Employment Generation in Colombia: A Look at the Effects of Law 100 of 1993, Labor Reforms, and Organizational Management (1993-2023)

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Abstract

This article analyzes the impact of Law 100 of 1993 on job creation in Colombia, examining how labor reforms—particularly Law 789 of 2002—reconfigured organizational management models throughout the country. Through a documentary approach and secondary data analysis from DANE, the Bank of the Republic, and the OECD, the transformations of the labor market over three decades are evaluated. Results show that the rise in parafiscal costs imposed critical challenges on the financial management of organizations, creating pressures toward informality, while labor flexibility reforms enabled new human talent management schemes with mixed effects on job quality. Recent evidence from Amodio and de Roux (2023) regarding labor market power on the demand side suggests that organizational decision-making capacity directly influences the determination of wage conditions. The study includes a comparative analysis by presidential periods and concludes that decent work generation depends on a balance between state social protection and the efficiency of organizational management within productive units facing regional disparities.

Keywords: Law 100 of 1993, Law 789 of 2002, labor reform, job creation, organizational management, labor informality, labor market power, Colombia

1. INTRODUCTION

The comprehensive reform of the social security system in Colombia through Law 100 of 1993 represented a turning point in the country's labor history (Función Pública, 1993). After its implementation, parafiscal costs on payroll increased significantly, from 30.7% to more than 37% (Banco de la República, 2001), generating concern about its effects on the generation of formal employment.

The increase in the tax burden on payrolls has been identified as a determining

factor in companies' hiring decisions. Bentolila and Bertola (1990) establish that employment protection legislation (EPL) has double effects: it improves job security but can reduce net job creation, particularly in smaller firms. Kugler (2000), using difference-in-differences in Colombian data, found that the 1990 reform increased rates of flow to and from unemployment in the formal sector compared to the informal sector.

In the Latin American context, Kaplan (2008) found that the relaxation of labor regulations could generate a net increase in employment of 2.08% on average, through an increase in hiring (3.64%) that compensates for the increase in layoffs (1.56%). This finding suggests that reforms aimed at reducing rigidities can improve labor market dynamics, albeit with significant transition costs.

Recently, Amodio and de Roux (2023) documented the existence of labor market power (*markdowns*) in Colombian manufacturing plants, estimating that the marginal product of labor is approximately 40% higher than the wage paid, which has profound implications for understanding wage dynamics in the country.

This research aims to analyze how Law 100 of 1993 and complementary labor reforms, especially Law 789 of 2002, affected employment generation in Colombia during the period 1993-2023, considering the international theoretical framework on labor rigidities, market power and their impact on unemployment, with special emphasis on regional disparities in decent employment. the political-presidential context and the findings of Colombian researchers on these reforms.

Theoretical Framework

Labor Rigidities and Structural Unemployment

The economic literature on unemployment in Europe and Latin America has identified labour market rigidities as key determinants of structural unemployment. Nickell and Layard (1999) argue that various labor market institutions, including employment protection, may contribute to unemployment, although empirical evidence is mixed.

Freeman (2010) and Blanchard and Wolfers (2000) complement this view by pointing out that the interaction between *economic shocks* and labor institutions determines labor market outcomes. Evidence suggests that the effects of employment protection vary by type of worker and firm, disproportionately impacting lower-skilled workers.

The regulation of the labor market generates heterogeneous effects according to institutional and economic contexts. Botero et al. (2004) document that countries with higher labor regulation tend to exhibit higher levels of unemployment and the informal economy, particularly in developing economies. However, the direction of causality and specific channels of transmission continue to be the subject of scholarly debate.

Non-Wage Costs and Dynamic Labor Demand

The dynamic labor demand model developed by Bentolila and Bertola (1990) shows that high dismissal costs reduce both hiring and dismissals, generating lower labor

turnover but also less dynamism in job creation. Bertola (1994) adds that employment protection can strengthen the bargaining position of workers, increasing wages and reducing the profitability of investments in employment.

The production-conditional labor demand function can be expressed as:

$$L_t = f(w_t, c_f, c_a, K_t, Y_t)$$

where L_t it represents employment in the period$t$, wages, $w_t c_f$ fixed hiring costs, c_a adjustment costs (including layoffs), capital $K_t stock$, and Y_t level of production. Parafiscal costs increase, reducing the elasticity of labor demand with respect to production (Hamermesh, 1993).c_f

Heckman and Pagés (2000) analyze the effects of job security on employment and turnover in Latin America, finding that high dismissal costs reduce both job creation and destruction, generating less labor mobility and particularly affecting young and lower-skilled workers.

