
[Document](#)

Keep in mind

The series *Documentos de trabajo sobre economía regional y urbana* (only in Spanish, Working Papers on Regional and Urban Economics) is a publication of Banco de la República in Cartagena. The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Samaniego de la Parra, Brenda Otero-Cortés, Andrea Morales, Leonardo Fabio](#)

The series [Documentos de Trabajo Sobre Economía Regional y Urbana](#) is a publication of Banco de la República in Cartagena. The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

Publication Date:
Wednesday, 20 of October 2021

Abstract

In 2014, Colombia implemented a policy that added flexibilization to labor contracts for part-time workers that reduced the quasi-fixed costs of employing formal workers. We find that the reform increased the probability of entering the formal sector within the targeted population: low-wage, part-time workers. We use administrative employer-employee matched data and leverage variation across cities and industries in demand for part-time work before the reform. We find that, after the tax reform, the change in the total number of formal workers is 6 percentage points higher at firms that use the new contracts relative to their counterparts that choose not to hire low-wage, formal, part-time workers under the new tax form. Mean daily wages temporarily declined after the reform.