



The New Standards of Measuring Employment and Possible Effects on the Turkish Labour Market Indicators

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Labour Force Survey (LFS) is our main source to observe labour market situation in Turkey. Survey has been applied regularly since 1988 in line with the ILO definitions and since January 2014, LFS started to be implemented in every week of the year continuously. With 2014 some changes also occurred in the questionnaire and LFS covered the new questions reflecting the new ICLS status. These questions are about main activity of work (agriculture or other than agriculture), primary goal of agricultural activity and the value of the products which produce their own consumption.

Employment and unemployment rates are not only important and most used labour market indicators but also regarded as important indicators of labour market performance. According to the 19th International Conference of Labour Statisticians (ICLS) five exclusive forms of work are identified. One of them is own-use production for household final use. This form of work is no longer included in the scope of employment. Individuals in the household only producing goods intended mainly for their “own final use” will not be counted in the employment. However, if the goods are intended “mainly for sale” irrespective of whether the goods are sold or not, these are considered as employed. In the current situation, individuals are included in employment if the value of their producing products satisfies a significant amount of their annual food expenditures (at least 51%). But according to the new ICLS definitions, this type of activity will not be covered in employment, if the main purpose of the production is not for the market.

This paper will provide an overview of the main changes introduced in the new international standards on statistics of work, employment and labour underutilization. Also, the potential impact of new resolutions, especially persons engaged in the production of goods for own-consumption in agriculture, will assess by using 2014 LFS results. The opinions in the articles published belong to the author only and do not reflect those of Turkish Statistical Institute (TurkStat).

Keywords: Labour Force Survey; ICLS; Employment; Own-use production

1. Introduction

Turkish Statistical Institute (TurkStat) has many years experience in household surveys. Turkish Labour Force Survey has been applied regularly since 1988. This survey is in line with the ILO definitions. Since 2004 Eurostat regulations also have been followed and necessary revisions have been made in the survey. On the other hand, the European Union Labour Force Survey has been based on European legislations since 1973, Eurostat (2015).

LFS is the main data source on the labour market situation of country from the supply side and gives information on economic activity, occupation, status in employment and hours worked for employed persons; and information on the duration of unemployment and occupation sought etc. by the unemployed. Computer Assisted Personal Interviewing (CAPI) method has been using since 1995 in LFS and the survey has also been applied on monthly basis since 2000. Starting with January 2014, LFS started to be implemented in every week of the year. In the survey, the most recent classifications are also used for economic activity, occupation, employment status and educational level.

The new regulations for Household Labour Force Survey were carried out with the period of February 2014 within the framework of the European Union criteria. These changes were given below in detail.

i. Household labour force survey to be implemented in every week of the year

Applied to the present labour force survey while taking account one week reference period transition to the new regulations (52 weeks) as the reference period for the survey of the whole weeks of the year was implemented continuously.

ii. The use of new population projection estimates

Turkish Statistical Institute has renewed population projections using the most recent population in 2013.

iii. Changing in the job search duration used for unemployment criteria

In the new application, the results of unemployment are given according to the definition for persons search job "last four weeks" instead of "last three months" and use at least one search channels and available to start work within two weeks determined "unemployed".

iv. With 2014 some changes also occurred in the questionnaire and LFS covered the new questions

Some of these questions are about main activity of work (agriculture or other than agriculture), primary goal of agricultural activity and the value of the products which produce their own consumption.

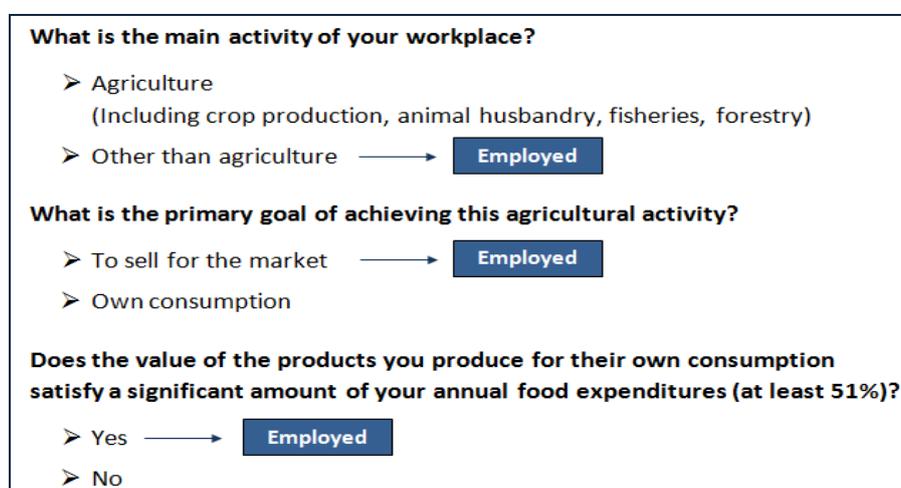


Figure 1-1 Newly added questions in the household labor force survey questionnaire

