

## SIZEABLE EMPLOYMENT LOSSES IN CONSTRUCTION AND MANUFACTURING

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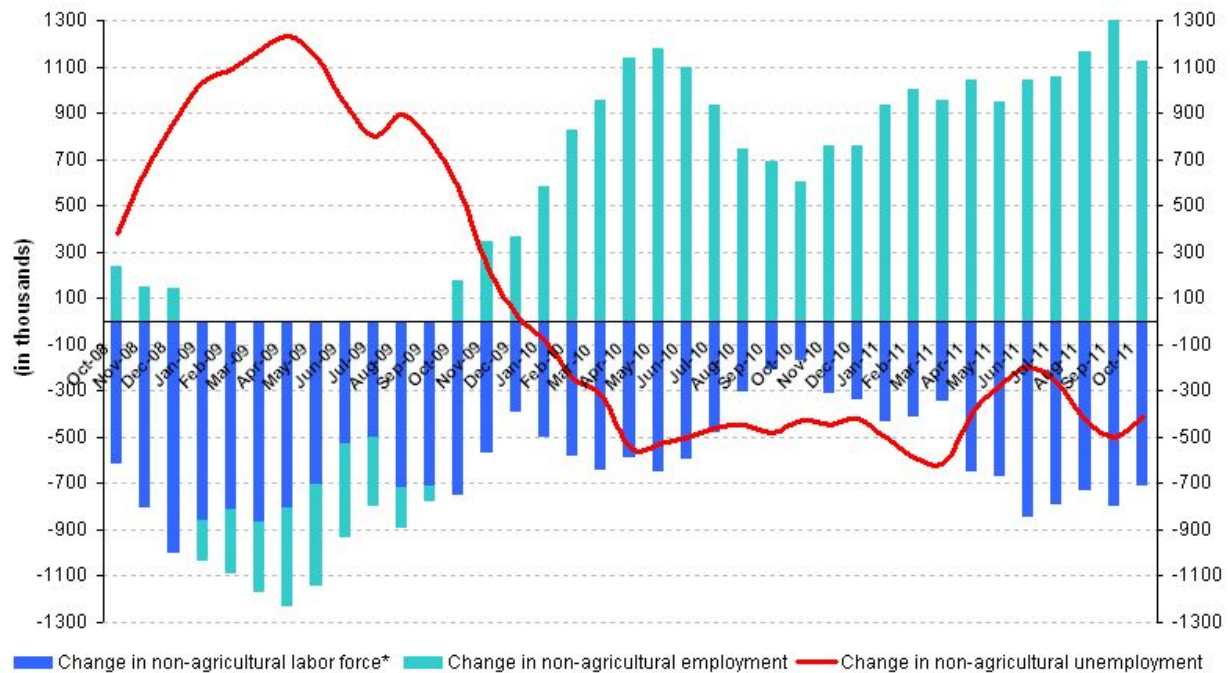
### Executive Summary

According to the labor market statistics released by TurkStat, non-agricultural unemployment rate fell by 2.5 percentage points to 11.6 percent in the period of October 2011 compared to same period of the previous year. Seasonally adjusted non-agricultural unemployment rate in the period of October 2011 is 11.7 percent, which was 11.6 percent in the period of September 2011. Stagnant unemployment rate indicates that employment losses in construction and manufacturing were compensated by employment gains in services and agricultural employment.

### Decline in the number of unemployed in non-agricultural sectors

According to the labor market statistics released by TurkStat on the 16<sup>th</sup> of January, non-agricultural employment has reached 18 million 194 thousand in the period of October 2011 (September – October – November). Raw labor market statistics reveal that non-agricultural labor force increased by 713 thousand (3.6 percent), non-agricultural employment increased by 1 million 127 thousand (6.6 percent) and non-agricultural unemployment rate decreased from 14.1 percent to 11.6 percent in October 2011 on a yearly basis (Figure 1). In non-agricultural sectors, the number of unemployed decreased by 414 thousand over the same period.