Job Search and Matching Theory

The job search and matching model developed by Diamond (1982), Mortensen (1982) and Pissarides (1985), recognized with the 2010 Nobel Prize in Economics, provides a fundamental theoretical framework for understanding labor market frictions.

The DMP (Diamond-Mortensen-Pissarides) model states that unemployment results from the time required for workers and employers to meet and reach mutually beneficial agreements (Pissarides, 2000). The pairing function is expressed as:

$$m_t = m(u_t, v_t)$$

where it represents successful matches, $m_t u_t$ the number of unemployed and the number of vacancies. Labor market stress is defined as $v_t \theta_t = v_t / u_t$.

This theoretical framework allows us to analyze how labor reforms that modify hiring and firing costs affect firms' incentives to create vacancies and workers' incentives to accept offers. Policies that increase separation costs reduce both the rate of job creation and the rate of job destruction, generating ambiguous effects on equilibrium unemployment (Mortensen & Pissarides, 1999).

Petrongolo and Pissarides (2001) apply this framework to the analysis of the Beveridge Curve, demonstrating that labor reforms that reduce search frictions can improve matching efficiency without necessarily increasing job insecurity.

Human Capital Theory and Labor Productivity

The theory of human capital developed by Becker (1964) and Mincer (1974) states that investment in education and training increases labor productivity, generating higher wages and better employment opportunities. In the context of labor reforms, the accumulation of human capital interacts with labor market institutions in complex ways.

The Mincerian income function establishes:

$$ln(w_i) = \alpha + \beta_1 S_i + \beta_2 X_i + \beta_3 X_i^2 + \epsilon_i$$

where it represents the individual's salary, $w_i iS_i$ years of education, X_i work experience, and ϵ_i the error term (Lemieux, 2006). Empirical evidence for Colombia documents positive and significant returns to education, with heterogeneity by educational level and geographic region (Mora & Muro, 2018).

Acemoglu and Pischke (1999) show that in labor markets with significant friction, firms may be willing to fund general worker training, contrary to the predictions of Becker's model of perfect competition. This finding has implications for the design of labor flexibility policies: if the reduction of dismissal costs increases turnover, firms will reduce investment in specific human capital, affecting long-term productivity.

Labor Market Power and Wages

Recent research by Amodio and de Roux (2023) introduces a novel perspective by documenting the existence of labor market power by employers in Colombia. Using data from manufacturing and customs plants, the authors estimate an inverse elasticity of labor supply of about 0.4, implying that the marginal product of labor is 40% greater than the wage paid.

This finding favors a framework of labor oligopsony over perfect competition, and suggests that policies that reduce employers' market power could improve distributional outcomes without necessarily reducing employment. In an oligopsony model, the salary *markdown* is expressed as:

$$\mu = \frac{MPL - w}{w} = \frac{1}{\epsilon_{LS}}$$

where it represents the μ*markdown*, the marginal product of labor, the wage and the elasticity of the labor supply faced by the firm (Manning, 2003).$MPLw\epsilon_{LS}$

Tortarolo and Zárate (2020), cited in Amodio and de Roux (2023), find that the presence of a binding minimum wage (among the highest in Latin America according to Mondragón-Vélez et al., 2010) reduces the estimated inverse elasticity, suggesting that minimum price controls can partially mitigate employers' market power.

Manning (2003, 2011) develops a comprehensive theoretical framework of labor monopsony, arguing that frictions in labor mobility grant market power to employers even in multi-firm markets. This framework is particularly relevant for Colombia, where high informality and geographical barriers limit labor mobility.

Duality of the Labor Market and Informality

The literature on dual labour markets, pioneered by Doeringer and Piore (1971), distinguishes between a formal (primary) sector with stable and protected jobs, and an informal (secondary) sector with precarious and unprotected jobs. In Latin America, this duality is manifested in persistently high rates of informality.

Maloney (1999, 2004) challenges the traditional view of informality as a subsistence sector, arguing that for certain workers, informality represents a voluntary choice that maximizes utility, considering flexibility and the evasion of onerous regulations. However, this perspective has been challenged by evidence documenting significant wage gaps between the formal and informal sectors, controlling for observable characteristics (Pratap & Quintin, 2006).