A pilot study taken as the reference period of 52 weeks was conducted simultaneously with current labour force survey during the year 2013 to predict this differentiation what extent and how it would be and in order to offer comparable labour force data to users in a series. "Model-Based Linking" method has been used in order to correct implementation differences between two surveys. Linking series by using linking factor obtained from single corresponding period reflect irregular and seasonal patterns into historical series. Time series on the basis of labour force indicators is revised and provided until January of 2005 by using these simultaneous pilot study results.

In the survey, employment comprises all the non-institutional working age population who are included in the “persons at work” and “not at work”.

- Persons at work: Persons economically active during the reference period for at least one hour as a regular employee, casual employee, employer, self employed or unpaid family worker.
- Persons not at work: All self-employed and employers who have a job but not at work in the reference week for various reasons are considered as employed.

Regular employees with a job but did not work during the reference period for various reasons are considered as employed only if they receive at least 50% of their wage or salary from their employer during their absence. Unpaid family workers and casual workers, who did not work in the reference week even 1 hour, are not considered as employed.

The members of producer cooperatives and apprentices or staggers who are working to gain any kind of benefit (income in cash or in kind, social security, travelling cost, pocket money etc.) are considered to be employed. In the current situation, individuals are included in employment if the value of their producing products satisfies a significant amount of their annual food expenditures (at least 51%). But according to the new International Conference of Labour Statisticians (ICLS) definitions, this type of activity will not be covered in employment. They involve in either unemployed or outside the labour force. New measures of labour underutilization including time-related underemployment, unemployment and the potential labour force also introduced in the 19th ICLS. First of these four indicators is current unemployment rate which was realized as 9.9% in Turkey according to 2014 LFS results. Combined rate of time-related underemployment and unemployment, combined rate of unemployment and potential labour force and composite measure of labour underutilization will also be analysed in next sections.

2. Measuring Own-use Production

According to the OECD’s measuring the Non-Observed Economy: A Handbook, production of goods and services for own final use by household members is a significant part of total production in many countries. It comprises:

- Household production of goods for own final use, including crops and livestock, production of other goods for own consumption, and own-account fixed capital formation,
- Owner-occupied dwelling services and
- Paid domestic services, i.e., by employment of paid domestic staff, OECD (2002).

In the 19th ICLS meeting document, five mutually exclusive forms of work are identified for separate measurement and one of them is own-use production, ILO (2013).

- **Own-production work** is that work done for the main purpose of providing goods or services for use by own self/household
- **Employment** is that work done for the main purpose of generating an income
- **Trainee work** is that work done for the main purpose of acquiring skills or workplace experience
- **Volunteer work** is that work done for the main purpose of helping others
- **Other work** includes state mandated work such as community service orders made by a court or compulsory work tests required to be met in order to receive a social benefit

Where the main purpose of work done is production for own/household use, the worker will no longer be counted as ‘employed’ even where some of the output they produce is bartered or sold. This is a major change for countries where most or many workers are engaged in subsistence agriculture with little or no engagement with the market economy. Excluding persons engaged in own-production work, a person will be counted as employed if they worked for at least one hour with the main purpose of generating an income. This includes employees and self-employed persons, Global Labour Column (2013).

In Turkish LFS decisive questions are covered in questionnaire for determining the own use production works. First, a person is specified whether working to earn income in cash or kind in the reference week or having a business or job in which you were temporarily absent with any reasons in the reference week. If this person’s employment status is unpaid family workers or self-employed and his/her economic activity is agriculture, his/her primary goal of achieving this agricultural activity is asked to person. Our crucial question is “What is the primary goal of achieving this agricultural activity?” If the answer is “Own consumption” and the value of the products he/she produces for their own consumption to satisfy a significant amount of his/her annual food expenditures (at least 51%), those people can be separated according to the new ICLS definitions, not counting employment.

