Box 3
Recent Trends in the Labor Market: the Positive Outlook for Agricultural Employment

Graph B3.1
Overall Participation Rate

(Percentage)

Legend: 13 cities | 23 cities | Other districts and rural areas | National

Source: DANE, calculations by *Banco de la República.*

Over the course of 2017, and based on the lower economic growth, the Colombian labor market continued to show signs of weakening. However, the deterioration of the unemployment rate (UR) was much lower in the country as a whole than in the urban areas. This divergence was due, to a large extent, to the growth of employment in rural areas,[1] especially in the agricultural sector. Indeed, the favorable conditions in rural areas and other districts[2] compensated for the deterioration in the main cities during the first quarter of 2017.

Based on the lower economic activity, the overall labor participation rate (OPR)[3] has shown a downward trend at the national level. This performance became more accentuated over the last few months of 2017 marked by drops in the OPR of the twenty-three cities and their metropolitan areas.[4] In addition, in the case of the other municipal districts and the rural areas, there are still positive changes in participation although these are increasingly closer to zero (Graph B3.1). In spite of the above, it is important to emphasize that the current levels of labor participation are high and even similar to those seen during 2011.

In terms of labor demand, there were significant declines during 2017, especially in urban areas. When the employment rate (ER)[5] is used as a measurement of labor demand, it can be seen that the ER for the twenty-three cities showed an annual drop[6] of 0.9 percentage points (pp), which was reflected to a small degree in a decline of the national aggregate (0.4 pp). In contrast, the strength of the employment in other districts and rural areas maintained a growth trend partially offsetting the fall in urban employment (Graph B3.2).

In spite of the lower labor participation, the poor performance of labor demand during 2017 led to a sustained increase in the UR, at both the urban and national levels. In the case of the other municipal districts and rural areas, the upswing in the UR is mainly due to an increase in labor participation. In December, the UR for the 23 cities was 10.7%; for the other municipal districts and rural areas, it was 8.2%; and in the national aggregate, it was 9.5% all of which were relatively higher levels than those that had been registered the year before (Graphic B3.3).

However, despite the deterioration registered in the labor demand, the positive trends of agricultural employment, which is mainly concentrated in the other municipal districts and rural areas (which account for 97% of the agricultural employment), stand out. When the semiannual average of employment in 2017 (July-December) is compared to what was registered for the same period the previous year, it can be seen that the agricultural sector showed the highest annual employment growth with 182,000 new employees, which included 16,000 in the other municipal districts
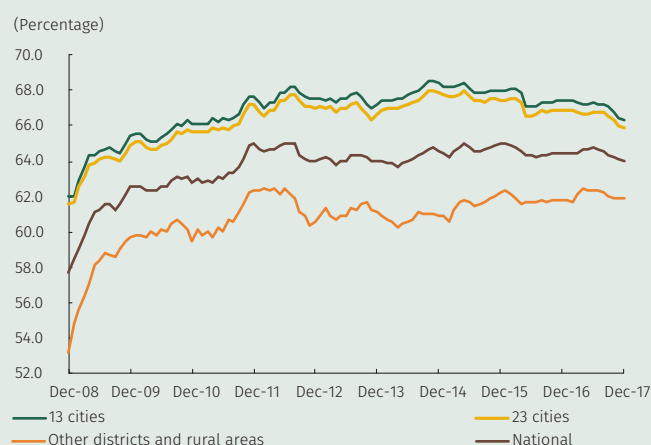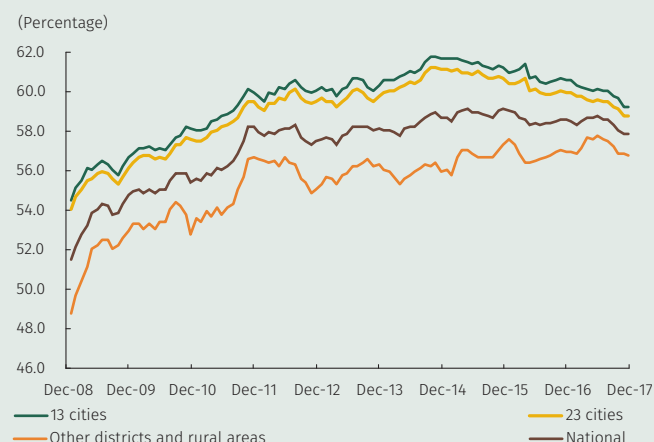
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1   In this document, the term 'rural area' is used based on the definition for that area provided by the National Bureau of Statistics (DANE) as 'scattered rural areas and population centers'.

2   The other municipal districts correspond to those that are capitals of department and municipal districts that are not included in either the twenty-three cities or their metropolitan areas.

3   The OPR is calculated as the ratio of the people of working age who work or are willing to work to the total number of people of working age (WAP).

4   The twenty-three cities and their metropolitan areas are: Bogotá, Medellín (Caldas, La Estrella, Sabaneta, Itagüí, Envigado, Bello, Girardota, Copacabana, and Barbosa), Cali (Yumbo), Barranquilla (Soledad), Bucaramanga (Girón, Piedecuesta and Floridablanca), Manizales (Villa María), Pasto, Cartagena, Cúcuta (Villa del Rosario, Los Patios and El Zulia), Neiva, Pereira (Dosquebradas and La Virginia), Montería, Villavicencio, Tunja, Quibdó, Popayán, Ibagué, Valledupar, Sincelejo, Riohacha, Florencia, Santa Marta and Armenia. To summarize, when both the twenty-three cities and a specific city are referred to, it must be understood that they include their metropolitan areas as listed in this footnote.

