

## **CONFOUNDING RISE IN EMPLOYMENT**

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### **Executive Summary**

According to the seasonally adjusted data, the number of employed persons showed a strong increase of 765 thousand compared to the previous quarter and rose to 30 million 775 thousand in 2022 Q2, while the unemployment rate decreased from 11% to 10.6%. QoQ employment growth was 2.5%, an extremely high increase. GDP growth from Q1 to Q2 2022 has not yet been announced. Even if the official QoQ growth rate turns to be higher than Betam's forecast of 1.1%, it is not likely to be high enough to explain the 2.5% job growth.

Seasonally adjusted sectoral employment data reveals that employment increased in all four sectors. The manufacturing sector witnessed the highest increase, with a quarterly employment growth rate of 3.3% (217 thousand). However, the QoQ increase in the seasonally adjusted industrial production index was 1.1%. The 3.3% increase in employment is above the employment creation capacity of the growth in manufacturing. The increase in employment in the services sector is 393 thousand and the rate of increase is 2.3%.

The seasonally adjusted youth unemployment rate (ages 15-24) increased by 0.1 pp to 26.3 % for females, while it decreased by 0.8 points to 17.1 % for males. The gender gap in unemployment rates for young females and males is 9.2 pp.

According to the seasonally unadjusted data, the general unemployment rate decreased in all education levels compared to the previous quarter. The highest decrease in unemployment rates was recorded in the "Vocational high school" group. In the "higher education" group, while the male unemployment rate decreased by 1.5 pp to 7.9%, the female unemployment rate edged down to 14% with a slight decrease of 0.1 pp.

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In the second quarter of 2022, the long-term unemployment rate increased by 0.1 pp compared to the previous quarter and reached 24.5%. The long-term unemployment rate decreased by 1.5 pp to 31.6% for females and rose by 0.6 pp to 19.4% for males.

## **Introduction**

In addition to its monthly Labor Market Outlook (LMO) reports, Betam publishes its quarterly LMO notes since November 2021. In January 2021, TurkStat started to publish monthly labor force statistics with "monthly" data instead of "quarterly averages". However, since the monthly data excludes many issues such as education levels, enrollment, and unemployment periods, TurkStat decided to publish quarterly statistics with much wider coverage starting in 2021. Then, after observing the highly erratic behavior of the monthly sectorial employment data, TurkStat left these data out of the scope of the monthly statistics and transferred them to the quarterly statistics.

In parallel to these developments, Betam also publishes quarterly LMO notes as well as monthly LMO notes. In this note, which covers the second quarter of 2022, we would like to indicate that we made important changes in terms of scope. In our previous notes, we highlighted the great divergence between "those in employment" and "those employed at work" due to the impact of the COVID-19 pandemic. Since this divergence has faded, when the wedge reverted to its normal, we have excluded this issue from the scope.<sup>1</sup> Additionally, the general labor market developments analyzed by sector and education level in our previous quarterly notes were made more systematic and inclusive. We also considered it would be useful to add "long-term unemployment" to our quarterly LMO notes from now on.