**Figure 1 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**

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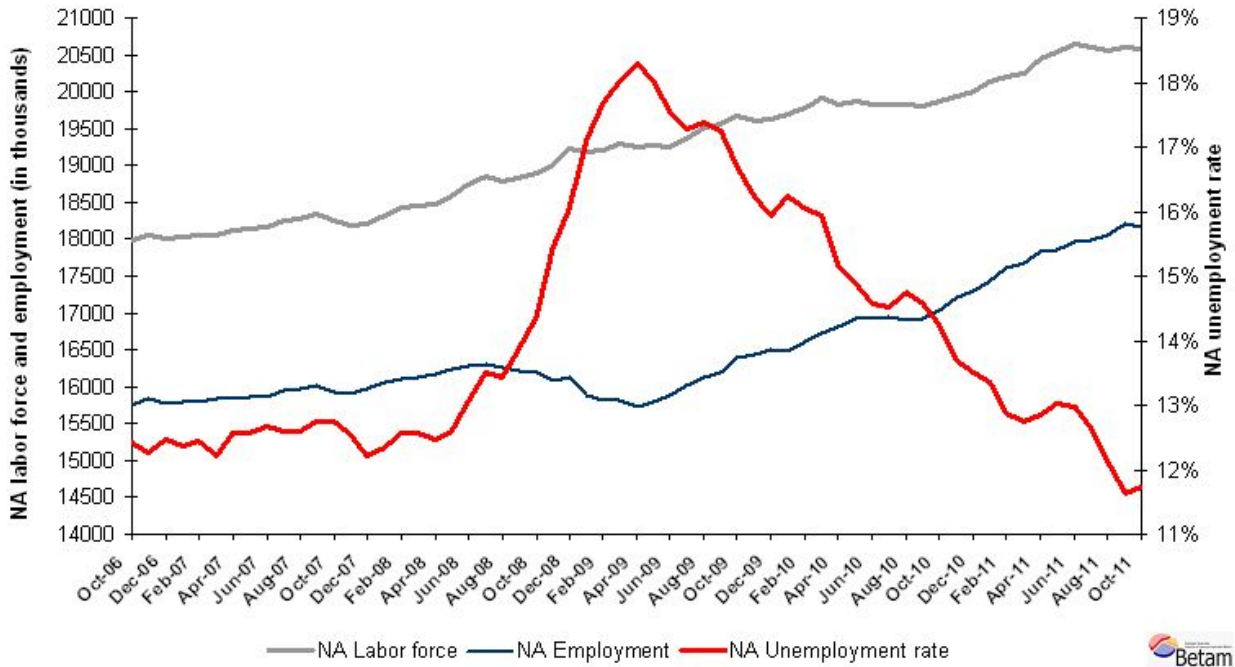
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## Seasonally adjusted non-agricultural unemployment was stagnant

According to seasonally adjusted series, non-agricultural labor force increased by 11 thousand in October compared to its level in September (Figure 2, App. 1 Table 1). Non-agricultural employment decreased by 28 thousand and reached 18 million 171 thousand. Consequently, the number of unemployed persons in non-agricultural sectors increased by 18 thousand and non-agricultural unemployment rate increased from 11.6 percent to 11.7 percent. Non-agricultural labor force was almost at the same level, while non-agricultural employment decreased a little. Non-agricultural employment had a decline, the first decline since August 2010.