5   The ER is the percentage ratio between the employed population and the number of people who make up the WAP.
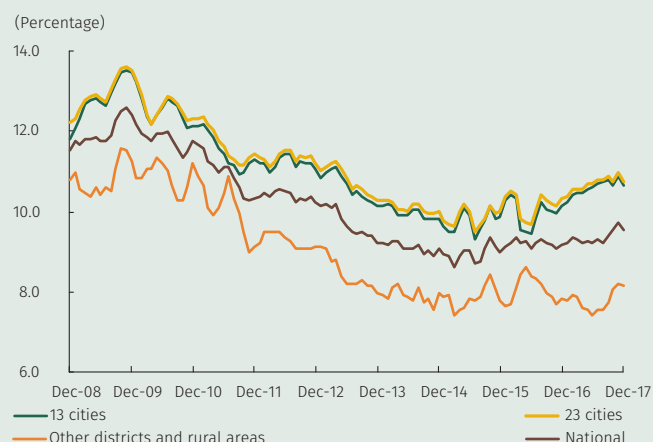
6   In this report, the term annual variation/change refers to the annual variation of the semiannual average.

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Graph B3.2
Employment Rate

(Percentage)

Source: DANE, calculations by *Banco de la República.*

Graph B3.3
Unemployment Rate

(Percentage)

Source: DANE, calculations by *Banco de la República.*

and 164,000 in rural areas (Table B3.1).[7] Other sectors that also showed positive increases in employment, although much more moderate, were real estate, business services, and transportation.

It should be noted that the rise in employment registered in the agricultural sector over the last year becomes more relevant when the fact that it represented 17% (3.7 million) of the total number of employed people at the national level (22.4 million jobs) is considered. With that it surpassed the industrial sector (12%) and ranked below the commercial (27%) and service (19%) sectors. Therefore, the agricultural sector was the economic branch that

generated the largest number of jobs within the national total over the last year.

An interesting outcome can be seen when the performance of agricultural employment is analyzed by geographic regions. Graph B3.4 shows a growing trend in agricultural employment since mid-2015, mainly in the Atlantic and Pacific regions. Furthermore, although it has remained relatively stable over the last year, the Central region is the one that contributes the most to employment in this sector.

When agricultural employment is broken down by subsectors, the main job generators in most of the regions were
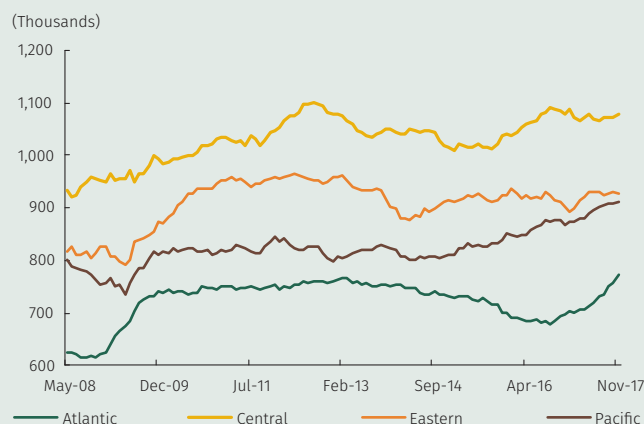
Table B3.1
Annual change in Employment by Sector
(thousands of people)

	23 cities	Other districts	Rural	National
Total	-10	64	80	134
Not reported	1	4	-1	4
Agriculture	2	16	164	182
Mining and quarrying	-1	9	-10	-2
Manufacturing Industry	-16	15	17	16
Electricity, Gas, and Water	5	-4	5	6
Construction	0	4	7	11
Commerce	-52	-38	-47	-137
Transportation	38	8	-20	26
Financial intermediation	-24	4	0	-20
Real estate	67	28	-13	82
Community services	-28	18	-23	-33

Source: DANE (household survey).

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7   The remaining 2000 correspond to the people employed in the 23 cities.

Graph B3.4
Thousands of People Employed in the Agricultural Sector by Region[a]

(Thousands)

a/ Atlantic Region: Atlántico, Bolivar, Cesar, Cordoba, La Guajira, Magdalena, and Sucre. Eastern Region: Boyacá, Cundinamarca, Meta, Norte de Santander, Santander. Central Region: Antioquia, Caldas, Caquetá, Huila, Quindío, Risaralda, Tolima. Pacific Region: Cauca, Choco, Nariño, Valle del Cauca. Yearly moving average
Source: DANE, calculations by *Banco de la República*.

found to be the subsectors of livestock, hunting and fishing, and the subsector of agricultural and livestock services. For example, employment stability in the Central region is due to greater activity in the livestock, hunting and fishing, and agricultural and livestock service subsectors, which compensated for the recent drop in employment in the coffee sector. In the Pacific region, the subsector of agricultural and livestock services was the main player behind the positive performance of demand in this region as it has shown a growth trend since 2012 and become the largest employer in 2017. In addition, the subsector of livestock, hunting, and fishing was the main source of agricultural employment in the Atlantic region during the last year in contrast to what took place in the Eastern region where this subsector registered the worst performance. Nonetheless, this greater sluggishness in the Eastern region was offset by significant growth in the agricultural and livestock service subsector, which led to the stabilization of the agricultural employment there.