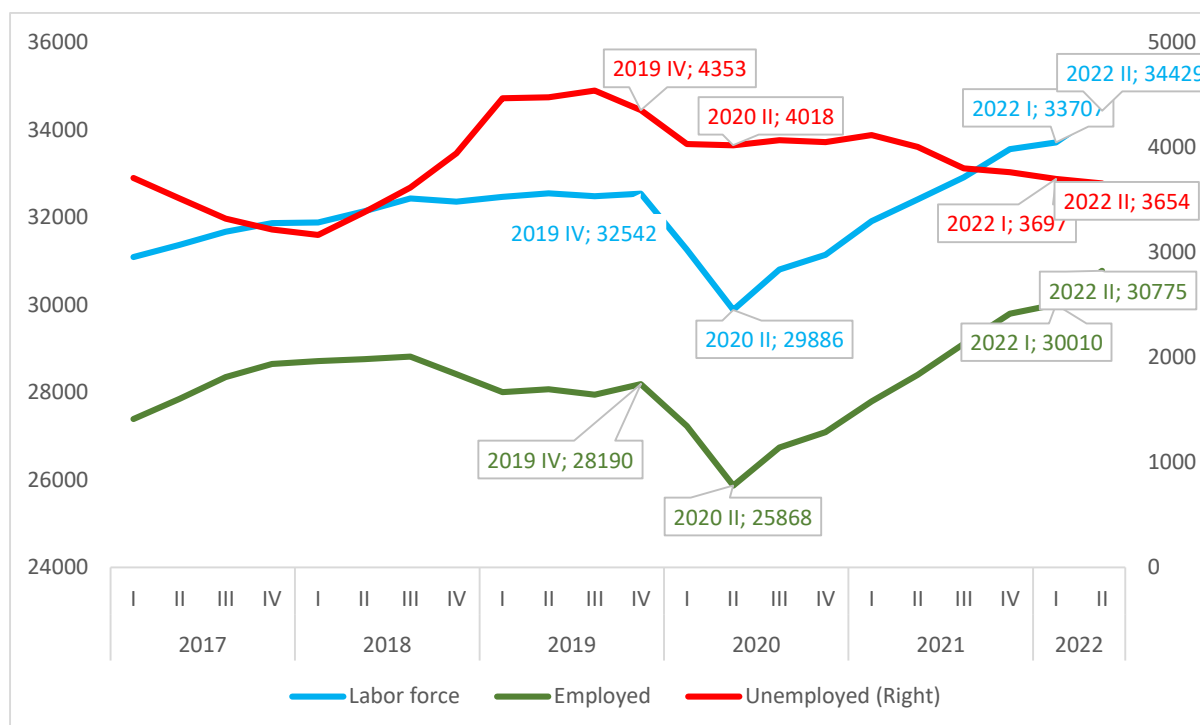
## **Extraordinary rise in employment**

According to seasonally adjusted data, the number of persons in employment strongly increased by 765 thousand compared to the previous quarter and reached 30 million 775 thousand. In the same period, the number of unemployed persons fell by 43 thousand to 3 million 654 thousand; as a result, the labor force increased by 722 thousand and reached 34 million 429 thousand (Figure 1, Table 1). QoQ employment increase was 2.5 %. This is an extremely high increase. The GDP growth rate from 2022 Q1 to 2022 Q2 is not announced yet. Betam forecasts a QoQ growth rate of 1.1 %. Even if the official growth rate turns to be higher than our forecast, it is not likely to be high enough to explain 2.5% job growth. We would like to note that in the 2021Q1, quarterly GDP growth rate was 1.2% and the quarterly employment increase was 0.7%.

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<sup>1</sup> Before the pandemic, the difference between those in employment and those at work was around 3.5 %. In the 2nd quarter of 2020, when the ban of the removal from work and other employment supports were enacted, this difference jumped to 21.4%. In the following period, this difference gradually decreased and edged down to around 5.5% in Q2 2022.

