Unemployment Rate and the Real Wage Behavior: A Neoclassical Hint for the Colombian Labor Market Adjustment

Working Paper No. 180 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 Luis Eduardo Arango Carlos Esteban Posada Publication Date: Thursday, 21 of June 2001
The Colombian urban unemployment rate grew dramatically over the last six years. At the same time the real wage also had a sharp increase. The empirical evidence supports the hypothesis that an exogenous increase in the real wage was a cause of the unemployment growth. The long-run elasticity suggests that one percent increase of the real wage index increases unemployment rate something between 0.7 and 1.0 percent. Therefore it seems necessary that real wage comes back to its equilibrium path for the reduction of the unemployment rate to the natural level.

Fuente: https://www.banrep.gov.co/en/borrador180