**Figure 2 Seasonally adjusted non-agricultural labor force, employment and unemployment**



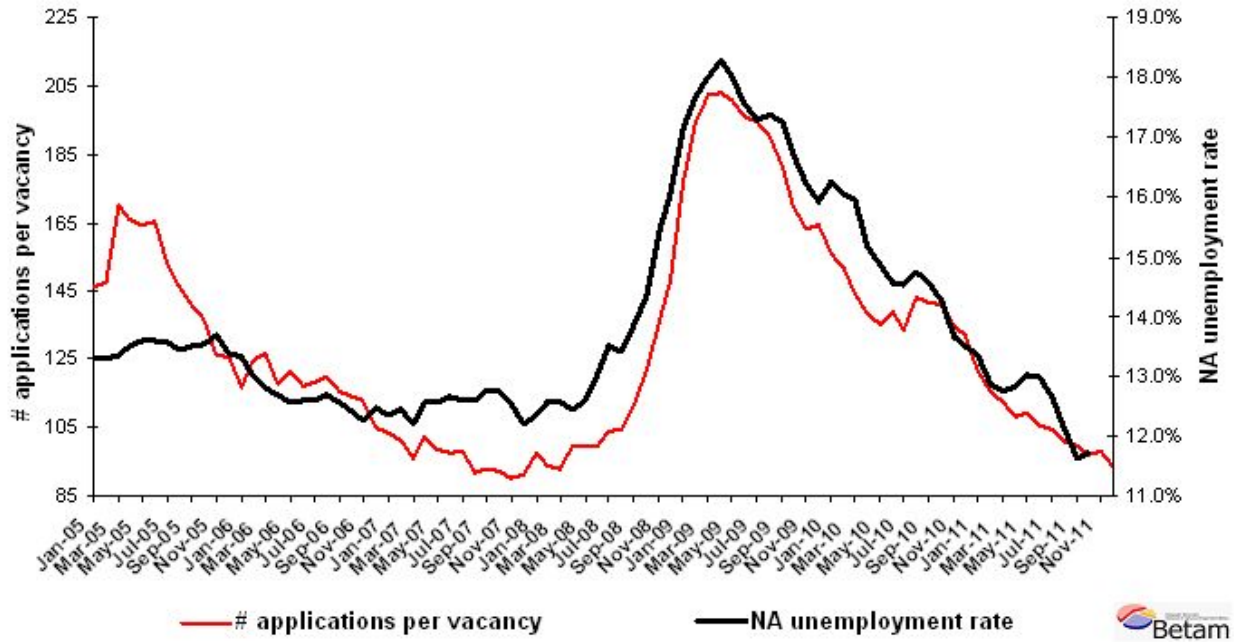
Source: TurkStat, Betam

## According to Kariyer.net data, non-agricultural unemployment might decrease<sup>1</sup>

The application per vacancy series released by Kariyer.net indicates that non-agricultural unemployment will decrease in October, November and December 2011. However, taking account the strong decline in the construction sector, we believe that non-agricultural unemployment rate may stagnate in the next period, November 2011.

<sup>1</sup> Starting from April, Betam will be using a new series released by Kariyer.net on application per vacancy. Kariyer.net collects this data via their website which is one of the largest job search engines in Turkey. Given the lack of data on vacancies in Turkey, we believe that this new series will provide useful insight to the labor market in Turkey. It provides information on the number of unemployed who are actively seeking work as well as the number of jobs that are available in the labor market. 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. Figure 3 illustrates the seasonally adjusted non-agricultural unemployment rate and deseasonalized calendar day adjusted application per vacancy (Kariyer.net) series. It is clear that these series are highly correlated (almost 90 percent).

**Figure 3 Non-agricultural unemployment rate and application per vacancy (SA)**



Data source: Kariyer.net, TurkStat, **Betam**

### Employment in construction has started to fall

According to seasonally adjusted figures, employment in construction decreased by 95 thousand and employment in manufacturing sector decreased by 50 thousand in the period of October compared to the period of September (App. 1 Table 2, App. 2 Figure 4)<sup>2</sup>. In Betam Research Brief 11/123, we pointed to the surprising growth of employment in construction. We find that the employment elasticity of growth in construction had been extremely high during the crisis; hence we had been expecting a decrease in employment in construction. The decline of 95 thousand indicates that the decline has already started in construction.

We think that the decline in manufacturing employment corresponds to 2.5 percentage points decline in manufacturing output index pertaining to November 2011. We would like to point out the consistent decline in manufacturing employment since May 2011. In the period of October 2011, the increase of 56 thousand in service employment and the increase of 40 thousand in agricultural employment obviously compensated the negative impact of employment losses on unemployment.

<sup>2</sup> Seasonal adjustment procedure is applied to each sector of employment series 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.

