

UNEMPLOYMENT CONTINUES TO INCREASE

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Executive Summary

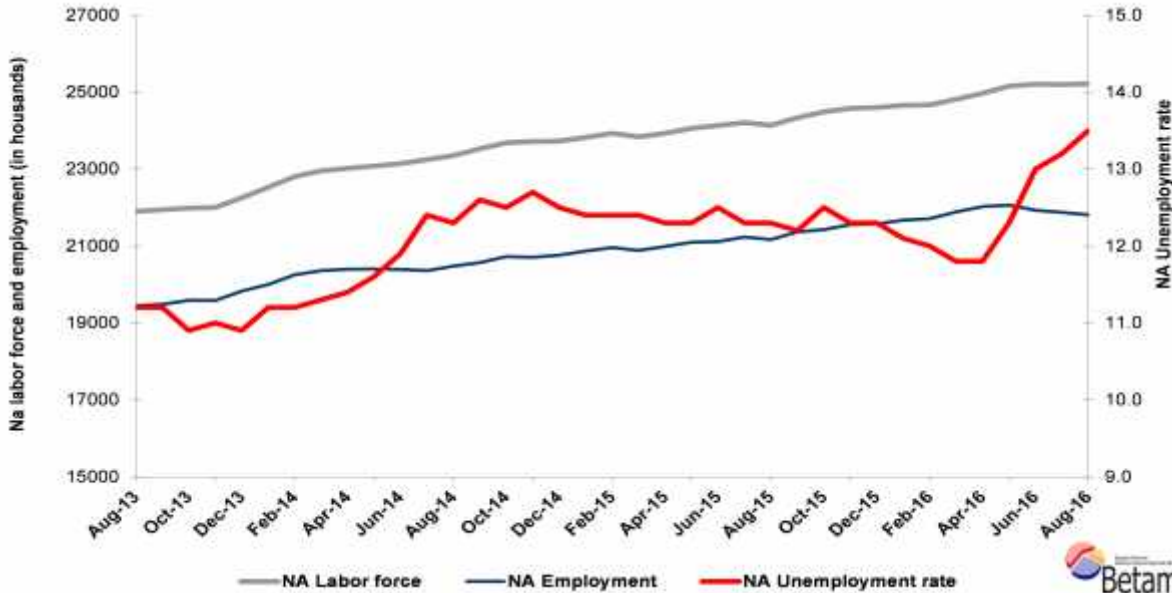
Seasonally adjusted labor market data show that nonagricultural unemployment rate increased by 0.2 percentage points and reached 13.5 percent in the period of August 2016. In this period, number of people employed in agriculture and services increased by 57 and 15 thousand, respectively. On the other hand, there is an employment loss by 30 thousand in manufacturing sector. Parallel to these developments, the number of unemployed in non-agricultural sectors grew by 55 thousand and reached 3 million 404 thousand. The unemployment rate which was 11.8 percent in the period of April 2016 increased by 1.7 percentage points and reached 13,5 percent in August 2016. Betam's forecasting model predicts that the non-agricultural unemployment will remain constant in the period of September.

Strong decrease in non agricultural employment

Strikingly, despite the slow down in the growth of labor force, non-agricultural unemployment increased in last four periods. According to the seasonally adjusted labor market data, the increase in labor force which was 344 thousand in December-April period, remained limited to 269 thousand in May-August period. In return, we observe a strong decline in non agricultural employment. The non agricultural employment increased by 426 thousand in December-April period whilst it declined by 191 thousand during May-August period (

Figure 1 and Table 1). Even though the increase in the number of unemployed in non agricultural sectors slowed down, it continues to grow. The number of non agricultural unemployed people that increased by 135 thousand by month in average during the period of April-July, grew by 55 thousand and reached 3 million 404 thousand due to the increase in labor force by 32 thousand and the decline in employment by 23 thousand.

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



Source: Turkstat, Betam

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Nonagricultural unemployment rate is expected to remain constant in the period of September

Betam's forecasting model had predicted that the seasonally adjusted nonagricultural unemployment rate would increase by 0.1 percentage point and become 13.3 percent in August 2016. July 2016 nonagricultural unemployment rate is revised to 13.3 percent by Turkstat. In August 2016, non-agricultural unemployment rate increased by 0.2 percent and reached 13.5 percent compared to August 2016. Betam's forecasting model predicts the seasonally adjusted September 2016 nonagricultural unemployment rate will remain constant at 13.5 percent. 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 **Error! Reference source not found.** 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. Taken into account all these factors, Betam's forecasting model predicts that seasonally adjusted nonagricultural unemployment rate will continue to increase in the period of August 2016.

