

---

[Working Paper No. 419](#)

Tenga en cuenta

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.

Autor o Editor

[Jorge Galán Camacho](#) [Miguel Sarmiento Paipilla](#)

Autores y/o editores

[Jorge Galán Camacho](#)

---

During the period 2000-2004 central banks sustained a generalized reduction in their staff, which was accompanied, in most cases, with significant increases in staff costs. This could obey to an enhanced interest of central banks in focusing on their core functions. In fact, central banks have changed the ways they perform their operative functions (e.g. currency operations, payment systems operation, printing notes, etc.) through different strategies aimed at gathering the participation of third parties. These strategies differ according to the relationship that central banks have with the financial sector and the government, as well as to their historical tradition and modernization trend. To explain the effect of these changes on the staff, we estimated a short-term labor demand function for 66 central banks using a panel data model with random effects. Results indicate that central banks' labor demand is strongly determined by the country's population, economic development level and changes in operative functions, as well as by staff costs. In addition, we found a low employment-wage elasticity suggesting the presence of a flexible budgetary constrain in central banks.

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.