Levy (2008) provides a comprehensive analysis of informality in Mexico, arguing that non-contributory social security programs financed by general taxes act as implicit subsidies to informality, reducing incentives for formalization. This framework is relevant for Colombia, where programs such as the Subsidized Regime in health can generate similar effects.

Law 100 of 1993: Labor Provisions

Law 100 of 1993, enacted on December 23, 1993, established the Comprehensive Social Security System in Colombia with three components: health, pensions and occupational risks (Public Function, 1993). From the labor perspective, the regulation introduced significant modifications in hiring costs.

Increased Parafiscal Costs

The implementation of Law 100 substantially increased the parafiscal burdens on the payroll. According to documents from the Bank of the Republic (2001), before Law 100 the surcharge on behalf of companies was 30.7%, increasing after its approval. This additional burden particularly affected micro, small and medium-sized enterprises, which face greater liquidity constraints to assume fixed personnel costs.

Effects on Labor Formality

The relationship between high non-wage costs and labor informality has been extensively documented. Rico (2024) points out that the Colombian labor market is characterized by persistent high informality, reaching 56% at the national level in 2023. According to the Bank of the Republic (Rico, 2025), labor informality in Colombia is marked by regional and educational gaps. People with less education and who work in small businesses are more likely to be in informal employment, which perpetuates a cycle of precariousness.

Complementary Labour Reforms (1990-2002)

Law 50 of 1990

This regulation introduced fundamental modifications to the Substantive Labor Code, facilitating temporary contracts and modifying the severance pay regime (Rodríguez, 2014). Law 50 reduced the cost overruns of the previous severance regime and allowed new contractual modalities (UMNG Repository, 2017).

Kugler's (2000) research used a difference-in-differences design to assess the impact of this reform, finding that *hazard rates* to and from unemployment increased after the reform for formal workers compared to informal workers.

Law 789 of 2002: Regulatory Framework and Objectives

Law 789 of 2002, enacted on December 27, 2002, represented the second major labor reform aimed at making the Colombian labor market more flexible (Función Pública, 2002). The main components of the reform included:

1. Reduction of severance payments for dismissal without just cause
2. Reduction of surcharges for night work
3. Reduction of surcharges for overtime and Sunday work
4. Creation of the Social Protection System (SPS)
5. Reduction of parafiscal contributions for companies that hire workers with salaries below 10 minimum wages
6. Creation of the Fund for the Promotion of Employment and Protection of Unemployment

National Empirical Evidence on Law 789 of 2002

Núñez's study (2005)

Núñez (2005) carried out one of the first comprehensive analyses of the impact of the 2002 labor reform on the generation and quality of employment in Colombia. The main findings include positive effects on the generation of salaried employment, especially in the formal sector, with a greater impact on workers with lower levels of education and medium-sized companies.

Study by Barrera and Cárdenas (2003)

Barrera and Cárdenas (2003) analyzed the anticipated impact of the labor reform on labor demand in Colombia using simulation models. A potential increase in formal employment was projected between 1.5% and 3.0% depending on the implementation scenario.

Study by Yanes Guerra (2017)

Yanes Guerra (2017) analyzed the 2002 labor reform and its relationship with the dynamics of industrial employment during the period 2002-2014. The author concludes that Law 789 contributed to the recovery of industrial employment after the crisis of the late 1990s, but its effects were limited by structural factors such as the revaluation of the peso and import competition.

Synthesis of National Evidence

The accumulated evidence suggests differentiated effects according to the period of analysis, economic sector and type of worker. Although there is consensus on positive short-term effects on the generation of formal employment, concerns persist about the quality of employment and the long-term sustainability of strategies based exclusively on labor flexibility.

Impact on Temporary Employment

Dimension	Pre-Reform (2001-2002)	Projections Ex-Ante (2003)	Results Ex-Post (2003–2010)

Total Employment	15.2 million	Increase 1.5-3.0%	Growth 2.1% annually
Temporary Contracts	25-30%	Expected increase	30-40%
Labor Rotation	15-20%	Expected increase	25-35%
Average Duration	8-12 months	Possible reduction	6-9 months
Temporary Formalization	40-45%	Increment 5-10 pp	Increment 3-5 pp
Transition to Permanent	30-35%	Possible reduction	20-25%

Table 1: Impact of Law 789 of 2002 on temporary employment. Sources: Barrera and Cárdenas (2003); Núñez (2005); Yanes Guerra (2017); DANE

Evolution of the Colombian Labor Market (1993-2023)

General Employment Trends

The employment rate in Colombia averaged 58.10% between 2001 and 2025, reaching a maximum of 64.01% in October 2011 and a minimum of 42.50% in April 2020 during the health crisis (Trading Economics, 2025). By December 2023, the national unemployment rate was 8.0%, representing a decrease of 1.1 percentage points compared to the same month in 2022 (DANE, 2024).

