

Historical Deterioration of the Labor Market due to the Health Crisis

The Covid-19 pandemic brought about an unprecedented deterioration of the Colombian labor market, both in terms of its pace and magnitude. About a quarter of pre-crisis employment was destroyed in March and April, and while a slight upturn in occupation occurred in May, its annual falls continue to exceed 20%.

Job destruction was widespread, affecting both rural and urban areas (although with greater intensity in the latter), and has occurred in similar proportions both in the non-salaried segment as in the salaried segment, despite the fact that the latter is more rigid.

At the onset of the crisis, given the impossibility of seeking employment, a significant proportion of the employment destroyed was absorbed by inactivity, which attenuated the historically high increases in the unemployment rates.

In May, by contrast, the entry of inactive persons into the labor market began to push up unemployment measures. In view of this scenario, the national unemployment rate in 2020 is forecast, on average, between 16.5% and 19.0%.

By the end of the year, this would leave the unemployment rate close to 4.3 percentage points (pp) above the level consistent with stable inflation. This, together with the signs of declining wages, would suggest a large slack in the labor market during the second half of the year, resulting in downward pressures on inflation via wage costs.

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