



Wage Differentials Across Economic Sectors in the Colombian Formal Labour Market: Evidence from a survey of firms

Working Paper No. 629 Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Ana María Iregui Ligia Melo María Teresa Ramírez

The existence of wage differentials across sectors is a widely observed phenomenon. This paper provides new elements to understand inter and intra-sectoral wage differentials in Colombia by analysing a wage setting survey of 1305 firms and emphasizing the role of firm characteristics. The results from the descriptive analysis of the survey confirm the existence of substantial wage differentials across sectors and occupational positions in the country. We found positive wage differentials, with respect to the average of the economy for the different occupational groups, in electricity, gas, water and mining, financial services and manufacturing and strong negative wage differentials in agriculture, forestry and fishing. When analysing wage differential within each occupational group, higher wage dispersion is observed in the case of managers, followed by professionals. The lower wage dispersion for the least qualified jobs could be associated with the existence of a minimum wage in the country. In addition, we estimate cross section models for each occupational group and sector to account for the importance of firm characteristics in explaining wage differentials.

The participation of the firms that agreed to complete the survey also is appreciated. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.