Persistent labor informality

Labor informality has persisted as the main challenge of the Colombian labor market. Despite the reforms aimed at making it more flexible, the labor informality rate remained at levels above 56% during 2023 (Rico, 2024). The main source of labor informality comes from self-employment, which represents 75% of informal work (Rico, 2025).

Recent evidence indicates that high minimum wage is associated with an increase in the likelihood of informal work among young people with low educational attainment (Rico, 2024). A 2023 study on the effects of facilitating social security contributions under part-time contracts found a 5.5% increase in formal employment in firms more exposed to cost reductions (Harker, 2023).

Evolution of the Labor Market by Presidential Periods (1993-2023)

The analysis of the effects of Law 100 of 1993 and Law 789 of 2002 on employment acquires greater depth when contextualized in the successive governments that administered, regulated, and adjusted the labor regulatory framework during the three decades studied (Wikipedia, 2026; Georgetown University, 2010).

President	Period	Unemployment	Informality	Work milestones
César Gaviria	1990-1994	8-10%	$\sim$45%	Law 50/1990; Law 100/1993
Ernesto Samper	1994-1998	10-13%	$\sim$50%	Implementation of Law 100

Andres Pastrana	1998-2002	15-21%	$\sim$55%	Crisis 1999; Law 789/2002
Álvaro Uribe	2002-2010	10-16%	55-58%	Implementation of Law 789
Juan Manuel Santos	2010-2018	8-12%	50-55%	Law 1429/2010; Peace Agreement
Iván Duque	2018-2022	9-20%	55-57%	COVID-19 pandemic
Gustavo Petro	2022-2023	9-11%	$\sim$56%	Labour reform 2023

Table 2: Labor indicators by presidential term. Sources: DANE (2024); Rico (2024); Bank of the Republic (2001)

Gaviria Government (1990-1994): The Double Structural Reform

The government of César Gaviria coincided with the two most transformative reforms of the Colombian labor market: Law 50 of 1990 and Law 100 of 1993 (Public Function, 1993; Rodríguez, 2014). Although the unemployment rate remained in moderate ranges (8-10%), parafiscal costs on payroll jumped from 30.7% to more than 37% (Banco de la República, 2001).

Samper Government (1994-1998): Implementation and First Tensions

During the government of Ernesto Samper, the full implementation of Law 100 was consolidated. The combination of high parafiscal costs with an economy affected by the internal political crisis produced a progressive increase in unemployment (10-13%) and an expansion of informality towards 50% (Pulzo, 2019).

Pastrana Government (1998-2002): The Most Severe Labor Crisis

The government of Andrés Pastrana faced the worst labor crisis of the period under study. The economic recession of 1999 brought the unemployment rate to historic levels close to 21% (Pulzo, 2019). This context was the direct trigger for the design of Law 789 of 2002, enacted in the last days of the Pastrana government (Public Function, 2002).

Uribe Government (2002-2010): Flexibility and Relative Recovery

Álvaro Uribe's two terms were marked by the implementation of Law 789 of 2002 and a sustained economic recovery. Unemployment fell from 16-17% in 2003 to levels of 10-12% at the end of the period (Pulzo, 2019). However, the recovery was accompanied by greater contractual precariousness and persistence of informality at around 55-58% (Núñez, 2005; Yanes Guerra, 2017).

Santos Government (2010-2018): Institutionalization and Relative Formalization

The government of Juan Manuel Santos introduced Law 1429 of 2010, which sought to encourage business and labor formalization through progressive

reductions of parafiscal for new companies (Congreso de Colombia, 2010). During this period, the unemployment rate fell to its pre-pandemic record low (8-9%).

Duque Government (2018-2022): The Pandemic Shock

The government of Iván Duque faced the COVID-19 pandemic, bringing national unemployment to 21% in April 2020 and the employment rate to its historic low of 42.50% (Trading Economics, 2025). The subsequent recovery was rapid but uneven, with persistence of informality at around 55-57% (DANE, 2024).

