

Keep in mind

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AUTHOR OR EDITOR

[Luis Eduardo Arango](#) [Carlos Esteban Posada](#)

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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.