**Figure 1 : Seasonally adjusted main labor force indicators (000)**



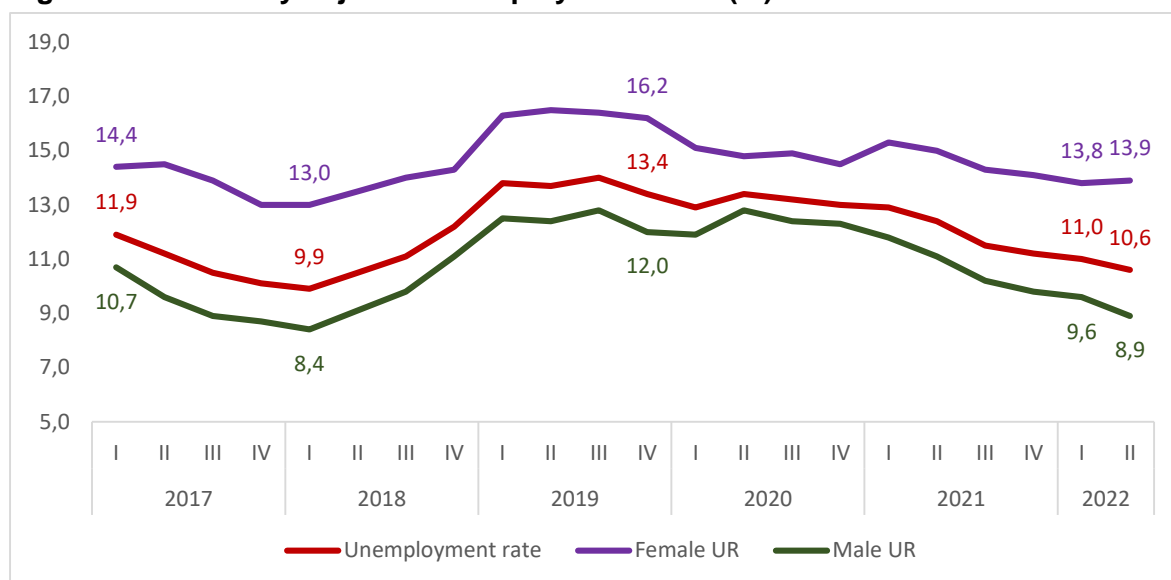
Source: Turkstat, Betam

### Striking fall in male unemployment

According to seasonally adjusted data, the headline unemployment rate decreased by 0.4 pp to 10.6 % in 2022 Q2 compared to the previous quarter. In the same period, while female employment increased by 372 thousand, the number of unemployed females increased by 81 thousand (Table 2). As a result, the female unemployment rate increased by 0.1 pp QoQ to 13.9%. In the last year, as pandemic measures began to loosen, the female labor force increased by 1 million 162 thousand, while female employment increased by 1 million 111 thousand (Table 2). In comparison, the male unemployment rate strongly declined QoQ by 0.7 pp to 8.9% as the rise in male employment (393 thousand) exceeded the increase in the male labor force (269 thousand). While male employment increased by 1 million 263 thousand in the last year, the number of unemployed males decreased by 401 thousand and the male labor force increased by 862 thousand. Compared to 2021 Q2, the YoY increase in the female labor force increase exceeds the increase in the male labor force by 300 thousand.

As a result of the increase in the female unemployment rate and the decrease in the male unemployment rate, the gender gap in unemployment rates became 5% and reached its highest level since 2005.

