Banco de la República | Colombia
Somos el banco central de Colombia

Moderate Employment Growth and the Dynamics of Transitions among the Employed

Download from the Repository AUTHOR OR EDITOR Bonilla, Leonardo (Editor) Flórez, Luz Adriana Hermida, Didier Lasso-Valderrama, Francisco Javier Morales, Leonardo Fabio Pulido, Karen Pulido, José David
The Labor Market Report Series (MLR) is a quarterly publication of the Labor Market Analysis Group (GAMLA) of *Banco de la República* (the Central Bank of Colombia), created in 2017. Opinions and possible errors are the sole responsibility of the authors and its contents do not compromise the Central Bank or its Board of Directors.

The purpose of this series is to expand the discussion and understanding of the Colombian labor market situation, providing relevant information to the public. The series also intends to reach different audiences with valuable results from recent research on this matter that are relevant to the work of *Banco de la República,* including issues related to labor market fluidity, the rate of structural unemployment, payroll tax impacts, unemployment rate forecasts, and leading labor market indicators, among others.

Publication Date: Friday, 4 of February 2022
At the end of 2021, the labor market showed signs of a sluggish recovery, at a notably slower pace than economic activity. With seasonally adjusted figures from the household survey, job creation in the national aggregate saw a pause in October and November, due largely to a downturn in employment in rural areas and provincial capitals, while employment in cities expanded slightly. As a result, the number of employed persons in the country still amounts to nearly one million jobs below the levels observed at the start of the pandemic. The non-salaried and informal employment segments, which face lower hiring costs, are recovering faster than their salaried and formal counterparts, and are already close to their pre-pandemic levels. However, other measurements of formal employment derived from administrative records suggest greater momentum in this segment. On the other hand, job vacancy rates, which summarize the demand for new jobs in the formal sector, show mixed performance with some measurements reaching the highest levels in the series, and others stagnating at values similar to pre-pandemic levels. In any case, the signs of increases in job vacancies do not translate into an acceleration in job creation, partly because of bottlenecks in hiring, according to businesspeople. Part of this problem could be associated with the lack of sectoral reallocation of labor, which did not accelerate despite the heterogeneous shock by sectors implied by the pandemic.

The labor supply rounded out a year with no substantial increases, following a sizeable contraction in the labor participation rate at the beginning of the pandemic and its subsequent recovery on par with the gradual reopening of the economy. Coupled with less momentum in job creation, this resulted in the national unemployment rate (UR) having remained relatively stable in recent months. A breakdown of the unemployment figures shows the sharp differences accentuated by the health crisis, mainly between men and women, continue to exist despite some correction in the last few months. Given the forecasts for economic growth developed by *Banco de la República's* technical staff for 2022, unemployment nationwide is expected to average between 10.5% and 13.0% for that year (with 11.7% as the central value). Meanwhile, estimates of the non-inflationary unemployment rate (Nairu) suggest an urban unemployment gap that is still positive for 2022, on average (0.3 pp), but is less than what was estimated in 2021. These estimates indicate the labor market would be increasingly less slack, dissipating the disinflationary pressures generated at the start of the pandemic. Together with an increase in the real minimum wage above available measures of labor productivity, this could trigger upward pressure on inflation via wage costs.

This report is divided into two sections. The first takes a closer look at the labor market developments described above. The second section examines the recent behavior of these sectoral and occupational reallocations within the labor force. The evidence, based on PILA and household survey data, indicates there was no increase in the reallocation of workers between sectors or occupations during the pandemic. In fact, churning or rotation rates, the rate of transition between jobs in different sectors, and the percentage of unemployed who are looking for different occupations are all below what was recorded prior to the start of the pandemic. This suggests that no pressure to shift the economy’s aggregate Beveridge curve would be generated through this channel.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/moderate-employment-growth-and-dynamics-transitions-among-employed