Figure 2: Seasonally adjusted nonagricultural unemployment rate and application per vacancy



Source: Kariyer.net, Turkstat, Betam

Employment loss persists in manufacturing sector

According to seasonally adjusted sectoral labor market data, employment in agriculture and services increased by 57 thousand and 15 thousand, respectively. On the other hand, employment in manufacturing and construction sectors declined by 30 thousand and 8 thousand respectively (Figure 3, Table 2).³ In last three periods, employment loss in manufacturing sector reached 162 thousand. The limited increase of employment in service sector still continues in the period of August 2016 but on a slowing path. The increase in service sector employment between May and August period is limited to 92 thousand while it was around 276 thousand during January-April period.

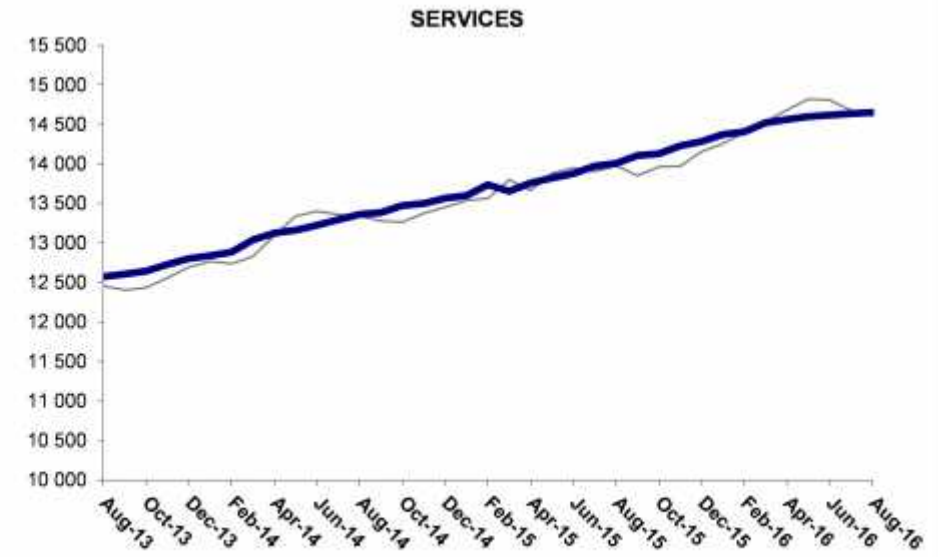
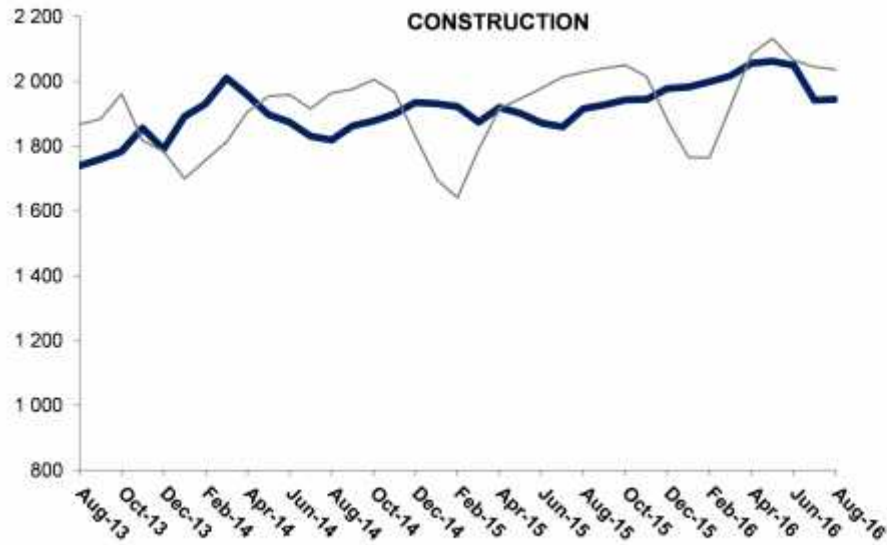
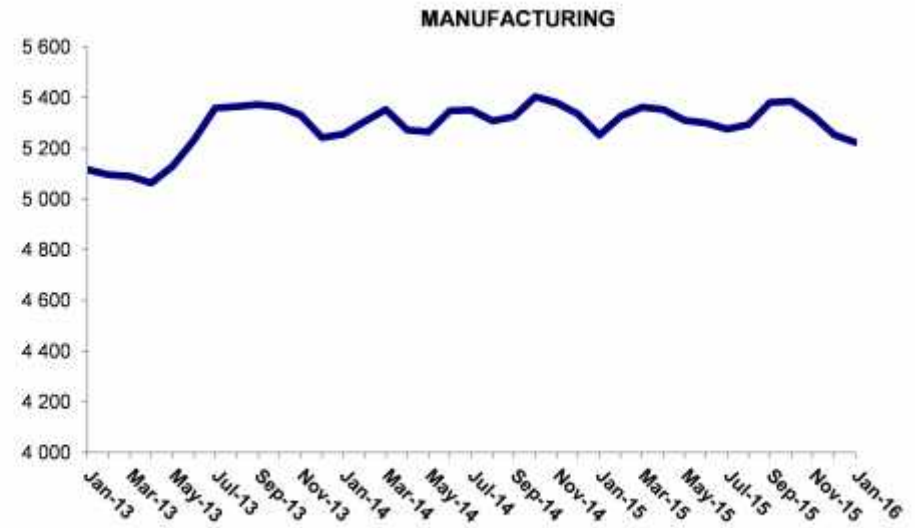
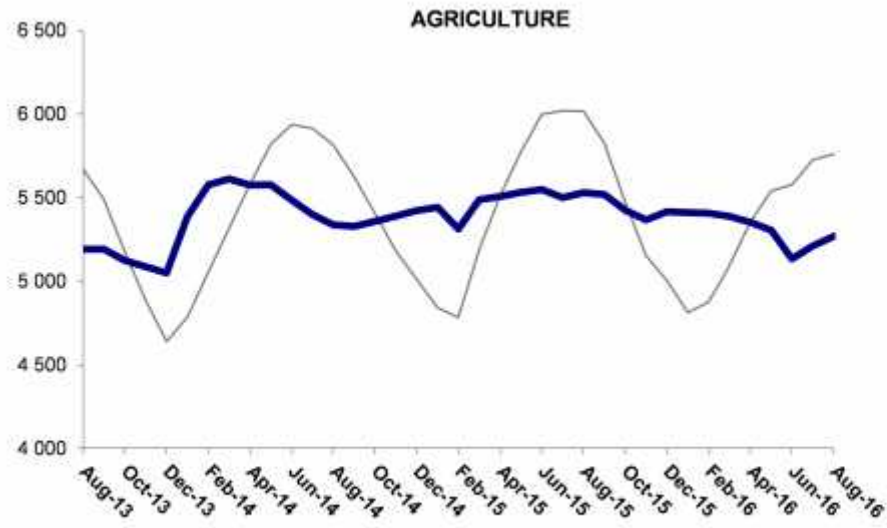
¹ For detailed information on Betam's forecasting model, please see Betam Research Brief 168 titled as "Kariyer.net Verisiyle Kısa Vadeli Tarım Dışı İşsizlik Tahmini"

