

# THE DYNAMICS OF THE COLOMBIAN LABOR MARKET: Which is the role of worker flows?

Download Other Working Papers 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.

AUTHOR OR EDITOR Francisco Lasso-Valderrama

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date: Tuesday, 14 of July 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

The flows of the population of working age between labor states are essential information to understand the dynamics of the labor market. Its estimation is made from the informality module of household surveys applied to the ten main cities by the Departamento Administrativo Nacional de Estadística (DANE) in the second quarter from 1986 to 2019. Based on these flows Markov chains are constructed for two periods and four labor states: salaried, non-salaried, unemployed and inactive. The findings show that the Markov chains are not homogeneous in time, however, their equilibrium probabilities predict with good precision the population that the labor states will have a period ahead. They also show the existence of a significant number of inactive, even greater than the number of unemployed, willing to accept a "good" job opportunity and even more so if they are salaried. This flow of inactive secondary workers that goes directly to employment and that goes to unemployment are counter-cyclical. While the flow of retirement to inactivity from employment is pro-cyclical and, from unemployment, although not significant, it is countercyclical. On the other hand, the job search models accurately predict the movement of workers within the workforce, the entry into unemployment is counter-cyclical and the exit, like the change in employment, is pro-cyclical. Finally, the cyclical variations in wage employment and unemployment have an inverse relationship and are determined in a high percentage by the flows between these two populations; likewise, the flows between the nonsalaried and inactive labor states are the most important in the synchronized and countercyclical fluctuations in the rates of non-salaried employment and inactivity.