

Moderate wage increases and flexible

labour contracts to protect employment in Colombian manufacturing

DOI:

<https://doi.org/10.1016/j.jpolmod.2022.07.002>

Publicado:

Miércoles, 10 Agosto 2022

Authors:

[Luis E. Arango](#)

Clasificación JEL:

J23

[Descargar documento](#)

Lo más reciente

[Borradores de Economía - Impuesto al patrimonio y estructura de capital de las empresas:
oferta de crédito y efectos reales](#)

Hernán Rincón-Castro

[Borradores de Economía - ¿Los desastres naturales y los anuncios de eventos ENSO tienen un
impacto en las medidas de expectativas de inflación basadas en el mercado?](#)

Luis Fernando Melo-Velandia, Daniel Parra-Amado, Juan Pablo Bermúdez-Cespedes

[Riesgo de balance en los bancos centrales: el papel del capital y las estrategias para
preservarlo](#)

Lina Fernanda Torres-Gutierrez, Gonzalo Ossa-Stipcianos, Edwin Mauricio Parra-Rodriguez,
Egberto Alexander Riveros, Alvaro José Martinez-Monroy, Julián Andrés Gomez-Duran, Juan
Sebastián Rojas-Moreno

[Otras Publicaciones](#)

Based on conditional and unconditional demands for labour, we exploit the variations of real minimum wage across manufacturing subsectors to present evidence that this variable affects formal employment. *The long-term elasticity of labour demand to the minimum wage is around -0.7.* Accordingly, increases in the minimum wage lead to job losses for unskilled labour, mainly in plants with fewer than 100; thus, small increases in the minimum wage are desirable to protect employment. Labour demand is highly cyclical: the output elasticity is about 1.7. Thus, some flexibility in labour contracts is desirable to reduce the link between employment and variation of plants' sales. Open-ended labour contracts might allow reductions of the nominal wage rather than inducing job losses during periods of severe slumps, as has happened during the COVID-19 pandemic.