Wage Adjustment Practices and the Link between Price and Wages: Survey Evidence from Colombian Firms

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The aim of this paper is to explore firms wage adjustment practices in the Colombian formal labor market; specifically, the timing and frequency of wage increases, as well as the link between wage and price changes. To this end, we use an ad hoc survey of 1,305 small, medium and large firms belonging to all economic sectors, except the public sector. The results show most of the firms adjust base wages annually, mainly during the first quarter, which suggests wage changes in Colombia are time-dependent. Also, wage increases were concentrated around observed inflation and none of the firms cut wages. Moreover, factors associated with the performance of firms and workers alike are the main determinants of wage adjustments. Regarding the link between wages and price changes, econometric results indicate this relationship is stronger in sectors where labor costs represent a higher share of total costs and in firms operating in sectors with higher labor productivity.

The participation of the firms that agreed to complete the survey also is appreciated. 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.

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