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

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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.

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