**Figure 2: Seasonally adjusted unemployment rates (%)**

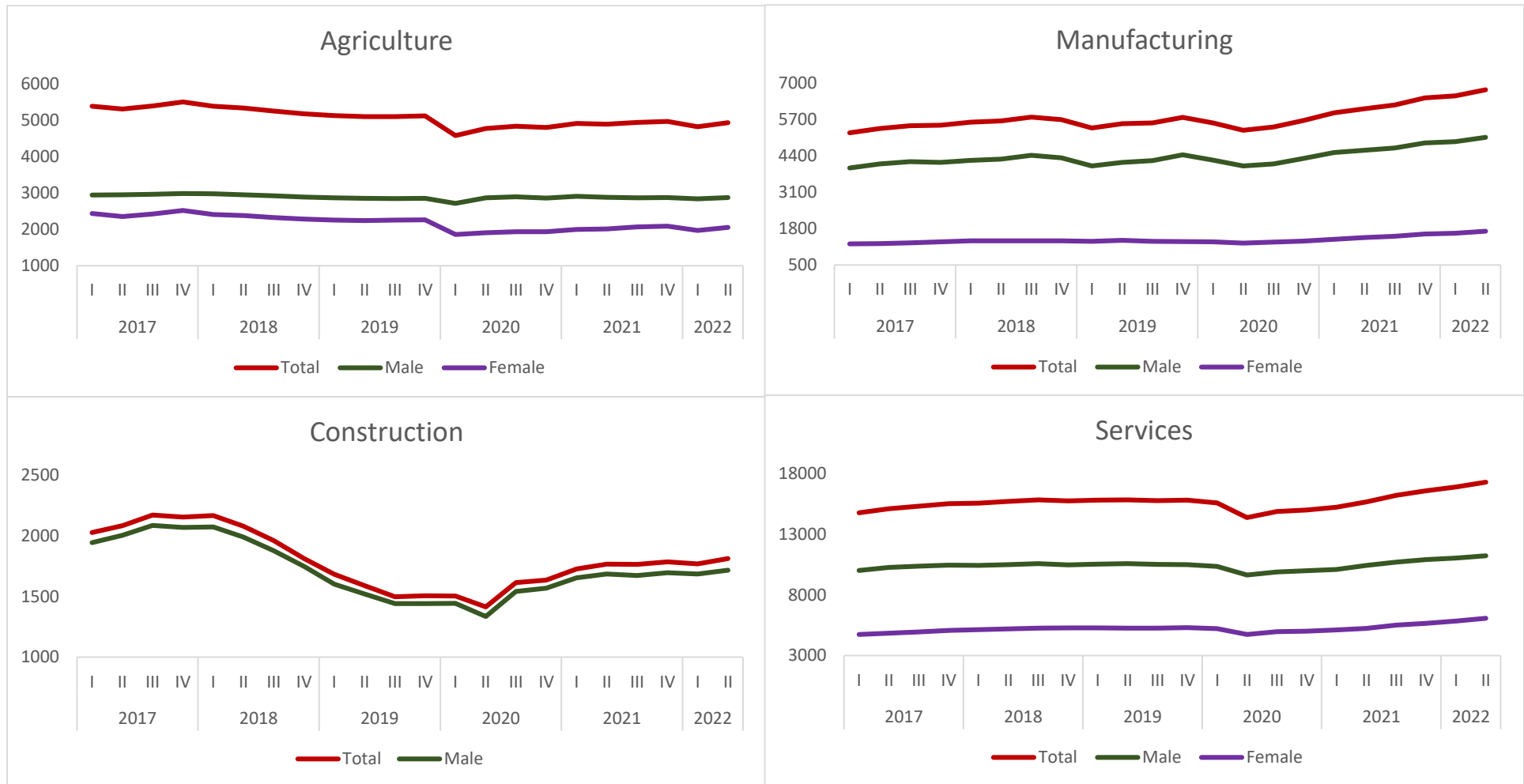


Source: Turkstat, Betam

### **Employment increase above the production increase in manufacturing**

According to the seasonally adjusted sectoral employment data, employment increased in all sectors. In the services sector, male employment increased by 180 thousand, female employment by 213 thousand, and total employment went up by 393 thousand (2.3%) to 17 million 275 thousand. Similarly, in the industrial sector male employment increased by 148 thousand, female employment rose by 69 thousand, and total employment increased by 217 thousand (3.3%) to 6 million 759 thousand (Table 3). Considering that the working day and seasonally adjusted industrial production index increased by 1.1% QoQ, it is obvious that the employment increase of 3.3% in this period is above the employment creation capacity of the growth observed in the past. While employment in the agricultural sector increased by 113 thousand QoQ, the employment in the construction sector increased by 42 thousand (2.3%).

**Şekil 3: Seasonally adjusted sectorial employment (000), Total<sup>2</sup>**



Source:

Turkstat,

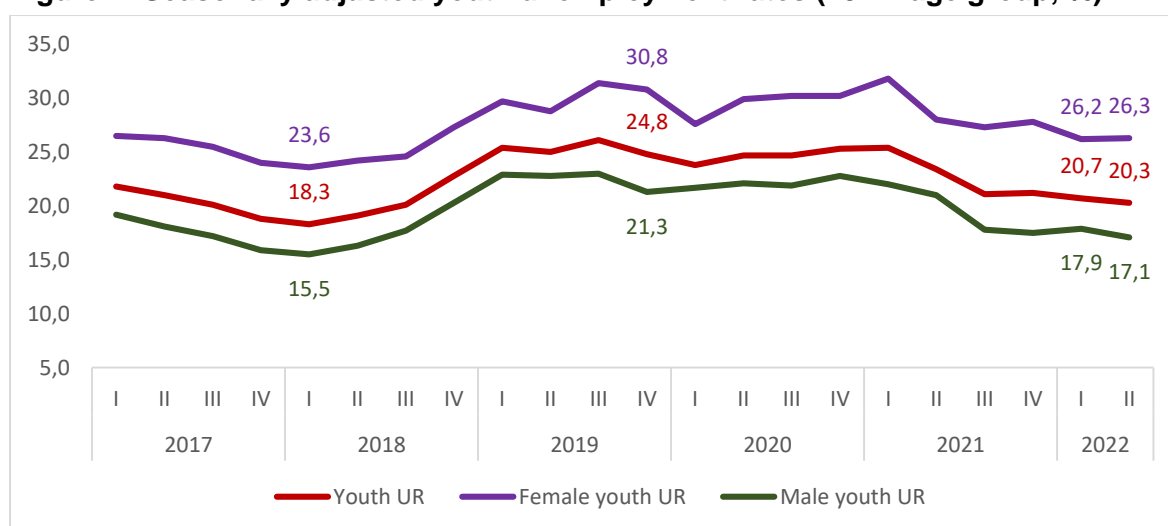
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<sup>2</sup>Since the female employment in the construction sector is very low, we did not depict it.

## Unemployment falls in youth males but rises in youth females

Seasonally adjusted youth (ages 15-24) labor force indicators show that the youth unemployment rate decreased by 0.4 pp to 20.3%. In this period, the youth employment rate rose to 34.6% with a strong increase of 1.0 pp. Nevertheless, it is still 1.2 pp below its maximum level in 2018 Q3 (35.8 %). While the youth unemployment rate of females increased by 0.1 pp to 26.3 %, the employment rate increased by 0.9 pp to 22.7%. The youth employment rate of females is 1.3 pp below its 2018 Q3 level (24.0%). The youth employment rate of males jumped by 1.1 pp, and the unemployment rate strongly fell by 0.8 pp to 17.1%. The youth employment rate of males (46.0%) is 1.3 pp below its level of the 2018 Q3 (47.3%) (Table 4).

