



# An Exploratory Analysis of Heterogeneity on Regional Labour Markets and Unemployment Rates in Colombia: An MFACT approach

Working Paper No. 802 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.

AUTHORS AND/OR EDITORS Cárdenas-Hurtado, Camilo Alberto Hernández-Montes, María Alejandra Jhon Edwar Torres Gorron

In this paper we study the structural determinants of differentials in unemployment rates and labour markets' performance for colombian cities. Following the framework proposed by Elhorst (2003) and using cross-sectional data for 23 metropolitan areas, we apply an extension of a principal axes method proposed by Bécue-Bertaut and Pagès (2004, 2008), Multiple Factor Analysis for Multiple Contingency Tables (MFACT), in order to establish unobserved factors that are relevant when disentangling the heterogeneity captured by groups of variables that are considered to explain regional unemployment differentials. Our findings suggest that differences on qualified labour supply levels, participation incentives and age structure are important to understand regional heterogeneity on labour markets and unemployment rates. In addition, we find that cities that display high unemployment rates do not necessarily share the same characteristics, that is, frictions that originate unemployment are not the same across colombian cities.

The views expressed in the paper are those of the authors and do not represent those of the Banco de la República or its Board of Directors.