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

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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.

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