**Figure 4: Seasonally adjusted youth unemployment rates (15-24 age group, %)**



Source: Turkstat, Betam

## Unemployment decreased in all education levels except for the higher-educated females

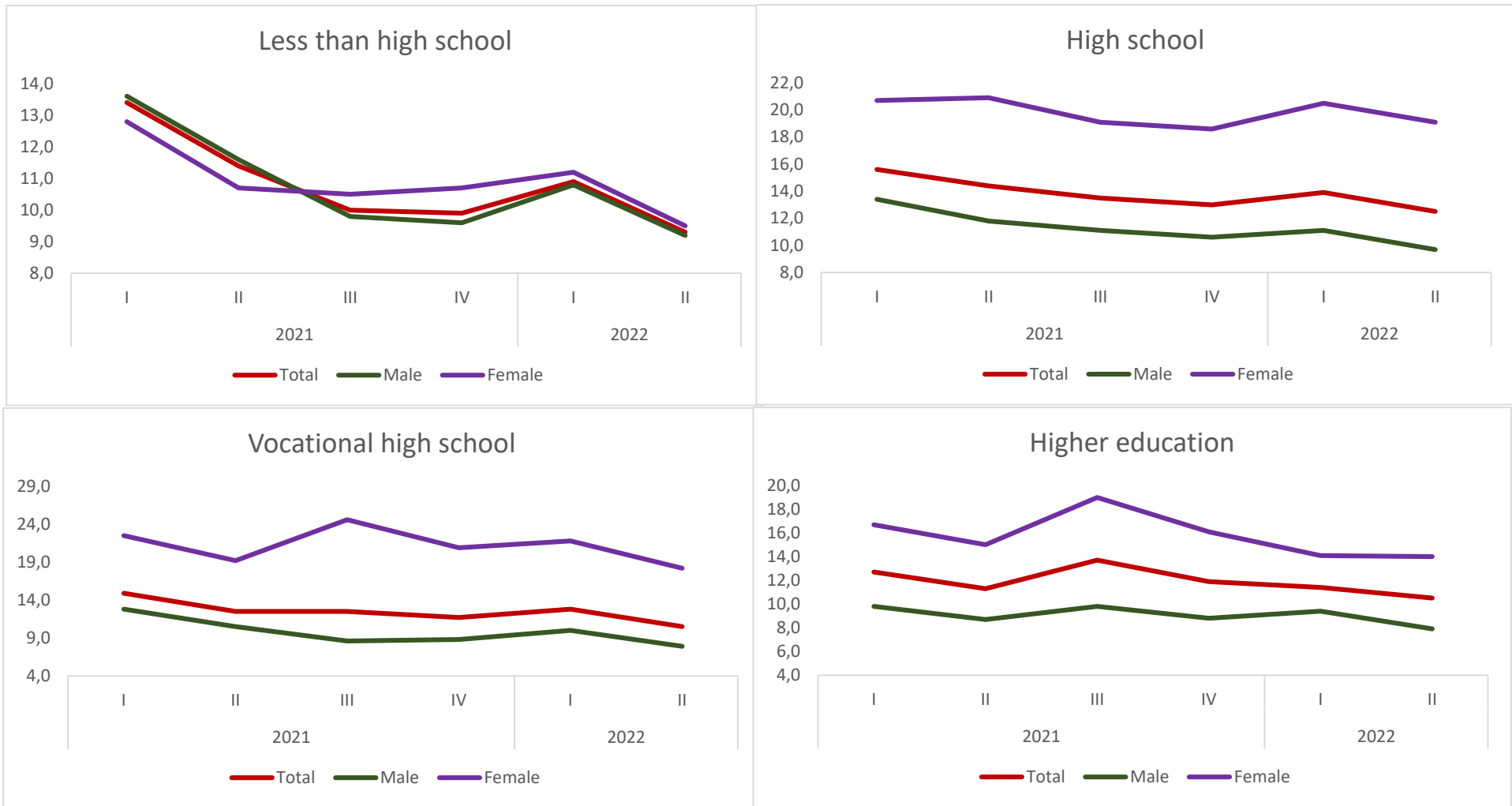
According to the seasonally unadjusted data, the headline unemployment rate decreased in all education levels in 2022 Q2 compared to the previous quarter<sup>3</sup>. The "vocational high school" group experienced the most striking quarterly fall with the unemployment rate decreasing from 12.8% to 10.5% (2.3 pp). Unemployment rates in "less than high school", "high school" and "higher education" groups decreased by 1.6, 1.4, and 0.9 pp, respectively, to 9.3%, 12.5%, and 10.5 % (Table 5).

