Working papers economics - Labor Market Trajectories and Earnings Dynamics in Colombia

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AUTHORS AND/OR EDITORS Morales-Zurita, Leonardo Fabio Ocampo-Díaz, Sergio Samaniego de la Parra, Brenda
Understanding labour market dynamics requires far more than a snapshot at a single point in time. This study shows that stability and continuity in formal employment are associated not only with higher earnings, but also with more predictable and less volatile earnings trajectories. These findings underscore the importance of policies that strengthen sustained attachment to the formal sector as a means of reducing labour income inequality and uncertainty in Colombia.

Publication Date: Thursday, 15 of October 2026 **Approach**
The literature on income dynamics and dispersion has long recognized that cross-sectional measures provide only a partial picture of workers' economic outcomes. This has motivated a growing body of research using longitudinal administrative data in both advanced and developing economies to track workers over extended periods and examine how labour market trajectories shape earnings dynamics. Despite its importance, systematic and internationally comparable evidence on formal earnings dynamics in Colombia has remained limited, largely due to the inability of traditional surveys to follow the same individuals over long periods. This paper helps fill that gap by providing, for the first time in Colombia, a description of formal labour earnings dynamics over more than a decade, drawing on the richness of social security administrative records.

Contribution
The study examines formal labour earnings in Colombia using social security administrative records covering the universe of formal workers between 2009 and 2024. The analysis follows the methodological framework of the Global Repository of Income Dynamics (GRID), an international project that produces harmonized statistics on earnings dynamics, enabling direct comparisons between Colombia and other countries.

Using this information, the paper documents a set of stylized facts on the dispersion, growth, and volatility of formal earnings, moving beyond static measures of variability to characterize how earnings evolve at the individual level. Its main contribution is to show that individual formal-sector attachment histories are key to understanding observed levels of earnings dispersion and volatility. To this end, the study classifies workers into groups according to their trajectories of attachment to the formal sector.

Results
The results point to a modest decline in the concentration of formal earnings and broadly stable earnings dispersion throughout the period under analysis, patterns comparable to those observed in the United States and

Brazil. The analysis identifies five groups of workers based on their formal-sector attachment trajectories, which account for most of the variation in formal participation.

Earnings dispersion is concentrated among workers with weak attachment to the formal sector, whereas workers with strong and sustained formal-sector attachment exhibit substantially lower and more stable earnings dispersion, as well as a greater likelihood of being employed by larger firms.

Taken together, the evidence highlights the central role of long-term formal-sector attachment in shaping earnings dynamics. Stability and continuity in formal employment are associated not only with higher earnings, but also with more predictable and less volatile earnings trajectories. These findings suggest that policies aimed at strengthening sustained attachment to the formal sector may play a critical role in reducing earnings inequality and income uncertainty in Colombia.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/working-papers-economics/labor-market-trajectories-earnings