

The Labor Market: Performance to February and Estimate of the Impact caused by the Health Emergency

The Labor Market: Performance to February and Estimate of the Impact caused by the Health Emergency
With figures to February 2020, when the health emergency on account of COVID-19 had not been decreed yet in the country, the labor market exhibited a moderate recovery in employment in the urban area, while the deterioration in the rural sector continued.

The good performance of urban employment is explained mainly by the formal segment, and to a lesser extent by the informal sector, a situation that is also reflected in the vacancy and recruitment indexes. In contrast, employment in the rural sector continued to decline, led mainly by the agricultural sector.

The activities that mostly contributed to the destruction of agricultural employment are mixed farming (crop and livestock), supporting activities, and livestock. The labor supply stabilized in the urban sector, while it continued to fall in the rural sector in annual terms, which eventually resulted in a relatively stable unemployment rate (UR). Thus, a significant dichotomy between urban and rural areas persists.

Finally, the estimates to February were showing that the UR was greater than the average of the estimated long-term unemployment rate consistent with stable inflation (Non-Accelerating Inflation Rate of Unemployment: NAIRU), which would suggest low inflationary pressures.

Starting in mid-March, the global pandemic on account of COVID-19 was declared, and a few days later the National Government took a series of measures to decrease the pace of contagion, of which the most important was forced isolation.

These measures would significantly change labor market conditions, affecting urban and informal employment to a greater extent. Therefore, the second section of this report presents some estimates of the effect that the COVID-19 emergency could have on the labor market in Colombia, for which different impact scenarios on economic growth are considered. The estimates with more likelihood of occurrence show increases in the UR fluctuating between 2.5 pp and 8.2 pp. for the remainder of 2020, depending on the magnitude of the impact on economic activity.