Petro Government (2022-2023, study cut-off): Reform and structural debate

At the end of the analysis period (2023), the government of Gustavo Petro presented a Labor Reform Project aimed at reversing several elements of Law 789 of 2002 (Presidency of the Republic, 2023). The unemployment rate stood at 8.0% in December 2023 (DANE, 2024), with a persistent national informality of 56% (Rico, 2024).

Comparative Summary: Presidential Cycles and the Labor Market

The tour of governments from 1993-2023 shows three recurring patterns. First, the structural labor reforms had effects that transcended the presidential periods in which they were enacted. Second, exogenous macroeconomic shocks —the 1999 crisis and the 2020 pandemic— were more decisive for the level of unemployment than domestic labor policies, in line with Blanchard and Wolfers (2000). Third, no government of the period managed to reduce labor informality significantly at the national level, which indicates that the problem transcends individual political orientations and responds to deep economic and territorial structures (Rico, 2024, 2025).

Regional Analysis of Decent Employment in Colombia

Territorial Disparities

The Colombian labor market presents significant territorial heterogeneity. Bogotá has historically shown lower rates of informality and greater generation of formal employment compared to intermediate and small cities (DANE, 2023a). The 13 main metropolitan areas concentrate most of the country's formal employment, but show notable differences in the quality of the employment generated (DNP, 2024).

Decent Employment in Major Cities (2023)

City/Area Metro	Occupation (%)	Informality (%)	Security Social (%)	Guesthouse (%)
Bogotá D.C.	61.8	38.2	61.8	58.4
Medellín	58.4	44.5	55.5	51.2
Cali	56.7	48.9	51.1	47.8
Barranquilla	57.2	52.3	47.7	44.3

Bucaramanga	60.1	46.8	53.2	49.8
Cartagena	54.8	55.7	44.3	41.0
Cúcuta	56.3	61.2	38.8	35.5
Montería	58.7	63.4	36.6	33.8
Total 13 cities	**59.2**	**46.8**	**53.2**	**49.7**
National Total	**58.1**	**56.0**	**44.0**	**40.8**

Table 3: Decent employment in main Colombian cities (Oct-Dec 2023). Sources: DANE (2024, 2023a); DNP (2024, 2023)

Urban Disparity Analysis

The data show that Bogotá maintains the most favorable position in the generation of decent employment, with an informality rate of 38.2%, significantly lower than the national average (56.0%) and that of the 13 main cities (46.8%) (DANE, 2023a). In contrast, cities such as Montería (63.4%), Cúcuta (61.2%), and Pasto (58.9%) have informality rates higher than the national average, reflecting less diversified economic structures (DNP, 2024).

Pension affiliation shows similar patterns. Bogotá reaches 58.4% affiliation among employed people, while Montería barely reaches 33.8%, evidencing a gap of 24.6 percentage points (DNP, 2023). This disparity has long-term implications for social protection and the sustainability of the Colombian pension system.

National Labor Indicators (1993-2023)

Indicator	Pre-1993	1993-2000	2001-2010	2011-2020	2021-2023
Parafiscal costs (%)	30.7	$>$37	37.2	$\sim$35	$\sim$30
Unemployment rate (%)	8-10	14-21	11-15	9-15	8-11
Informality rate (%)	$\sim$45	$\sim$55	$\sim$60	$\sim$55	56
Informal self-employment (%)	$\sim$35	$\sim$45	$\sim$48	$\sim$50	42
Formal employment (millions)	$\sim$4.5	$\sim$5.2	$\sim$6.5	$\sim$9.0	$\sim$10.5
Temporary contracts (%)	$<$10	15-25	25-35	30-40	$\sim$35

Table 4: Evolution of labor indicators in Colombia over three decades. Sources: Banco de la República (2001); Rico (2024, 2025); DANE (2024)

Discussion

Balance Between Projections and Observed Results

Law 789 of 2002, designed to counteract the negative effects of high labor costs, showed mixed results according to the evidence of national researchers. A comparative analysis between ex-ante projections and *ex-post* results reveals a fundamental paradox: the reforms generated employment, but simultaneously created new structural challenges in terms of job quality and stability.

Barrera and Cárdenas (2003) projected increases in formal employment between 1.5% and 3.0%. Subsequent empirical evidence suggests that these objectives were achieved modestly: formal employment grew approximately 2.1% per year on average during 2003-2010 (Yanes Guerra, 2017). Núñez (2005) documented immediate positive effects on the generation of salaried employment.

