

Editorial

Unemployment Repercussions on the Colombian Productive Structure

Colombia and the world are experiencing a considerable painful labor situation, caused by the COVID-19 pandemic. According to preliminary calculations made by international organizations such as the World Bank and the Economic Commission for Latin America (ECLAC), and national organizations such as the Colombian Department of Statistics (DANE, by its acronym in Spanish), the loss of jobs in relation to the world economy in the first semester of 2020 was 400 million, while for the Colombian economy in the second quarter of the same year it was approximately five million.

Obviously, health crisis increased unemployment in Colombia; however, we must remember that unemployment in the country had been rising since 2015. If we take the data reported by DANE for the two years prior to the pandemic, we observe that in October 2018 unemployment was 9.1%, while for the same month of 2019 rose to 9.8% and by February 2020, before the mandatory confinement to contain the advance of the pandemic, unemployment reached 12.2%. In turn, with the worsening of the pandemic in October 2020, unemployment reached 14.7%.

Before the pandemic broke out, the economy was on a growth path, although job creation was incipient and the inverse relationship posed by economic theory was not fulfilled, according to which the higher growth, the lower the unemployment rate, which it shows the weaknesses and shortcomings of the development model implemented in Colombia. This model has been supported, to a large extent, by predatory mining, which uses capital intensively, but marginalizes the agricultural and industrial sectors that are strong in the use of labor.

In general terms, it can be affirmed that unemployment in Colombia, especially in recent years, has severely affected certain sectors of the population, as well as unskilled labor. The pandemic accentuated unemployment in these sectors and in unskilled work, and incidentally widened the social gap. This situation occurs especially in young people and women, and in unskilled workers, who progressively increase the labor informality. In other words, the structural problems that characterize the labor market have increased with the health crisis.

According to DANE, in the most severe period of the pandemic, female unemployment rose considerably. In October 2020, the male unemployment rate was 10.7%, while the female rate stood at 20.1%. In the same month of 2019, these values were 7.8% and 12.5%, respectively. Juan Manuel Oviedo, DANE director, affirms that “for every man who enters unemployment, there are two women entering, with a good proportion entering the housework”. For Oviedo, the most affected productive sectors and that occupy a significant proportion of

female work are accommodation and food services, education and human health care, public administration and defense, sectors that he calls highly “feminized”, one more reason that explains the negative impact on female employment.

Manifestly, if before the health crisis women had difficulties finding employment, the pandemic demonstrated that its incidence will not be momentary but lasting. Female unemployment has been the object of study by different researchers, but perhaps the most complete is that carried out by a group of researchers from the Universidad de los Andes, who, when inquiring about the causes of high unemployment in women, basically formulated two hypotheses: the first coincides with the opinion of DANE director, in the sense that a high percentage of women work in productive activities such as those mentioned above, which have been the hardest hit by the economic crisis. However, this ratio only explains 14% of the drop in women’s employment compared to men’s.

The other hypothesis suggests that household heads, especially women, had to abandon their work to dedicate themselves to caring for their children, due to the closure of schools, kindergarten and childcare centers, whatever this type of activity, as a result of the quarantine, they began to be carried out remotely. According to the research, this ratio explains more than 50% of the reduction in female employment compared to male.

Another structural labor problem in Colombia is high informality, which is manifested in the fact that 60% of workers are not hired according to what is established in current labor legislation; a situation that already existed before the crisis but has deepened with the arrival of it. Some analysts (Mario Valencia and María Claudia Llanes, among others) maintain that more than 60% of the newly employed in October 2020 are self-employed, which means that, although it is true that there has been a rebound of the labor market, these new jobs are characterized by being of low quality and low remuneration.

To confront female unemployment, the Government, through Women’s Equity Council, has proposed some strategies for generating employment with a territorial approach. And the private sector, for its part, through the Trade Union Council, has promoted the initiative “A program in favor of gender equality”.

On the other hand, 24 renowned economists, many of them former officials of the economic team of various governments, suggested to the national government to create employment based on three initiatives: small public works that are labor intensive, temporary flexibility of the labor market, consisting of a reduction of the minimum wage by 20%, and acceleration of public investment. Undoubtedly, the most controversial initiative is that of labor flexibility, a suggestion shared by the Minister of Finance, by the National Association of Financial Institutions (ANIF, by its acronym in Spanish) and by some international experts. It is concluded that, when wages fall, businessmen are those who are going to increase their profits and produce more, but, at the end of the day, the purchasing power of the workers contracts and the demand is reduced, that is, the strategy failed.

In our opinion, the determining factor is to generate formal jobs by increasing the volume of business to employ informal workers and thus increase their income and, in this way, purchasing power would grow and the economy would reactivate. Unlike those who think that it is best to lower the minimum wage to create new jobs, we consider that this strategy would be self-defeating, since the minimum wage in Colombia, calculated in dollars, is relatively low.

Luis Eudoro Vallejo Zamudio

Director de la Revista Apuntes del Cenes

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