Successes and Failures of the Labor Market Reform in Colombia

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Near the end of 2002, Colombia’s Congress approved Law 789, better known as the labor market reform. Regardless of the fact that the reform has not yet completed two years of operation, and many of the changes in the labor legislation are expected to have long term effects, this study intends to measure its impact on labor markets using the only variable that, theoretically, does not have ambiguous effects: the duration of unemployment (Bentolila and Bertola, 1990). However, this is not the only key variable that can be used to establish the net effect on employment and unemployment. Hence, this study also analyzes the effects of Colombia’s labor reform on the duration of unemployment. In short, we approximate the measurement problem by studying the effects on labor rotation and the unemployment-employment-unemployment flows. In this analysis, it is even more interesting to explore this rotation among different economic sectors and different groups of the population. This is accomplished by using different econometrical techniques and by differentiating the population according to age, educational attainment and economic sector.

Fuente: https://www.banrep.gov.co/en/news/events/successes-failures-labor-market-reform-07-december-2005