Methodological Notes of the Historical Statistical Series: Labor Market

Must reads Historical Statistical Series for Colombia See the Historical Statistical Series  Labor market indicators

The labor market is where labor supply and demand interact. Labor supply refers to individuals who are willing to work, while labor demand comprises the employers that hire such workers.

The labor market data is sourced from the Great Integrated Household Survey (GEIH in Spanish) conducted by the National Administrative Department of Statistics (DANE in Spanish). This survey provides various indicators of employment and unemployment behavior in Colombia.

Before describing the indicators presented, it is crucial to understand key definitions used in their calculation:

Working Age Population (WAP): it is the share of 15-year-olds or more in the total population.

Labor force: The total number of persons of working age who performed or sought to perform an economic activity in the reference week of the survey. That is, the employed and unemployed.

In this repository, the three main labor market indicators are presented:

Labor force participation rate: Labor force participation rate is the ratio between the total labor force divided by the total working-age population.

Employment rate: Employment rate is the extent to which available labor resources (people available to work) are being used. It is the ratio between the population with a job divided by the total working-age population.

Unemployment rate: Unemployment rate is the share of the labor force without work. Unemployed people are those of working age who do not have a job, are available for work and have taken specific steps to find a job in the previous four weeks.

History
The GEIH has been collected since 2006. However, household surveys have been developed in Colombia since the 1970s by DANE, with the beginning of the National Household Survey (ENH in Spanish), whose purpose was to produce demographic, social, and economic statistics. Between 1970 and 1999, the ENH had different coverage (4 cities, 7 cities), periodicities, and purposes.

Since January 2000, following a year of pilot tests, DANE implemented the Continuous Household Survey (ECH in Spanish) in the following cities and their metropolitan areas: Bogotá Cali, Medellín, Barranquilla, Bucaramanga, Manizales, Pasto, Pereira, Cucuta, Villavicencio, Ibagué, Montería, and Cartagena.

During 2000, the quarterly Traditional Survey and the new Continuous Survey were conducted simultaneously to provide information that would allow to analyze the differences in the results of the two methods and to

identify the basic criteria for splicing the series. Between 2001 and 2004, the sample size was increased several times.

In 2005, a proposal was made to integrate the three most important household surveys conducted by DANE: the Continuous Household Survey (ECH), the National Income and Expenditure Survey (ENIG in Spanish), and the Quality-of-Life Survey (ECV in Spanish). Subsequently, in 2006, the design of the Great Integrated Household Survey (GEIH) began. The labor market survey (ECH) served as its central component due to its continuous nature and its large sample size and coverage. The GEIH collection started on 07 August 2006.

In 2009, the collection of the GEIH began with the sample frame of the 2005 census, and in the last quarter of 2012, results for 8 new cities were added, thus completing 100% of departmental capital cities.

In 2019, DANE began the redesign of the GEIH based on the sampling frame resulting from the National Population and Housing Census (CNPV in Spanish) 2018, expanding its sample for new geographic disaggregation and new income and monetary poverty indicators. In addition, conceptual updates were made to adopt international definitions about the working age and the measurement of informality, among others, and to meet the public policy needs dictated by the National Development Plan 2018-2022, which proposes overcoming the statistical invisibility of prioritized population groups (peasant, LGBT, and disabled populations).

During 2021, the GEIH 2005 and GEIH 2018 were conducted simultaneously to observe differentials to facilitate the splicing of the series. In 2022, DANE continued with the collection of the GEIH 2018 only.

For more details on the latest GEIH redesign, please refer to the press release issued by DANE.

Technical issues
The oldest monthly series available are those for the aggregate of the 13 major cities and metropolitan areas, as well as the national total, which have been built since January 2001.

To obtain these series, DANE designed a splicing methodology between the GEIH 2005 framework and the GEIH 2018 framework. It assumes that the 2005 framework is optimal for surveys conducted before 2010. Therefore, the data from 2001 to 2009 are based on the GEIH 2005 calculations.

To generate data between 2010 and 2020, a splicing factor was applied between the GEIH 2005 and GEIH 2018 based on the results of 2021, where the two surveys were conducted simultaneously. This factor is applied to the series of employed and those outside the labor force.

For more details on the splicing methodology, please refer to the technical note. Other methodological details can also be found in the methodological sheet and the presentation of the new GEIH approach.

Minimum wage and transport allowance
In Colombia, wages in each sector are determined by the interaction between labor supply and demand. However, there is a minimum wage that is used as a salary reference and a basis for determining allowances, minimum payments for social security contributions, and others.

The legal monthly minimum wage (SMMLV in Spanish) is the lowest amount that employers are legally required to pay their employees for a month’s work. This wage is set by the government and is intended to ensure a minimum standard of living for workers. (Article 145, Substantive Labor Code).

Along with the minimum wage, employers provide workers with a transport allowance to cover commuting expenses. Currently, only those earning a wage less than or equal to two legal minimum wages are eligible for this benefit. Like the minimum wage, this allowance is updated annually by Colombian Government decrees,

considering different factors such as inflation and productivity.

At the end of each year, a tripartite labor concertation committee (*Mesa de Concertación Laboral*, in Spanish) is convened to agree on the monthly minimum wage for the following year. This negotiation involves the Permanent Commission for the Coordination of Salary and Labor (*Comisión Permanente de Concertación de Políticas Salariales y Laborales*, in Spanish) Policies, which includes representatives from the Colombian Government, the labor union, and union leaders. Both workers and employers propose an adjustment figure considering parameters such as the next year's inflation target set by the Board of *Banco de la República* (the Central Bank of Colombia), Total Factor Productivity, the Contribution of Wages to National Income, the increase in Gross Domestic Product (GDP), and the Consumer Price Index (CPI). If a consensus is not reached, the Colombian Government sets the minimum wage by decree, considering the same parameters.

The minimum wage in Colombia was established by Law 6 of 1945, which allowed the government to set minimum wages through decrees and according to factors such as the cost of living and the economic capacity of companies, among others. The minimum wage became effective in 1949 with a value of two pesos per day and was defined as the amount that every worker is entitled to receive for their subsistence and that of their family. Until the 1980s, there were several minimum wages (by department, economic sector, company size, urban and rural area), but in 1983 they were unified for all Colombian workers.

Initially, the minimum wage was not necessarily adjusted at the beginning of each year, and the frequency of adjustments depended mainly on inflation, that is, it could not be adjusted for several years, or it could be adjusted several times in one year. This changed in 1979, when the minimum wage started to be adjusted annually.

Later, the Political Constitution of 1991 stated, in Chapter 2, that the labor law must include some fundamental principles, among which is the minimum vital and mobile remuneration, proportional to the quantity and quality of the work. In addition, through Article 56, it created the Permanent Commission for the Coordination of Salary and Labor Policies, responsible for proposing the minimum wage annually in order to promote good labor relations, contribute to the solution of collective labor conflicts, and agreeing on wage and labor policies (Ministry of Labor). This commission is made up of an equal number of representatives of the government, employers, and workers.

In turn, the transport allowance was legally established by Law 15 of 1959, which mandated a monetary benefit for workers, in addition to the minimum wage, to cover transportation costs from their residence to their workplace. Chapter II of Decree 1258 of 1959 defined the regulations for this benefit.

The data published in this repository correspond to the values set in the decrees of the Colombian Government for each year, and no transformation was made to the data.

References

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Fuente: https://www.banrep.gov.co/en/historical-statistical-series/labor-market