

Keep in mind

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.

AUTHOR OR EDITOR

Ana Maria Iregui

Ligia Melo

María Teresa Ramírez

---

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.