The new structural problem: precariousness and dualisation of the labour market

The reforms simultaneously generated what we can call "the gap in the quality of employment": a systematic deterioration in working conditions that was not anticipated in the initial projections. Critical indicators include:

1. Reduction in contractual stability: The average duration of temporary contracts decreased from 8-12 months to 6-9 months (Yanes Guerra, 2017)
2. Deteriorating transitions to permanent employment: The conversion rate fell from 30-35% to 20-25%
3. Increase in labor turnover: The turnover rate increased from 15-20% to 25-35% (Yanes Guerra, 2017)
4. Concentration of precariousness in vulnerable populations: Temporary employment was concentrated among women (58%) and young people (52%)
5. Persistence of informality: Despite the reforms, the informality rate remained at 56% in 2023 (Rico, 2024)

The paradox of flexibilization: more employment, less quality

The evidence of Yanes Guerra (2017) documents that, although industrial employment recovered moderately after 2003, the quality of employment measured by contractual stability showed relative deterioration in several subsectors. As Freeman (2010) points out, labor market institutions interact with *economic shocks in complex ways.*

The unresolved "formalization gap"

The persistence of an informality rate of 56% in 2023 (Rico, 2024) shows that

reforms failed to close the structural gap between the formal and informal sectors. Rico (2024, 2025) documents that 75% of informal work comes from self-employment, characterized by low accumulation of human capital. The reforms improved conditions for workers already linked to the formal sector, but deepened the dualization of the market by failing to address the root causes of informality.

Regional divergence: the "territorial gap"

The regional analysis reveals that the reforms widened territorial disparities rather than reduced them. Bogotá reached informality rates of 38.2%, while Montería reached 63.4%, evidencing a gap of 25.2 percentage points (DANE, 2023a; DNP, 2024). Homogeneous national policies of labor flexibility interacted in a differentiated way with local economic structures.

Implications for labour market power

The finding of Amodio and de Roux (2023) on labour market power (*markdowns* of 40%) adds complexity. If employers wield significant monopsony power, labor flexibilization could have strengthened their bargaining position. Tortarolo and Zárate (2020) find that the binding minimum wage partially mitigates this market power.

Conclusion of the balance: a quantitative success, a qualitative failure

The labor reforms of 2002 generated approximately what was projected in quantitative terms of employment (2.1% per year), but simultaneously created multiple structural "gaps": quality of employment, formalization, territorial distribution, and labor participation in income. This finding suggests that labor flexibility policies require robust institutional complements to avoid unintended adverse effects on job quality and distributive equity.

Conclusions

The analysis of three decades of labor reforms in Colombia (1993-2023) shows a persistent tension between social protection and labor market dynamism. Law 100 of 1993 significantly improved social security coverage for formal workers, but the increase in parafiscal costs generated pressures on labor formality. Law 789 of 2002 achieved modest effects on the generation of formal employment (2.1% per year), but it was accompanied by a deterioration in quality indicators: reduction of contractual stability, lower conversion of temporary to permanent jobs, and increase in labor turnover.

Labor informality persisted at levels above 56% throughout the period, showing that reforms aimed at formal companies did not reach 75% of informal work from self-employment. Regional disparities widened: Bogotá reached 38.2% informality while Montería reached 63.4%, suggesting that homogeneous national policies interact in a differentiated way with local economic structures.

The analysis by presidential terms reveals that exogenous macroeconomic shocks (1999 crisis and 2020 pandemic) were more decisive for the level of unemployment

than domestic labor policies. No government of the period managed to reduce informality significantly at the national level, indicating that the problem transcends individual political orientations and responds to deep economic structures.

Recent evidence on labour market power (*markdowns* of 40% according to Amodio and de Roux, 2023) suggests that flexibility without compensatory mechanisms can widen distributional gaps. The theoretical framework of job search and matching (Diamond-Mortensen-Pissarides) indicates that reforms that reduce separation costs generate ambiguous effects on equilibrium unemployment, reducing both job creation and destruction.

Future policies should consider:

1. Complement flexibilization with robust training and human capital accumulation programs
2. Design policies differentiated by region and economic sector
3. Address the root causes of informality (low accumulation of human capital, barriers to access to credit, formalization costs)
4. Implement mechanisms that mitigate the market power of employers
5. Strengthen social protection systems that do not generate implicit subsidies to informality

The balance sheet of three decades of labour reforms suggests that the search for a balance between social protection and labour market dynamism requires comprehensive approaches that simultaneously consider the quantity and quality of employment, avoiding the "quality gap" documented in this study.

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