<http://betam.bahcesehir.edu.tr/tr/2014/06/kariyer-net-verisiyle-kisa-vadeli-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 thousands)

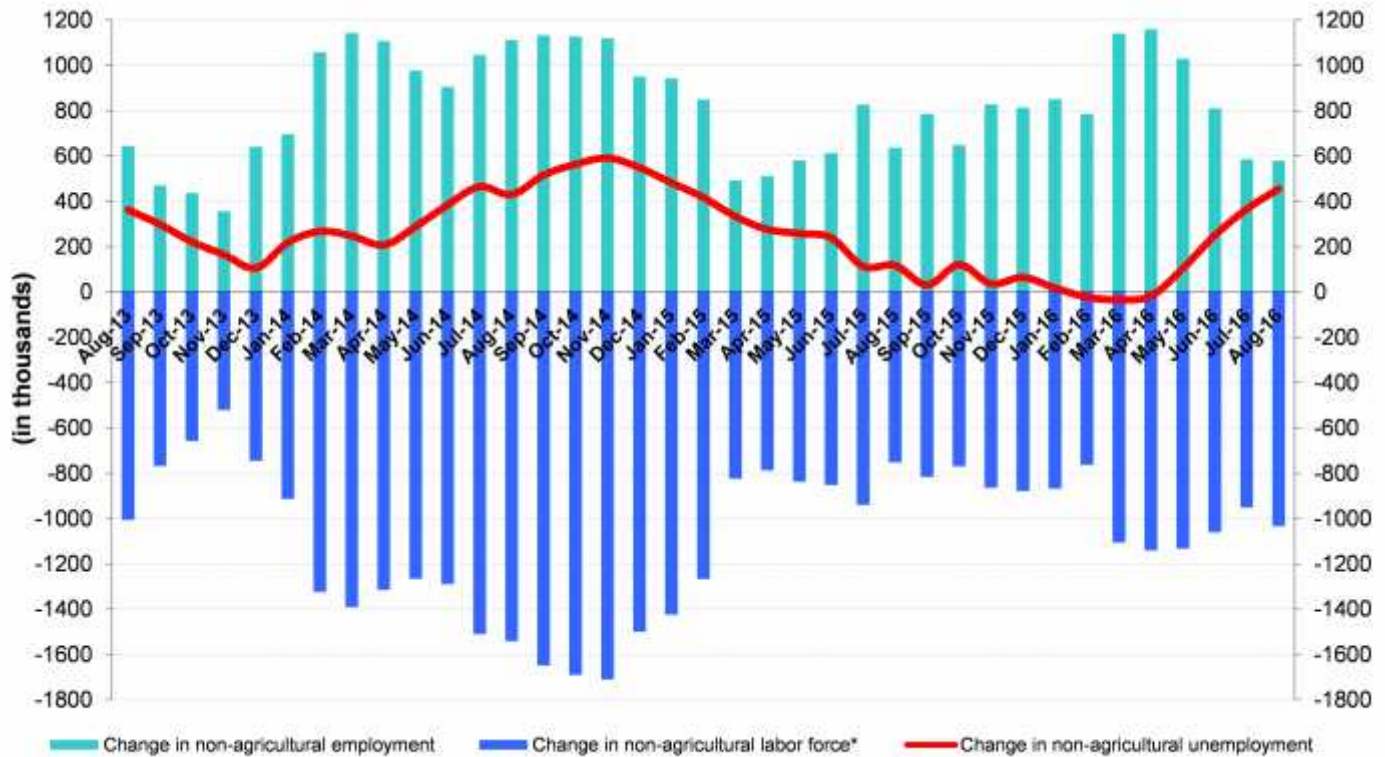


Source: Turkstat, Betam

Year-on-year unemployment keeps on increasing

From August 2015 to August 2016 the nonagricultural labor force increased by 1 million 34 thousand (4.3 percent) and nonagricultural employment increased by 579 thousand (2.7 percent). Thus the number of non-agricultural unemployed increased by 455 thousand in the period of August 2016. It is striking that the annual increase non-agricultural employment has slowed down strongly. Nevertheless, the increase in non-agricultural labor force continues. Parallel to these developments, we observe an increase in the number of unemployed people in non-agricultural sectors (Figure 4).

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



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



Source: Turkstat, Betam

Non-agricultural unemployment increases both in female and male

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. Under these circumstances, we use the year-on-year changes in male and female labor market statistics to observe the gender developments in the labor market. Figure 5 shows yearly non-agricultural employment (dark colors), non-agricultural labor force (light colors) for males (green) and for females (purple).

Figure 5: Year-on-year changes in nonagricultural labor force and employment by gender



Source: Turkstat, Betam

In August 2016, nonagricultural female and male labor force increased by 613 thousand and 432 thousand respectively compared to August 2015. On the other hand, nonagricultural female employment increased by 335 thousand whereas the increase in nonagricultural male employment was limited to 245 thousand. So, the number of non-agricultural unemployed women and men increased by 278 thousand and 187 thousand respectively. Compared to August 2015, the non-agricultural male unemployment rate grew from 10.1 percent to 10.9 percent while the non-agricultural female unemployment rate rose from 18.5 percent to 20.8 percent.

