Working papers economics - Minimum wage effects on labour informality: heterogeneity across demographic groups in Colombia

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Publication Date: Friday, 18 of July 2025 Abstract
We present evidence of the minimum wage effects on labour informality rates in Colombia, where the informality is by far the most serious problem of the labour market. The working population is divided into sixteen groups depending on the age, gender, and educational level. This division allows us to estimate how the relative level of restrictiveness of the minimum wage across different demographic groups affect the probability of being an informal worker. We find that the higher the minimum wage with respect to the 70th percentile wage, the higher will be the probability of being informal. Across different demographic groups, we find significant effects for men and women between 18 to 25 years old with lower education levels. Also, less-educated women aged 51 to 65 years old are affected by the minimum wage policy. For these groups, an increase of one percentage point (pp) in the MW ratio increases the probability of having an informal job between 0.35 and 0.99 pp compared to the reference group (men aged 26 to 40 years old and with higher education level) depending on the informality rate measure employed.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/minimum-wage-effects-informality-across-demographic-groups-colombia