Labor Market Report – Recent Rebound in Employment and a Regional Analysis of Urban Employment in the Post-Pandemic Period

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This series aims to broaden the discussion and the understanding of the current situation of the Colombian labor market, providing relevant information for the general public. In addition, this series seeks a better approach with the different audiences on valuable results of recent research on this subject and relevant to *Banco de la República*'s work, such as topics related to labor market fluidity, structural unemployment rate, payroll tax impacts, unemployment rate forecasts, and leading indicators of the labor market, among others.

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Data from the Official Colombian Household Survey (GEIH, by its acronym in Spanish) suggests that, following a period of contraction at the end of 2023, employment grew across all geographic domains. This performance is largely explained by the stronger performance of employment in other municipalities and rural areas, which has resumed growth in recent months. At the national level, employment reached levels close to 23.2 million employed people in the quarter ending in August 2024. Accordingly, the employment-to-population ratio (EPR) stood at 57.6% over the same period. Despite the recent improvement in other municipalities and rural areas, over the medium term, the recovery of employment in this domain has been slower than in urban areas. This explains the current heterogeneity in employment-to-population ratios across the two domains: 59.4% in the twenty-three main cities and 55.8% in other municipalities and rural areas.

By employment status, the GEIH shows that salaried employment grew over the last two quarters and was the segment that contributed the most to the annual change in total employment, particularly within the category of private-sector employees. Administrative records, such as pension contributors and affiliates to family compensation funds, show a more stable performance of salaried workers. However, both sources of information show improved performance for this segment, in contrast to the decline observed at the end of 2023. By sector, trade and accommodation, manufacturing, and agriculture were the largest contributors to the annual change in employment, while construction made the largest negative contribution. In turn, the labor force participation rate (LFPR) has remained relatively stable, with a recent rebound observed in other municipalities and rural areas, in line with developments in labor demand in this domain.

Regarding the unemployment rate (UR), in recent months, the growth dynamics observed up to the beginning of this year has been slowing down. Specifically, in rural areas, the UR has begun to decline marginally. In the quarter ending in August, the UR stood at 10.4% in urban areas and 9.9% in other municipalities and rural areas. This, together with the fact that the vacancy rate remains high, leads us to conclude that the labor market is relatively tight. Forecasts for the UR in 2024 suggest relative stability, with 10.3% as the most likely value for

the thirteen main cities and the national aggregate. For 2025, the average urban UR is expected to range from 8.6% to 12.2%, with 10.4% as the most likely value. In turn, the national aggregate UR is expected to range from 8.4% to 12%, with 10.2% as the most likely value. Together, these forecasts reflect the improved dynamics observed and expected in both the labor market and economic activity. Finally, the UR gap is expected to continue narrowing during 2024 and 2025.

As usual, this report is divided into two sections. The first provides a detailed analysis of the current labor market situation summarized above. The second studies the recovery of the labor market during the post-pandemic period from a regional perspective. For this analysis, the country's main cities are classified into three clusters according to the characteristics of their labor markets. The first cluster comprises five of the largest cities, characterized by high employment and low informality. The second cluster is dominated by medium-sized cities, with relatively high employment rates but also higher levels of informality. The third cluster groups smaller cities, on average, with low employment and high informality.

When characterizing the performance of the different clusters since the onset of the pandemic, it has been found that recovery has been led by the first cluster, particularly in Medellín, with increases in both employment and labor force participation and substantial reductions in unemployment. The opposite is observed in the second cluster, particularly in Cartagena, where employment and labor force participation contracted, and unemployment has only recently returned to pre-pandemic levels. As for the third cluster, reductions in unemployment are similar to those observed in the first cluster; however, they are mainly explained by declines in labor force participation.

Fuente: https://www.banrep.gov.co/en/publications-research/labor-market-reports/october-2024