Table 2-1 Current and new definitions of employment

Definitions	Current definition	New definition
People have any work for pay or profit during the reference week	Employed	Employed
People are not working but had a job or business during the reference week	Employed	Employed
People engaged in agriculture mainly for sale	Employed	Employed
People engaged in agriculture mainly for own consumption and whose contribution is important	Employed	Unemployed or inactive

According to 2014 annual results, number of employed persons aged 15 years old and over realized as 25 million 933 thousand persons. Of those who were employed in 2014; 21.1%, almost 5.5 million, was in agriculture. In agriculture sector, 206 thousand employed persons produced goods mainly for their own final use. According to the new standards persons engaged in this kind of activity will be counted as own-use producers and their labour force status will be either unemployed or outside the labour force depending on their job search and availability.

Table 2-2 Basic indicators for Labour Force Survey Results in Turkey

	Total		Male		Female	
	Current	New	Current	New	Current	New
Employment rate (%)	45.5	45.1	64.8	64.5	26.7	26.2
Unemployment rate (%)	9.9	10.0	9.0	9.1	11.9	12.1
Inactivity rate (%)	49.5	49.8	28.7	29.0	69.7	70.2

Source: Labour Force Survey Results, Turkey, 2014

If people’s main activity “agriculture (including crop production, animal husbandry, fisheries, forestry)”, Turkish LFS questionnaire make possible to select people’s primary goal of achieving this agricultural activity¹. Whether they sell for the market or produce for only their own consumption. As a result of this implementation, we found that the employment rate decreased only 0,4 percentage point. It means that the employment rate is 45,1% instead of 45,5%. In current situation job search and availability questions aren't asked to these persons but considering the additional job search questions almost all of these 206 thousand employed persons will be counted as inactive. If those people who produce for their own consumption, they will no longer count as employed and will be unemployed potentially. The unemployment rate is affected and decreased by 0.1 percentage point.

Table 2-3 Labour Force Indicators According to the Current and New Definitions, 2014

	I. Quarter		II. Quarter		III. Quarter		IV. Quarter		Annual	
	Current	New	Current	New	Current	New	Current	New	Current	New
Employed (Thousand)	24 999	24 769	26 538	26 338	26 313	26 133	25 874	25 664	25 933	25 727
Unemployed (Thousand)	2 825	2 830	2 551	2 558	2 944	2 953	3 096	3 102	2 853	2 860
Employment rate (%)	44.1	43.7	46.7	46.3	46.1	45.8	45.1	44.8	45.5	45.1
Unemployment rate (%)	10.2	10.3	8.8	8.9	10.1	10.2	10.7	10.8	9.9	10.0
Total (Population 15+)	56 648	56 648	56 869	56 869	57 098	57 098	57 326	57 326	56 986	56 986

Source: Labour Force Survey Results, Turkey, 2014

Although new practices don’t create very big differences in total of Turkey results, in some of NUTS 1 regions where agricultural production has more importance than the others and differences between the current and new indicators are bigger in these regions.