Compared to the previous quarter, the female unemployment rate in the "less than high school" education group decreased by 1.7 pp to 9.5% in 2022 Q2. While the unemployment rate of "vocational high school" group decreased by 3.6 pp to 18.2%, the unemployment rate

<sup>3</sup> As TurkStat does not back date these series to 2014, it is possible to seasonally adjust them.

of "high school" group fell by 1.4 pp to 19.1%. Nevertheless, the female unemployment rate in "higher education" group almost stagnated since the decrease from 14.1 to 14.0 percent was limited to 0.1 pp only.

While the male unemployment rate of "less than high school" group edged down by 1.6 pp to 9.2%, male unemployment rates of "high school" and "vocational high school" groups fell by 1.4 pp and 2.1 pp to 9.7% and 7.9%, respectively. The unemployment rate in the "higher education" group decreased by 1.5 pp to 7.9%. The unemployment gender gap in the higher education group increased from 4.7 points to 6.1 points in three months. Thus, there is no improvement in the high unemployment problem among higher education-graduate females.



**Figure 6: Unemployment rates by educational level, Unadjusted (%)**

Source:

Turkstat,

Betam

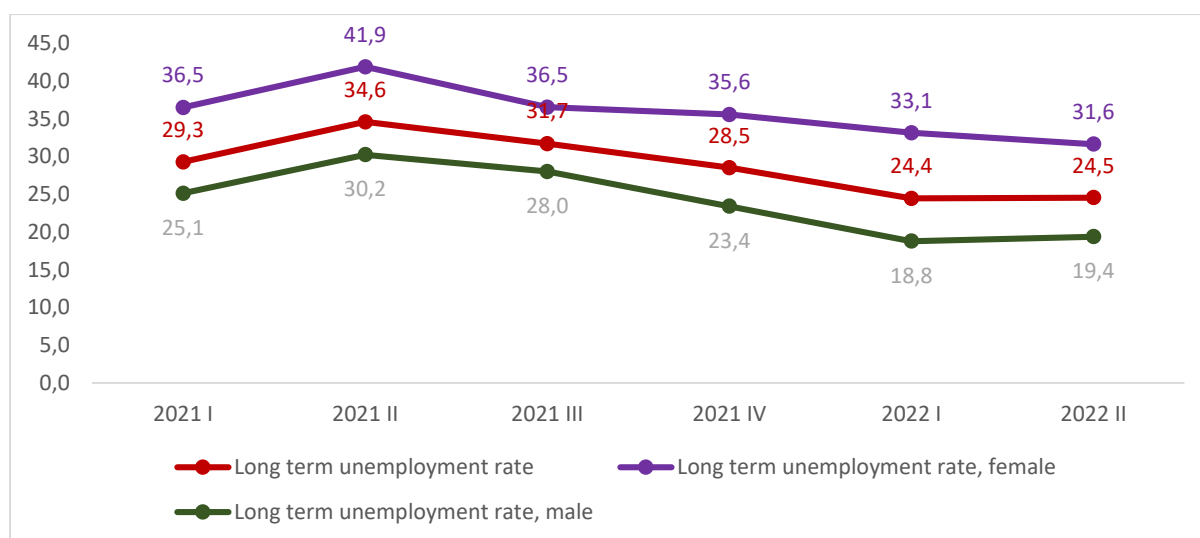


## **Long-term unemployment decreases among females and increases among males**

The long-term unemployment rate denotes the share of the number of persons unemployed for one year or longer in the total number of unemployed persons. As of 2020 Q1, activity restrictions, within the scope of Covid-19 epidemic measures significantly reduced the demand for labor, especially in the services sector. As a result, the period of the currently unemployed persons lingered, and the share of this group in the total unemployed reached its highest level in 2021 Q2 (Figure 7). Following the end of the activity restrictions, this number tended to decrease because of the rapid increase in employment. Another factor in the decrease in the long-term unemployment rate was the rise in labor force entry with the relaxation of the activity restrictions. As a result, the share of the number of long-term unemployed persons in the total unemployed was in decline until the 2022 Q2.

In 2022 Q2, the long-term unemployment rate increased by 0.1 pp in total compared to the previous quarter and reached 24.5%. According to the seasonally unadjusted data, while the total number of unemployed decreased by 396 thousand from 2022 Q1 to Q2, the decrease in the number of long-term unemployed persons was limited to 93 thousand. On one side, the number of unemployed females decreased by 67 thousand while the number of long-term unemployed persons decreased by 44 thousand. As a result, the share of long-term unemployed females decreased by 1.5 pp to 31.6%. On the other side, the number of unemployed males decreased by 329 thousand while the number of long-term unemployed males decreased by 50 thousand. Because of the relatively high decrease in the denominator, the long-term unemployment rate for males increased by 0.6 points to 19.4%. Although long-term unemployment for females remained substantially higher than for males, it is improving.

