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

Working Paper No. 802 Keep in mind
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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.

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Fuente: https://www.banrep.gov.co/en/borrador-802