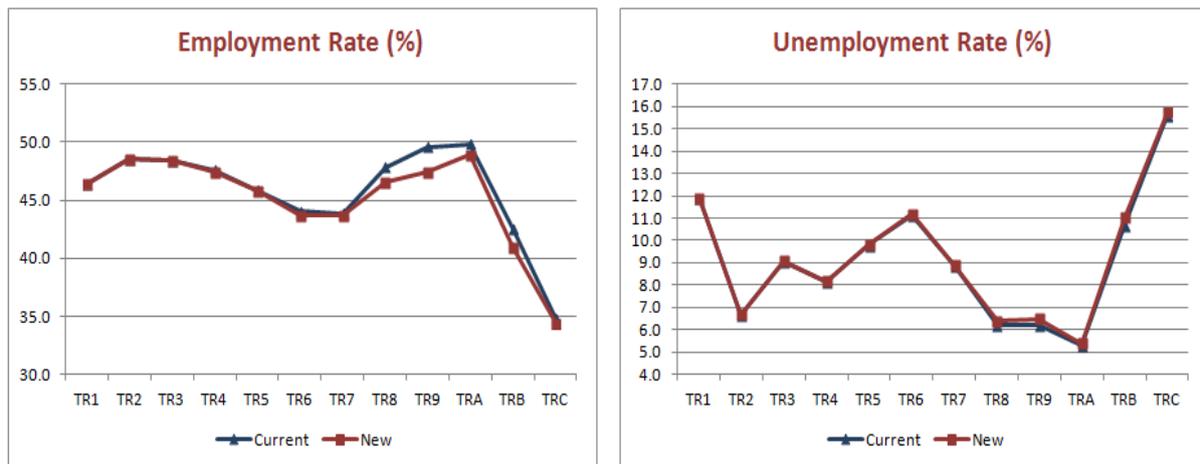


Figure 2-1 Employment and unemployment rates by NUTS 1 region

In some of NUTS 1 regions (TR8, TR9, TRA, TRB), agricultural production has more importance than the others. As expected, differences between the current and new indicators are bigger in regions where agricultural production is more intense.

¹ The determination of producing goods for individuals own consumption in this article is shown in the appendix obtained from Turkish LFS questionnaire.

3. Measuring Labour Underutilization

The reconsideration and reset of labour force statistics also involved the development of new measurements of labour underutilization. The current unemployment rate does not provide the real estimate of labour underutilization, it only speaks to those without a job and who are available and looking for work. This then leaves behind those who desire to work but gave up because there are no jobs available and/or they are discouraged from looking for one. It also excludes those who are not available because of several reasons, such as family obligations or geographical reasons, but would take a job as soon as it was available to them. The ICLS came with a partial response to the under measurement of labour underutilization. The revised definition of labour underutilization now includes the possibility of measuring time-related underutilization, Global Labour Column (2013).

LU1: Unemployment rate: $[\text{unemployment} \div \text{labour force}] \times 100$
LU2: Combined rate of time-related underemployment and unemployment: $[(\text{time-related underemployment} + \text{unemployment}) \div \text{labour force}] \times 100$
LU3: Combined rate of unemployment and potential labour force: $[(\text{unemployment} + \text{potential labour force}) \div (\text{labour force} + \text{potential labour force})] \times 100$
LU4: Composite measure of labour underutilization: $[(\text{time-related underemployment} + \text{unemployment} + \text{potential labour force}) \div (\text{labour force} + \text{potential labour force})] \times 100$

Figure 2-1 Indicators of Labour Underutilization

First of these four indicators is current unemployment rate which was realized as 9.9% in 2014. Combined rate of time-related underemployment and unemployment was 12% and combined rate of unemployment and potential labour force was 17.1% according to 2014 results in Turkey. Composite measure of labour underutilization was also realized as 19%.

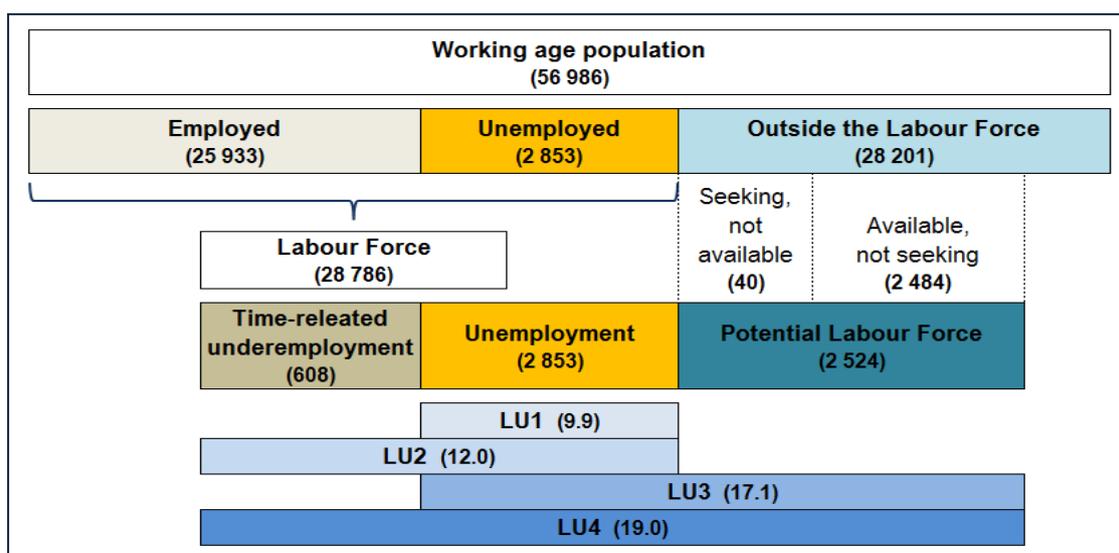


Figure 2-2 Labour underutilization indicators, 2014

In Figure 2-3 shows that how these composite measures of labour underutilization were changed between 2012 and 2014.