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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
July-13	21812	19413	2399	11.0%			
August-13	21901	19448	2453	11.2%	89	35	54
September-13	21940	19483	2457	11.2%	39	35	4
October-13	21984	19588	2396	10.9%	44	105	-61
November-13	22002	19582	2420	11.0%	18	-6	24
December-13	22250	19825	2425	10.9%	248	243	5
January-14	22524	20001	2523	11.2%	273	176	97
February-14	22806	20252	2554	11.2%	283	251	32
March-14	22953	20359	2594	11.3%	146	107	39
April-14	23018	20394	2624	11.4%	65	35	30
May-14	23080	20403	2677	11.6%	62	9	53
June-14	23144	20390	2754	11.9%	64	-13	77
July-14	23242	20360	2882	12.4%	98	-30	128
August-14	23350	20478	2872	12.3%	108	118	-10
September-14	23531	20566	2965	12.6%	181	88	93
October-14	23683	20723	2960	12.5%	153	157	-4
November-14	23718	20706	3012	12.7%	35	-17	52
December-14	23727	20761	2966	12.5%	9	55	-46
January-15	23824	20870	2954	12.4%	97	109	-12
February-15	23928	20961	2967	12.4%	104	91	13
March-15	23838	20882	2956	12.4%	-90	-79	-11
April-15	23928	20985	2943	12.3%	90	103	-13
May-15	24057	21098	2959	12.3%	129	113	16
June-15	24133	21116	3017	12.5%	76	18	58
July-15	24211	21233	2978	12.3%	78	117	-39
August-15	24137	21168	2969	12.3%	-74	-65	-9
September-15	24333	21364	2969	12.2%	196	196	0
October-15	24488	21427	3061	12.5%	155	63	92
November-15	24578	21555	3023	12.3%	90	128	-38
December-15	24602	21576	3026	12.3%	24	21	3
January-16	24658	21674	2984	12.1%	56	98	-42
February-16	24668	21708	2960	12.0%	11	34	-23
March-16	24814	21886	2928	11.8%	146	178	-32
April-16	24973	22026	2947	11.8%	159	140	19
May-16	25156	22062	3094	12.3%	183	36	147
June-16	25203	21927	3276	13.0%	47	-135	182
July-16	25203	21876	3327	13.2%	-1	-51	50
August-16	25217	21813	3404	13.5%	15	-63	78

Kaynak: TÜİK, Betam

Table 2 Seasonally adjusted employment by sectors (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
July-13	5181	5146	1739	12527				
August-13	5192	5117	1760	12573	11	-29	21	46
September-13	5191	5096	1783	12605	-1	-21	23	32
October-13	5124	5090	1856	12643	-67	-6	73	38
November-13	5087	5064	1791	12727	-37	-26	-65	84
December-13	5050	5131	1891	12804	-37	67	100	77
January-14	5386	5232	1930	12839	336	101	39	35
February-14	5576	5359	2010	12883	190	127	80	44
March-14	5612	5365	1957	13038	36	6	-53	155
April-14	5575	5373	1897	13123	-37	8	-60	85
May-14	5576	5364	1874	13163	1	-9	-23	40
June-14	5486	5332	1830	13226	-90	-32	-44	63
July-14	5398	5243	1819	13295	-88	-89	-11	69
August-14	5336	5257	1862	13361	-62	14	43	66
September-14	5328	5306	1877	13385	-8	49	15	24
October-14	5357	5353	1899	13473	29	47	22	88
November-14	5390	5273	1934	13500	33	-80	35	27
December-14	5422	5266	1931	13565	32	-7	-3	65
January-15	5442	5349	1922	13600	20	83	-9	35
February-15	5312	5351	1874	13735	-130	2	-48	135
March-15	5487	5308	1919	13654	175	-43	45	-81
April-15	5507	5326	1901	13757	20	18	-18	103
May-15	5531	5404	1871	13820	24	78	-30	63
June-15	5548	5380	1859	13875	17	-24	-12	55
July-15	5500	5336	1915	13974	-48	-44	56	99
August-15	5529	5252	1927	14005	29	-84	12	31
September-15	5519	5327	1942	14105	-10	75	15	100
October-15	5425	5363	1944	14128	-94	36	2	23
November-15	5367	5353	1978	14230	-58	-10	34	102
December-15	5415	5311	1982	14285	48	-42	4	55
January-16	5411	5300	1998	14374	-4	-11	16	89
February-16	5407	5276	2016	14408	-4	-24	18	34
March-16	5387	5295	2055	14522	-20	19	39	114
April-16	5352	5381	2062	14561	-35	86	7	39
May-16	5305	5386	2049	14598	-47	5	-13	37
June-16	5134	5330	1941	14617	-171	-56	-108	19
July-16	5211	5254	1944	14638	77	-76	3	21
August-16	5268	5224	1936	14653	57	-30	-8	15

Kaynak: TÜİK, Betam