390	23	-16	-48	119
October-17	5469	5470	2090	15478	-19	49	-31	88
November-17	5482	5470	2127	15592	13	0	37	114
December-17	5538	5514	2174	15601	56	44	47	9
January-18	5484	5567	2197	15619	-54	53	23	18
February-18	5456	5627	2187	15678	-28	60	-10	59
March-18	5395	5618	2149	15710	-61	-9	-38	32
April-18	5399	5650	2095	15718	4	32	-54	8
May-18	5325	5669	2048	15742	-74	19	-47	24
June-18	5278	5737	2026	15738	-47	68	-22	-4
July-18	5244	5703	1972	15813	-34	-34	-54	75
August-18	5202	5730	1972	15923	-42	27	0	110
September-18	5207	5698	1912	15859	5	-32	-60	-64
October-18	5266	5696	1849	15892	59	-2	-63	33
November-18	5188	5656	1797	15800	-78	-40	-52	-92
December-18	5157	5474	1702	15819	-31	-182	-95	19
January-19	5136	5392	1654	15751	-21	-82	-48	-68
February-19	5183	5388	1648	15894	47	-4	-6	143
March-19	5176	5482	1600	15918	-7	94	-48	24
April-19	5100	5553	1573	15882	-76	71	-27	-36
May-19	5034	5546	1532	15862	-66	-7	-41	-20
June-19	5046	5616	1557	15789	12	70	25	-73
July-19	5099	5600	1527	15768	53	-16	-30	-21
August-19	5090	5551	1508	15896	-9	-49	-19	128
September-19	5078	5546	1507	15919	-12	-5	-1	23
October-19	4983	5666	1554	15957	-95	120	47	38
November-19	5021	5758	1544	15942	38	92	-10	-15
December-19	4923	5699	1567	15931	-98	-59	23	-11
January-20	4890	5649	1567	15908	-33	-50	0	-23
February-20	4677	5593	1538	15718	-213	-56	-29	-190
March-20	4663	5508	1340	15024	-14	-85	-198	-694
April-20	4635	5344	1220	14382	-28	-164	-120	-642
May-20	4733	5272	1330	14270	98	-72	110	-112
June-20	4769	5297	1471	14500	36	25	141	230

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
June-17	7675	6237	1438	18466	16521	1945
July-17	7670	6202	1469	18472	16528	1944
August-17	7680	6246	1435	18507	16648	1859
September-17	7738	6310	1428	18495	16626	1869
October-17	7761	6402	1359	18474	16631	1842
November-17	7833	6493	1340	18532	16689	1843
December-17	7859	6534	1325	18535	16736	1799
January-18	7945	6603	1342	18591	16781	1810
February-18	7969	6619	1349	18666	16870	1796
March-18	7971	6607	1364	18695	16880	1815
April-18	8015	6615	1400	18740	16852	1888
May-18	8049	6621	1429	18730	16790	1940
June-18	8091	6638	1452	18869	16875	1994
July-18	8094	6617	1476	18890	16890	2000
August-18	8166	6688	1477	19023	16967	2055
September-18	8139	6674	1466	18949	16812	2138
October-18	8223	6757	1466	18900	16679	2221
November-18	8237	6745	1492	18868	16501	2366
December-18	8304	6727	1577	18728	16247	2481
January-19	8384	6707	1677	18679	16083	2597
February-19	8474	6729	1744	18843	16195	2648
March-19	8538	6773	1764	18920	16232	2688
April-19	8490	6723	1767	18941	16292	2649
May-19	8422	6674	1749	18884	16205	2679
June-19	8426	6680	1746	18944	16296	2649
July-19	8411	6650	1761	19025	16266	2758
August-19	8432	6668	1764	19053	16324	2729
September-19	8375	6650	1724	19018	16340	2678
October-19	8442	6720	1722	19054	16464	2590
November-19	8379	6679	1700	19073	16561	2512
December-19	8358	6649	1709	19011	16538	2473
January-20	8297	6683	1614	18847	16441	2406
February-20	8143	6633	1510	18638	16205	2433
March-20	7780	6387	1394	17992	15487	2505
April-20	7428	6096	1332	17501	14849	2651
May-20	7438	6079	1359	17432	14723	2709
June-20	7690	6230	1459	17845	15053	2793

Source: Turkstat, Betam

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

	Non-Agricultural Labor Force	Non-Agricultural Employment	Non-Agricultural Unemployed
Jun-17	52.8	47.0	13.0
Jul-17	52.9	47.1	13.0
Aug-17	52.8	47.2	12.6
Sep-17	52.9	47.3	12.6
Oct-17	52.8	47.4	12.2
Nov-17	53.0	47.6	12.1
Dec-17	53.1	47.8	11.8
Jan-18	53.1	47.8	11.8
Feb-18	53.2	47.9	11.8
Mar-18	53.1	47.8	11.9
Apr-18	53.2	47.7	12.3
May-18	53.2	47.5	12.6
Jun-18	53.3	47.5	12.8
Jul-18	53.2	47.4	12.9
Aug-18	53.4	47.5	13.0
Sep-18	53.2	47.2	13.3
Oct-18	53.4	47.2	13.6
Nov-18	53.2	46.7	14.2
Dec-18	53.0	46.2	15.0
Jan-19	52.9	45.8	15.8
Feb-19	53.4	46.0	16.1
Mar-19	53.5	46.1	16.3
Apr-19	53.3	45.9	16.2
May-19	53.0	45.6	16.2
Jun-19	52.9	45.6	16.1
Jul-19	52.9	45.5	16.4
Aug-19	52.9	45.5	16.3
Sep-19	52.7	45.5	16.0
Oct-19	52.7	45.6	15.7
Nov-19	52.6	45.7	15.3
Dec-19	52.2	45.4	15.2
Jan-20	51.8	45.2	14.8
Feb-20	50.8	44.3	14.8
Mar-20	49.1	42.6	15.3
Apr-20	47.6	41.0	16.2
May-20	47.7	41.0	16.5
Jun-20	48.6	41.6	16.7

Source: Turkstat

Table 5: Seasonally adjusted non-seekers that are available to start, unemployed and sum of both

	Discouraged Job Seekers-SA	Unemployed- TurkStat-SA	Other Non- Seekers Who are Available To Start	Total
Jan-19	564	4359	1648	6572
Feb-19	561	4498	1654	6712
Mar-19	535	4576	1661	6772
Apr-19	560	4552	1739	6851
May-19	580	4539	1712	6831
Jun-19	606	4494	1649	6749
Jul-19	618	4569	1643	6830
Aug-19	630	4537	1648	6815
Sep-19	670	4455	1703	6828
Oct-19	719	4364	1641	6724
Nov-19	754	4271	1634	6659
Dec-19	809	4230	1674	6712
Jan-20	879	4092	1812	6782
Feb-20	1002	4042	1978	7022
Mar-20	1104	4027	2472	7602
Apr-20	1298	4111	3131	8540
May-20	1378	4194	3276	8848
Jun-20	1408	4330	3027	8765

Source: Turkstat, Betam