**Figure 7: Long term unemployment rates (Female, Male, Total) (%)**



Source: Turkstat, Betam

**Table 1: Seasonally adjusted main labour force indicators**

		Labor force	Employed	Unemployed	Unemployment rate
2017	I	31093	27388	3706	11,9
	II	31366	27853	3513	11,2
	III	31666	28346	3320	10,5
	IV	31866	28650	3216	10,1
2018	I	31878	28712	3165	9,9
	II	32135	28755	3380	10,5
	III	32432	28816	3616	11,1
	IV	32354	28412	3942	12,2
2019	I	32468	28002	4466	13,8
	II	32546	28072	4475	13,7
	III	32484	27944	4540	14,0
	IV	32542	28190	4353	13,4
2020	I	31259	27229	4030	12,9
	II	29886	25868	4018	13,4
	III	30804	26737	4067	13,2
	IV	31139	27091	4048	13,0
2021	I	31908	27792	4116	12,9
	II	32405	28401	4004	12,4
	III	32912	29112	3800	11,5
	IV	33554	29794	3761	11,2
2022	I	33707	30010	3697	11,0
	II	34429	30775	3654	10,6

Source: Turkstat, Betam

**Table 2: Seasonally adjusted main labour force indicators by gender**

		Employed	Unemployed	UR (%)	Employed, female	Unemployed, female	Female UR (%)	Employed, male	Unemployed, male	Male UR (%)
2017	I	27388	3706	11,9	8517	1434	14,4	18870	2272	11,9
	II	27853	3513	11,2	8543	1451	14,5	19310	2061	11,2
	III	28346	3320	10,5	8735	1405	13,9	19611	1914	10,5
	IV	28650	3216	10,1	8988	1340	13,0	19662	1877	10,1
2018	I	28712	3165	9,9	9006	1348	13,0	19706	1817	9,9
	II	28755	3380	10,5	9036	1414	13,5	19720	1966	10,5
	III	28816	3616	11,1	9034	1468	14,0	19782	2148	11,1
	IV	28412	3942	12,2	8994	1505	14,3	19419	2437	12,2
2019	I	28002	4466	13,8	8958	1748	16,3	19044	2717	13,8
	II	28072	4475	13,7	8956	1766	16,5	19116	2709	13,7
	III	27944	4540	14,0	8909	1748	16,4	19035	2792	14,0
	IV	28190	4353	13,4	8961	1726	16,2	19229	2627	13,4
2020	I	27229	4030	12,9	8479	1509	15,1	18750	2522	12,9
	II	25868	4018	13,4	8004	1386	14,8	17865	2632	13,4
	III	26737	4067	13,2	8305	1454	14,9	18432	2614	13,2
	IV	27091	4048	13,0	8370	1415	14,5	18721	2633	13,0
2021	I	27792	4116	12,9	8611	1551	15,3	19180	2565	12,9
	II	28401	4004	12,4	8805	1554	15,0	19596	2450	12,4
	III	29112	3800	11,5	9195	1540	14,3	19918	2260	11,5
	IV	29794	3761	11,2	9446	1554	14,1	20347	2206	11,2
2022	I	30010	3697	11,0	9544	1524	13,8	20466	2173	11,0
	II	30775	3654	10,6	9916	1605	13,9	20859	2049	10,6