**Appendix 1: Table 1 Seasonally adjusted non-agricultural labor force indicators (in thousands)**

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
September-08	18829	16219	2610	13.9%			
October-08	18896	16183	2713	14.4%	68	-36	104
November-08	19012	16079	2933	15.4%	116	-104	220
December-08	19217	16135	3082	16.0%	205	56	149
January-09	19177	15892	3284	17.1%	-41	-243	202
February-09	19215	15817	3399	17.7%	39	-75	114
March-09	19288	15813	3475	18.0%	73	-4	76
April-09	19256	15734	3522	18.3%	-32	-79	47
May-09	19265	15794	3471	18.0%	9	60	-51
June-09	19256	15878	3378	17.5%	-9	84	-93
July-09	19359	16015	3345	17.3%	103	136	-34
August-09	19517	16124	3393	17.4%	157	110	48
September-09	19563	16189	3374	17.2%	46	64	-18
October-09	19667	16382	3285	16.7%	104	193	-89
November-09	19607	16428	3179	16.2%	-59	47	-106
December-09	19634	16507	3127	15.9%	26	79	-53
January-10	19686	16487	3198	16.2%	52	-20	72
February-10	19793	16617	3176	16.0%	107	129	-23
March-10	19908	16734	3175	15.9%	116	117	-1
April-10	19821	16816	3005	15.2%	-88	82	-170
May-10	19879	16923	2956	14.9%	59	107	-49
June-10	19821	16935	2886	14.6%	-58	12	-70
July-10	19827	16947	2879	14.5%	6	12	-6
August-10	19828	16905	2923	14.7%	1	-42	43
September-10	19799	16916	2882	14.6%	-29	11	-41
October-10	19864	17034	2831	14.2%	65	117	-52
November-10	19945	17218	2727	13.7%	81	185	-104
December-10	19995	17294	2700	13.5%	49	76	-27
January-11	20130	17440	2690	13.4%	136	146	-10
February-11	20209	17606	2604	12.9%	79	166	-87
March-11	20257	17676	2581	12.7%	48	71	-22
April-11	20452	17827	2625	12.8%	195	151	44
May-11	20524	17852	2672	13.0%	72	25	47
June-11	20639	17959	2680	13.0%	114	107	8
July-11	20599	17993	2606	12.7%	-40	34	-74
August-11	20558	18065	2493	12.1%	-41	72	-113
September-11	20595	18199	2396	11.6%	37	134	-97
October-11	20585	18171	2414	11.7%	-11	-28	18

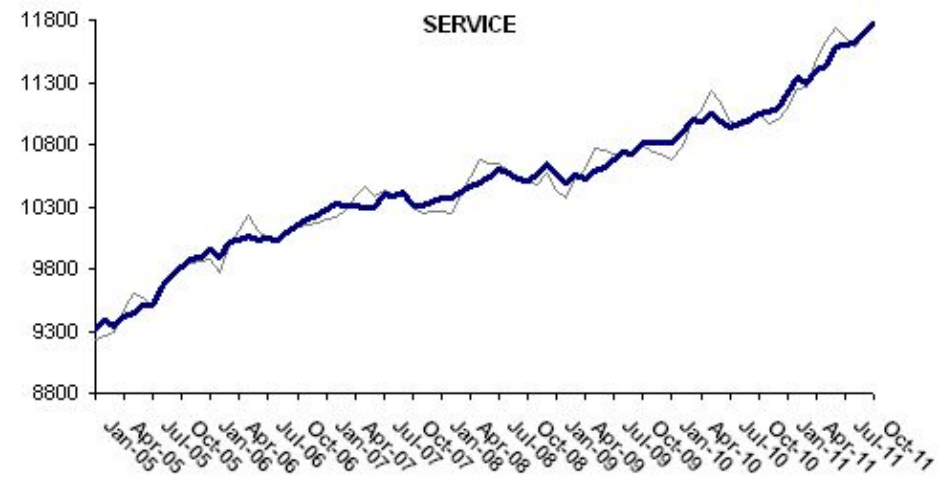
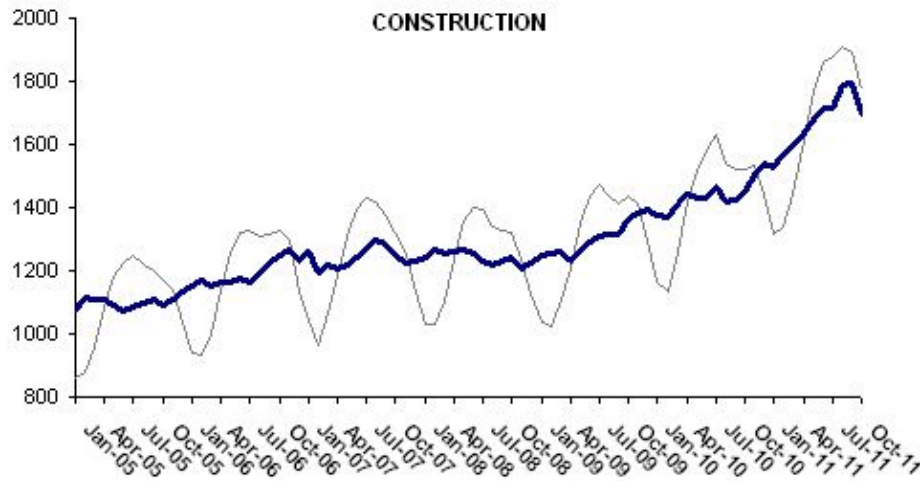
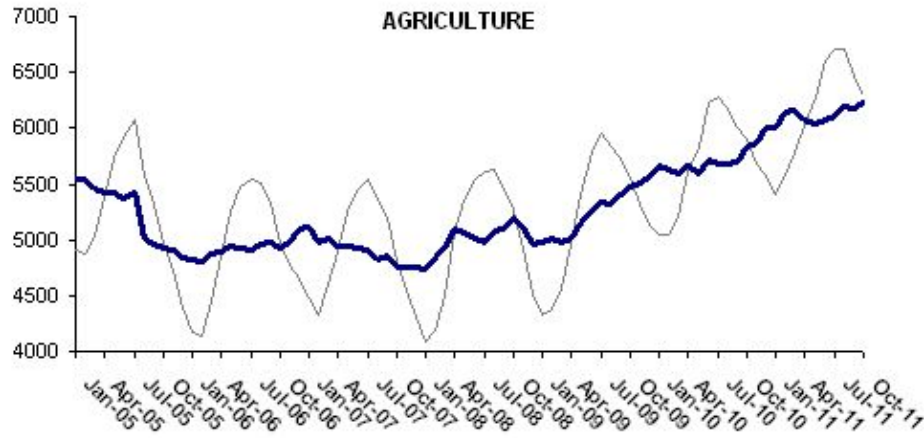
Source: TurkStat, **Betam**