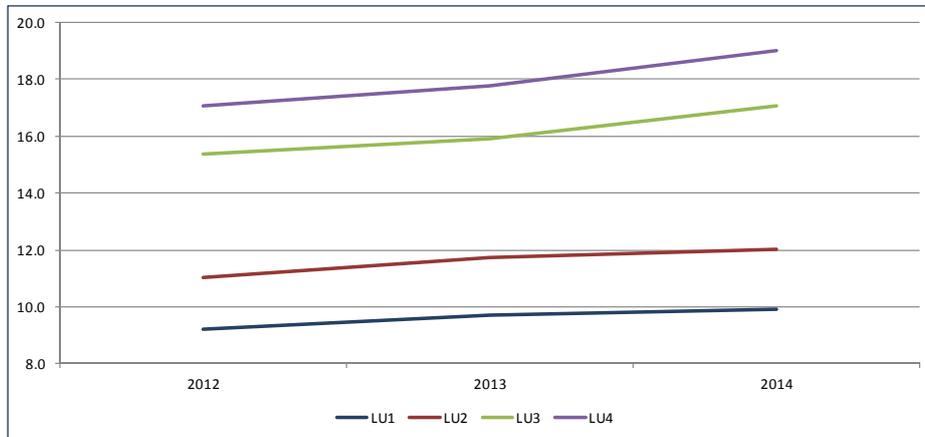
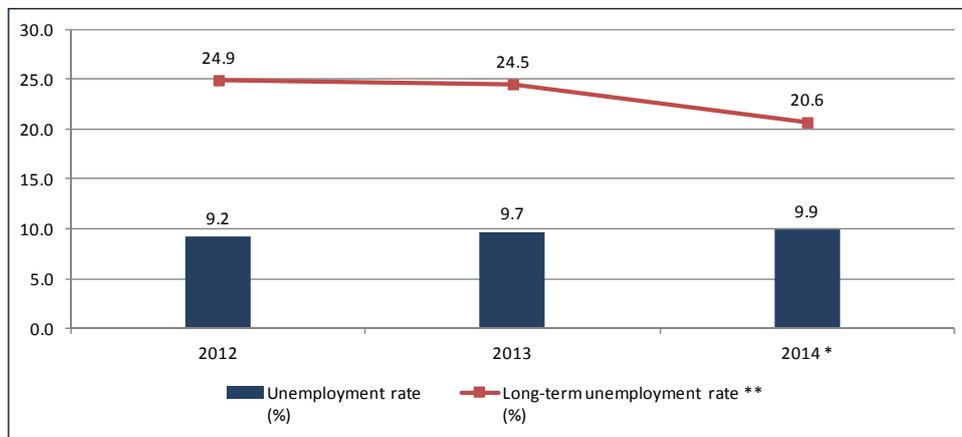


Figure 2-3 Labour underutilization indicators, 2012-2014

Another important indicator of labour underutilization is long-term unemployment which is particular concern because of such consequences as financial hardship, loss of relevant skills, loss of self esteem and alienation from employment. Long-term unemployment refers to the number of people with continuous periods of unemployment extending for a year or longer, expressed as a percentage of the total unemployed. If we look from the viewpoint of Turkey, it is changing between 20 and 24 percent during three years.



4. Conclusion

This paper is intended to determine how the new ICLS definitions will affect the labour market indicators. This study has provided that the results of employment and unemployment rates compared with the current published while not taking into account people producing goods for their own consumption as employed. Turkish LFS questionnaire is available to find out own production works. If people are dealing with producing goods for their own consumption and they are not in employment. This paper aims how these types of jobs affect the employment and unemployment rate.

According to the new definitions of ICLS, if we do not consider employed people dealing with producing goods for their own consumption, we find that the employment rate decreases by 0.4 percentage point, while the unemployment rate increases by 0.1 percentages.



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Appendix

Determination of Producing Goods for Own Consumption