Source: Turkstat, Betam

**Table 3: Seasonally adjusted sectorial employment by gender (000)**

		MALE					FEMALE				
		Total	Agriculture	Manufacturing	Construction	Services	Total	Agriculture	Manufacturing	Construction	Services
2017	I	18870	2944	3964	1944	10018	8517	2439	1258	83	4737
	II	19312	2948	4110	2003	10251	8543	2357	1266	79	4841
	III	19611	2968	4189	2085	10369	8735	2422	1288	85	4940
	IV	19662	2984	4163	2069	10446	8989	2518	1326	84	5061
2018	I	19707	2977	4235	2072	10423	9006	2407	1367	94	5138
	II	19720	2953	4279	1989	10499	9036	2380	1368	90	5198
	III	19782	2921	4418	1877	10566	9033	2327	1365	82	5259
	IV	19418	2887	4325	1747	10459	8992	2285	1368	65	5274
2019	I	19043	2871	4042	1602	10528	8957	2254	1349	80	5274
	II	19116	2851	4167	1520	10578	8957	2246	1383	70	5258
	III	19035	2847	4227	1441	10520	8910	2254	1348	57	5251
	IV	19229	2857	4435	1440	10497	8960	2262	1334	65	5299
2020	I	18751	2718	4247	1444	10342	8480	1863	1332	60	5225
	II	17864	2865	4036	1334	9629	8003	1906	1279	79	4739
	III	18432	2899	4109	1542	9882	8305	1937	1319	73	4976
	IV	18721	2858	4311	1569	9983	8371	1939	1353	66	5013
2021	I	19180	2911	4515	1653	10101	8612	1997	1419	74	5122
	II	19596	2882	4600	1684	10430	8805	2011	1478	83	5233
	III	19918	2869	4681	1673	10695	9195	2069	1531	92	5503
	IV	20347	2876	4862	1696	10913	9448	2090	1604	90	5664
2022	I	20466	2843	4907	1684	11032	9543	1974	1635	84	5850
	II	20859	2875	5055	1717	11212	9916	2055	1704	94	6063

Source: Turkstat, Betam

**Table 4: Seasonally adjusted youth employment and unemployment rates (%)**

		Employment rate			Unemployment rate		
		Total	Female	Male	Total	Female	Male
2017	I	33,7	22,6	44,5	21,8	26,5	19,2
	II	34,2	23,1	45,1	21,0	26,3	18,1
	III	34,6	23,2	45,6	20,1	25,5	17,2
	IV	35,2	23,9	46,2	18,8	24,0	15,9
2018	I	35,3	23,7	46,5	18,3	23,6	15,5
	II	35,5	23,8	46,8	19,1	24,2	16,3
	III	35,8	24,0	47,3	20,1	24,6	17,7
	IV	34,5	23,1	45,5	22,8	27,3	20,3
2019	I	33,6	23,6	43,3	25,4	29,7	22,9
	II	33,7	23,7	43,4	25,0	28,8	22,8
	III	32,5	22,1	42,6	26,1	31,4	23,0
	IV	32,2	21,6	42,5	24,8	30,8	21,3
2020	I	31,1	21,1	40,7	23,8	27,6	21,7
	II	29,1	18,5	39,3	24,7	29,9	22,1
	III	29,7	19,3	39,6	24,7	30,2	21,9
	IV	29,8	19,5	39,6	25,3	30,2	22,8
2021	I	30,6	19,5	41,2	25,4	31,8	22,0
	II	32,0	21,3	42,2	23,4	28,0	21,0
	III	32,6	21,7	43,1	21,1	27,3	17,8
	IV	33,5	22,2	44,3	21,2	27,8	17,5
2022	I	33,6	21,8	44,9	20,7	26,2	17,9
	II	34,6	22,7	46,0	20,3	26,3	17,1

Source: Turkstat, Betam

**Table 5: Unemployment Rates by Educational and Gender Breakdown**

	Total			
	Less than high school	High school	Vocational high school	Higher education
2021 I	13,4	15,6	14,9	12,7
2021 II	11,4	14,4	12,5	11,3
2021 III	10,0	13,5	12,5	13,7
2021 IV	9,9	13,0	11,7	11,9
2022 I	10,9	13,9	12,8	11,4
2022 II	9,3	12,5	10,5	10,5
	Male			
	Less than high school	High school	Vocational high school	Higher education
2021 I	13,6	13,4	12,8	9,8
2021 II	11,6	11,8	10,5	8,7
2021 III	9,8	11,1	8,6	9,8
2021 IV	9,6	10,6	8,8	8,8
2022 I	10,8	11,1	10,0	9,4
2022 II	9,2	9,7	7,9	7,9
	Female			
	Less than high school	High school	Vocational high school	Higher education
2021 I	12,8	20,7	22,5	16,7
2021 II	10,7	20,9	19,2	15,0
2021 III	10,5	19,1	24,6	19,0
2021 IV	10,7	18,6	20,9	16,1
2022 I	11,2	20,5	21,8	14,1
2022 II	9,5	19,1	18,2	14,0

Source: Turkstat, Betam

**Table 6: Long term unemployment rates (Total, Female, Male) (%)**

		Long term unemployment rate	Female long term unemployment rate	Male long term unemployment rate
2021	I	29,3	36,5	25,1
	II	34,6	41,9	30,2
	III	31,7	36,5	28,0
	IV	28,5	35,6	23,4
	I	24,4	33,1	18,8

2022	II	24,5	31,6	19,4
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Source: Turkstat, Betam