Appendix 1: Table 2 Seasonally adjusted sector of employment (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
September-08	5103	4454	1232	10518				
October-08	5193	4394	1244	10513	89	-60	12	-5
November-08	5120	4295	1206	10554	-73	-99	-37	40
December-08	4961	4248	1223	10641	-159	-47	16	88
January-09	4977	4132	1249	10549	16	-116	27	-93
February-09	5008	4100	1257	10492	31	-32	7	-57
March-09	4985	4019	1263	10553	-23	-81	6	61
April-09	5005	3977	1231	10529	20	-42	-32	-24
May-09	5152	3961	1262	10577	147	-16	31	48
June-09	5251	3973	1289	10618	99	12	28	41
July-09	5341	4032	1309	10677	90	59	19	59
August-09	5318	4051	1313	10740	-24	19	5	63
September-09	5410	4115	1316	10724	93	64	3	-16
October-09	5467	4159	1362	10813	56	44	46	89
November-09	5514	4221	1382	10818	47	62	21	5
December-09	5560	4295	1395	10810	46	74	12	-8
January-10	5657	4332	1375	10812	97	37	-19	2
February-10	5633	4385	1367	10898	-23	52	-9	85
March-10	5599	4357	1414	10997	-35	-28	47	100
April-10	5667	4409	1444	10992	68	52	30	-5
May-10	5597	4479	1429	11039	-71	70	-15	47
June-10	5707	4528	1430	10991	111	49	2	-48
July-10	5685	4538	1470	10940	-22	10	39	-50
August-10	5673	4485	1420	10967	-12	-53	-49	27
September-10	5697	4443	1426	10997	24	-42	6	30
October-10	5829	4448	1448	11052	132	5	22	55
November-10	5873	4639	1505	11059	43	191	58	8
December-10	6005	4648	1540	11098	132	9	34	39
January-11	6008	4712	1527	11222	3	64	-12	124
February-11	6141	4728	1572	11339	133	17	44	117
March-11	6165	4833	1591	11290	24	104	19	-49
April-11	6073	4840	1637	11394	-92	7	46	104
May-11	6047	4777	1681	11430	-26	-63	44	36
June-11	6080	4689	1713	11578	32	-88	33	148
July-11	6113	4673	1717	11607	34	-15	3	29
August-11	6199	4645	1786	11612	86	-28	70	4
September-11	6181	4661	1794	11707	-18	16	8	95
October-11	6221	4611	1699	11763	40	-50	-95	56

Source: TurkStat, **Betam**

Appendix 2: Figure 4 Employment changes in sectors (in thousand)<sup>3</sup>



Source: TurkStat, **Betam**

<sup>3</sup> Grey lines indicate seasonally adjusted series, where dark blue lines represent raw data.